

Impact of the Forest Sector in the Washington State Economy

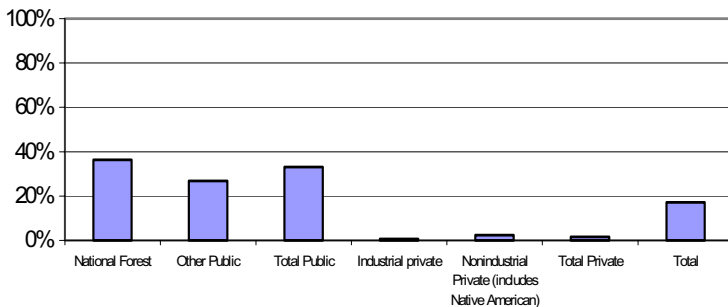
Over 20,000 owners in WA State manage forestland for commercial, recreational and resource protection objectives.

As a manufacturing industry the forest sector ranks second with 15% of the Gross Business Income, well behind transportation (primarily aircraft) at 42% but above food products at 11%. More than 51% of the total land in the state, or approximately 21 million acres, is in forestland. As a result, the forest sector supports a very diverse array of outputs compared to other sectors, including wood and paper products, recreation, water protection, habitat and wildlife. These outputs are renewable and sustainable.

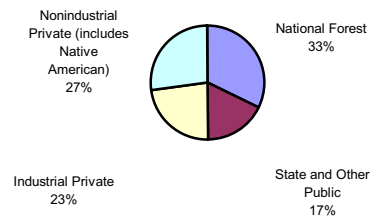
Timberland ownership is roughly half public and half private. Almost 20% of the timberlands have been placed in reserves with most on public lands. Most other public lands are managed to provide income for trust beneficiaries including schools, universities and counties.



Percent of Reserved Timberland by Ownership



Timberland (Reserved and Unreserved) Ownership Mix

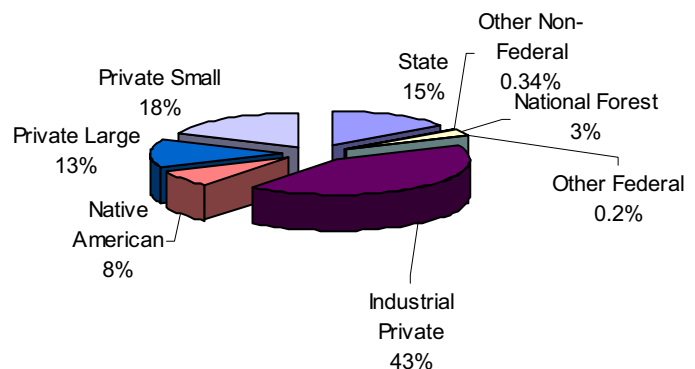


Earlier studies suggested a sustainable annual harvest potential for Washington State of 6.3 billion board feet but harvest levels have fallen to about 4.3 billion in recent years as a result of efforts to protect endangered species. In effect, some 45% of all timberland acres are not available for harvest. They have either been placed in reserves or restricted by regulations. Eighty two percent of the harvest in 1999 was supplied by the private sector, or 97% when including the trust lands managed by the state.

1999 Timber Harvest (thousand board feet)

Forest Industry	1,864,325	42.5%
Nonindustrial Private (includes Native Am.)	1,715,395	39.1%
Private Large	586,378	13.4%
Private Small	795,113	18.1%
Native American	333,904	7.6%
Total Private	3,579,720	81.7%
State	662,479	15.1%
Other Non-Federal	15,091	0.3%
National Forest	116,819	2.7%
Other Federal	8,670	0.2%
Total Public	803,059	18.3%
All Ownership	4,382,779	100%

Timber Harvest by Ownership, 1999



The forest sector annually generates over \$12 billion in gross business income with lumber and wood products slightly larger than paper and allied products.

International exports have historically been important but have declined from 37% of revenue in 1995 to only 20% by 1998 as a consequence of the Asian crisis, currency rates and other competitive pressures.

Total Gross Business Income by Industry
(Million Dollars)

	1999	2000	% of Total
Forestry	\$305	\$317	
Manufacturing	\$86,231	\$84,043	
Lumber and wood products	\$8,302	\$6,774	8%
Paper and allied products	\$3,452	\$5,742	7%
Other trans. equipment	\$40,672	\$34,979	42%
Food and kindred products	\$8,914	\$8,845	11%

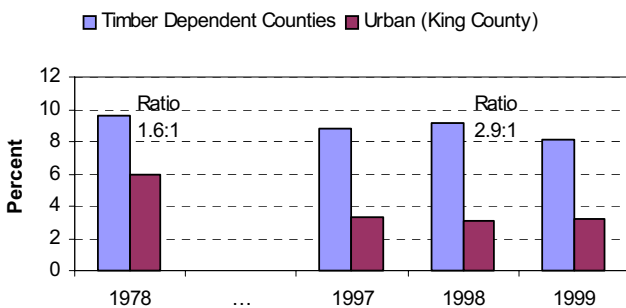
The lumber and paper sectors provided direct employment for 48,905 workers in 1999 with over 2 billion in wages. About 11 direct industry jobs and many more indirect jobs are supported by each 1 million board feet of harvest. These statistics do not include many proprietors and transportation workers associated with production.

Direct Employment in 1999	Annual Wage
Forestry	2,374 \$61,902,951
Lumber & Wood Products	33,133 \$1,251,950,933
Paper & Allied Products	15,772 \$807,339,971
Total	51,279 \$2,121,193,855

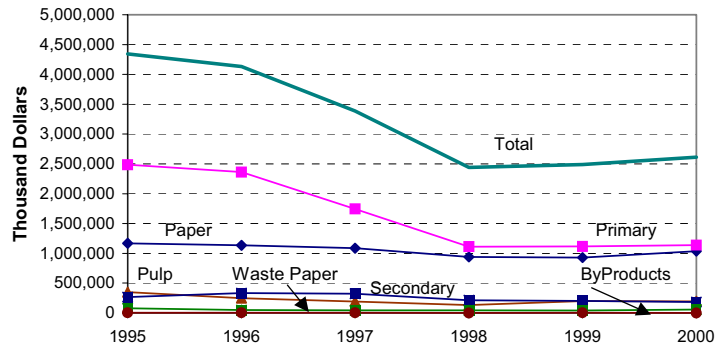
The unemployment in timber dependent counties remained much higher than in urban counties.

Unemployment Rates

Ratio: Timber Dependent Counties to Urban (King County)



Washington State Exports
(85% of Pacific Northwest exports)



Using the most recent analysis of indirect impacts in order to estimate the size of the economy with and without the Forest Sector, reveals that this sector supports 195,730 jobs across the state or 7.4% of total employment. Of these, 49% or 96,000 jobs are outside the metropolitan Puget Sound Region.

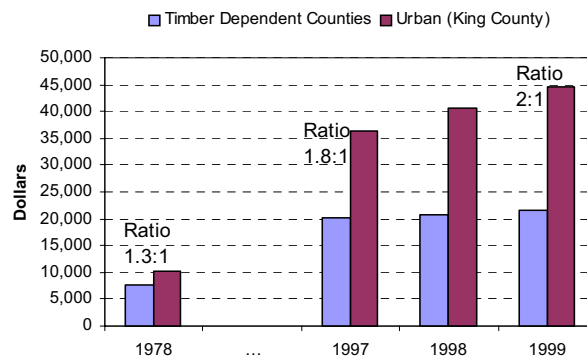
Forestry Industry Impacts in Washington
(using Conway's 1992 study)

	1999	Without Forest Products	Difference	% Difference
Total Employment	2,645,008	2,449,278	195,730	7.4
Manufacturing	359,049	295,497	63,552	17.7
Lumber and Wood Products	33,133	0	33,133	100
Pulp and Paper Products	15,772	0	15,772	100
Other Manufacturing	48,905	47,780	1,125	2.3
Gross State Product (mil \$)	209.958	193.791	16.167	7.7

The income in timber dependent counties have fallen behind the income in urban areas as a consequence of the declining harvest related to endangered species regulations, reduced competitiveness and the trend of income growth in urban areas.

Per Capita Income

Ratio: Urban (King County) to Timber Dependent Counties



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