



FOREST PRODUCTS INDUSTRIES' ECONOMIC CONTRIBUTIONS TO MICHIGAN'S ECONOMY IN 2013¹

EXECUTIVE SUMMARY

¹ 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.

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At the **Governor’s 2013 Forest Products Summit**, the Michigan Department of Natural Resources and the Governor-appointed Timber Advisory Council developed five goals to encourage growth of the forest products 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 is designed to update a baseline assessment of industries’ contributions in 2012, using the latest economic data and 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. Modest progress was made in 2013 – number of jobs and output increased by 2 percent and value-added exports by 6 percent.

GOAL	2012 BASELINE	2013 NOMINAL*	2018 TARGET
Increasing economic impacts to \$20 billion (\$)	\$17.5 billion	\$17.8 billion	\$20 billion
Increasing international value-added exports by 50 percent (\$)	\$484 million	\$518 million	\$726 million
Increasing forest products-related employment by 10 percent (# of jobs)	34,204	34,951	37,624

**2013 dollar values are unadjusted for inflation.*

AMONG INDUSTRIES:

- Wood furniture had the largest direct jobs contributions (8,845) in 2013, and the third-largest direct output (\$1.68 billion).
- Secondary paper and paperboard products had the second-highest direct jobs contributions (7,729), and the highest direct output (\$3.2 billion).

INDIVIDUAL SECTOR LEVEL:

- The most jobs were in the paperboard container manufacturing, commercial logging, wood office furniture manufacturing, and paper mill sectors, respectively. Combined, they had over 15,000 direct jobs in 2013.
- Among U.S. states in 2013, the wood office furniture and institutional furniture manufacturing sectors were among the top sectors in number of jobs and annual wages.
- Paperboard container manufacturing, paper mills, wood office furniture, and paperboard mills were the top four sectors in terms of output or sales, with \$5.6 billion in direct output.

INTERNATIONAL TRADE FLOWS:

- International exports totaled about \$1.1 billion from the wood products, paper, and furniture and fixtures North American Industry Classification System (NAICS) sectors in 2013.
- International imports were nearly double exports for these sectors.
- Michigan’s largest international export markets are Canada and Mexico.

- Canada accounted for about 58 percent of our forest products exports in 2013.
- Compared to other states' international trade, Michigan ranked 2nd nationally in furniture exports, 19th in wood products exports, and 21st in paper products.
- All three sectors have shown modest growth over the past five years.

DOMESTIC EXPORTS:

- In general, domestic exports in wood product and paper industries are a much larger portion of Michigan's output than international exports.
- Michigan was a net exporter of wood products, paper and furniture from domestic sources in 2013.

SECTOR	INTERNATIONAL (2013) (MILLIONS)		DOMESTIC (2012) (MILLIONS)
	Exports	Imports	Exports
NAICS* 321 - Wood Products	\$154,400	\$489,300	\$1,445,000
NAICS 322 - Paper	\$363,900	\$602,700	\$3,745,000
NAICS 337 - Furniture & Fixtures	\$650,500	\$857,800	n/a
Total	\$1,168,800	\$1,949,800	n/a

**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:

- Modest progress has been made toward the five-year goals.
- Michigan is a net importer of forest products in international trade.
- Domestic trade far exceeds international trade in terms of output or sales.
- 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, mining, oil and gas production, and agricultural production.
- Among strategies for achieving the five-year goals, efforts to increase industries' economic contributions to the \$20 billion target will also have the effect of achieving the targets for value-added international exports, and for increasing the number of jobs.