

Economic Contributions of Arkansas Forest Industries in 2021

Fact Sheet F2021-1
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Direct Effects of Forestry

Overall, the forest industries in 2021 are showing a slight decline from the 2020 analysis.¹ Direct employment declined from 29,095 in 2020 to 27,702 in 2021 (-5%) with the logging sector declining most severely (-21.3%). Labor income declined slightly from 1.83 to 1.81 billion dollars (-1.1%) and direct contribution to state GDP fell from 3.74 to 3.63 billion dollars (-3.1%). Table 1 shows the direct contributions of forestry to Arkansas's economy in 2021.

Table 1. Direct Contribution of Forestry in 2021

Sector	Employment	Labor Income	GDP
Forestry	535	\$38,101,009	\$37,984,837
Logging	3606	\$234,259,722	\$234,280,956
SWP	10321	\$558,305,874	\$1,065,173,203
Paper	9648	\$821,757,707	\$2,066,610,597
Furniture	3592	\$155,622,007	\$226,849,940
Total	27,702	\$1,808,046,319	\$3,630,901,533

Note: the dollars are in 2019-dollar value, consistent with IMPLAN data

Payments to landowners for timber stumpage in 2020 fell sharply from \$445 million in 2019 to \$367 million (-17.5%) on weaker oak and hardwood sawtimber markets and much weaker pine and hardwood pulp markets. The total volume harvested in the state in 2020 was 22,504,984 tons, a 7% decline from 2019.

The demand for softwood lumber was exceptionally high in 2020, spurred by low-interest rates and a diminished housing supply. Softwood lumber prices increased in 2020 by 51% from the 2019 average. However, due to a tremendous annual surplus in pine growth in the state, pine sawtimber stumpage prices paid to landowners actually fell (-3.2%).

Total Contribution of Forestry

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. This analysis traces the trade flows of forest industry through all the sectors of the economy and

includes household spending by those employed directly in the forest products industry and the household spending of those employed in industries that directly trade with the forest products sector. As the forestry economy contracted in 2020, the overall contributions to the state's economy declined as shown in table 2.

Table 2. Total Contribution of Forestry in 2021

Sector	Employment	Labor Income	GDP
Forestry	925	\$54,384,913	\$63,784,698
Logging	6,206	\$345,800,568	\$414,341,088
SWP	20,447	\$1,063,042,553	\$1,941,764,531
Paper	27,950	\$1,740,465,899	\$3,699,373,551
Furniture	5,984	\$268,785,849	\$423,318,876
Total	61,512	\$3,742,479,782	\$6,512,582,744

The decline in forestry's total contribution to employment (-15%), labor income (-11.9%), and state GDP (-11.1%) is attributable to greater exports of logs and lumber and less in-state value-added processing.

Forestry Economic Outlook

Arkansas's economy is the most forestry-dependent of all the southern states² with 5% of the state's GDP depending on forest industries. The outlook for the forest industry is strong. Mortgage rates are likely to remain at record lows in 2021, stimulating growth in softwood sawmill output and demand for pine sawtimber. Bioenergy growth will utilize the low-cost and readily available pine pulpwood supply in the state. New engineered wood facilities and construction techniques will expand the use of lumber further in 2021.

Net timber growth continues to exceed harvests by more than 18 million tons annually, which will keep fiber resource costs low for the near future. Expansion and interest in the forest resources of the state remain strong. For a more detailed report, go to the Arkansas Forest Business Center Website under reports:

https://www.uamont.edu/academics/CFANR/acfb_reports.html

1 - IMPLAN data has a two-year time lag, the data in this report is from 2018 and 2019 data from the U.S. Department of Commerce.

2 - Pelkki, M. and G. Sherman. 2020. Forestry's Economic Contribution in the United States, 2016. Forest Products Journal 70(1):28-38.