

Commonwealth of Kentucky Energy and Environment Cabinet

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Forests Contribute Nearly \$10 Billion to Kentucky's Economy *University of Kentucky announces findings of economic impact study*

FRANKFORT, Ky. (Dec. 6, 2012) -- During the 93rd annual meeting of the Kentucky Farm Bureau Federation in Louisville on Thursday, Dr. Jeffrey W. Stringer, hardwood Silviculture professor with the University of Kentucky's (UK) Department of Forestry, announced the findings from an economic impact study on the forest and wood industry impact to Kentucky's economy.

The study was developed by UK's Departments of Forestry and Agricultural Economics and includes current marketing trends, timber prices and an economic outlook for 2013.

According to the study results, Kentucky's forest industries:

- Contribute \$6.357 billion; adding all indirect wood-related industries total \$9.992 billion to the state's economy in 2012.
- Provide 51,928 jobs (2.7 percent of Kentucky's total employment) with 24,262 directly employed by the wood/paper and logging industries.
- Provide employment opportunities in 109 of the 120 counties.
- Provide \$1.25 billion in wages in 2012.
- Rank in the top three nationally in hardwood production and are ranked first in the South for sawlog and veneer production.
- Lost an estimated 3.6 percent or \$256 million in revenue in 2012, which equates to 942 jobs and 60 wood industry facilities with paper industries taking the hardest hit (-4.7 percent).

According to Dr. Stringer, Kentucky's forests remain largely in private hands (75 percent). While Kentucky's forests provide economic and environmental benefits, they continue to grow at a rate faster than they are being removed.

"Woodland owners and forest industries provided Kentucky with a significant source of revenue, \$6.3 billion distributed across the Commonwealth. When spent throughout the economy it created nearly \$10 billion in total impact. Since timber is grown in every county, and wood industries exist in 109 counties, the forestry sector is important to both rural and urban

economies,” said Dr. Stringer. “This revenue is also important to those agencies, industries, organizations and landowners who comprise the forestry sector.

“Many provided information and data used in the report, and the authors especially thank the Kentucky Division of Forestry and members of the Kentucky Forest Industry Association for their assistance,” he added.

Statewide averages show Kentucky’s forests are growing twice as much volume than is being harvested or lost to mortality annually. Timber prices of many species continue to fluctuate with some markets starting to stabilize, including the pulpwood, railroad tie and the stave markets.

The study forecasts an overall mixed outlook for 2013:

- Markets for logs to saw into boards are expected to stabilize.
- Secondary industries making products from the sawn lumber are expected to stabilize and possibly increase slightly.
- Pulpwood markets are expected to stabilize further and a regional moderate increase in sawtimber is expected.
- Cash receipts for timber owners should increase slightly.
- Employment opportunities are not expected to increase.
- Housing markets increased somewhat in the third quarter of 2012 and more growth is expected.
- Demand for certified pulpwood and sawlogs (those designated as being grown sustainably by an independent third party system) is expected to increase.
- Insects and disease problems will continue to be monitored (e.g. ash – emerald ash borer) and may have an effect on markets or prices for those species effected.
- Budget and personnel cuts for the Kentucky Division of Forestry are an immediate and long-term concern and will reduce the amount of professional technical assistance available for forestland owners.

The study included an input-output analysis of Kentucky’s forest products industry using Impact Analysis for Planning (IMPLAN®). Additional data was analyzed from a variety of government sources including the U.S. Forest Service’s Forest Inventory and Analysis (FIA), Timber Product Output (TPO) programs and the Division of Forestry’s Growing Gold quarterly marketing report.

“The Division of Forestry collects the data for the FIA and TPO programs that provides critical information on the overall health, species quantity, quality and distribution of trees across the state. These data are important to Kentucky’s wood-using industries and essential to ensure that Kentucky’s forests continue to provide economic, environmental and social benefits to its citizens” says Leah W. MacSwords, director of the Division of Forestry.

"This report is the product of significant work and collaboration among our faculty and staff, our partners associated with the forestry sector in Kentucky, and our ag economics colleagues at UK. We expect it will be a valuable tool for those who own, manage, or utilize the Commonwealth's forest resources; it will also be a valuable tool for planning and policy development. We hope not only to offer this report annually, but also deepen the analyses in coming months and years to better understand a very important sector of Kentucky's economy," says Dr. Terrell Baker, chair of UK's Department of Forestry.

For more information, please contact the Kentucky Division of Forestry at 502-564-4496 or Dr. Stringer at 859-257-5994.

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