



## Recent Work from The Sustainable Wood Production Initiative

## Can Washington State's Sawmilling Sector Expand?

John Perez-Garcia



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of future timber  
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lumber manufacturing  
industry expand?**



Photo by Bob Deal, USFS.

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### **In a Nutshell**

Everybody knows that business ventures can be risky. With the myriad of concerns a private landowner already has about the economic stability and success of their timberlands, who would opt to take the risk of starting up or expanding a business where even the potential supply of raw materials is in doubt? This question is especially pertinent to the Pacific Northwest's sawmilling sector. Given projections of future timber harvest, can the lumber manufacturing industry expand? According to research by John Perez-Garcia, University of Washington, the answer for Washington State is "yes."

### **Historical Analysis and Future Projections**

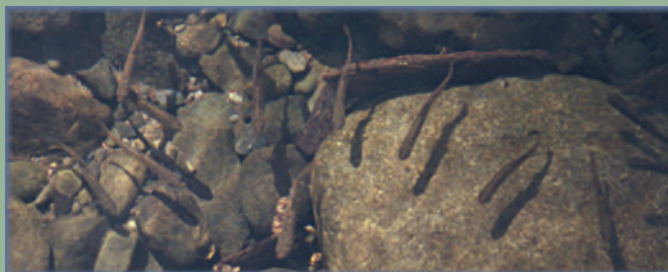
To gain the broadest perspective of the industry possible, Perez-Garcia and collaborators started with a historical analysis of mill utilization. Using Washington State Department of Natural Resources surveys from 1968 to 2002, they found that with a few exceptions, periods of high prices were related to periods of high utilization rates. The study was broken down by timbershed (forested areas grouped according to management types) to increase the resolution of the analysis, and these results are described in a recent report from the Center for International

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Trade in Forest Products (Perez-Garcia et al. 2005). As one might expect, current utilization is at an all-time high owing to the strong housing sector. And because the sector is recovering from a period of low prices, there is incentive for western Washington mills to increase activity. The analysis of mill utilization was followed up with an assessment of log use. Sawmills in Washington's south coast, southwest inland, and eastern Washington timbersheds were the main consumers of logs, with substantial amounts of log traffic among these areas. Logs were coming and going across state borders, too, with a considerable amount going to Oregon, and substantial imports now coming from British Columbia.

### Is There Enough Wood?

The above analysis suggests the question: Will there be enough wood available to keep mills working? In western Washington, a preliminary projection of timber volumes indicates that yes, current harvest levels can, in fact, be sustained in most places. And because inventories show growth into higher volume, older age-class forests; it appears that based on biological potential alone, wood will not be a limiting factor. Although this analysis does not explicitly address the ecological, regulatory, land use, and social factors that influence whether forests can continue producing wood over the long term, it does provide much-needed information about future harvest potentials and growth for the sawmilling sector—information that landowners, wood processors, and policymakers could use to help make decisions about whether to expand the industry.



Photo—Courtesy Erik Ackerson

### A Changing Industry

Lumber manufacturing, an industry that consumed a relatively small percentage of log harvests only 20 years ago, is now the biggest consumer of logs in Washington state, and it is in a position to grow bigger. All this despite the trend of among-timbershed log exports and a dwindling number of sawmills. Even though sawmill numbers have substantially decreased, their potential for processing is still high because milling capacity has been consolidated into fewer, larger mills. This consolidated industry is capable of milling smaller logs, has more capital, and uses less labor.

### Conclusions, Caveats, and Future Work

Based on high capacity rates in the past decade, projections of harvest level over the next couple of rotations, and the fact that current harvests are at a lower level than in previous decades it appears that an expansion of the lumber manufacturing industry is possible. However, these projections carry the assumption that land use patterns and regulatory constraints will continue into the future. More work is needed to integrate future trends of harvest levels and changes in societal factors. The current research from Perez-Garcia provides a baseline from which that can occur.

### Reference

**Perez-Garcia, J.; Barr, J.K.; and Daniels, J. 2005.** Washington's sawmilling sector analysis: capacity utilization rates and timber outlook. CINTRAFOR Working Paper 99, Seattle, WA: University of Washington, College of Forest Resources. 39 p.

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Photo—Courtesy Erik Ackerson

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