

Economic Contributions of Arkansas Forest Industries in 2025

Factsheet F2025-01

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Direct Effects of Forest Industry

The data used in this report reflects the economy of Arkansas in CY 2023[1] and reflects the impacts of the COVID-19 pandemic and the economic recovery.

Arkansas's economic growth was strong in 2023 and witnessed GDP growth from \$160 to \$180.61 billion, or 12.9%. Table 1 shows the direct contributions of forestry to Arkansas's economy in 2023 and 2022. Direct contributions are those made only by industries within those sectors, they do not include "multiplier effects." Compared to the 2022 data, the employment was down across all categories (-2.23%), these were modest except in Logging (-8.52%) and Forestry (-17.80%). Labor income was generally positive (3.35%), with only Forestry (-2.68%) losing ground. Similarly, for the contributions to GDP (1.36%), sectors were all positive except Logging (-22.61%) and Solid Wood Products (SWP) (-2.55%), showing modest growth broadly, with Furniture (13.52%) and Forestry (42.36%) making strong gains.

Payments to Forest Landowners in 2024

The payments received by landowners during 2024, in terms of prices paid for standing timber, dropped by 5% from 2023. Total harvesting declined by 1.2% in the state; severance tax data shows harvests of 21,300,000 tons in 2024, down from 21,562,114 tons in 2023[2]. Pine markets experienced a 1% overall decline in prices for pine stumpage, but the three major harvest categories (pulp, CNS, and sawtimber) all dropped from 3-5%, with Ply

logs the only category that showed positive movement. Hardwood stumpage prices, led by strong price appreciation in Oak Sawtimber (up 15%), increased by 6% in 2023.

An Arkansas Department of Agriculture publication from December 24, 2024, stated that—The growth to drain (harvest and mortality) ratio for softwoods is 1.6, with 12.1 million more tons of growth over drain. In the same way, the growth to drain ratio for hardwoods is 2.6, with 12.0 million more tons of growth over removal. This trend can be viewed as an opportunity for the utilization of timber and biomass in new markets.

Forest Industry Total Contributions

The direct contributions described above are the employment and GDP directly from the forest products industry. The input-output analysis estimates the total contribution to the state's economy through economic multipliers by tracing trade flows through all the sectors of the economy and including household spending by the affected industries. Arkansas forests and forest industries contribute:

- 54,475 total jobs,
- \$3.56 billion in labor income, and
- \$7.27 billion to Arkansas' GDP.

[1] IMPLAN data has a two-year time lag; the data in this report is from 2023 and 2022 (previous year table) data from the U.S. Department of Commerce.

[2] Data from State of Arkansas Department of Finance and Administration Timber Tonnage Reports.

Table 1. Direct Contribution of Forestry in 2022 and 2023

2023			
Sector	Employment	Labor Income	GDP
Forestry	388	\$25,874,037	\$47,099,065
Logging	3,232	\$170,509,541	\$185,956,062
SWP	10,728	\$733,043,507	\$2,013,771,344
Paper	8,682	\$804,444,113	\$1,631,874,221
Furniture	3,347	\$186,957,191	\$251,175,119
Total	26,377	\$1,920,828,391	\$4,129,875,811
2022			
Sector	Employment	Labor Income	GDP
Forestry	472	\$26,585,404	\$33,084,028
Logging	3,533	\$161,985,166	\$240,276,060
SWP	10,785	\$714,210,976	\$2,066,424,636
Paper	8,784	\$779,736,365	\$1,513,289,311
Furniture	3,406	\$176,073,571	\$221,254,646
Total	26,980	\$1,858,591,481	\$4,074,328,681
Year over Year % Change			
Sector	Employment	Labor Income	GDP
Forestry	-17.80%	-2.68%	42.36%
Logging	-8.52%	5.26%	-22.61%
SWP	-0.53%	2.64%	-2.55%
Paper	-1.16%	3.17%	7.84%
Furniture	-1.73%	6.18%	13.52%
Total	-2.23%	3.35%	1.36%

Arkansas' economy is the second most dependent on the forest industry in the nation, only Wisconsin has a higher percentage of state GDP from forest industries. Arkansas's economy is also the most forestry-dependent of all the southern states[3]; 4.1% of the state's GDP is contributed by forest industries.

Forest Industry Economic Outlook

The outlook for 2025 is mixed, with some signals of slight improvement. As goes housing starts, so goes lumber, and interest rates drive housing starts. Many homeowners are locked into mortgage rates that were at historical lows during COVID-19, as a result many of those homeowners are not considering alternative employment unless the new position is a substantial improvement. This limits the amount of available inventory and also chills new starts. Those who are renting, have been trained to wait until the next rate cuts before buying, despite relatively low rates, looking at the long-term trends. Or will softening markets sway them to do so? On the heels of a recent FED cut (.25%), the answer is unknown, but rising inflation numbers appear poised to blunt anything more than small basis points cuts, if any at all, barring a financial calamity of some sort. However, the Federal Reserve website shows median federal funds rate (the cost for banks to borrow and with a premium what mortgage holders pay to purchase homes) dropping from 4.4% in 2024 to 3.4 in 2025. If these projected cuts occur (around 1.5 points), look for some light improvements in housing starts for 2025.

If those rate changes hold, FORISK expects that housing starts will start down in early 2025 (1.413 million units) slightly in the coming year and rebound after, peaking at the end of the decade. "While lower than last quarter, we still maintain our view of a 2025 rebound in annual housing starts, reflecting the expected path of interest rates through next year. Beyond 2025, we expect structural shortages in the housing market to stimulate investment in new housing inventory. We project there to be a total of 15 million housing starts from 2024-2033, with the pace of new homes growing at a compounded annualized pace of 1.6% per year. We currently expect a peak in annual starts in 2031 and 2032 at 1.550 million units per year." Forest Economic Advisors is more bullish, with a reported 1.56 million units projected in 2025.

That's an interesting number, as 1.5 million starts are typically needed for sawtimber prices in the south to see significant price movement, a relationship blunted in part by an overabundance of fiber supply in those age classes. In fact, annual growth to drain in the US south is only expected to resemble that of pre-2008 starting in 2027. That would leave around 15 years of excess sawtimber in the system to work itself out. The situation in Arkansas is similar to that in the South. Net timber growth continues to exceed harvests by 25 million tons annually. Total standing timber in the state has nearly doubled since 1978. This massive supply,

[3] Pelkki, M. 2023 U.S. Forestry Economic Contribution by State. Arkansas Center for Forest Business. December 2023.

often called a “wall of wood,” is a downward pressure on timber prices. As a result, we are seeing increased insect and disease activity in pine forests across the South. Prices for pine pulpwood in Southeast Arkansas are less than \$2/ton, and often less than \$1/ton as delivered prices tighten and logging costs continue to be affected by inflation and unpredictable limits on mills accepting timber, often every week. This is only now beginning to entice small diameter mills to begin announcing builds in the region, with Weyerhaeuser announcing a TimberStrand facility near Warren and Monticello late this past year. Resourcewise, in its 2025 predictions lists risk-adjusted costs as a reason a number of foreign and domestic fiber producers taking hard looks at the southeast US. Arkansas stacks up as well as any state in this department. More announcements in 2025 should not be ruled out.

Lastly, there has been a lot of media attention on tariffs with President Trump’s return. Softwood lumber tariffs on Canadian lumber currently sit at 4.54%, with the US west coast softwood declines, the tariffs (and any increases, President Trump has proposed 25%) will have added affect given the lack of supply from traditional sources.

The tariff on Canada is not insignificant as they supply up to 30% of lumber market in the US, historically. Expect volatility in lumber prices as imports from less common trading partners shifts into high gear. Further, US south capacity is at 78%, typically something in the mid-80s is needed to drive stumpage increases. The forecast for the next five years is 83%, with the subsequent 5 years adding another 10%! If that is true, about two to three years after growth to drain rebalances, tightened capacity will kick into high gear. The interesting supply and demand dynamic then is where can lumber demand substitute? That indicates positive stumpage price movements that should be steady for several years.

While 2024 was the year of uncertainty, signs point to the “soft” landing purported by the Biden administration as seemingly more and more likely. With a pro-business president and some intriguing supply demand dynamics in the forest products sector, Arkansas’ forest industry will see growth over the next five years, as for 2025 this is less clear other than expectations that more logs will be harvested than in the past two years if weather doesn’t step deter harvests.



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