FRA Forest Forum

5-year Forest Products Industry Outlook and Potential Outcomes

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OUTLINE

• Introduction
• Global trends
• Forest industry trends
• What’s it all mean for FRA members – fodder for discussion
Innovative Natural Resource Solutions LLC

• Founded in 1994
• Offices in New Hampshire and Maine
• Focus at the intersection of sustainable forestry, forest industry, renewable energy and economic development
• Services include:
  - consulting in renewable energy and forest-based economic development
  - advocacy
  - forest management and protection
  - forest certification and sustainability
• Clients from the private, non-profit and government sectors
• Conducted work in all regions of North America
• www.inrsllc.com
Global Trends
Megatrends – Naisbitt 10 trends 1982

1. (late 1950s) **industrial**, blue-collar society to an **information**, clerical, white-collar society.
2. forced technology to **high tech (computers)**
3. **global economy** replacing national ones
4. **business** will shift from short-term planning to **long-term** perspectives, motivated both by concern for the environment and by economic necessity
5. **America** is rapidly **decentralizing** business, politics, and culture – local more important than national
6. institutional help, provided by government, medical institutions, the school system, and corporations, to **self-help** (do it yourself)
7. representational to **participatory democracy**

8. related shift from **hierarchies to networks** - the facilitator and the empowerer of others will be rewarded rather than the autocrat.

9. shift is from U.S. **North to South**, specifically from Northeast to Southwest and Florida.

10. the shift from **either/or to multiple options**, leading to (more roles for women, flextime in the workplace, various arts, specialty foods, cable television, and religious variety).
1. The global economic boom of the 1990's.
2. A renaissance in the arts.
3. The emergence of free-market socialism.
5. The privatization of the welfare state.
6. The rise of the Pacific rim.
There are many futurists and “trenders”...

Here are what I think are the important global and US trends for FRA to think about
1. **Shift in global economic power** – southeast Asia growing economies – true globalization of economies and shifting of labor from developed to developing countries for manufacturing
Current Global Trends (cont.)

2. **Demographic shift** – developed countries getting older – emerging countries are younger.

![Graph showing proportions of the world population aged 60 years or more from 1950 to 2050.](source: UN report World Population Ageing 1950–2050)
3. Accelerating **urbanization** - more and more of the world’s population living in urban and urbanizing areas. UN says the world urban population is expected to increase from 50% in 2015 to 72% of total population by 2050
Current Global Trends (cont.)

4. **Rise in technology** – computers and their speed

a. Current smart phone is dozens of times faster and has 100 times the memory of a 1980s super-computer

b. Computer networks

![Graph showing world population and connected population over time](image)
Current Global Trends (cont.)

5. Population growth, resource scarcity and climate change – 7.7 billion today and 8.3 billion by 2030 or so

With a population of 8.3 billion people by 2030, we’ll need...

- 50% more energy
- 40% more water
- 35% more food

Forest Industry Trends - GLOBAL
Forest Industry Trends (cont.)

World Forest Products Production (million m3)

Source: UN - FAO
Forest Industry Trends (cont.)

Forest area as a proportion of total land area in 1990, 2010 and 2015

NOTE: *Excluding Australia and New Zealand.
SOURCE: Based on UN, 2017a.
Major recent global trends:

- OSB and Particleboard production up (especially in Asia and E. Europe)
- Wood pellet production up (US South for export and elsewhere for both export and domestic use) – Europe and North America are over 90% of world production and consumption
- World forest products production and consumption have rebounded well after recession.
Biggest Importers of forest products:

- China #1 in roundwood, sawnwood, veneer, pulp and paper
- UK #1 importer of wood pellets
- Germany #1 importer of paper and paperboard
Biggest Exporter of forest products:

- **Industrial roundwood**: Russian Federation (15%); New Zealand (15%); United States of America (10%);
- **Wood pellets**: United States of America (26%); Canada (11%);
- **Sawnwood**: Canada (21%); Russian Federation (19%); Sweden (9%); Finland (6%); Germany (5%); United States of America (5%);
- **Veneer sheets**: Viet Nam (15%); Russian Federation (14%); Canada (14%); China (7%); United States of America (5%);
- **Wood-based panels**: China (16%); Canada (9%); Germany (7%); Thailand (6%); Russian Federation (6%); Malaysia (4%); Brazil (4%); Poland (4%); Belarus (3%); Indonesia (3%); Austria (3%); France (3%); Belgium (3%); Romania (3%).
- **Pulp for paper**: Brazil (22%); Canada (16%); United States of America (12%);
- **Recovered paper**: United States of America (32%); United Kingdom (8%);
- **Paper and paperboard**: Germany (12%); United States of America (10%); Sweden (9%); Finland (8%); China (6%); Canada (6%).
Forest Industry Trends – U.S.
We’ve got the timber!


Source: USDA Forest Service
Forest Industry Trends (cont.)

Forest Products Production - United States (1998-2017) m³

Source: UN FAO and US Dept. Commerce
Forest Industry Trends (cont.)

Forest Products Exports from the United States ($1000)

US Dept of Commerce
Forest Industry Trends (cont.)

US Housing Starts

US Dept of Commerce
Forest Industry Trends (cont.)

US Softwood Lumber Demand


Billion Board Feet

US Dept of Commerce
Logging workforce

- State after state – average age of loggers is in the late 50s & getting older
- A few new logger training programs to find and train the next generation of loggers
Some Factors and Trends Affecting U.S. Forest Industry

• Aging Logging sector
• Lack of trucking and truck drivers
• Serious Asian and Canadian investment in US forest products manufacturing
• Trade – tariffs, trade agreements etc... affecting export markets
• New markets that are real: CLT (small), pellets (large for export), modern wood heat (small)
• Emerging markets: more from pulp & paper sites; liquid fuels
• Likely recession in next 5 years will affect housing starts and industry like great recession
• Production of all forest products in US – FLAT (but still substantial)
• Currency exchange rates
• ROLE OF US FORESTS IN CARBON DEBATES???????
The big take-homes:

• Domestic markets for forest products are still huge but won’t grow much or at all in next 5 years;

• Opportunities for growth in US forest products industry are in exports and our country is having a trade war with the world;

• Tech and efficiency in forest products industry – Is happening after the roundwood is delivered to the mill. Sawmills, pulp mills, wood energy, But NOT so much in supply chain getting wood to mill;

• LABOR, LABOR, LABOR
The Markets
What do you think?