

Economic Contributions of Arkansas Forest Industries in 2024

Fact Sheet F2024-MHP-01
Matthew Pelkki and Nana Tian



Direct Effects of Forest Industry

The data used in this report reflects the economy of Arkansas in CY 2022¹ and reflect impacts of the COVID-19 pandemic. The State’s economic growth was strong in 2022, GDP increased from \$150.4 to \$168 billion, or 11.7%. Table 1 shows the direct contributions of forestry to Arkansas’s economy in 2021 and 2022. Direct contributions are those made only by industries within those sectors, they do not include “multiplier effects.” When compared to the 2021 data, the indicators are generally positive, with the exception of logging sector labor income. GDP rose 11% in the industry, keeping pace with the overall statewide continued recovery from the COVID-19 recession of 2020.

Table 1. Direct Contribution of Forestry in 2019 and 2020.

2021			
Sector	Employment	Labor Income	GDP
Forestry	565	\$33,554,842	\$35,498,475
Logging	3,591	\$186,839,054	\$193,313,467
SWP	10,507	\$656,947,997	\$1,860,242,679
Paper	8,618	\$737,658,965	\$1,387,079,734
Furniture	3,498	\$158,778,680	\$190,076,041
Total	26,778	\$1,773,779,539	\$3,666,210,397
2022			
Sector	Employment	Labor Income	GDP
Forestry	472 (-16%)	\$68,495,150 (+104%)	\$33,084,028 (-7%)
Logging	3,533 (-2%)	\$111,633,594 (-40%)	\$240,276,060 (+24%)
SWP	10,785 (+3%)	714,210,976 (+9%)	2,066,424,636 (+11%)
Paper	8,784 (+2%)	779,736,365 (+6%)	1,513,289,311 (+9%)
Furniture	3,406 (-3%)	176,073,571 (+11%)	221,254,646 (+16%)
Total	26,980 (+1%)	\$1,850,149,655 (+4%)	\$4,074,328,681 (+11%)

Note: the dollar values not inflation adjusted

Payments to landowners in 2023

The payments received by landowners in terms of prices paid for standing timber remained level between 2022 and 2023. Total harvesting declined by 5% in the state; severance tax data shows harvests of 21.562.114 tons in 2023, down from 22,835,360 tons in 2022². The abysmal markets for pine are reflected in an 8% overall decline in pine stumpage, most of which occurred in pine pulpwood. Hardwood stumpage, led by strong growth in the white oak stave market, actually increased by 12% in 2023. Statewide growth in timber exceeds harvests by 25 million tons annually; this enormous over supply of timber contributes to holding down stumpage prices.

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:

- 54,759 total jobs,
- \$3.4 billion in labor income, and,
- \$7.0 billion to Arkansas’ GDP

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.

¹ IMPLAN data has a two-year time lag; the data in this report is from 2022 and 2021 data from the U.S. Department of Commerce.

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

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Forest Industry Economic Outlook

Arkansas's economy is the most forestry-dependent of all the southern states³; 4.1% of the state's GDP is contributed by forest industries. The outlook for 2024 is at best, stable. The Federal Reserve has stopped increasing interest rates, but housing demand is very weak as 30-year fixed rate mortgages remain around 7%. Capacity at Arkansas sawmills has fallen with the decreased demand for lumber to approximately 85%.

The Federal Reserve is considering easing interest rates by 0.25% to 0.5% in 2024 as inflation and job growth slows. This should ease interest rates on new homes and other consumer goods, but mill curtailments and shutdowns in the state in the last year will not be quickly reversed.

Finally, 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, often called a "wall of wood," is a downward pressure on timber prices. In addition, we are seeing increased insect and disease activity in pine forests across the South, including Arkansas. Prices for pine sawtimber 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 on a weekly basis.

With uncertain economic conditions, global unrest in major energy and fertilizer producing regions, and election year, and a decline in predicted US housing starts, the Arkansas' forest industry will see little to no growth in 2024. If the economic landing on inflation is "soft" and the country does not go into a recession, some minor growth in 2025 is possible.

For additional information, go to the Arkansas Forest Business Center website:

<https://www.uamont.edu/academics/CFANR/acfb.html>



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