



# **FOREST PRODUCTS INDUSTRIES ECONOMIC CONTRIBUTIONS TO MICHIGAN'S ECONOMY: 2016 UPDATE**

## **EXECUTIVE SUMMARY**

<sup>1</sup> Report prepared by Larry A. Leefers, Associate Professor, Department of Forestry, Michigan State University. Upon completion, the report will be posted online at [www.michigan.gov/forestproducts](http://www.michigan.gov/forestproducts).

### **MICHIGAN DEPARTMENT OF NATURAL RESOURCES MISSION STATEMENT**

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The Natural Resources Commission, as the governing body for the Michigan Department of Natural Resources, provides a strategic framework for the DNR to effectively manage your resources. The NRC holds monthly, public meetings throughout Michigan, working closely with its constituencies in establishing and improving natural resources management policy.

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For information or assistance on this publication, contact the Forest Resources Division, Michigan Department of Natural Resources, P.O. Box 30452, Lansing, MI 48909-7952.

This publication is available in alternative formats upon request.

At the Governor’s 2013 Forest Products Summit, the Michigan Department of Natural Resources (DNR) and the Governor-appointed Timber Advisory Council developed five goals to encourage growth of the industries by 2018:

- Increase the economic impact of the timber industry to \$20 billion.
- Increase exports of value-added forest products by 50 percent.
- Increase forest products jobs by 10 percent.
- Support existing industry.
- Encourage regionally based industry development.

This report updates a baseline assessment of industries’ contributions in 2012 using **2014 IMPLAN** data (IMPLAN Group LLC, www.implan.com), the latest economic data available. The report is the second in a series designed to help monitor progress toward the first three goals.

**Progress Toward Five-Year Goals**

The numeric targets for the first three goals are listed in the table below. Significant progress was made in 2014 – compared to 2012 values, total output (or sales), international exports, and number of direct jobs increased by 16 percent, 4 percent, and 12 percent respectively.

Goal	2012	2014	2018 Target
	Baseline	Nominal*	
Increasing economic impacts to \$20 billion (\$)	\$17.5 billion	\$20.3 billion	<b>\$20 billion</b>
Increasing Int’l value-added exports by 50% (\$)	\$484 million	\$505 million	<b>\$726 million</b>
Increasing forest products-related employment by 10% (# of jobs)	34,204	38,291	<b>37,624</b>

*\*2014 dollar values are not adjusted for inflation*

- The 2018 goals for increasing the forest products industry total output, and the number of direct forest products industry jobs have been met.
- International value-added exports have increased by 4 percent since 2012; however, the current strong U.S. dollar hampers efforts to increase international exports.
- Forest products industries provided 5.5 percent of manufacturing jobs in Michigan.
- In the Upper Peninsula, over one-third of manufacturing jobs were in these industries.

**Among Industries:**

- Wood furniture had the largest number of direct jobs (9,943) in 2014 and the third-largest direct output (\$2.02 billion).
- Secondary paper and paperboard products had the second-highest number of direct jobs (8,084), and the highest direct output (\$3.68 billion).

**At the Individual Sector Level:**

- The most jobs were in the paperboard container manufacturing, commercial logging, wood office furniture manufacturing, and sawmill mill sectors, respectively. Combined, they had over 17,000 direct jobs in 2014.
- Michigan’s wood office furniture and institutional furniture manufacturing sectors were among the top sectors in all U.S. states in number of jobs and annual wages.
- The top four sectors in output (or sales) were paperboard container manufacturing, paper mills, wood office furniture, and sawmills with \$6.3 billion in direct output.

### International Trade Flows:

- In 2015, forest products were about 2 percent of Michigan's total international exports, valued at \$54 billion.
- International exports totaled about \$1.05 billion from the wood furniture, wood products, paper, and paper product sectors in 2015, down slightly from \$1.15 billion in 2014.
- International imports were about twice the value of exports for these sectors. Notably, furniture imports have increased steadily since 2009.
- Michigan's largest international export markets are Canada, Mexico and China.
- Canada accounted for about 56 percent of our forest products exports in 2015.
- Exports to China had the fastest growth in recent years.
- Compared to other states' international trade, Michigan ranked 3<sup>rd</sup> nationally in furniture exports, 17<sup>th</sup> in wood products exports, and 20<sup>th</sup> in paper products.
- All three sectors have shown modest growth over the past five years.

### Domestic Exports:

- Domestic exports in wood product and paper industries are a much larger portion of Michigan's output than international exports.
- In 2012, Michigan was a net exporter of wood products, paper and furniture to domestic markets.

Sector	International (2015) (millions)		Domestic (2012) (millions)
	Exports	Imports	Exports
NAICS* 321 - Wood Products	\$165.9	\$496.6	\$1,445.0
NAICS 322 - Paper	\$339.2	\$479.6	\$3,745.0
NAICS 337 - Furniture & Fixtures	\$549.8	\$1,032.5	<i>na</i>
<b>Total</b>	<b>\$1,054.9</b>	<b>\$2,008.7</b>	<i>na</i>

\*North American Industry Classification System

### Comparison of the Forest Products Industry with Other Michigan Industries:

The forest products industries provide more direct employment than: (1) commercial fishing, hunting and trapping; (2) mining and oil and gas production; and (3) agricultural production. However, agricultural production industries had the highest value-added; that is, they contributed the most to Michigan's gross state product.

### Conclusions:

- The Governor's Summit goals of increasing forest products industry output to \$20 billion and number of direct jobs by 10 percent have been met.
- Import substitution provides another opportunity for expanding Michigan's forest products industries (e.g., replacing imported products with local products).
- Michigan's forest products industry compares favorably with other natural resource-based industries in Michigan: commercial fishing, hunting and trapping, mining, oil and gas production, and agricultural production.