

Status  
of  
Alaska's Forest Products Industry  
and its Future

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# Alaska's Forest Products Industry

## Key Points

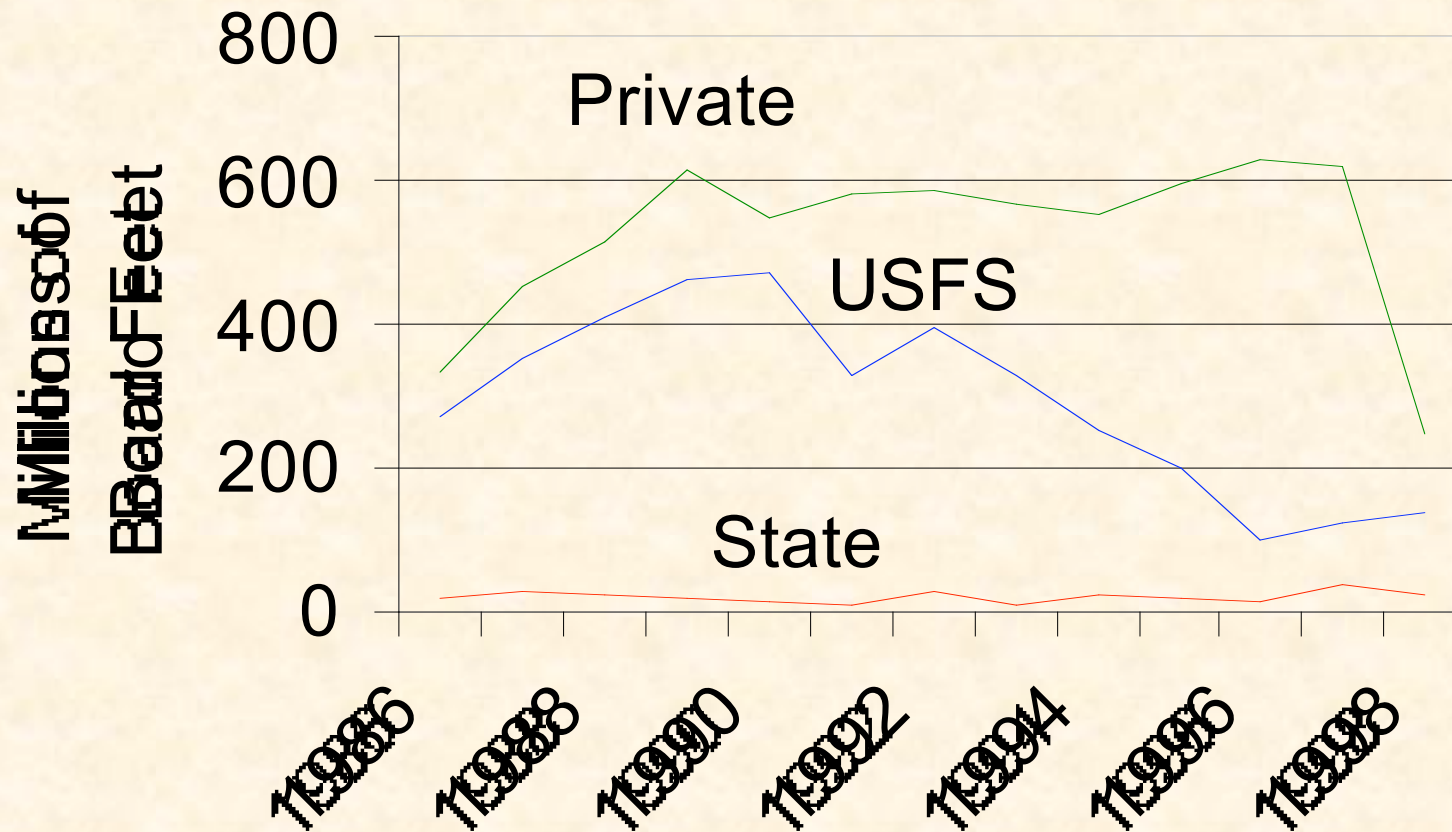
- In general Alaska's forest products industry has declined substantially and is not expected to recover in the foreseeable future.
- Traditional markets for Alaska forest products have permanently changed.

# Alaska's Traditional Timber Base (Past 10 Year Average)

- U.S. Forest Service 34%
- Native Corporations 65%
- State of Alaska 1%

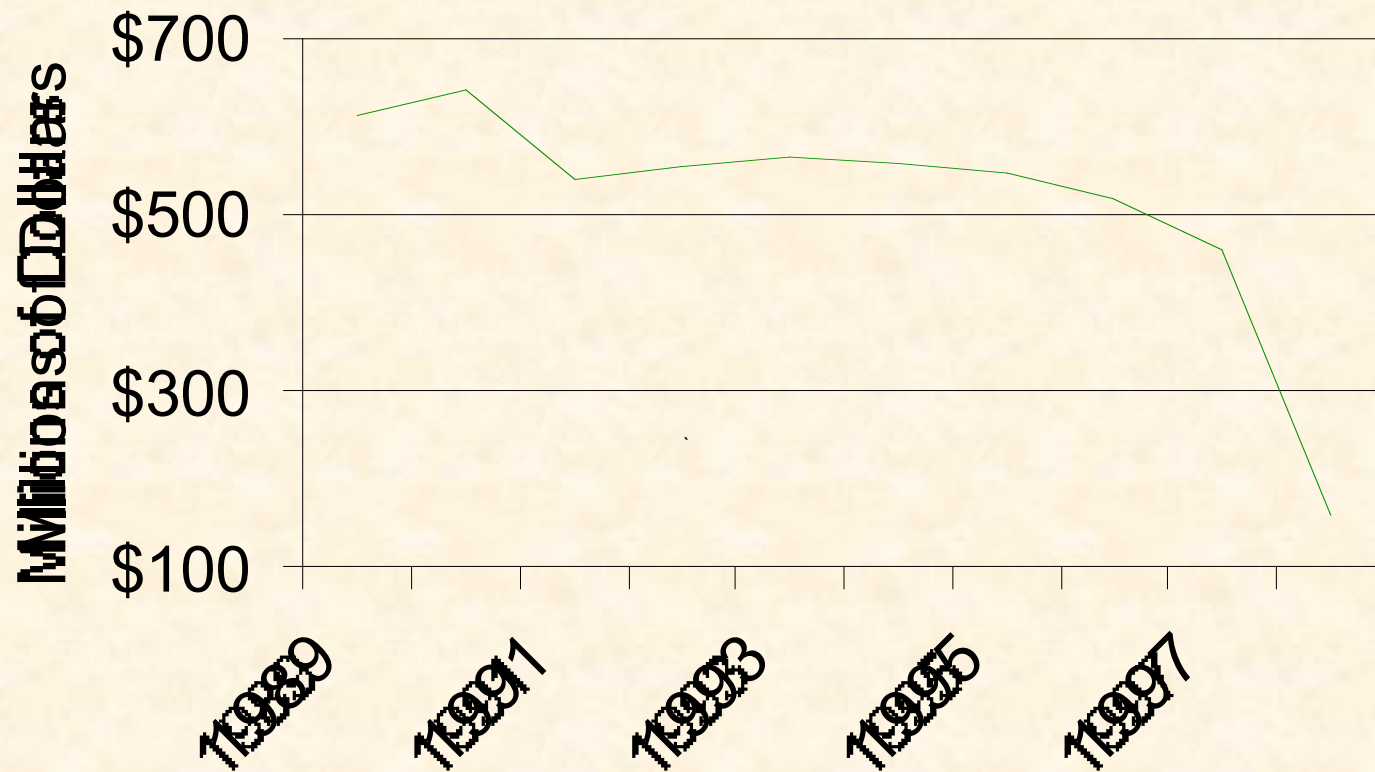


# Alaska Timber Harvest by Ownership



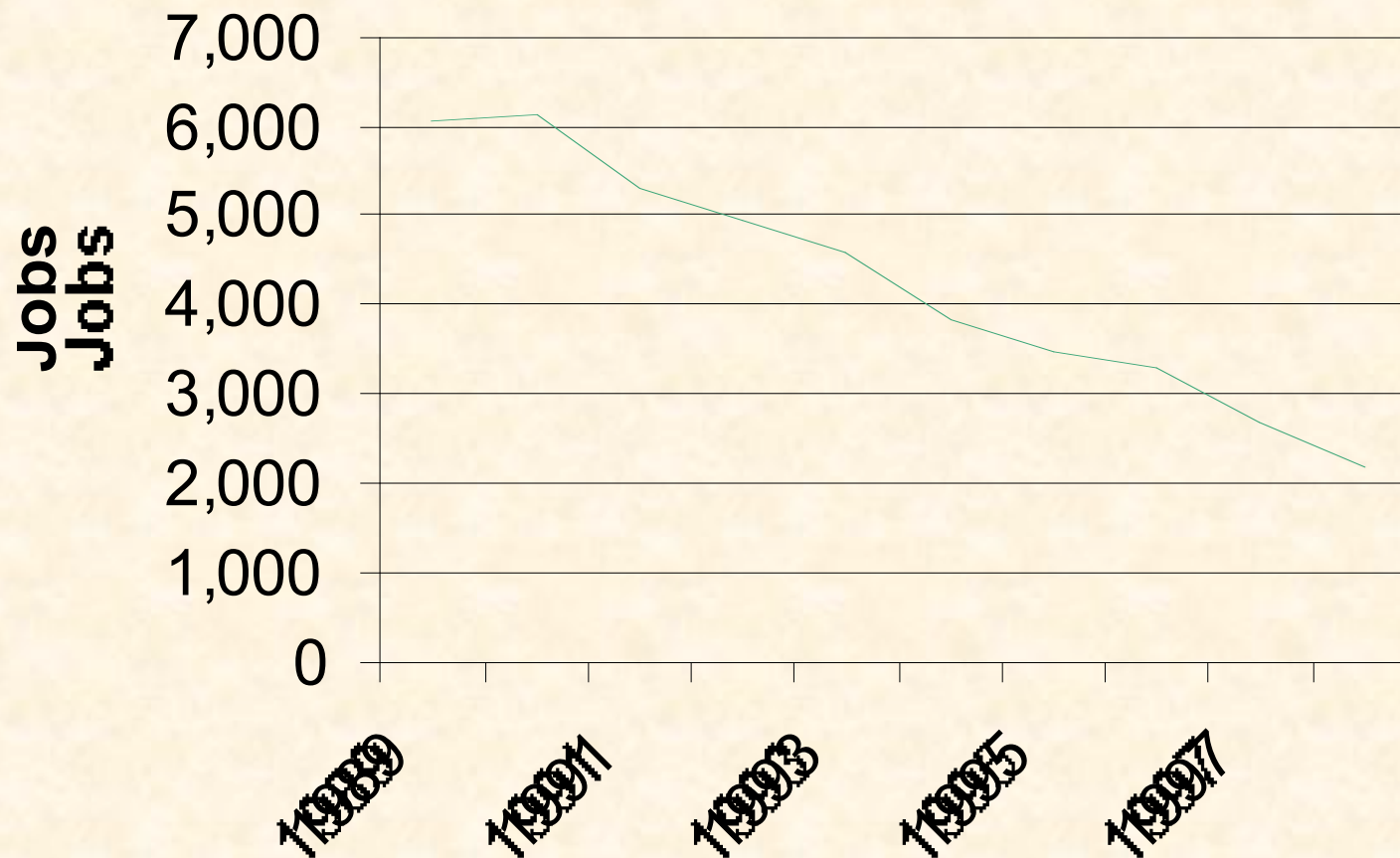
Source: 1997 ANILCA 706a Report  
With Additional Agency Data for 1998

# Value of Exported Alaska Wood Products



Source: 1997 ANILCA 706a Report  
With Additional Agency Data for 1998

# Alaska Forest Products Industry Related Employment 1988-1998



Source: ANILCA Sec. 706(a) Report to Congress 1998

# Factors Affecting the Future of Alaska's Forest Products Industry

- Markets
- Timber Supply
- Cost Competitiveness



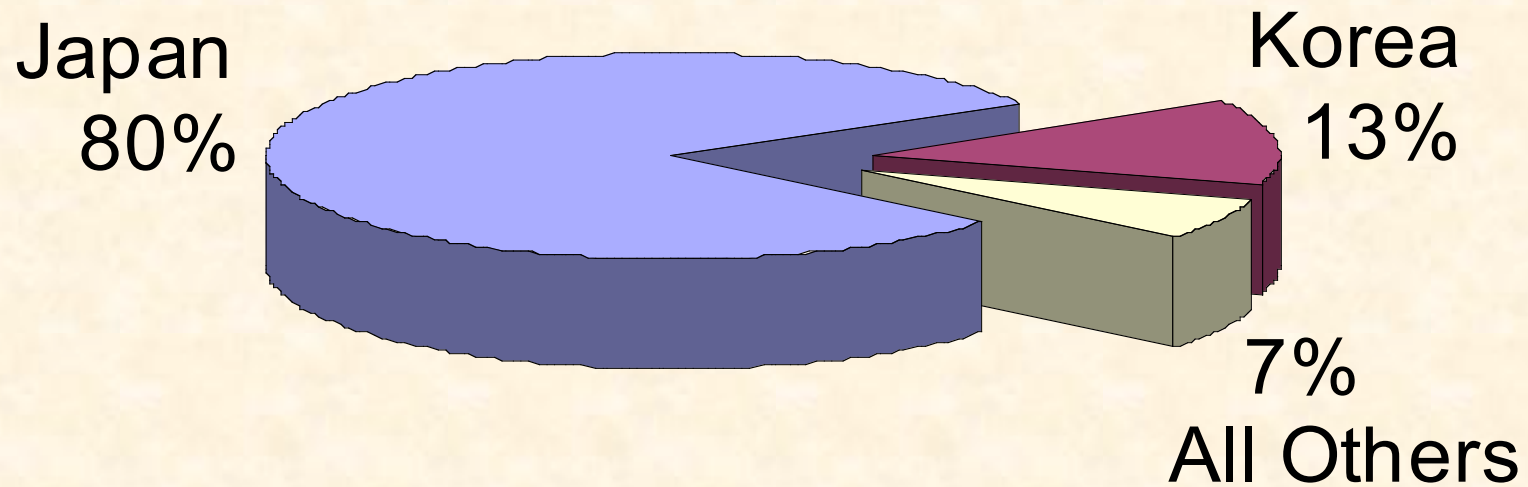


**Alaska's traditional markets  
have experienced  
major and permanent changes**



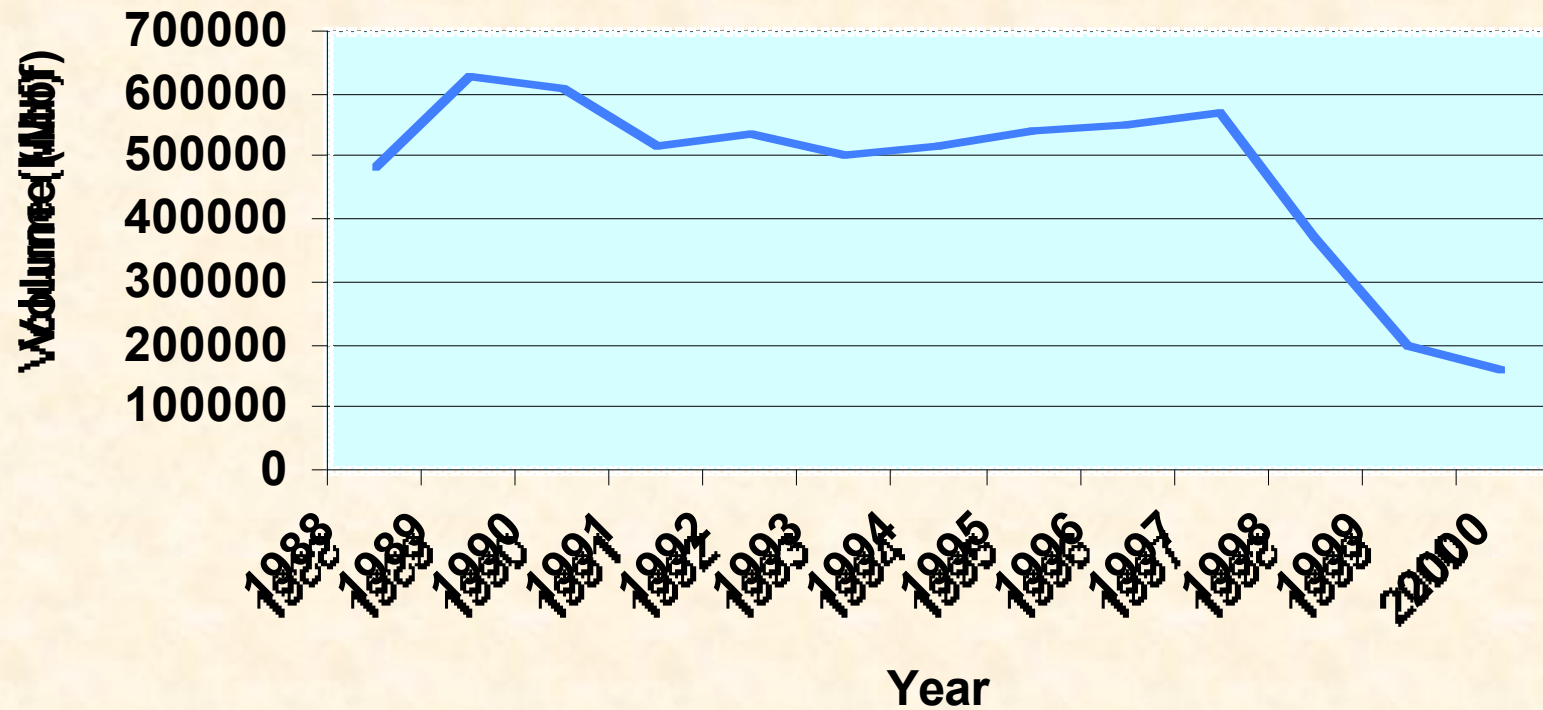
# Traditional Alaska Markets

## Value of Alaska's Log and Lumber Production by Destination 1988 - 1997



Source: 1997 ANILCA 706a Report

# Alaska Log Export Volumes 1988 - 2000



Note: 1998 shows 60% decrease from the historic high in 1989

# Market Changes: Major & Permanent

- Changes in Japanese consumer preferences



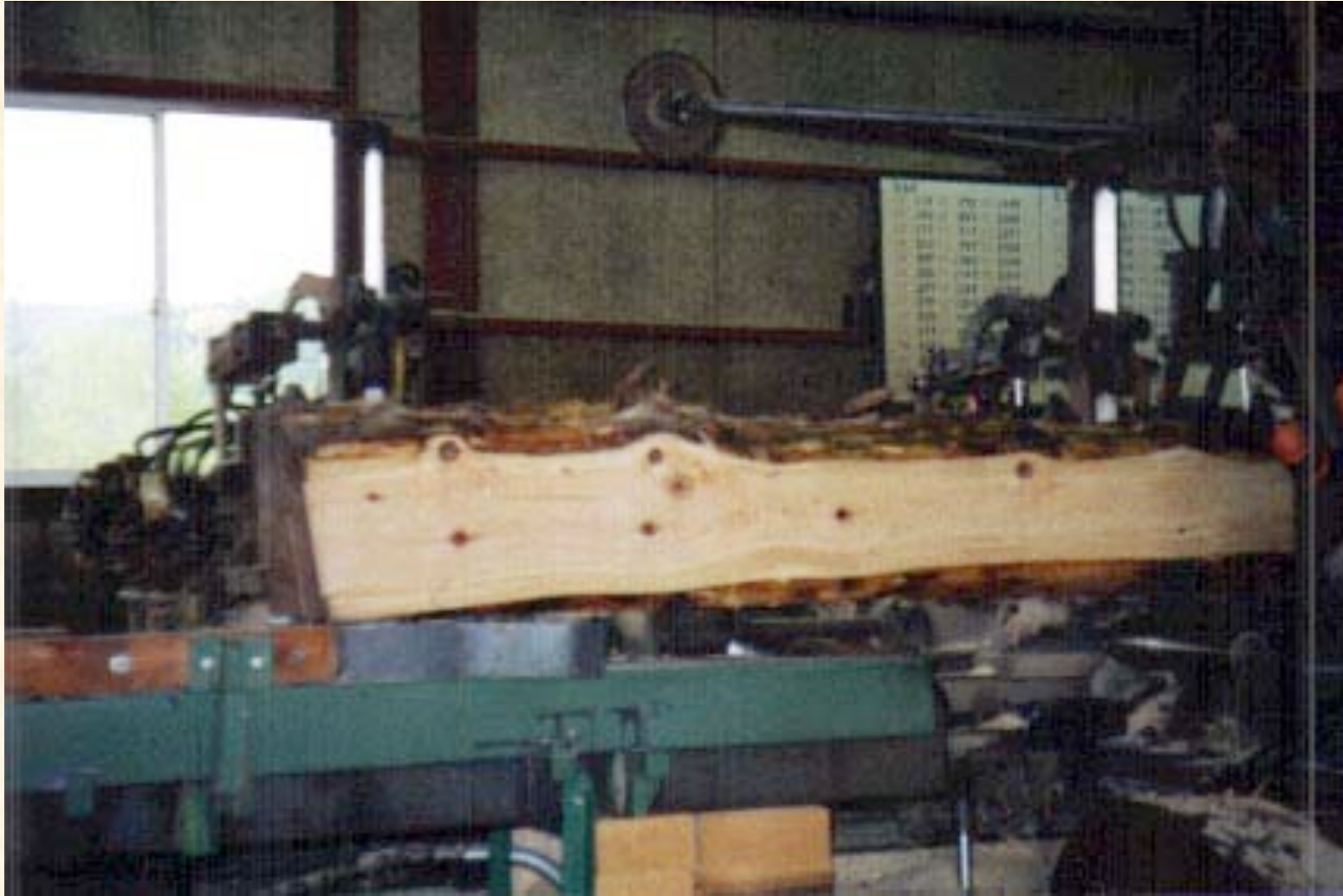
# Market Changes: Major & Permanent

- Decline in number of Japanese sawmills



# Market Changes: Major & Permanent

- Trend towards engineered wood products



# Market Changes: Major & Permanent

- Loss of both of Alaska's pulp mills



# **Market Changes: Major & Permanent Supply:**

Increased Competition from: Canada, Chile, New Zealand, Russia, & Scandinavian Countries



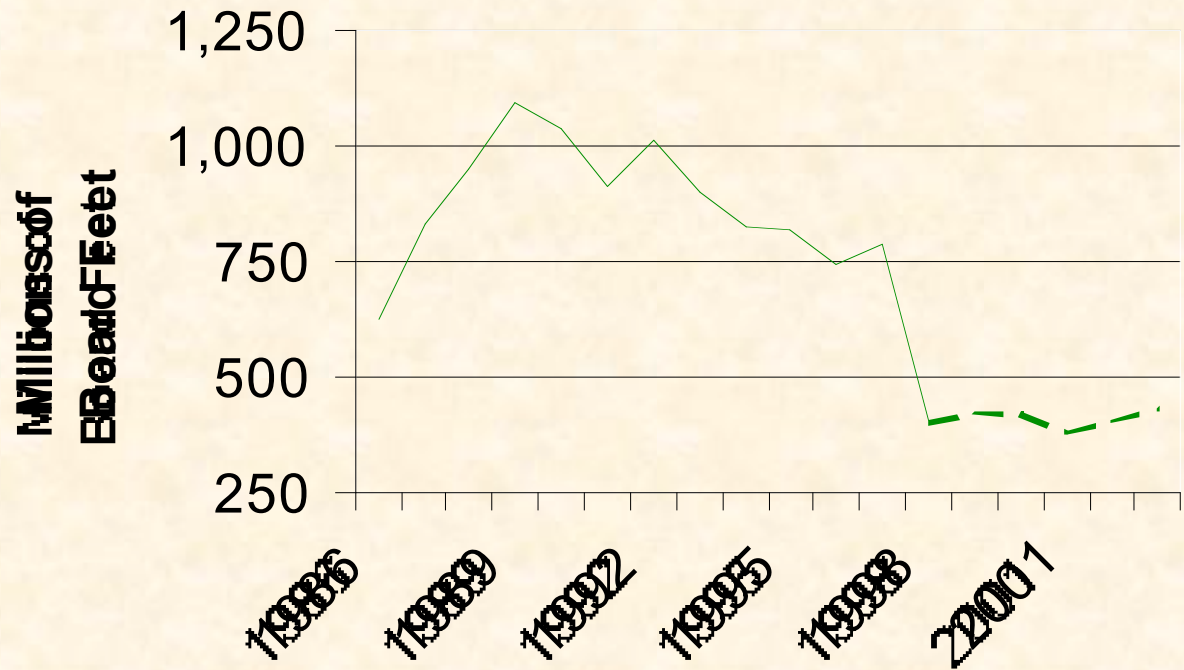


# Alaska's Future Timber Supply



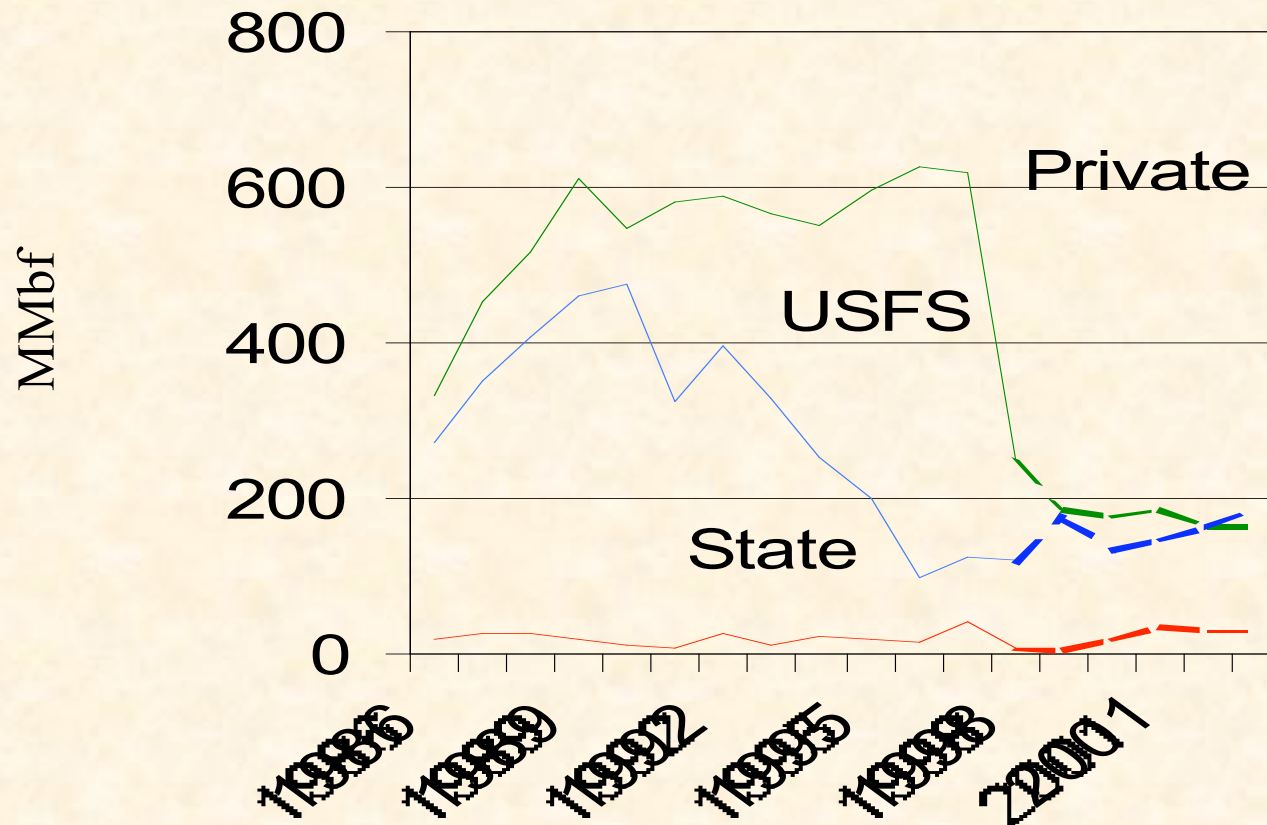
# Alaska Timber Harvest by Ownership

## Combined State, USFS & Private Ownership with Projections to 2003



Source: 1997 ANILCA 706a Report and Alaska Forest Association with Additional Agency Data for 1998 - 2003

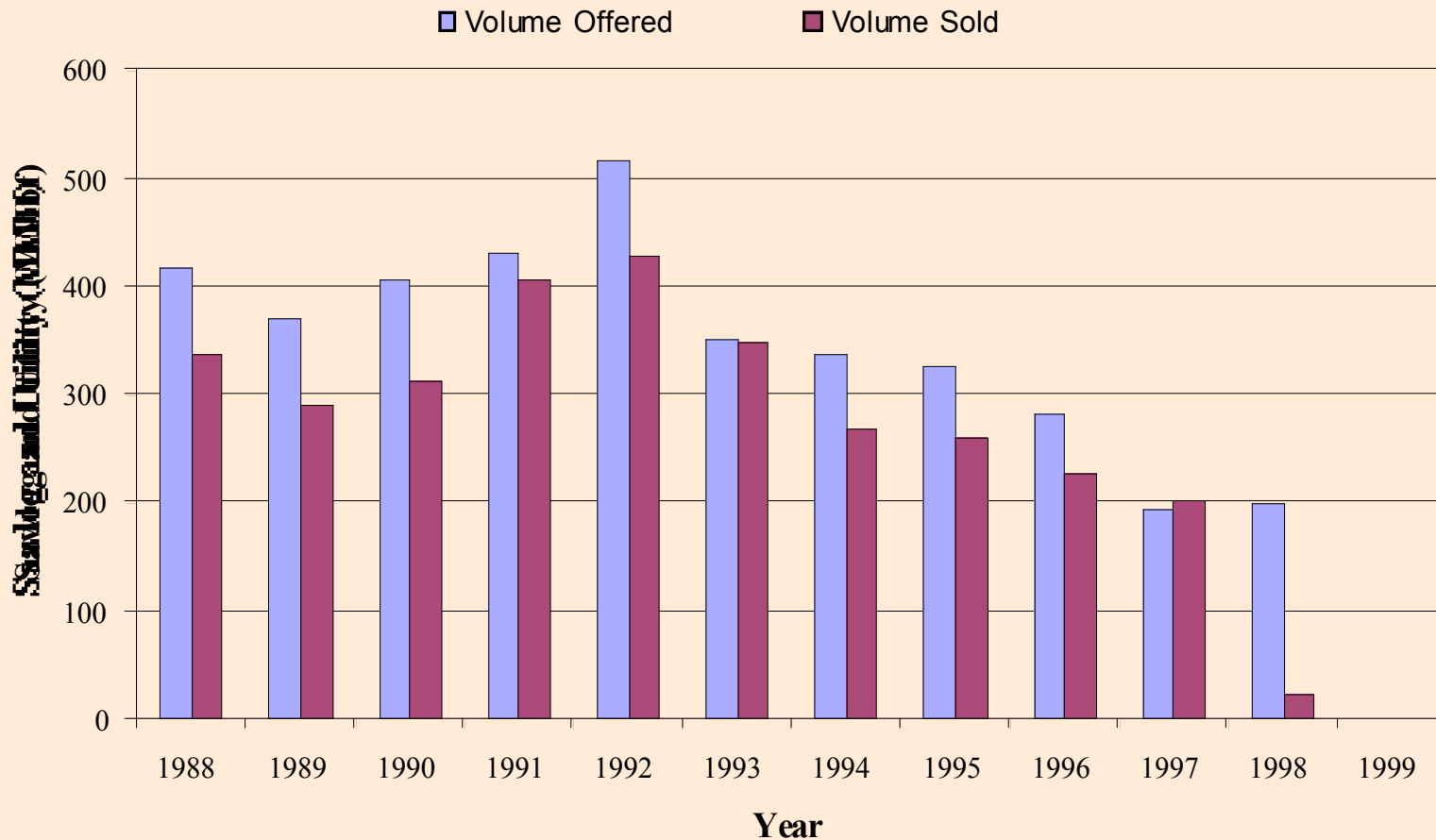
# Alaska Timber Harvest by Ownership With Projections to 2003



Source: 1997 ANILCA 706a Report and Alaska Forest Association with Additional Agency Data for 1998 - 2003

# Tongass National Forest

## Volume of Timber Offered and Sold



1998 was only 6% of volume sold and 39% of volume offered in 1992.

Source: ANILCA Sec. 706(a) Report to Congress, 1998.



**Alaska's cost competitiveness**

# Cost Competitiveness Unique to Alaska



## Alaska is a High Cost Producer

- remote locations
- labor costs
- lack of infrastructure
- operational costs
- regulatory environment
- weather delays

# Cost Competitiveness Unique to Alaska



- Alaska is 2-3 days closer to Pacific Rim countries than PNW
- Alaska is 3-5 days away from PNW markets



**What is  
the Future of  
Alaska's Forest Products Industry?**

# **Alaska's Forest Industry's Future Dependant on the Following?**

- Sufficient Timber from the Tongass National Forest and the State of Alaska
- Development of log manufacturing facilities and products that are competitive worldwide
- Creative ways to reduce costs so Alaska can be a world competitor
- Development of new markets both domestic and foreign





Questions?