

## Key Points from:

### “Forest Products Industries’ Economic Contributions to Michigan’s Economy 2015 Edition<sup>1</sup>”

At the Governor’s 2013 Forest Products Summit, the Michigan Department of Natural Resources (MDNR) 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 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	<b>\$20 billion</b>
Increasing international value-added exports by 50 percent (\$)	\$484 million	\$518 million	<b>\$726 million</b>
Increasing forest products-related employment by 10 percent (# of jobs)	34,204	34,951	<b>37,624</b>

*\*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 (7,729), and the highest direct output (\$3.2 billion).

#### At the 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.

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<sup>1</sup> Report prepared by Larry A. Leefers, Associate Professor, Department of Forestry, Michigan State University. Complete report can be downloaded at: [www.michigan.gov/forestproducts](http://www.michigan.gov/forestproducts)

- 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 million from the wood products, paper, and furniture & fixtures 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 2<sup>nd</sup> nationally in furniture exports, 19<sup>th</sup> in wood products exports, and 21<sup>st</sup> 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 importer of wood products, paper and furniture from domestic sources in 2013.

Sector	International (2013)		Domestic (2012)
	Exports	Imports	Exports
<b>NAICS 321 - Wood Products</b>	\$154,400	\$489,300	\$1,445,000
<b>NAICS 322 - Paper</b>	\$363,900	\$602,700	\$3,745,000
<b>NAICS 337 - Furniture &amp; Fixtures</b>	\$650,500	\$857,800	<i>na</i>
<b>Total</b>	\$1,168,800	\$1,949,800	<i>na</i>

**Comparison of the forest products industry with other Michigan industries:**

The forest products industries provide more direct employment than the (1) commercial fishing, hunting and trapping, (2) mining and oil and gas production, and (3) agricultural production industries. 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 and domestic 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.