SHORTAGES AND RISING PRICES OF SOFTWOOD LUMBER

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON

SHORTAGES AND RISING PRICES OF SOFTWOOD LUMBER, AND CONSIDERATION OF S. 1033

MARCH 26 AND 27, 1973

Printed for the use of the
Committee on Banking, Housing and Urban Affairs

U.S. GOVERNMENT PRINTING OFFICE
94-218 O WASHINGTON : 1973

S241-19

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

JOHN SPARKMAN, Alabama, *Chairman*

WILLIAM PROXMIRE, Wisconsin
HARRISON A. WILLIAMS, Jr., New Jersey
THOMAS J. McINTYRE, New Hampshire
ALAN CRANSTON, California
ADLAI E. STEVENSON III, Illinois
J. BENNETT JOHNSTON, Jr., Louisiana
WILLIAM D. HATHAWAY, Maine
JOSEPH R. BIDEN, Jr., Delaware

JOHN TOWER, Texas
WALLACE F. BENNETT, Utah
EDWARD W. BROOKE, Massachusetts
BOB PACKWOOD, Oregon
BILL BROCK, Tennessee
ROBERT TAFT, Jr., Ohio
LOWELL P. WEICKER, Jr., Connecticut

DUDLEY L. O'NEAL, Jr., *Staff Director and General Counsel*
MICHAEL E. BURNS, *Minority Counsel*

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

JOHN SPARKMAN, Alabama, *Chairman*

WILLIAM PROXMIRE, Wisconsin
HARRISON A. WILLIAMS, Jr., New Jersey
ALAN CRANSTON, California
ADLAI E. STEVENSON III, Illinois

JOHN TOWER, Texas
EDWARD W. BROOKE, Massachusetts
BOB PACKWOOD, Oregon
ROBERT TAFT, Jr., Ohio

CARL A. S. COAN, *Staff Director*
ELWIN L. SKILES, Jr., *Minority Counsel*

CONTENTS

	Page
S. 1033	5

LIST OF WITNESSES

MONDAY, MARCH 26

John T. Dunlop, Director, Cost of Living Council, accompanied by Kenneth Kincel, Director of Special Projects	49
Gary M. Cook, Acting Deputy Assistant Secretary for Competitive Assessment and Business Policy, Department of Commerce, accompanied by James McElroy, Forest Products Division, and Richard Hull, Deputy Assistant General Counsel	82
John R. McGuire, Chief, Forest Service, Department of Agriculture, accompanied by H. R. Josephson, Chief, Division of Forest Economics and Marketing Research of the Forest Service, and Paul Neff, Director, Division of Timber Management	94
Robert A. Kelly, Special Assistant to the Secretary for Economic Affairs, Department of Housing and Urban Development	112

TUESDAY, MARCH 27

George C. Martin, president, National Association of Home Builders, accompanied by Nathaniel B. Rogg, executive vice president, Herbert S. Colton, general counsel, Carl A. S. Coan, Jr., legislative counsel, and Michael Summachrist, economist	183
John B. Crowell, chairman, Forest Affairs Committee, National Forest Products Association	290, 358
Bronson J. Lewis, executive vice president, American Plywood Association	290, 362
Joseph M. Tolleson, Jr., director, Southern Forest Products Association	290
Robert F. Higgins, president, Western Wood Products Association	290, 361
Ralph D. Hodges, Jr., executive vice president, National Forest Products Association	290
Joseph B. McGrath, vice president for Government Affairs, National Forest Products Association	290
Gene C. Brewer, vice chairman, Southwest Forest Industries, on behalf of National Association of Manufacturers, accompanied by Dan Cannon, director, environmental affairs	370
Bert L. Cole, land commissioner, State of Washington, accompanied by T. Evans Wyckoff, Alec Jackson, and Charles W. Bingham	376
J. Hubert Walker, first vice president, National Lumber & Building Material Dealers Association, accompanied by Richard D. Snyder, executive vice president, and John Dickerman, legislative counsel	536
R. B. Jordan III, chairman, Governmental Affairs Committee, Southeastern Lumber Manufacturers Association	555
Mike Gravel, U.S. Senator from the State of Alaska	562
Ted Stevens, U.S. Senator from the State of Alaska	563
Charles L. Cloudy, attorney, Alaska Loggers Association and Alaska Lumbermen's Association	565, 572
D. L. Murdey, vice president, Ketchikan Pulp Co. and Ketchikan Spruce Mills	565
Doug Theno, vice president, Wrangell Lumber Co	565
Pat Soderberg, president, Alaska Loggers Association	565
Don Dickey, manger, Alaska State Chamber of Commerce, accompanied by Bob Jernberg and Don Finney	565, 579
J. C. Hering, Pacific Rim Trade Association, Portland, Oreg	594

John E. Martin, executive director, Idaho Forestries Council, accompanied by Robert J. De Armond, chairman of the board, Idaho Forestries Council, and Richard Bennett, Bennett Lumber Products, Princeton, Idaho ..... Page 598
Richard L. Eberharter, on behalf of the Associated General Contractors of America, Inc., accompanied by Don A. Giampaoli, director of legislation and special programs 628
W. D. Hagenstein, Industrial Forestry Association, accompanied by George A. Craig, Western Timber Association 658
R. J. Baker, Baker Industries and National Wooden Box Association, accompanied by B. N. Russell 682
Brock Evans, Federation of Western Outdoor Clubs, Sierra Clubs 690
P. Douglas Kerr, executive vice president, Southern Furniture Manufacturers Association, accompanied by Edward T. Stevenson and Thomas W. Power 701
James F. Bailey, legislative advocate, United Brotherhood of Carpenters and Joiners of America 717

ADDITIONAL STATEMENTS AND DATA

Agricultural Department, letter to Carl A. S. Coan, Staff Director, Housing Subcommittee; from Philip L. Thornton, Deputy Chief, Forest Service 104
Alaska Bankers Association, letter from R. K. Buchanan, president 592
Alaska Longshore Employers' Association, letter from Cliff A. Taro, vice president 591
Alaska Lumbermen's Association, supplemental statement 568
Alaska Maritime Agencies, Inc., letter from E. H. Qualiotto, vice president 584
Alaska State Chamber of Commerce, statement of Don Dickey, general manager 579
American Association of Port Authorities, statement of Clifford B. O'Hara, chairman, Committee on Foreign Commerce 624
American Plywood Association, statement of Bronson J. Lewis, executive vice president 362
American Wholesale Lumber Association, statement of John J. Mulrooney, executive vice president 369, 607
Appalachian Hardwood Manufacturers, Inc., statement of H. D. Bennett, executive vice president 365
Birmingham Association of Homebuilders, resolution received from William H. Trimm, president 613
Center for Study of Responsive Law, statement of Daniel R. Barney, director, Forest Service Project 609
Chronology: Actions of the Economic Stabilization Program affecting the lumber and wood products industry 73
City of Haines, Alaska, letter from Coralie Lammers, city clerk 591
Forest Service, draft review on outlook for timber in the United States 18
Furniture Manufacturers of California, letter and statement from Lee Hahn, executive vice president 622
Greater Sitka Chamber of Commerce Inc., letter from Claude H. Armstrong, manager 583
Homebuilders Association of Metropolitan Portland, survey of operating capacity 511, 654
Idaho Forest Industries, statement of Robert J. DeArmond, chairman of the board 602
Interior Department, letter to Senator Sparkman 13
International Longshoremen's and Warehousemen's Union, letters from:
Portland, Oregon 586
Washington, D.C 585
Wrangell, Alaska 584
Interstate Commerce Commission, letter to Senator Sparkman from George M. Stafford, Chairman 121
Ketchikan Gateway Borough, letter from Judith A. Slajer, borough clerk 589
Lumber Trade Association, statement received 605
Lutz, H. R., Newport, Oregon, letter received 612
MacMillan, Bloedel Products, Inc., letter from Ernest Dyess 626
Murphy, Morgan T., Representative in Congress from the State of Illinois, statement submitted 605

Page

National Association of Furniture Manufacturers, letter and additional data 618
National Forest Products, letter to Senator Sparkman from John B. Crowell, Jr 304
National Lumber and Building Material Dealers Association, brief on the "Lumber Supply Crisis" 373
North American Wholesale Lumber Association, Inc., letters from J. J. Mulrooney, executive vice president 369, 607
Perpetual Harvest, Pine Hill, Ala., reprint of article 626
Portland Oregonian, reprint of article 64
Post-Intelligence, reprint of article 519
Potlatch Forests, Inc., statement of John Richards, vice president, wood products 616
Southeast Stevedoring Corp., Ketchikan, Alaska, letter from Cliff R. Taro, president 588
Southern Furniture Manufacturers Association, letter to Senator Sparkman from P. Douglas Kerr, executive vice president 716
Southern Lumber Exporters Association, Inc., letter and additional data from John B. Flynn, secretary-treasurer 612
Stephens Wholesale Building Supply Co., Inc., reprinted bills of sale 614
Tongass Conservation Society, letter from Dixie M. Baade, chairman, Committee on National Forests 589
Washington Citizens for World Trade, statement of Alec Jackson 466
Washington State School Directors Association, telegram to committee 535, 616
Western Wood Products Association, statement for the record 361
Weyerhaeuser Company, statement of C.W. Bingham, senior vice president 391
White House, letter to President Nixon from Senators Cranston and Packwood 288
Wrangell Chamber of Commerce, letter from Robert L. Wagoner, president 587
Wrangell Lumber Co., letter from Lance Ingle, manager 582

SHORTAGES AND RISING PRICES OF SOFTWOOD LUMBER

MONDAY, MARCH 26, 1973

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 5302 New Senate Office Building, Senator John Sparkman (chairman of the committee) presiding.

Present: Senators Sparkman, Cranston, Stevenson, and Packwood.

The CHAIRMAN. Let the committee come to order, please.

Today we start 2 days of hearings to study the shortages and rising prices of softwood lumber. Tomorrow we will have a morning and afternoon session, including several panels of witnesses which will be testifying for various industry organizations.

The purpose of our hearings this week is to assemble the facts and to attempt to identify the causes for the escalating crisis in recent months for softwood lumber.

I am hopeful that a full exposition of the supply and price details will be provided by both members of the administration and the many public witnesses in order that we may be able to identify probable cause and appropriate solutions to the present lumber crisis.

The committee realizes that the primary reason we are having these hearings is due to the tremendous increase in the past few months in lumber prices. The subcommittee and Members of the Congress have been bombarded recently by the entire industry, from the manufacturer to the consumer, with what has happened in the last few months.

This is almost a replay of hearings that we held in 1969. You will recall that our Housing Subcommittee conducted hearings and completed a report on this same subject in 1969. We predicted that unless certain actions were taken, a worse crisis would hit again, as it certainly has. Some excerpts from the conclusion of that report are as follows:

> The long-range problem is by far, the most serious one because, unless soft wood timber production is sharply increased, our nation will find itself critically short of lumber and plywood in the years ahead.

Then this:

> To reach the nation's housing goal of 26 million units in the next ten years, lumber availability would have to be increased by 60 per cent. The subcommittee was convinced that this increase is well within our resources provided the necessary investment is made in intensive forest management on a continuing basis.

We had a number of recommendations which were soundly conceived but not as responsibly accepted by the administration. The principal reason for this is budget considerations. We intend to make a diligent effort in these hearings to develop facts upon which the administration can take appropriate action to resolve the present crisis. However, if legislation is indicated, then the administration should make the necessary recommendations on which Congress will act.

I note in this morning's Washington Post that the administration has announced a plan to increase the availability of Federal timber and thus hopefully keep the cost of timber from rising any further.

Other action is to be taken by the administration to keep down the price of lumber. I am pleased that the administration is finally moving on this matter, and I hope that our hearings will move them to go even further.

Senator Cranston, do you or Senator Packwood have any remarks to make?

Senator CRANSTON. Yes, Mr. Chairman, I have some rather extended remarks I would like to place in the record. I would like to speak briefly on the matter that Senator Packwood and I have been working on and in regard to which we have written to the President, urging him to use the authority that he possesses to curb exports of logs to Japan. Together we have introduced legislation to seek to curb the export of logs to Japan.

We are here because a critical housing problem exists in the Nation today. Housing costs are skyrocketing, largely because of the runaway inflation that has hit the lumber industry. Many homes and many jobs and businesses are at stake.

Right at the outset, I want to say that I do not think an embargo on log exports will solve all our problems in the areas of housing and employment. But in my opinion, we need a log embargo now.

Of course, I will listen with great interest to the witnesses who will comment on this and I will be prepared to alter the legislation if it seems wise in the light of the testimony we will receive today and tomorrow and in other hearings that Senator Packwood and I are going to hold. At the present time I believe that we should take this step. I do not believe we can wait for months or for years of talk. We cannot toss the problem into an already overloaded agenda of trade and currency negotiations with other nations.

A recent Gallup poll listed the cost of living as the No. 1 concern of American families and no wonder. Despite the administration's promise to keep prices down, the cost of food and shelter, the basic necessities of living, keep on rising.

Lumber prices have gone up incredibly since January. In California the figures that were made available to me when I was out there at the end of last week indicate that, since January 1, the price of a three bedroom home has gone up about $1,800, about $700 a month.

That has knocked an incredible number of people out of the market in terms of their capacity to buy homes. It is going to lead to large-scale unemployment in the building trades. It is going to lead to many people who are in the business of building homes to turn to some other kind of business. Perhaps some will go bankrupt because of problems that they will face. Under normal circumstances, families squeezed out of the high-cost conventional housing could turn to a subsidized unit. At least some of them might do that. But the President's moratorium has curtailed this supply also, cutting those families off from any alternative that might be available through Government programs to supply homes to people.

A log export embargo is admittedly a move that restricts trade at a time when we are asking Japan and other nations to liberalize trading policies. Banning logs from sale may seem a rather odd proposal. I think there is a real difference however between an export restriction and an import restriction.

Protecting scarce natural resources from sale abroad is a well-established practice if properly administered and understood. An export restriction, if justified by a severe domestic crisis need not interfere with relaxing restrictions on world trade.

With respect to our balance of trade and the very dollars we receive from uncut, unprocessed logs to Japan, it seems rather irrational for us to have to turn around, and import finished lumber products from Canada at a cost far exceeding the dollars coming in from exports to Japan.

I know that our relations with Japan are very, very important. It is critically important. The dimensions of Japanese-American trade are enormous. Trade between the two countries now is up to $12 billion a year, a fourfold increase in 10 years. Roughly three-quarters of those exports and imports pass through ports in my home State of California. I am eager to see that trade expand. I am eager to see the closest relationship with Japan. I think it is important to us, important to them, important to the world. But I think here we have a particular problem that we should deal with and that we can deal with without upsetting that relationship.

The CHAIRMAN. I have a statement that Senator Tower prepared. He is unable to be here this morning, and I will insert it in the record at this point, also a copy of the bill, S. 1033, as introduced by Senator Packwood, with comments from the Interior Department.

[The information follows:]

STATEMENT OF JOHN TOWER, U.S. SENATOR FROM THE STATE OF TEXAS

Today's price tag on lumber and wood products in this country certainly speaks for itself—and speaks loudly. The cost of lumber in recent months has rapidly spiraled upward at an ever-increasing rate, reaching levels that but weeks ago would have exceeded a knowledgeable person's comprehension.

In recent days I have been visited by lumber dealers, forest products representatives, and homebuilders, each group voicing the same plea—"do something about stabilizing prices in the wood products industry." They have graphically described the increased cost to the consumer—the home-buying public—which results directly from the rising lumber costs. Numerous small businessmen in my State have contacted me to outline their plight—caused both by the lack of availability of materials and the decreased demand for new construction which accompanies increased costs.

I have listened to charges and countercharges. Blame has been placed—oftimes wrongly so—on many factors. Now, sweeping aside the emotion of this issue, and the threats which accompany it, the truth remains that some factor, or combination of factors, has caused the unprecedented increases. It is the purpose of these hearings to examine the crisis in detail—isolate the contributing factors—and thus hopefully provide the subcommittee with sufficient information in order that it might devise legislation directed toward neutralizing the spiral and returning stability to the pricing structure.

What, or who, are the culprits in this instance? Some say the Japanese who bid timber prices ever higher on our west coast. Some say the forest service has mismanaged our woodlands, thus diminishing available supplies. Even environmentalists find the finger of blame pointed in their direction due to efforts to enjoin further road building in the northwest aimed at an easier extraction of timber from Federal lands. Phase II and III have received criticism for not being tough enough on lumber manufacturers and retailers. And it must be constantly remembered that considerable demand, fueled by the unprecedented housing starts in the past 2 years—over 2 million in each year with projections for 1973 reaching that level—has certainly played a role.

Mr. Chairman, these are but a few of the more "notorious" charges—I have not exhausted the list—I dare say that each is valid in some respects. Hopefully, these hearings we begin today will give us the needed clarification and direction.

93D CONGRESS
1ST SESSION

S. 1033

IN THE SENATE OF THE UNITED STATES

FEBRUARY 28, 1973

Mr. PACKWOOD (for himself, Mr. CHURCH, and Mr. CRANSTON) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing and Urban Affairs

A BILL

To amend the Export Administration Act of 1969 (50 App. U.S.C. 2401-2413) as amended, to control the export of timber from the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Export Administration Act of 1969 (50 App.
4 U.S.C. 2401-2413), as amended, is further amended by—
5 (a) inserting immediately before section 1 the fol-
6 lowing:
7 "TITLE I—GENERAL PROVISIONS";
8 (b) redesignating sections 1 through 14, and all
9 cross references thereto, as sections 101 through 114,
10 respectively;

★(Star Print)

1 (c) striking "this Act" wherever it appears in
2 sections 101 through 114 (as redesignated by subsec-
3 tion (b)) and inserting "this title"; and
4 (d) striking "This Act" in section 113(a) (as
5 redesignated) and inserting "This title".
6 SEC. 2. The Export Administration Act of 1969, as
7 amended, is further amended by adding at the end thereof
8 the following new title:
9 "TITLE II—TIMBER EXPORT CONTROLS
10 "SEC. 201. This title may be cited as the 'Timber Export
11 Administration Act of 1973'.
12 "SEC. 202. It is the finding of the Congress that
13 the substantial increase in recent years in the rate of
14 export to foreign countries of coniferous timber is creating
15 a severe domestic shortage of softwood lumber and plywood;
16 is impairing the stability of many communities in the United
17 States that are economically and socially dependent upon
18 the processing of coniferous timber into various wood prod-
19 ucts; is threatening to cause serious unemployment in the
20 affected areas of the United States; has caused the elimina-
21 tion of some and threatens the survival of many other small
22 business concerns; and has caused impairment and threatens
23 further impairment of the industrial capacity of the United
24 States to produce wood products that are vital to the domestic
25 economy and essential to the national defense and security.

1 "SEC. 203. Congress declares that it is the policy of the
2 United States to alleviate the harmful effects of the excessive
3 exportation of coniferous timber by limiting the volumes
4 thereof that may be exported from the United States.

5 "SEC. 204. (a) Except as provided in subsections (b)
6 and (c) of this section, timber from any Federal lands shall
7 not be exported from the United States on or after Jan-
8 uary 1, 1974, and timber from any non-Federal lands shall
9 not be exported from the United States on or after
10 January 1, 1977.

11 "(b) (i) On or after January 1, 1974, the Secretary
12 may after public hearings determine that specific quan-
13 tities of timber from Federal or non-Federal lands are sur-
14 plus to the needs of domestic users and processors, and may
15 issue a permit authorizing the export of any such timber.

16 "(ii) The Secretary shall issue a permit only upon the
17 application of the person in control of the use or disposition
18 of such timber if the Secretary finds that such timber is cur-
19 rently in log form and that there is currently no reasonable
20 market therefor within those areas of the United States to
21 which it could be economically transported for processing. In
22 arriving at such findings with respect to a reasonable market,
23 the Secretary shall take into account, among other things—

24 "(A) the fair value for domestic use of the timber

1 in the form in which and at the place at which ' exists
2 as determined by the Secretary of Agriculture; and
3 "(B) whether the applicant has attempted in good
4 faith but unsuccessfully to sell the timber involved at not
5 more than such fair value to persons that are customarily
6 engaged in the processing of timber of the type involved
7 at facilities within economic transportation distance of
8 the current situs of such timber.
9 "(iii) The Secretary shall through regulation designate
10 at least one day in each month on which he will receive
11 written or oral testimony from permit applicants, and other
12 interested persons, relevant to the findings required under
13 paragraph (ii) of this subsection. To provide for public
14 notice of pending applications, testimony will be received on
15 only those applications delivered to the Secretary at least ten
16 days prior to the designated date. After receipt and con-
17 sideration of the testimony, the Secretary shall within five
18 days, Saturdays, Sundays, and legal holidays being ex-
19 cluded, approve or disapprove such applications. Concur-
20 rent with his action the Secretary shall issue a concise
21 public statement stating his reasons therefor.
22 "(c) Timber cut from Federal lands that has been ex-
23 empted from domestic processing under the provisions of
24 any Federal timber sale contract awarded prior to March 1,
25 1973, is exempted from the export restrictions of this title:

1 *Provided*, That no such timber shall be exported unless the
2 exporter of said timber obtains a permit from the Secretary.
3 The Secretary shall include in said permit such conditions as
4 he determines are necessary to maintain the identity of the
5 timber to be exported.

6 "SEC. 205. (a) On or before November 1, 1973, any
7 exporter which exported timber from non-Federal lands dur-
8 ing calendar year 1972 shall file with the Secretary a report,
9 in such form as he may require, stating the quantity of timber
10 exported during calendar year 1972. The Secretary shall,
11 with the exception contained in subsection (b) of this sec-
12 tion, use reported quantities as the base for determining ex-
13 port quotas for each exporter under subsection (c) of this
14 section. Any individual, corporation, association, firm, or
15 other legal entity which did not export timber during calen-
16 dar year 1972, or which fails to report timber exports made
17 during such period, shall be ineligible to export timber under
18 the provisions of this section.

19 "(b) (i) On or before February 1, 1974, any exporter
20 which exported timber from non-Federal lands during calen-
21 dar year 1973, shall file with the Secretary a report, in such
22 form as he may require, stating the quantity of timber ex-
23 ported during calendar year 1973.

24 "(ii) If the quantity of such timber exported by any ex-

1 porter during calendar year 1973 is in excess of the quantity
2 exported by such exporter during calendar year 1972, such
3 excess quantity shall be subtracted from the quantity ex-
4 ported during calendar year 1972 and that quantity derived
5 after such subtraction shall be the base for determining export
6 quotas for such exporter under subsection (c) of this section.
7 "(c) Effective on January 1, 1974, and continuing
8 through December 31, 1976, the quantity of timber, other
9 than surplus timber, that may be exported from non-Federal
10 lands by an exporter who has filed reports in compliance
11 with subsections (a) and (b) of this section, shall not
12 exceed a quantity as established by quota to be determined
13 in accordance with the following formula:

"Calendar year 1974	75 per centum of that exporter's base.
"Calendar year 1975	50 per centum of that exporter's base.
"Calendar year 1976	25 per centum of that exporter's base.

14 Sixty days after the end of each calendar year every ex-
15 porter which exported timber during the calendar year shall
16 file with the Secretary a report, in such form as he may
17 require, stating the quantities exported under this subsection
18 and the sources thereof, and in addition shall file a report
19 of the quantities exported under subsections 204(b) and
20 204(c) of this title and the sources thereof.
21 "SEC. 206. Whoever exports timber after January 1,
22 1974, shall permit access to related books, records, and ac-
23 counts, and their log storage areas by the Secretary.

1 "SEC. 207. Whoever knowingly and wilfully exports
2 any timber in violation of this title, or knowingly and frandu-
3 lently files a false report, or fails to permit the Secretary
4 access to his books, records, and accounts, and his log stor-
5 age areas shall be fined not more than $10,000 or impris-
6 oned for not more than one year or both for each such
7 violation and shall not thereafter be permitted to export
8 timber for a period of five years.

9 "SEC. 208. As used in this title—

10 "(a) The term 'timber' means unprocessed coniferous
11 timber: *Provided*, That for the purposes of this title, un-
12 processed timber consists of—

13 "(i) any logs, such as saw logs, peeler logs, and
14 pulp logs;

15 "(ii) cants, squares, and lumber exceeding four
16 and one-half inches in thickness; and

17 "(iii) split or round bolts, or other round wood not
18 processed to standards and specifications suitable for
19 end product use.

20 "(b) The term 'Secretary' means the Secretary of
21 Commerce.

22 "(c) The term 'exporter' means any individual, corpo-
23 ration, association, firm, or other legal entity which sold
24 timber under such terms that the seller delivered the timber
25 either—

94-218 O - 73 - 2

1 "(i) on board a truck or railroad car; or

2 "(ii) alongside a vessel in a manner usual in the
3 port involved or on a dock designated and provided
4 by the buyer

5 in such circumstances that the seller at that time reason-
6 ably believed that the timber so delivered would, in accord-
7 ance with orders given by the buyer directly to the carrier,
8 be transported by such truck, railroad car, or vessel to a
9 foreign destination.

10 "(d) The term 'United States' means the fifty States,
11 and territories, possessions, and trust territories of the United
12 States.

13 "SEC. 209. The Secretary is authorized to issue such
14 regulations as may be necessary to carry out the purposes
15 of this title."

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAR 28 1973

Dear Mr. Chairman:

In accordance with your request we are pleased to furnish this written statement relating the Interior Department's view of the log and lumber supply demand situation. We appreciate this opportunity to participate in the hearings conducted by the Subcommittee on Housing and Urban Affairs on the important subjects of lumber shortages and prices.

Forest Management Program

The Bureau of Land Management's forest management program is designed to produce sustained yields of commercial wood supplies.

A total of 118 million forested acres in various sections of the eleven Western States and Alaska make up the Bureau of Land Management's forest resources. Forest lands that are producing commercial timber total about four million acres; in addition, commercial forest lands in Alaska total about 20 million acres more. The merchantable inventory of the western Oregon lands is approximately 51 billion board feet. Currently, nearly 20 percent of the total log production in western Oregon comes from these lands. The Bureau of Land Management annually offers about 1.3 billion board feet of timber for competitive bids. About 90 percent of this volume presently comes from the western Oregon holdings. Overall, BLM timber yield is about three percent of the total national softwood timber supply. Annual sales may vary from year to year in response to economic fluctuations or emergency forest conditions, but the total output from decade to decade is kept within its sustained capacity and multiple use framework.

Goals for timber harvest are on schedule. Approximately 1.3 billion board feet of timber are offered annually, together with other vegetative sales, such as posts, firewood and Christmas trees; revenues in FY 1972 amounted to some $68,800,000.

Supply, Demand and Prices

Price levels have gone upward since termination of Phase II of the price control program. According to indices based on price quotations from trade journals, the Douglas fir index rose by $25.25 - from $145.01 to $170.25 through March 9, 1973. Plywood prices increased even faster after running for the last six months of 1972 with almost no change. They went from $118.57 to $186.10 - a 57 percent increase.

Since the beginning of Phase III early in January, increases have equaled or exceeded price rises we have experienced at any time in history.

The present situation results from record breaking numbers of housing starts in 1972 which drained the pipelines of lumber and plywood inventories throughout the country. The forest products industry is now having difficulty in refilling the pipelines. Unfilled orders at sawmills increased by 50 percent in the 18 month period since the spring of 1971. Simultaneously, inventories of lumber at mills and in transit to customers dropped by one-third.

Enclosed are tables through 1972 concerning softwood log exports and the import-export balance of trade in logs and lumber.

The Office of Management and Budget has advised that there is no objection to the presentation of this written statement from the standpoint of the Administration's program.

Sincerely yours,

Jack Horton

Assistant Secretary of the Interior

Hon. John Sparkman
Chairman, Committee on
Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Enclosure

TABLE I

Total U. S. Softwood Log Exports

CY Year	(Billion Board-Feet)	Value (Million Dollars)
1962	.45	30
1963	.88	55
1964	1.02	67
1965	1.11	83
1966	1.31	104
1967	1.87	160
1968	2.47	238
1969	2.31	256
1970	2.68	322
1971	2.23	264
1972	3.05	392

Source - Department of Commerce

(Corrected as of March 1973)

TABLE II

Softwood Logs and Lumber

(Billion board feet)

FY Year	Imports	Exports	Net Import
1970	4	3.1	.9
1971	4.8	2.4	2.4
1972	4.9	2.9	2.0
1973 (thru Jan.)	5.8	2.6	3.2

The CHAIRMAN. Senator Packwood, do you have a statement?

Senator PACKWOOD. Mr. Chairman, I do. Four years and one week ago today, this committee began a series of hearings on increases in the costs of wood products, the manner in which these cost increases adversely affect this Nation's homebuilding effort and the cause of the increases. In short, 4 years ago, almost to the day, we sat in this room and proceeded to analyze the very problems of which we begin consideration today.

A brief review of what has happened during these 4 years with regard to a few of the critical elements of the situation may enable us to secure a better grip on the problem we face.

In 1968, the United States imported 5.8 billion board feet of finished lumber, most of it from Canada; last year we imported 9 billion board feet, an increase of 55 percent.

In 1966, the United States exported 1.3 billion board feet of softwood logs—the staple ingredient of the homebuilding industry. This was an outflow of such alarming proportions that it prompted Congress, in 1968, to place a quota on the export of Federal timber of 350 million board feet annually. Last year, even with this restriction in the law, we exported more than 3 billion board feet of softwood logs—an increase of 131.5 percent over the level of export that was of such concern to the Congress in 1968.

In 1968, 12.1 billion board feet of softwood timber was harvested from our national forests; last year we harvested 11.7 billion board feet, a decrease of 3.5 percent.

In 1968, more than 1.5 million housing units were started in this country; last year housing starts very nearly approached 2.4 million units—an increase of 54 percent.

When this committee considered the problem of rising prices of wood products in 1969, we concluded that among the more important elements of the problem were:

Declining supplies of timber from Federal lands;

Increasing exports of our raw material—softwood logs—to foreign countries;

Declining supplies of box cars—contributing to transportation delays;

Retention of the provisions of the Jones Act, requiring intercoastal shipments to be carried on American vessels, which add further to our transportation difficulties, and prevents the continental United States from enjoying any of the benefits from the vast timber stands located in the State of Alaska; and

Our effort to fulfill the national housing goals—thereby increasing the demand for wood products.

I recall that there were several suggestions advanced by the committee after the conclusion of our hearings that would have gone far to preventing the reoccurrence of the very dilemma with which we must come to grips once again.

It occurs to me that many of the suggestions that we will receive during these 2 days of hearings—and the 2 days scheduled for April 11 and 13 on the west coast—will resemble an instant replay, of sorts, of the suggestions that were offered in 1969.

In specific point of fact, I would suggest that the evidence the committee will receive during the course of our investigation will point toward the clear need for action on the one element of this complex matrix over which we, as a committee of the Senate, have any direct jurisdiction—the unrestricted export of softwood logs.

As my colleagues know, I have proposed legislation jointly with my colleague from California, Senator Cranston, and Senators Abourezk, Church, Domenici, Hartke, McGovern, Mondale, and Tunney, that is directed at providing a long-term answer to this particular element of the problem we face. I have done this not so much out of a sense that to restrict the flow of our raw material will be the final solution to this problem; but rather that we must act to regulate the flow of this natural resource—a flow that is on the verge of hemorrhaging—lest all else we recommend be to little avail.

In short, Mr. Chairman, I propose that the committee will find it necessary to recommend that the Congress restrict the export of softwood logs, not as a sufficient answer alone to the problem we face, but as an essential part of the overall solution.

[Senator Packwood requested that the following information be inserted in the record at this point:]

[Excerpt from Review Draft]

THE OUTLOOK FOR TIMBER IN THE UNITED STATES

(A Report on the Findings of the 1970 Timber Review from U.S. Forest Service, Dec. 5, 1972)

CHAPTER IV

AVAILABILITY OF WORLD TIMBER RESOURCES

Since 1915 the United States has become increasingly dependent upon timber resources in other countries, principally Canada and the Tropics. In view of the projected growth in demand for wood products in the United States, and the financial and environmental constraints on increasing domestic timber supplies, the potentials for timber imports and exports are matters of major significance.

Data presented in this chapter indicate the likelihood that imports of timber products from foreign sources can be increased further during the next several decades. At the same time, exports of wood products from the United States also appear likely to rise, thus limiting increases in net imports.

U.S. timber import and export trends

As consumption of industrial wood products has risen to higher levels in the United States, this country has leaned more and more heavily on the timber resources of other parts of the world. In 1971, for example, U.S. imports of wood products reached an all-time high of 2.7 billion cubic feet, roundwood equivalent (table 4-1 and fig. 4-1). These imports equaled one-fifth of the total supply of industrial wood in the United States in that year.

Table 4-1.--U.S. imports and exports of timber products, 1940-71 with projections under alternative price assumptions to 2000

[Million cubic feet - roundwood equivalent]

Year	Imports					Exports					Net imports
	Lumber x 6.1	Pulp products	Veneer and plywood	Logs x 6.2	Total	Lumber	Pulp products	Veneer and plywood	Logs	Total	
1940	115	565	--	35	715	150	125	5	10	290	425
1941	210	600	--	55	865	110	100	5	5	220	695
1942	240	610	--	30	880	70	95	5	5	175	705
1943	135	560	--	20	715	50	80	15	5	150	565
1944	155	515	--	25	695	55	65	10	5	135	560
1945	165	645	--	25	835	70	65	10	5	150	685
1946	195	750	--	25	970	100	50	5	--	155	815
1947	205	880	--	30	1,115	210	70	10	10	300	815
1948	295	920	--	45	1,260	100	55	--	10	165	1,095
1949	245	830	--	30	1,105	105	55	--	10	170	935
1950	535	935	5	45	1,520	80	50	--	10	140	1,380
1951	390	1,025	10	35	1,460	155	90	--	15	260	1,200
1952	385	945	10	30	1,370	115	95	--	10	215	1,155
1953	430	935	15	40	1,420	100	70	--	20	190	1,230
1954	480	920	30	35	1,465	110	135	--	25	270	1,195
1955	560	975	40	35	1,610	130	180	--	25	340	1,270
1956	530	1,040	45	30	1,645	120	160	--	30	310	1,335
1957	460	960	45	25	1,490	130	185	--	25	335	1,155
1958	530	895	50	15	1,490	115	165	--	30	310	1,180
1959	635	970	75	20	1,700	120	195	5	35	355	1,345
1960	610	985	60	20	1,675	135	275	--	45	455	1,220
1961	665	1,000	60	20	1,745	120	295	--	75	495	1,250
1962	760	1,055	75	20	1,910	120	295	--	85	495	1,415
1963	830	1,060	80	15	1,985	135	340	5	150	630	1,355
1964	815	1,120	90	10	2,035	150	395	5	170	720	1,315
1965	815	1,175	100	10	2,100	145	380	5	190	715	1,385
1966	810	1,290	115	15	2,230	160	420	5	220	800	1,430
1967	800	1,240	110	15	2,165	175	460	10	310	955	1,210
1968	960	1,260	165	15	2,400	180	525	10	405	1,120	1,280
1969	980	1,340	180	15	2,515	180	570	20	375	1,140	1,375
1970	955	1,275	170	25	2,425	200	710	15	430	1,355	1,070
1971	1,185	1,335	210	15	2,745	170	635	15	360	1,180	1,565
Projections - 1970 relative prices											
1980	998	1,576	192	31	2,797	203	1,409	38	678	2,328	469
1990	998	1,919	192	31	3,140	203	1,679	51	769	2,702	438
2000	998	2,230	192	31	3,451	203	1,871	64	795	2,933	518
Projections - Rising relative prices[1/]											
1980	1,482	1,622	209	31	3,344	187	1,394	26	638	2,245	1,099
1990	1,981	2,051	247	31	4,310	172	1,632	26	573	2,403	1,907
2000	2,168	2,519	271	31	4,989	140	1,794	13	534	2,481	1,508
Projections - Relative prices 30 percent above 1970 average											
1980	1,732	1,739	261	31	3,763	156	1,363	13	599	2,131	1,632
1990	1,966	2,098	269	31	4,364	156	1,632	26	599	2,413	1,951
2000	1,966	2,441	275	31	4,713	156	1,817	26	599	2,598	2,115

[1/] Lumber prices assumed to rise from 1970 level at 1.5 percent per year; plywood 1.0 percent; and pulp and paper 0.5 percent.

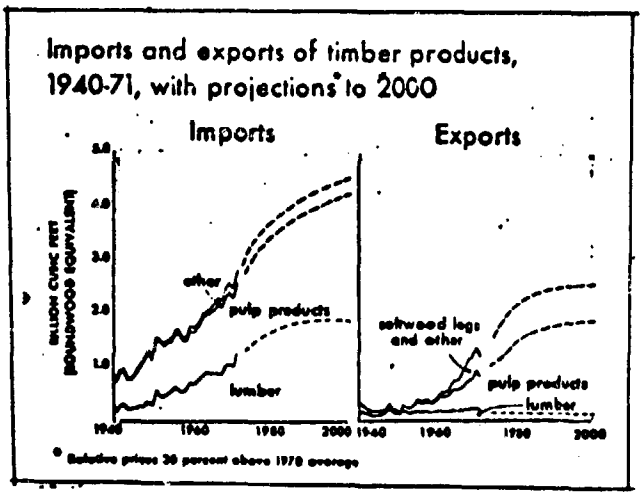


Figure 4-1.

Exports of timber products from the United States have also been increasing, reaching a peak in 1970 of nearly 1.4 billion cubic feet roundwood equivalent.

The net import balance in 1971 thus amounted to nearly 1.6 billion cubic feet--or 12 percent of the industrial wood consumed in the United States. This was a record high in the trend in net imports (fig. 4-2).

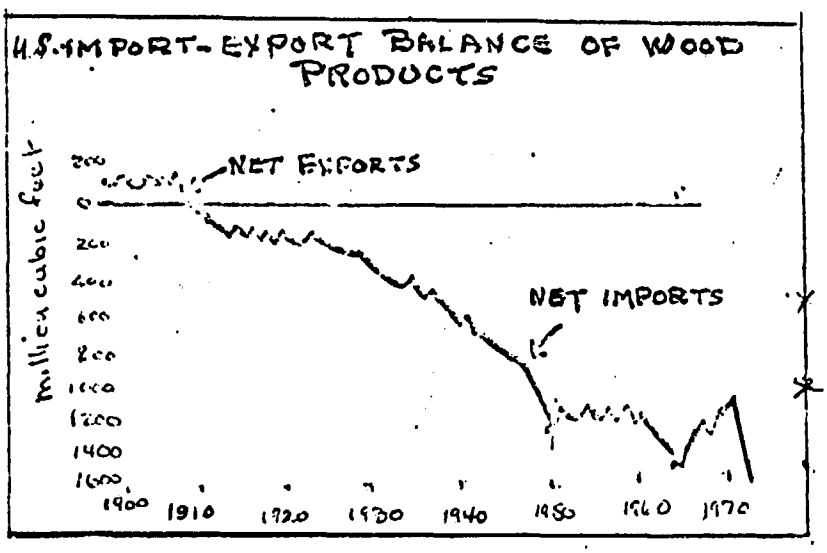


Figure 4-2.

Trends in the balance of trade for pulp products, lumber, and plywood have all followed more or less the same course, differing mainly in timing. Substantial reliance on foreign newsprint and woodpulp, for example, dates back to at least 1900. In earlier years much of the imported pulp and paper came from Scandinavia, but recently Canada has been the source of most pulp and paper imports. The excess of imports of pulp and paper products has climbed since the first of the century, but has been fairly constant since 1960 at about 700 million cubic feet per year, roundwood equivalent (table 4-1).

Prior to 1941 the United States was a net lumber exporter but since then lumber imports have climbed steadily and rapidly, while exports have remained more or less the same. Today, the United States is heavily dependent upon lumber imports, primarily from Canada. In 1971 imports reached a high of 7.2 billion board feet, or 1.2 billion cubic feet roundwood equivalent.

Imports and exports of plywood and veneer were both of minor importance until about 1950. Since then imports have climbed rapidly, whereas exports of these products have continued to be small. In 1971, imports of plywood and veneer reached 210 million cubic feet, roundwood equivalent, or more than 14 times the volume of exports.

About 96 percent of the imported plywood and 57 percent of the imported veneer has consisted of tropical hardwoods. In recent years the United States used about 70 percent of the tropical veneer and plywood entering world trade.

U.S. imports of other products have included a rising volume of hardboard, insulation board, and particleboard, amounting to 231 thousand tons in 1971. These imports were partially offset by exports of 56 thousand tons. Most raw material for these products came from residues and did not represent much drain on timber resources.

The situation with regard to international trade in logs is quite different. Until the 1960's log shipments both in and out of the United States were of minor importance. However, during the decade of the 60's almost 3 billion cubic feet of logs were shipped to other countries--mainly to Japan--for manufacture. Log exports climbed from 45 million cubic feet in 1960 to 430 million cubic feet in 1970 falling off to 360 million cubic feet in 1971. Log imports remain of minor importance.

Since the middle 1960's, Japan has also purchased large quantities of wood chips from the West Coast of the United States as part of its worldwide search for raw material. In 1970, more than 2.4 million tons of chips from sawmill residues were shipped to Japan (table 4-2).

Although total wood exports have not climbed as much as imports, they have quadrupled since 1940. In 1969 the United States supplied $1.3 billion of wood products to the rest of the world--about 12 percent of world trade in wood products. Much of the rise in exports has been accounted for in the large volumes of logs, wood chips, and pulp that have been shipped to Japan for

Table 4-2--Exports of timber products from the United States, by destination, 1940 and 1970

Product	Unit of measure	Year	Total	Canada	Latin America	Europe	Africa & Near & Mid-East	Far East	Other
Logs.....	Million bd.ft.	1940	71	18	1	4	1	47	1
		1970	2,753	292	4	23	4	2,429	1
Lumber....	Million bd.ft.	1940	972	104	333	265	84	172	16
		1970	1,289	270	124	299	21	461	114
Plywood...	Million sq.ft. surface meas.	1940	45	3	2	16	*	24	*
		1970	182	69	18	85	2	4	4
Veneer....	Million sq.ft. surface meas.	1940	126	27	11	182	1	2	3
		1970	327	216	2	108	*	*	1
Pulpwood..	Thousand cds.	1940	62	62	-	-	-	-	-
		1970	95	64	-	-	-	30	*
Pulpwood chips...	Thousand tons	1940	-	-	-	-	-	-	-
		1970	2,418	1	-	-	-	2,417	*
Woodpulp..	Thousand tons	1940	481	13	92	233	3	104	36
		1970	3,115	66	411	1,750	73	707	104
Paper.....	Thousand tons	1940	254	16	80	30	23	98	8
		1970	549	98	182	118	50	75	26
Paper products[1]	Thousand tons	1940	38	6	13	7	3	8	1
		1970	100	31	26	15	8	13	8
Paperboard	Thousand tons	1940	236	14	28	128	29	31	7
		1970	2,150	155	518	1,085	223	132	37
Paperboard products[1]	Thousand tons	1940	10	3	2	1	*	4	*
		1970	41	12	19	5	2	3	1

[1] Excludes small volumes of paper and board products not reported in tons.

*Less than 0.5.

Sources: 1940--U.S. Department of Commerce, Bureau of Foreign & Domestic Commerce, Foreign Commerce and Navigation of the U.S., Calendar year 1940.

1970--U.S. Department of Commerce, Bureau of the Census. FT 410 Foreign Trade, December 1970.

manufacture as a result of that country's aggressive search for industrial raw materials. However, the European market is also an important outlet for U.S. timber products, and sizable shipments are made to other parts of the world.

The sum of all these developments has been a major increase between 1910 and 1950 in net dependence of the United States on wood products from other countries (fig. 4-2). This change seems to have been mainly due to three factors:

- The rising consumption of industrial wood in the United States.
- A tightening domestic timber supply situation, particularly for top-quality hardwood material and for softwood lumber.
- Effective marketing efforts and lower costs of production in other countries with timber to sell.

The trend of net imports of timber products has shown relatively little change since 1950. In 1971 net imports amounted to 1.6 billion cubic feet roundwood equivalent, compared with 1.4 billion cubic feet in 1950. This situation largely reflects the accelerating worldwide search of Japan and other importing countries for raw materials.

Whether a rise in U.S. imports and exports as illustrated in figure 4-1 can be achieved will largely depend on developments in the world timber supply-demand situation, and the economic availability from other countries, primarily Canada and tropical areas such as Southeast Asia.

The world timber supply-demand situation

Total consumption of wood in the world increased 50 percent between 1950 and 1969 to 75.6 billion cubic feet, as shown by the following tabulation:

Item	1950	1960	1969	1975	1985
Industrial wood	25.6	36.3	42.7	52.5	70.4
Fuelwood	25.3	31.0	32.9	36.6	37.6
Total	50.9	67.3	75.6	89.1	108.0

World timber demand is projected to increase a further 43 percent by 1985 to 108 billion board feet.[1]

Perhaps the most significant aspect of developments in the period between 1950 and 1970 is that Europe, the United States, and Japan--which accounted for 38 percent of total wood consumption and 60 percent of industrial wood use--are all heavily dependent on timber from other countries.

The situation in Europe.--Nearly one-quarter of the industrial wood produced in the world in 1969--10.2 billion cubic feet--was consumed in Europe (table 4-3). European consumption of industrial wood in 1970 was 90 percent greater than twenty years earlier. The Economic Commission for Europe now sees the possibility that use of timber products in Europe may double again by the year 2000.[2]

---

[1] Takeuchi, Kenji. The market potential for tropical hardwood with emphasis on the Asia Pacific region. International Bank for Reconstruction and Development. Office Report. Sept. 1971.

[2] Timber Committee, Economic Commission for Europe, United Nations Economic and Social Council. TIM/Working Paper No. 173/Add. 1. July 12, 1972.

Table 4-3.--Production and consumption of timber, 1969

[Billion cubic feet roundwood equivalent]

Country	Timber removals	Net imports	Net exports	Apparent consumption
All products				
United States	11.5	1.4		12.9
Europe	11.1	1.4		12.5
Japan	1.8	1.4		3.2
Russia	13.4	--	1.0	12.4
Rest of World	37.8	--	3.2	34.6
Total	75.6	4.2	4.2	75.6
Industrial wood				
United States	10.9	1.4		12.3
Europe	8.8	1.4		10.2
Japan	1.6	1.4		3.0
Russia	10.2		1.0	9.2
Rest of World	11.2		3.2	8.0
Total	42.7	4.2	4.2	42.7

Dependence on non-European sources of timber seems bound to increase in coming few years, even though Europe's forests reportedly can support a larger timber harvest if certain improvements are made. Thus increased output of industrial wood products reportedly can be achieved with a continued decline in fuelwood consumption, intensification of forest management practices, some substitution of hardwood for softwoods, more complete utilization of what are now residues of manufacture. Nevertheless, European timber imports by the year 2000 are expected to be at least triple the recent level of 1.4 billion cubic feet.

European demands for imported timber might be even greater than such estimates as a result of needs for environmental management of forest areas in Europe. The Timber Committee of the Economic Commission of Europe has pointed out "The rapid increase in the importance attached to environmental problems in Europe may have far reaching repercussions on the management of existing forest resources, to the extent that environmental requirements may impose certain limitations on forestry's traditional role of supplying wood. These repercussions may be of different types: they may lead to certain forest areas being declared protection, conservation or recreation areas with severe restrictions on their commercial exploitation, or they may constitute hindrances to normal management and exploitation because of landscaping and similar constraints and thus affect the economics of production."

94-218 O - 73 - 3

The situation in Japan.--The phenomenal economic growth of Japan resulted in a more than a six-fold increase in consumption of industrial wood from 1925 to 1969. Up to 1950 the rise in use of industrial wood was more than offset by declining consumption of fuelwood. Since then, however, industrial wood consumption has risen at the rate of 2.5 percent annually to 3.0 billion cubic feet in 1969 (table 4-3). About 44 percent of consumption in 1969--or 1.4 billion cubic feet--was supplied from imported logs and timber products.

Japan is engaged in a major program to raise domestic wood production but dependence on wood imports nevertheless is considered likely to increase considerably, in the short run at least, to as much as 3 billion cubic feet by 1975. Plans call for raising domestic production from 1.8 billion cubic feet of roundwood in 1960 to more than 4 billion cubic feet by the year 2000. However, self-sufficiency will not be achieved if the trend of consumption is as currently envisaged, particularly if Japan's forest productivity falls short of stated objectives.

World forest land and timber resources

Analysis of the world wood supply situation is complicated by lack of adequate data for many parts of the world and uncertainties regarding potentials for economic development. It seems apparent though that there are a number of potentials for expanded supply. At the same time, the day is not far off when the world timber

supply-demand situation will become increasingly competitive. In that connection the wood surpluses of Canada, Russia, and the Tropics are of primary importance.

Forests cover 9,172 million acres of the world's land area, or about 28 percent of the total (table 4-4). About two-thirds of the forested land supports hardwood species and one-third softwoods. Most of the world softwood acreage is found in North America (1,087 million acres) and in the USSR (1,366 million acres).

Estimates of forest areas actually available for timber harvest--i.e., excluding reserved lands and those classified as unproductive--vary widely. The FAO estimates that 5.6 billion acres, or 61 percent of the total forested area, may be available for timber harvesting.

Volumes of timber inventories in the world total an estimated 12.6 trillion cubic feet (table 4-5). North America and the USSR contain the largest volumes of softwood growing stock, while Latin America, Africa, and Southeast Asia have large hardwood volumes. Hardwoods make up about two-thirds of all growing timber in the world.

Total volumes such as shown in table 4-5 are not the only determinant of an area's importance for other factors such as species and quality of timber, physical and economic accessibility, and institutional or political limitations must also be considered. Thus as indicated in table 4-6, 90 percent of the softwoods cut for industrial use are produced in North America, the USSR, and Europe.

Table 4-4.--Land area and forested land area in selected areas of the world

[Million acres]

Area	Total land area	Forest land			Forest land available for wood production
		Total	Softwood	Hardwood	
North America.....	4,633	1,754	1,087	642	1,013
United States ..	2,271	722	--	--	
Canada	2,264	1,037	--	--	588
Latin America	5,019	1,962	86	1,831	862
Europe	1,129	366	213	153	312
Western Europe..	917	301	178	124	257
Africa	7,339	1,757	10	1,700	729
Asia (except Japan and USSR)	6,580	1,223	183	1,016	815
SE and E. Asia..	1,159	672	17	642	462
Japan	247	59	25	32	57
U.S.S.R.	5,297	1,824	1,366	432	1,730
Pacific area	2,081	227	7	210	118
World	32,205	9,172	2,978	6,017	5,636

Source: Food and Agriculture Organization of the United Nations.

Table 4-5.--World forest growing stock, by area and species

[Billion cubic feet]

Area	Growing stock		
	Total	Softwood	Hardwood
North America	2,083	1,395	689
United States			
Canada			
Latin America	4,340	99	4,241
Europe	473	290	184
Western Europe	374	244	131
Africa	1,232	11	1,222
Asia (except Japan and USSR)	1,444	212	1,232
SE and E. Asia	939	21	918
Japan	67	35	32
U.S.S.R.	2,807	2,345	463
Pacific Area	177	11	166
World	12,623	4,396	8,227

Source: Food and Agriculture Organization of the United Nations.

Table 4-6.--World timber harvest, excluding fuelwood, by area, 1950-52 and 1967-69

[Million cubic feet]

Area	1950-1952			1967-1969		
	Total	Soft-wood	Hard-wood	Total	Soft-wood	Hard-wood
North America	11,017	8,933	2,083	14,548	11,864	2,684
United States ..						
Canada						
Latin America	1,095	424	671	1,554	706	847
Europe	6,391	5,191	1,201	8,616	6,179	2,436
Western Europe..						
Africa	530	35	494	1,201	177	1,024
Asia (except Japan and USSR)...	1,942	742	1,201	3,778	1,130	2,648
SE and E. Asia..						
Japan	953	847	106	1,730	1,095	636
U.S.S.R.	6,250	5,402	847	10,205	9,039	1,165
Pacific area	388	106	282	636	318	318
World	28,566	21,680	6,885	42,266	30,508	11,758

Source: Food and Agriculture Organization of the United Nations.

Growth in softwood production has been most rapid in the USSR, which has the greatest volume of untapped softwood forest resources.

Of the world's hardwood timber production, about two-thirds comes from North America, Asia, and Europe--even though these areas contain only 25 percent of the total growing stock resource. Latin America contains over half the total world resource, but accounts for less than 10 percent of world production.

Much of the hardwood timber in Southeast Asia occurs in stands of high quality and limited numbers of species. In contrast, both the Latin American and African forests are typified by a large number of species of widely differing commercial values. This complex species mix in which only a small percentage is commercially valuable makes logging for a specified use both difficult and expensive.

Prospects for significant additions to softwood timber exports seem limited to two areas, Canada and the USSR. Both of these countries have indicated a desire to develop areas where timber has heretofore been virtually unused, and both countries are characterized by having most of their timber under government control. Government policies as well as trends in prices and markets will be significant in determining how rapidly expansion of timber industries takes place.

Hardwood supply expansion is possible in most of the world's tropical areas, although growth appears to be most likely in Southeast Asian areas. Most tropical areas with large hardwood

supplies face the basic problems of underdevelopment and shortage of capital.

Potential timber supplies from Canada

The timber resources of Canada are of special significance to consumers in the United States. Canada is the leading exporting nation in the world, with three-fourths of her exports going to the United States. Canadian forests include some 588 million acres of forest land suitable and available for regular timber harvesting, or 16 percent more area than the commercial forests of the United States (table 4-7).

Timber volume on the 447 million acres of forest land that have been inventories totals more than 600 billion cubic feet--nearly as much as the timber volume found on commercial forest lands in the United States. About four-fifths of the Canadian timber is of coniferous species suitable for lumber, pulp, and plywood.

Output of both the lumber and pulp and paper industries in Canada has climbed steadily in recent decades, particularly following World War II (table 4-8). Since 1950 the annual production of lumber, pulp and paper roughly doubled. Output of plywood, veneer, and woodpulp for export climbed even more rapidly.

These increases in industrial timber products output have been achieved with a much smaller expansion of timber cut. Partly, this has been due to a decline in fuelwood production. Partly, it reflects a substantial improvement in timber utilization practices.

Table 4-7.--Forest land areas in Canada, by Province, 1967

[Thousand acres]

Province	Total	Suitable for regular harvest	Not suitable for regular harvest	Reserved
Atlantic[1/]	56,685	47,723	8,311	651
Quebec	171,827	121,845	49,920	62
Ontario	120,534	115,471	105	4,958
Prairie[2/]	132,712	119,608	4,979	8,125
British Columbia	138,076	134,838	--	3,238
NW Territories & Yukon	176,512	48,808	127,704	--
Total	796,346	588,293	191,019	17,034

[1/] Includes Newfoundland, Prince Edward Island, Nova Scotia, and New Brunswick.

[2/] Includes Manitoba, Saskatchewan, and Alberta.

Source: Canadian Forestry Service.

Table 4-8.--Output of major forest products in Canada and total timber cut

Year	Lumber	Plywood and veneer (3/8"-basis)	Paper and paperboard	Woodpulp for export	Total timber cut
	Billion bd. ft.	Billion sq. ft.	Million tons	Million tons	Billion cu. ft.
1950	6.6	0.4	6.8	1.8	3.0
1951	6.9	.5	7.2	2.2	3.4
1952	6.8	.5	7.2	1.9	3.2
1953	7.3	.7	7.4	1.9	3.1
1954	7.2	.7	7.6	2.2	3.1
1955	7.9	.9	8.0	2.4	3.3
1956	7.7	1.2	8.5	2.4	3.5
1957	7.1	1.0	8.3	2.3	3.2
1958	7.2	1.2	8.1	2.2	2.9
1959	7.6	1.2	8.5	2.4	3.2
1960	8.0	1.3	8.9	2.6	3.3
1961	8.2	1.5	9.1	2.9	3.2
1962	8.8	1.6	9.2	3.0	3.3
1963	9.8	1.9	9.3	3.3	3.5
1964	10.4	2.0	10.2	3.6	3.6
1965	10.8	2.2	10.9	3.8	3.7
1966	10.6	2.5	11.9	4.1	3.8
1967	10.3	2.5	11.6	4.3	3.8
1968	11.4	2.7	11.8	5.0	4.0
1969	11.5	2.7	12.9	5.8	4.3
1970	11.4	2.6	12.6	5.6	4.3
1971	12.9	2.8	11.7	5.6	NA
Projections					
1980	14.5	4.5	16.9	6.9	4.9
1990	17.4	6.6	22.4	9.1	6.2
2000	20.1	9.1	27.4	11.6	7.6

Sources: Production figures 1950-68 and projections from "Forest resources and utilization in Canada to the year 2000," by Glenn H. Manning and H. Rae Grinnell Department of the Environment, Canadian Forestry Service Pub. 1304. 1971.

Total timber cut, 1961-68 from "Economic indicators in forestry and forest based industries in Canada." Cut figures for 1950-60 from report of Tree Improvement and Multiple-Use Task Forces, Canadian Pulp and Paper Association.

Lumber, plywood and veneer, total timber cut, 1969-71: "Canada's forest resource and forest products potentials," presentation to the President's Advisory Panel on Timber and the Environment, Washington, D. C. June 5, 1972.

Woodpulp for export, and paper and paperboard, 1969-70: Wood Pulp Statistics, 35th Ed., Pulp Div., American Paper Institute, Inc. November 1971.

(Estimates for 1971 based on ratios of Paper and Paperboard and Pulp Exports to Total Pulp Production.) Total pulp production 1971 = 17.5 MM tons
Paper and board = 67 percent
Exports = 32 percent

In 1968, for example, 26 percent of the raw material used in pulping was wood chips and other residues, as compared with only 2 percent in 1950.[3/]

In any case the 1970 timber cut of about 4.3 billion cubic feet was well below the calculated sustainable timber cut in Canada of 10.7 billion cubic feet (table 4-9). Recent projections by the Canadian Forestry Service contemplate that the annual timber cut will climb to about 7.6 billion cubic feet by the year 2000 (table 4-8).

The trend in timber cut after that will depend on a number of factors. The remoteness and low-yield capability of some forest land, particularly in unallocated areas, may make it uneconomical to operate for a long time to come. The fact that roughly a fourth of the allowable cut is aspen and other hardwoods, not so readily marketable as the conifers, may also slow development. Nevertheless, as the world timber supply situation becomes tighter, as seems likely in the long run, these resources may become economically available.

Several other factors may also affect allowable cuts in the future. It is possible that substantial areas of forest may be set aside in wilderness-type areas. Many private lands in Canada

---

[3/] Manning, Glen. The utilization of wood residue in Canada. Forest Economics Research Institute. Ottawa, Ontario, Canada.

Table 4-9.--Timber harvest in Canada, 1968, and estimated allowable annual timber cut, by Province

[Million cubic feet]

Province	Timber harvest 1968	Allowable cut[1]		
		On forest land allocated to timber harvest	On forest land not allocated to timber harvest	Total
Atlantic	455	856	--	856
Quebec	985	1,346	903	2,249
Ontario	591	2.272	354	2,626
Prairie	235	1,249	401	1,650
British Columbia	1,702	2,758	593	3,351
Total[2].....	3,973	8,481	2,250	10,731

[1] Excludes noninventories forest land.

[2] Excludes Yukon and Northwest Territories.

Source: Canadian Forestry Service.

although of limited importance compared with public ownerships, may be held for nontimber purposes. A study in southwest Quebec, for example, showed that about a quarter of the owners did not reside on the land and were more interested in recreation and land speculation than in timber growing.[4/] U.S. experience also suggests that the acreage considered loggable will shrink to some degree in the years ahead as unstable lands and areas with difficult and costly regeneration problems or low productivity are identified and withdrawn from cutting.

Trends in utilization also have a major bearing on available harvest levels. British Columbia, for example, has been particularly successful in obtaining close utilization of harvested timber, and in this way providing a basis for major expansion and sustained production of both lumber and pulp products.

New developments such as chip and saw equipment also appear likely to lead to increased production of lumber from eastern Canadian forests that have long been considered suitable and available only for pulpwood.

Whether allowable cuts can be sustained after the virgin forests are liquidated also is an unanswered question that depends in good part on the level of forest management and protection in the coming decades.

[4/] Manning, Glen H. and H. Rae Grinnel. Forest resources and utilization in Canada to the year 2000. Canadian Forestry Service Pub. 1304. 1971.

Since World War II, the United States has been a big consumer of Canadian timber products and Canada's principal customer. In 1971, 7.2 billion board feet of Canadian lumber, or more than half of Canada's total lumber production that year, was shipped to the United States. The 10.4 million tons of pulp, paper, and paper board shipped to the United States in the same year represented about six-tenths of Canada's production.

Projections based on available studies and judgment point to a substantial increase in Canadian timber product exports to the United States. Imports of lumber, with prices averaging 30 percent above 1970, for example, are estimated to rise to possibly 12 billion board feet by 2000, or roughly 2 billion cubic feet roundwood equivalent (table 4-1). Imports of pulp, paper, and board are estimated to rise to 2.4 billion cubic feet roundwood equivalent.

Potential supplies of tropical woods

Imports of hardwood plywood, veneer, and logs into the United States--derived mainly from tropical countries--have risen dramatically from about 50 million cubic feet, roundwood equivalent, in 1950 to 225 million cubic feet in 1971 (table 4-1 and fig. 4-1). Practically all of the increase has been in the form of plywood and veneer. Log imports have never been very large and have declined in recent years.

Imports of hardwood lumber have increased moderately in recent decades to about 400 million board feet, or 70 million cubic feet,

roundwood equivalent. Somewhat more than half of these lumber imports came from tropical countries and most of the remainder from Canada.

The rise in imports of hardwood timber products has been caused in large part by effective marketing of relatively low-cost but high-quality plywood paneling from Asian countries, and growing scarcity and relatively high costs of high-quality domestic timber. About 70 percent of world timber trade in these hardwood timber products has originated in Southeast Asia, with lesser amounts from Africa and from Canada and Latin America. This is in sharp contrast to the distribution of tropical resources shown in table 4-5.

Tropical forests are not only extensive but much is highly productive. Nevertheless, there is serious question as to the capacity of these forests to continue to supply high-quality timber products to world markets.

The vastness of the tropical forest tends to create an impression of potential timber productivity that is far in excess of anything likely to be achieved. Much of the tropical forest is relatively inaccessible and development is slow and expensive. Utilization of timber is also complicated by the great number of species of widely different charcteristics. In just one Amazon type, for example, 50 percent of the volume was found to be in 35 species, with the other 50 percent in more than 100 additional species. The problem of heterogeneity is less severe in Africa and least in Southeast Asia but occurs in all three regions.

Determining the characteristics of many different species in the Tropics and developing markets for each are formidable tasks that have not yet been accomplished.

The problems of tropical forests are further complicated by the great new search for agricultural land to accommodate rapidly expanding populations. In the Far East an estimated 21 million acres of tropical forest are reported to be cleared annually, and a similar agricultural expansion is occurring in Africa and South America.

Moreover, the potential for timber products from tropical forests is being reduced not only by withdrawal for agriculture but also by the great waste that occurs in the process. Meaningful statistics are hard to find but the situation in one large area in the Philippines gives some idea of the problem. There it was found that land clearing was destroying three times as much wood as logged for timber products.[5/]

Major differences between gross forest area and areas actually available and suitable for timber production also are illustrated by the following data for Indonesia.[6/]

[5/] UNASYLVA, Vol. (1-2), Nos. 80-81. 1966.

[6/] Review of certain aspects of the forestry program and organization in Indonesia by Burnett H. Payne and David Nordwall, Foreign Economic Development Service, U.S. Dept. of Agriculture cooperating with U.S. Agency for International Development.

Type of area	Million acres
Forested land to be reserved for watershed protection	118
Forested land suitable for conversion to agricultural production	45
Forest land currently deforested by shifting cultivation	25
Forested land suitable for permanent forest production	59
Total	247

Much of the tropical forest, moreover, consists of low-quality stands with limited utility for timber production, and much land cutover or cleared for agriculture reverts to such stands. It is possible that many presently commercial species will disappear in this process. Some ecologists are in fact describing the natural tropical rain forest as a nonrenewable resource.[7/] There is today little that can be described as timber management in the tropical forests, partly because of custom, lack of capital for forest replacement, and lack of knowledge concerning regenerative processes and cultural requirements of timber species in the tropical rain forest.

In the longer run there are serious questions as to whether the world can continue to draw heavily on the tropics for fine,

---

[7/] Gomez-Pompa, A., C. Vazquez Yanes, and S. Quevara S. The Tropical forest: a nonrenewal resource. (In manuscript) Department of Botony Institute of Biology, National University of Mexico.

94-218 O - 73 - 4

high-quality logs. Utilization has tended to be highly selective both as the species and sizes of trees, and supplies of preferred timber are diminishing. In West Malaysia, for example, four-fifths of the forest resource available to the wood-based plants which do not have timber concessions has been logged over at least once.[8/] This report also states that:

> "The supply of high-grade logs to those industries which purchase their supply on the open market will reach a point of serious depletion in the immediate future."[8/]

The tropical wood industries are nevertheless still expanding and it seems likely that the output of hardwood plywood, veneer and lumber from the natural forests of the tropics will increase substantially during the next several decades, particularly in Southeast Asia. Pringle has estimated that exports of hardwood products from the Tropics in 1985 will be about twice as high as in 1967.[9/] The projections summarized in table 4-1 include a sizable increase in shipments of such tropical wood to the United States.

The potential role of plantations

In tropical and subtropical areas, plantations can be expected to become more important in the next few decades, particularly in supplying construction and pulping materials. Phenomenal growth

---

[8/] United Nations, Food and Agricultural Organization. The wood based industries of West Malaysia - 1971 FOD: SF/MAL 68/516, Tech. Report 4.

[9/] Pringle, S. C. World supply and demand of hardwoods. Proceedings of Conference on Tropical Hardwoods. Syracuse Univ. Aug. 1969.

rates are being achieved by planting and intensively cultivating fast-growing species of pines, eucalyptus, and other species. Both softwood pulpwood and saw logs of acceptable size can be produced in relatively short rotations.

Teak plantations also are of importance in Indonesia and Burma, with a reported area in 1967 of about 2.5 million acres.[10/] Plantations offer no easy answer to hardwood supply as there is much yet to be learned, but expansion of plantations could help offset declines in natural hardwood forests.

Timber supply potentials in the USSR

The Soviet Union has one-third of the so-called "productive" forest in the world--a greater forest area than North America and Europe combined. Most of the forest land supports softwood timber. Timber cut in the USSR in 1969 made up about 18 percent of the world total. Production of industrial wood products in the USSR rose to over 10 billion cubic feet in 1968--presumably well below the sustainable level. Exports of timber products in the same year amounted to some 1.1 billion cubic feet, roundwood equivalent.

Population and timber industries are primarily concentrated in the southern and western parts of the USSR, and forests in these

---

[10/] United Nations, Food and Agriculture Organization. Wood--world trends and prospects. 1967.

regions have been heavily overcut as a consequence.[11] The bulk of unexploited forest resources now lies in northern Russia and Siberia.

The USSR has been engaged in a major effort to transfer timber cutting to timber surplus areas and to establish pulp, paper, lumber, and plywood plants close to new supply sources. This program has faced varied difficulties such as the long distances between forests and markets. In spite of factors of remoteness of much forest lands, low productivity of many sites, and new environmental questions, there are undoubtedly opportunities for increasing timber harvests.[12]

Rapid growth of lumber production since 1950 has enabled the USSR to become a major factor in world lumber markets. Substantial volumes of logs, amounting to 189 million cubic feet in 1969, for example, also have been exported to Japan. These trends are expected to continue in the near future, although growing domestic needs and declining resource availability in European Russia may be limiting factors in the longer run.

Pulp and paper production in the Soviet Union has also grown rapidly during the past two decades, with almost all of this production being used domestically. The current low per capita consumption

---

[11] Algvere, Karl Viktor. Forest economy in the USSR. Royal College of Forestry, Stockholm, Sweden.

[12] Solecki, J. S. Russia-China-Japan, economic growth, resources forest industries. University of British Columbia. 1967.

of paper products, difficulties experienced in meeting planned production, and need to utilize larger percentages of remote forest resources suggest that the Soviet Union is not likely to become a major supplier of foreign markets for pulp products for some time to come.

A summary of potentials

In view of the various potentials for increased world supplies of timber products indicated above, it has been estimated in this study that U.S. imports of timber products will show further significant increases in the years ahead. With prices averaging 30 percent above the 1970 level, for example, estimated imports rise from 2.7 billion cubic feet, roundwood equivalent, in 1971 to 4.7 billion cubic feet by the year 2000 (table 4-1).

The greatest increases in imports appear likely to be in lumber and pulp and paper products from Canada. It also seems likely that the United States can draw more heavily on tropical forests for some time to come in spite of the uncertainties surrounding the long-term outlook.

Along with rising imports it also appears likely, however, that U.S. exports of timber products will increase as a result of expanding world markets. Timber exports--assuming prices 30 percent above 1970, for example--have been projected to rise from about 1.6 billion cubic feet, roundwood equivalent, in 1971 to 2.6 billion cubic feet in 2000 (table 4-1). Kraft pulp and paper products are

assumed to represent the bulk of increased exports. Some increase in exports of logs and chips also have been assumed; although it is of course possible that nonmarket factors outside the basic assumptions of this study will lead to restrictions and lower exports of these raw materials.

Looking some years into the future, there are two possibilities that appear to be of particular importance in planning:

- With the tightening of the timber supply situation that is in prospect, the United States will surely find it increasingly difficult to supply wood products to other nations.
- Timber output of wood products in timber surplus countries may drop following the liquidation of accessible old-growth. In such case the United States may not be able to maintain high levels of timber imports. Such possibilities could be deferred by development of forests in the USSR to supply more of the world markets, by major expansion of plantations, and by greater use of the less desirable species in tropical areas.

The projections of net timber imports developed under the conditions assumed in this study increase relatively little in the next few decades. Other alternatives of increasing timber supplies and improving utilization consequently will be of major importance.

The CHAIRMAN. Thank you very much Senator Packwood, we will call next on Dr. John T. Dunlop, Director of the Cost of Living Council.

Dr. DUNLOP. Thank you, Mr. Chairman.

The CHAIRMAN. We have a copy of your prepared statement. You proceed as you see fit. It will be printed in its entirety in the record, regardless of how you hand it (see p. 69).

Dr. DUNLOP. Thank you, sir.

STATEMENT OF JOHN T. DUNLOP, DIRECTOR, COST OF LIVING COUNCIL, ACCOMPANIED BY KENNETH KINCEL, DIRECTOR OF SPECIAL PROJECTS

Dr. DUNLOP. The problem that you are addressing yourselves to this morning again is, of course, one which came to my attention officially as soon as I came to this job. I am delighted to see that you and Senator Packwood and Senator Cranston also referred to the fact that many of the factors in the situation are really long term and cyclical, at least in the last 3 or 4 years, and do not alone reflect our problems at the present time.

I may inject a personal note that, as one who has been familiar with the construction industry for 35 years, this aspect of its interface with lumber is a matter, of course, with which I also have considerable background and experience. When I did come to the job, it seemed to me that what was required was not some more studies of the situation, which I agree has been well understood, but rather, whether it was possible to put together in a few weeks a reasonable program of action which would bring some kind of results forthwith. I am also pleased to note in the comments made by you and your associates, Mr. Chairman, as it is very much in my own spirit and style, that an extension devoted both to short term measures and to those which have a longer-time horizon. I think we will find increasingly, as this year goes forward in this industry and in many others as we press capacity in many parts of our economy, that short term measures may be useful in many respects and can have a contribution to make, but that we ought to seriously devote our combined energies to longer run structural underlying problems in many, many sectors of the economy, and this is clearly one of them.

Also, I would like to associate myself with the view which I have put into the statement, I believe, explicitly, that I do not believe that the way to handle the lumber problem is deliberately to cut back the housing industry. That is not an acceptable solution to our problems.

In the statement which I have distributed, Mr. Chairman, I have come to say to you and your associates that we, in the Cost-of-Living Council, in cooperation with other agencies, are announcing today a set of programs of four different dimensions. I will come to those and read something about them in the summary which I shall give of this statement. I would like to indicate, first of all, I think that the fundamental step which is most important of all is to increase the sales from the national forests. How to do that in practical terms is set forth at page 8 of my statement and foreword. That is the first of these actions.

The second of the proposals deals with discussions with the Japanese by which we may receive some respite in the period immediately

ahead in the extent of their imports. I have a formal comment growing out of our discussions with the Cost-of-Living Council, with Government agencies, and with our embassy in Tokyo on that matter.

The third proposal is that we again wish to explore what contribution can be made—given the determination to increase the supply from the national forests and given the action to restrict exports—by further wage and price controls. This statement announces that on April 4, 5, and 6, the Cost-of-Living Council will hold hearings on a draft order relating to wage and price controls—direct controls in this sector.

The fourth area is to try to get more done directly in the area of transportation.

These four areas of action seem to me to be steps which are practical to take at this time and grow out of the sort of analyses to which all of you have previously referred this morning.

That, in summary, Mr. Chairman, is what I have to recommend and announce to you. Perhaps it would be useful to go into a little bit more detail, but I thought I ought to give you the overview in my own words, apart from the text of the statement.

Would you like me then to proceed to read salient portions of the statement?

The CHAIRMAN. Yes.

Dr. DUNLOP. I would prefer to do that, if your time permits.

We all know that the price of lumber has been rising in recent months. Since January of 1973, these increases have been very substantial, as you all know.

A leading trade publication of softwood lumber mill price reports that between January 12 and March 16, the price of 2 by 4 standard and better kiln-dried Douglas-fir increased 25 percent.

During this period the price of ¾-inch air-dried interior sanded plywood increased 98 percent. The Wholesale Price Index, for the single month of February 1973, for softwood lumber, increased 8 percent, while the WPI for the same month for all lumber and wood products increased by 6.6 percent.

Now it should be clear I think to all of us that the price increases since January represent a continuation of a longer term tendency for higher prices of lumber and wood products which began in early 1971. This is not an entirely new phenomenon, although the magnitude is no doubt great.

Between January 1971 and January 1973, the wholesale price index for softwood lumber increased by 56 percent. Meanwhile, the same index for all commodities increased by only 11 percent.

Attached to this statement, Mr. Chairman, is a set of tables that detail what we all know.

It seems to me that the factors that have contributed to this are also reasonably well known, and I can run over them rapidly. Price increases experienced since January 10, 1973, and the longer term period of more gradual increases in lumber and wood products prices existing since January 1971, were predominantly the result of demand-induced inflation. That is, pressures for higher prices stemmed mostly from a relative shortage of lumber and wood products with respect to a high demand for these products. Resultant higher prices acted as a rationing mechanism which allocated the limited supply among numerous

potential purchasers. This type of inflation is often contrasted with cost-push inflation wherein the inflationary pressure stems mainly from the need of suppliers to increase prices in order to recover costs and to maintain reasonable profit margins.

The factors contributing to the relative shortage of lumber and wood products were several. Increased demand was stimulated by a sharp increase in private housing starts which we are all happy to see.

In 1972, 2.38 million private houses were started, representing a 66 percent increase over the 1.4 million houses started in 1970 and a 16 percent increase over the 2.05 million houses started in 1971.

This increased demand pressure has continued into early 1973. In January 1973, housing starts rose to an annual rate of 2.46 million units, up 5.3 percent over December 1972.

Another factor contributing to this situation, also mentioned earlier, is that log exports reached a record rate of 3.0 billion boardfeet in calendar 1972.

This volume represented a 7-percent increase over the corresponding 1970 figure and a 27-percent increase over the corresponding 1971 figure.

The effect of the increase in log exports was softened by an offsetting increase in softwood lumber imports of 1.8 billion representing a 25-percent increase over the corresponding 1971 volume and a 55-percent increase over the corresponding 1970 volume.

And my own judgment is that these export-import matters, of course, in volume are less significant, though a contributing factor, as compared to our domestic demand and supply conditions.

In brief, then, inflationary demand-induced pressures were injected in both the raw agricultural product level and the consumer level. Softwood lumber and plywood prices increased 56 percent in the 2 years after January 1971.

This inflationary pressure was transmitted backward in the distribution chain to the prices of lumber and stumpage. Increased demand for log exports further added to the inflationary pressure on stumpage and timber prices.

As a result, stumpage prices increased by about 78 percent as we all know between the first quarter of 1971 and the third quarter of 1972.

Now, the question of what can be done about that is my main interest and concern as I trust it is yours. I start that part of my statement, Mr. Chairman, by recognizing that this is a complex industry which is composed of about 81,000 companies, only 895 of which have over $5 million in revenues from the sale of wood products.

The largest 21 companies account for about 10 percent of the total industry sales volume and have little direct influence on the market price of lumber and plywood. Given this market condition, the artificial maintenance of a lower price introduces a real gap between the volume supplied and the volume demanded at that price.

In the current lumber and wood products market, only a relatively small increase in supply can be effected, I fear, in the short run. However, artificially maintained lower lumber and plywood market prices allow a greater number of purchasers to demand the product at these lower prices. The results, as we have experienced during the

phase II, were numerous complaints of shortages, distortions in the market due to the inevitable nonuniform effects of controls and an upsurge of illegal pricing practices.

Now, this does not mean that nothing can be done to stop the price rise, nor does it mean that a wage and price control system can have no role at all in maintaining reasonable lumber and plywood prices. Nor does it mean that we should look to a policy of a deliberate cutback in housing construction.

However, it does mean that given a desired high demand for lumber and wood products, the only way to maintain price stability in these markets over an extended period is to increase the supply of these products. Wage and price controls which mandate artificially low prices can, at most, have a temporary effect in halting the price rise, at the expense of market distortions and apparent shortages.

Now, I should perhaps refer to the fact that in an appendix to this statement we have set forth a chronology of previous actions taken under the economic stabilization program as applied to the lumber and wood products industry. I think a careful study of that leads a reasonable man to come away impressed with the difficulties that are involved in direct controls apart from effective pressures to deal with the supply side.

Let me turn to these four measures which we have been working on and which the Cost of Living Council is announcing today.

The National Forests, in contrast to private forest lands, must serve as the primary source of increased timber in order to satisfy higher projected lumber requirements during the decade of the 1970's. Recognizing this fact, the Cost of Living Council, in coordination with other Federal agencies, undertook several actions over the last year aimed at increasing timber supply.

Measures, which were recently recommended by the softwood lumber and plywood task force could effect accelerated timber sales and increased lumber supply. These measures include accelerated sales preparation activities and actions aimed at increasing timber utiliztion at the sawmills.

First a program of action with respect to increased sales from the National Forests. Because of the concern caused by continuing increases in softwood lumber and plywood prices a Government team has been assigned by Secretary Butz in his role as Counselor to the President on National Resources to work on a continuing basis in the next month with the Forest Service and the Bureau of Land Management.

The important sentence is this: The Administration will develop and implement plans to assure sale of 11.8 billion board feet in calendar year 1973 from the Forest Service lands and set higher output goals and develop specific action plans for 1974 and 1975.

Increased sales from the BLM lands will also be an objective.

This team will be under the leadership of Mr. Larson in Counselor Butz's staff and it is drawn from the Office of Management and Budget, the Cost of Living Council, the Council on Environmental Quality, and the Department of Agriculture and Interior Departments. This is not a committee to go in and study anything anymore. It is a committee charged specifically with the obligation of producing

'n 1973—to assist the Forest Service in pro lucing the goal that has been worked out in consultation with the various agencies.

The second area of action from my point of view is the problem of log exports which all of you have mentioned. As you know lumber imports of which over 95 percent originate in Canada have increased by 55 percent from the calendar year 1970 to calendar year 1972.

Currently, the lumber imports from Canada, approximately 9 billion board feet, represent about 70 percent of total Canadian softwood production, most of the remainder being used for Canadian domestic purposes. Increased lumber imports from Canada could only be effected by increasing lumber production within Canada, and Canadian production is now limited by the harvest from the Canadian national forests allowed by the Canadian Government.

Log exp ts from the United States of which about 85 percent go to Japan, have increased, as has been mentioned earlier this morning, 27 percent over the 1971 level during calendar year 1972.

The calendar year 1972 export level, however, was only 7 percent over the corresponding 1970 level. In addition, log exports are projected to increase by 10 percent over the 1972 level during calendar years 1973, 1974 and 1975. The question presented by this condition is whether or not some controls should be imposed by the Government to limit or to eliminate log exports.

An intergovernment agency task force chaired by the Council of Economic Advisers concluded that a temporary embargo could have a short-term inflationary effect on the price of lumber and plywood.

Over 62 percent of the export logs are harvested from the State of Washington and 4 percent originates in the State of Oregon. Sawmills in these States could not significantly expand capacity in a short period of time in order to manufacture all the logs which are currently being exported. If Japan were totally deprived of these logs, it could be expected to react in two ways:

First, it would attempt to increase trade channels for logs with the Soviet Union, New Zealand, Australia, and Oceania. However, these logs sources could not immediately supply the total amount lost from the United States. Therefore the Japanese would have to come to the United States and Canada and purchase lumber and plywood in order to maintain their current housing construction levels.

This behavior is consistent with the historic use of the U.S. lumber market by the Japanese as a spot market; that is, the Japanese only purchase American lumber when lumber demand in Japan exceeds total supply produced in Japan.

In addition, the Japanese realize a 70-percent wood-utilization ratio from a log manufacturing it into the lumber; the United States realizes only a 50-percent utilization ratio. Therefore, if Japan had to return to America to replenish lumber lost from American log exports it would have to purchase 20 percent more lumber by volume than the current volume of log exports. This additional lumber volume demanded by the Japanese would tend to bid up lumber prices.

Artificial controls to obtain any specific log export level are not the desired solution since controls are not consistent with this administration's policy to move toward freer world trade conditions.

Now, faced with that situation, Mr. Chairman, then it seemed to me that the proper action on my part was to consult people in the

State Department and other agencies interested in this and see what kind of understanding might be worked out. The following paragraph is what I am able to report at this time.

At the request of the Cost of Living Council, the U.S. Embassy in Tokyo has discussed with Japanese Government officials and importers the price pressures in the United States on softwood logs and lumber and the relationship between these price pressures and U.S. softwood log exports to Japan. Japanese officials indicated that they are aware of the problem and are taking and will be taking a series of actions to ease these pressures. Japan is seeking increased imports of softwood logs from other sources, such as Canada and the Soviet Union. It is now contacting these other sources and may send trade missions to those countries in the near future to accelerate imports. The Japanese Government believes its log import situation has stabilized from the peak month of October 1972. Finally, the Japanese Government will give strong guidance to Japanese importers to insure that Japan's log imports do not inconvenience the United States.

Japan will set a specific goal to achieve this objective after further discussion within the Japanese Government.

The third area has to do with the contribution which direct controls can make to this situation. I have already said that the record is not a distinguished one because one is dealing with substantial supply shortages growing out of accelerated demand. As in many other places in our economy, price is often used as a way of inducing increased supply. Nonetheless, I am of the view that direct controls can make a contribution in common with other pressures to lessening the intensity of the price inflation in this area.

Now, I think I should advise you that this morning—today, there must be put in the Federal Register notice of the public hearings to be held on April 4, 5, and 6, at which hearing the interested industry, public, and other groups, are invited to come and comment on a specified proposal which the Cost of Living Council's staff has developed and on which we are anxious to get the views of all interested parties.

In order to make certain that this notice does not in itself cause further price increases, we have placed in that Federal Register notice the following paragraph which I should like to read.

To avoid any incentive for further price increases during the pendency of the hearings, the base period in defining the markup or gross margin limitation would be chosen from a period prior to March 26, 1973.

In other words, prior to this announcement of today.

In the event mandatory controls are imposed, they would be effective as of the date of this notice.

I do not think, Mr. Chairman, we need to take the time to read it, the notice of public hearing regarding lumber prices which is being sent to the Federal Register today and which indicates a desire and willingness on the part of the Cost of Living Council—recognizing the difficulties of direct controls under these demand and supply conditions—to make a contribution to the resolution of our problem in that way.

Dr. DUNLOP. Thank you very much, Mr. Chairman.

Fourth, as I said, certain actions are being taken with respect to transportation bottlenecks. In addition to these potential actions re-

lating to controls, the Cost of Living Council has requested the Department of Transporation to resolve railroad car bottlenecks which could be supporting higher lumber and plywood prices.

In fact the Railroad Adminstration is working on a number of ways which involve appropriate allocation of cars for grain shipments and for timber and lumber shipments.

In my view the Department of Transportation is now carrying forward a first-rate effort to help us with the log jams in he Middle West and Southern ports and in a sense, this problem is one which they also need to consider in order that those actions do not make the lumber situation worse and indeed that they use their energies to contribute to a resolution thereof.

In summary, price increase experienced since January 10, 1973, represent a continuation of a longer-term tendency toward increased prices for lumber and plywood which began early in 1971.

This price inflation is predominantly demand-influenced and can be eliminated effectively in the intermediate and long term only by increased supply from the national forests. Wage and price controls which mandate lower prices tend to distort supply patterns and in the long run adversely affect prices.

However, price controls used as a supplement to direct actions to increase timber harvested from the national forests can help to insure that the benefits of any necessary higher lumber prices are passed on to the primary supplier level in order to increase output.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Dr. Dunlop. We appreciate this entire statement. You referred to the hope that in 1973 there would be sold 11,800 million board feet. How much was sold in 1972?

Dr. DUNLOP. I wanted to be sure my memory was right, Mr. Chairman. The figure in calendar 1972 was 10 billion. The figure of 11.8 is 18 percent higher.

The CHAIRMAN. Eighteen percent higher.

Dr. DUNLOP. Yes, sir.

If I may comment on your use of words, Mr. Chairman, I do not regard this as a hope. I regard it as an obligation of Mr. Larson's committee to produce with the Forest Service that output. It is not a study committee. It is a committee to see that that output is forthcoming and that is my clear understanding with Counselor Butz.

The CHAIRMAN. Now, that refers to production on Forest Service lands, does it not?

Dr. DUNLOP. Yes, sir.

The CHAIRMAN. And not the private holdings at all?

Dr. DUNLOP. No, sir.

The CHAIRMAN. I think we all appreciated what you told us about the discussions that are going on now with Japan relating to possibly some rearrangement. But you said that Japan was shifting or would plan to shift its buying to other countries, and you named the Soviet Union, Canada, and some other countries. Let me ask you this: We buy a lot of lumber from Canada, do we not?

Dr. DUNLOP. Yes, sir.

The CHAIRMAN. How much?

Mr. KINCEL. Approximately 9 billion board feet.

The CHAIRMAN. Nine billion board feet?

Mr. KINCEL. It is approximately 27 percent of our total consumption.

The CHAIRMAN. Will Canada's selling to Japan be adverse to our buying lumber from Canada?

Dr. DUNLOP. I think your comment and question illustrates the complex interdependency of foreign markets. My own view is that it is preferable to try to work these problems out in an informal way rather than by a more drastic form of action and without consultation which permits other countries and their business people to make the kind of adverse adjustments that you indicated. I am not privy to the detailed discussions in the Japanese Government and with its business people.

I was authorized to make a statement by virtue of discussions in Washington and in our Embassy in Tokyo. I, therefore, have quoted the precise paragraphs. I assure you I will continue to follow it, but I would be loathe to expand on what that means in the absence of more direct information.

The CHAIRMAN. I wanted to ask that question, because sometimes it seems to me that some people think that there is a simple solution to this problem. There is not a simple solution, is there?

Dr. DUNLOP. Mr. Chairman, no one would ever accuse me of thinking there was a simple solution.

The CHAIRMAN. I am not referring to you. We get a lot of protests from people back home. They think all you have to do is to issue some kind of an edict and it will be taken care of. But it is a little more complicated than that, is it not?

Dr. DUNLOP. Yes, Mr. Chairman. There have been statements made by members of this committee this morning with which I must say that I concur. Although, as you know, it is outside my area and I would not purport to speak for such officials, we have had complicated discussions going on with a number in the international arena on the money market. We are very anxious to have the Japanese to depreciate the yen. We are very anxious to discuss trade matters. Frankly, knowing just a little bit about those, it seemed to me when I came to this job, looking at this problem which I placed very high in priority, frankly, that the practical ways to get some immediate results were to enter into informal discussions rather than to go through a more extended process. I, for one, would like to see what these informal discussions can produce and it would be my policy to follow up on them on a continuing basis.

The CHAIRMAN. Of course, most of the things that we have discussed here this morning really relate to a short-range solution. It seems to me if we look at plans for a long-range solution we have got to do a lot more, and I think we have the resources to do it.

Dr. DUNLOP. Mr. Chairman, I would like to demur just a little bit from that summary of what I said I think. In the statement about the role of this task force and, indeed, in the opening remarks which I made in a more informal vein, I said that "The administration will develop and implement plans to assure sale of 11.8 billion board feet in calendar year 1973 from the Forest Service lands and set higher output goals and develop specific action plans for 1974 and 1975.

That, sir, is a very carefully negotiated sentence. It is very much my understanding of that sentence—indeed it is crucial to the pro-

posals and the actions that I have announced this morning—that the outputs for 1974 and 1975 be higher than the target set for calendar year 1973.

The CHAIRMAN. Yes; I thoroughly agree with you.

Dr. DUNLOP. I also have the feeling, Mr. Chairman, from informal discussions with many people in the industry, that the notion that the Government is going to try to do that will have an important impact on the way in which other private groups handle their lands and cuts which they make.

So, it has a longrun impact and that purpose as well.

The CHAIRMAN. Yes; I agree with you completely. I am thinking ahead 10 years, 15 years, 20 years. We have got to start a program now that will insure increasing production clear on into the future.

Dr. DUNLOP. Yes, I applaud, Mr. Chairman, that kind of view of problems.

As you are aware, I am sure, there is about to come out a report of a committee—I am trying to remember the title of it—Mr. Seaton is the chairman of that panel.

Mr. KINCEL. President's Advisory Panel on Timber and the Environment.

Dr. DUNLOP. That committee and its assignment is clearly focused on the longer term problems to which you refer and the management of our forests to provide——

The CHAIRMAN. That is all of our forests.

Dr. DUNLOP. Yes.

The CHAIRMAN. The Government's forests and private forests.

Mr. KINCEL. Yes; it is.

The CHAIRMAN. Of course, those are things that we will discuss with the Forest Service when they testify. I do not expect the Cost of Living Council to work out those long-range programs, but I just want to point out that we canot solve this problem unless we do peer into the future and prepare for them.

Dr. DUNLOP. I agree with you completely, Mr. Chairman, and I appreciate your designating some problem that the Cost of Living Council is not supposed to solve.

The CHAIRMAN. We are not going to turn you loose. We are going to keep you tied to this as we move along.

Senator Cranston.

Senator CRANSTON. I appreciate very much your testimony, Mr. Dunlop, and I am glad that on the date this hearing starts certain actions are being announced and that you have been exploring various alternative approaches. I hope very much that some of these work effectively.

How fast do you expect the various actions that you recommend, the increased production, the steps to be taken by the Japanese Government, and whatever can be done about transportation to reflect itself in a downturn in the prices?

Dr. DUNLOP. Well, that is a range of consideration which I am not sure I can answer with confidence.

I know that the principal measures to be taken are those to get at the supply-demand situation, particularly the supply measures. We have set a very short time fuse on getting the group into the Forest Service.

I named its chairman in order to indicate to you that this is not something we are sitting around thinking about. We expect a real program for action there very quickly and it is necessary if anyone is going to reach those numbers for 1973 to which Counsellor Butz has agreed with me. So, it seems to me that the increased output can begin to show results very soon.

My impression is that the Japanese discussions have been underway for some time. These are announced today, but I am sure you know that no one announced this morning by starting on it yesterday.

Senator CRANSTON. I understand.

Dr. DUNLOP. Those discussions have been going forward for some time, and I would hope that they also would yield short-term results.

I do not know, perhaps I ought to study that situation and come back to you. Predicting price responses for the American economy in 1973 has not been a very successful occupation, and my effort is to take all the actions we can at this time in the areas of supply. That is what I thought should be done.

We are also prepared to move on these price controls. These might have some fairly immediate results.

Senator CRANSTON. What specific steps do you mean that you are contemplating there?

Dr. DUNLOP. The Federal Register material issued this morning sets forth those in detail; frankly, I did not want to announce this morning a conclusion in this series of announcements, because I think the important thing is to get the reaction of various elements in the industry on actions taken.

As a matter of fact, I suppose it is common knowledge that there are very sharp differences of opinion, though they are often papered over, within the industry as to the consequences of various kinds of actions which we might take on the direct control side.

Do you go in with specific dollar-and-cents ceilings?

Do you go into margins? Do you go into the extent of the problem? Is the problem at the retail end, and to what extent is the problem at the primary logging end? These are all highly contentious questions.

I would be happy to read to you, if you would like, the description of the program that we are announcing, saying we are not placing this into effect.

"We are asking you to come to a hearing on April 4, 5, and 6 and give us your reaction to it," and we are making sure that no one can take advantage of that by increasing their price in the meantime. Would you like me to read that statement?

Senator CRANSTON. No, I do not think we need that. It is quite possible, then, that under the proposals or the steps that you are suggesting that there will continue to be this inflation for sometime, is that correct?

Dr. DUNLOP. Well, I suppose a realistic appraisal of the situation, though I hesitate to state it with great confidence, is that lumber prices would continue at a higher price than they were in 1972 but hopefully they would come down from the high level that they achieve in February and early March of 1973.

Senator CRANSTON. You indicated in some prepared material in your statement that prices have been rising fairly steadily for some

time, over several years. If that is the case, and of course it is, why are steps only now really being taken to deal with the problem?

Dr. DUNLOP. Well, I am not certain the premise is accurate. The appendix to the statement I issued, Senator Cranston, includes a chronology of actions of the Economic Stabilization Program affecting the lumber and wood products industry that starts back in 1972.

Senator CRANSTON. I hope that the current steps proposed are going to be more effective than those, because those have been taken, they have been rather moderate, and we see nothing but higher and higher prices.

Dr. DUNLOP. I share your hope, and it seems to me there was no sense from my perspective in launching upon a further program of direct controls in which all kinds of people were in violation unless one did couple those actions first with effective supply actions.

I guess I have a second comment. Your comment suggests to me the inherently great difficulty dealing with supply problems, where we have a very short supply situation relative to demand, the effectiveness of direct controls in those circumstances.

I share your general concern about that, because I think such problems exist in a number of segments in the American economy today. I would hope that our first two stages of action would create a climate in which one could make one's direct controls more effective. At least that is my hope.

Senator CRANSTON. You say you expect results from the team of Counselor Butz within 30 days. What sort of results do you expect in 30 days?

Dr. DUNLOP. What I expect is the details of the program by which the output sales of 11.8 billion can be achieved in 1973, or another way, last year we were at 10 billion; we hope to get, we plan to get, we are dedicated to get to 11.8 in 1973.

The people on that group are to come in and give us the details of how they are going to achieve that and announce that they have gotten the measures taken to see that that is done.

Senator CRANSTON. You expect to actually see increased production within 30 days?

Dr. DUNLOP. I do not know.

Senator CRANSTON. How close to the total allowable cut is the 11.8 billion board feet goal for this year?

Dr. DUNLOP. Let me consult. The allowable cut I am advised is about 12.8.

Senator CRANSTON. Maybe this is not the proper question to ask you. If so, tell me. Do the programs for increased sales indicate a need for more moneys for the Forest Service program than the amount requested for fiscal 1974 or can they make do with present staff?

Dr. DUNLOP. Senator Cranston, let me say something in candor to you about this. There were a number of problems getting this commitment for increased output. Various agencies have different views as to why it has not been achieved.

My objective was to get the result and to resolve whatever difficulties had existed on that question. It is not the Cost of Living Council's job to decide or to influence the budgetary allocations. I have arranged for extended conversations between the Office of Management and Budget

94-218 O - 73 - 5

and the Forest Service, and it is my view that this undertaking includes the resolution of any difficulties of the sort you are talking about.

Senator CRANSTON. Has there been no effort prior to now to step up production from the forests?

Dr. DUNLOP. I beg your pardon.

Senator CRANSTON. Has there been no effort prior to now to step up production under the Forest Service program?

Dr. DUNLOP. Senator Cranston, I think that question ought to be more appropriately asked of the other witnesses this morning.

Now, it is my notion that various efforts have in the past been made. I am not familiar with all of them. It would, therefore, be inappropriate for me to comment.

Senator CRANSTON. You say on page 10 that sawmills in Oregon and Washington could not significantly expand capacity in a short period of time in order to manufacture the logs which are currently being exported without being cut.

How long would it take them to gear up for that purpose? Do you know that or is that not one for you?

Dr. DUNLOP. Let me explain what I think that sentence means. I have had some difficulty, myself, in getting facts. I have been helped recently by a detailed study of a sample set of mills in California, Oregon, and Washington, and these numbers vary and the degree of tight needs of capacity varies—do you agree, Senator Cranston—whether one is talking about plywood mills or whether one is talking about lumber mills?

My understanding is I would not agree there is no current capacity that could be expanded in the sense of working an additional shift, working some on Saturdays and that sort of added time.

Also I have looked at the labor supply side of that. So, there is some expandability there and I have several estimates about it. I think what the sentence is that you have reference to and what it means is, if you put an embargo on so that all of a sudden a very large number of logs were not exported and were not dropped upon the mills in that part of the country, there is a very tight supply situation relative to making a significant dent on that group. But I would not leave you with the notion that there is no capacity that could be expanded, no milling capacity that could be expanded in that area.

Senator CRANSTON. Roughly the figures in terms of the dollars that came in because we were exporting logs to Japan were $400 million, as I understand it.

The Seattle Times commented on March 2, "Any nation or region of a nation which exports in unprocessed form its basic resource is letting out its life blood."

Then we turned around and apparently paid $800 million to Canada for the lumber that was coming in. Are those correct figures? Is that roughly how that worked out in the balance of trade?

Dr. DUNLOP. My understanding is of the same sort, but I would have to check it. I am advised by Mr. Kincel that those numbers are about correct.

Senator CRANSTON. Did you feel that the steps that you are proposing will take care of this serious imbalance in trade?

Dr. DUNLOP. Well, I am afraid I do not understand that.

Senator CRANSTON. Well, we are out $400 million net.

Dr. DUNLOP. Right.

Senator CRANSTON. Will the program that you are proposing take care of that problem, too, which is another problem that I think we should be concerned about?

Dr. DUNLOP. No, it would not, because what I have been talking about does not deal with the long run Canadian relationship.

Senator CRANSTON. Finally, I want to ask you one more question at this point. The Western Forest Industries Association in its bulletin of March 15 states that Joe McCracken, their executive vice president, talked to a number of high officials who were not named, about this problem of exports and their impact on the building industry in this country and this conclusion is then drawn.

"Not only do these officials seem to be unaware of the magnitude of the problem," Mr. McCracken said also "one gets the feeling that they think a cutback in the housing industry might be a way to stem inflation."

Would you comment on that remark?

Dr. DUNLOP. I do not know any discussions about which I have had, even though I have had informal discussions with a number of people in the industry, in the range of industries and so have members of the staff of the Cost of Living Council. On the latter part of that sentence, Senator Cranston, I thought I was very explicit in my statement where I said "Nor does it mean that we should look to a policy of deliberate cutback in housing construction to restrain lumber prices." I would myself be opposed to that.

Senator CRANSTON. Thank you very much.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. Mr. Chairman, I have a number of questions.

Can you tell me the source of your statement, Mr. Dunlop, that productive capacity is limited and cannot be expanded?

Dr. DUNLOP. Are you referring to the same page?

Senator PACKWOOD. I do not know about the pages.

Dr. DUNLOP. What I answered in commenting on Senator Cranston's statement a moment ago, I said that sentence should be construed this way, that there is room to expand output at the mill level——

Senator PACKWOOD. Let me interrupt you a minute. You are not answering my question. What is the source for your statement? From where do your facts come to support this statement?

Dr. DUNLOP. The statement that is used in the sentence simply is a logical notion, if you put a large increase in logs on the market or into the mills, those mills cannot in short period of time expand outward.

Senator PACKWOOD. Was any of your input for that statement the Weyerhaeuser Company?

Dr. DUNLOP. No.

Senator PACKWOOD. It was not?

Dr. DUNLOP. No.

Senator PACKWOOD. Let me read you two statements. Bear in mind the bill that Senator Cranston and I are proposing next year, if it were totally in effect, would probably result in the cutback in log exports of 900 million to 1 billion board feet. First, the statement from the West Coast Lumber Inspection Bureau. They represent about 200

independent lumber production companies who now produce about 5 billion board feet. It reads: "Despite claims to the contrary, U.S. mills are not working at full production. Only 35 percent of our member mills are working two shifts. If all of our members went to two shifts"—which is not uncommon—"we could produce 8 billion board feet of lumber today." In other words, these mills could increase their annual production by 3 billion board feet.

Are you disputing that statement?

Dr. DUNLOP. The studies which I have seen on that would not have shown such a large rise as that.

Senator PACKWOOD. What are the studies that you have seen? That is what I want to know.

Dr. DUNLOP. I have seen a study made by the Home Builders Association, a sample survey of the capacity of various kinds of mills, distinguishing between plywood plants and lumber plants.

Senator PACKWOOD. Is this the study entitled "Survey of Operating Capacity at West Coast Lumber Mills," Portland, Oreg., 1973?

Dr. DUNLOP. It could be.

Senator PACKWOOD. Is that the study which says that the 102 mills responding out of the 347 that were surveyed could increase their production 1.7 billion board feet today if logs were available.

Dr. DUNLOP. I do not recall the precise numbers but that could well be.

Senator PACKWOOD. I could read it to you.

Dr. DUNLOP. You said so.

Senator PACKWOOD. If they could increase capacity that much today, what problem do we have if we cut back our log exports by 1 billion or 1½ billion board feet now in terms of productive capacity?

Mr. KINCEL. The important thing that must be considered is where those logs originate that are currently exported. We talked earlier about most of them coming from the States of Oregon and Washington.

Last year, for instance, the Forest Service has reported to us that the inventory in those two States has actually increased.

Senator PACKWOOD. The inventory of what?

Mr. KINCEL. The inventory of stumpage has increased. So, the question that is immediately apparent is if they could expand capacity to the extent that you are talking about right there where the logs that are currently——

Senator PACKWOOD. This was a survey of 347 mills in Oregon, Washington, and northern California conducted in late February or early March of 1973. The statement is that they could increase their production by 1.7 billion feet using existing plants—no additional construction—This is installed capacity.

These are the 102 that responded. The data are not projected to the other findings from the mills that did not respond. Is it fair to say that, at the moment, we have no problem with productive capacity and we can indeed mill the logs into lumber in the Northwest if we were to have restriction in log exports today of 1 billion to 1½ billion board feet?

Dr. DUNLOP. I have not been into that problem very carefully, Senator Packwood.

I said awhile ago I would agree there is some additional capacity there growing out of the additional shifts and Saturday work, and so forth, which is not now common in some mills. I would agree with that. As to the exact magnitude of that, I do not really know.

Senator PACKWOOD. Let us go on to your statement that the Government plans to put up for sale this year 11.8 billion board feet out of U.S. forest lands. Of that sale level what would be your hope as to the amount harvested this year?

Dr. DUNLOP. I am not sure I understand the question since I am not a specialist in the area. My understanding is harvest figures and sales figures are quite different.

Senator PACKWOOD. That is quite correct.

Dr. DUNLOP. What I was interested in was sales.

Senator PACKWOOD. I will give you the averages for the past 13 years, and you are familiar with the difference between the allowable cut and what you actually sell?

Dr. DUNLOP. Yes, sir.

Senator PACKWOOD. Actually in the Nation we are not cutting up to allowable cut because the Forest Service does not have money for roads to get into where the timber is in many places. In the last 13 years, on the average, allowable cut has been 12.9 billion. Sales have been 11.3 billion. The average cut has been 10.7 billion, 83 percent of the allowable cut.

You hope to sell 11.8 billion. How much do you hope to harvest?

Dr. DUNLOP. I have not been into that number, sir, and it would be something I would hope the Forest Service could answer for you. What I was interested in was getting sales on the market, because that is the number which affects housing; that is the number which affects price.

Senator PACKWOOD. If you look at past trends, however, what we are talking about is a harvest usually substantially below what we sell. If we were to have an allowable cut this year of 13.6 billion and a sale of 11.8 billion, we will be lucky if we have a harvest of 11.2 billion which is down from a harvest of 11.7 billion in 1972.

Where are we going to get this extra timber?

Mr. DUNLOP. That is a question I think you had better ask the Forest Service. The statement which I made, sir, was designed to indicate that in the last year particularly there has been a decline of the sales. What I was anxious to see done was to develop a program which would increase those sales.

Senator PACKWOOD. Are we in agreement that one of the problems the Forest Service has in terms of selling substantially below its allowable cut and its harvest being lower still, is the question of whether or not we can gain access to the timber?

Dr. DUNLOP. Yes.

Senator PACKWOOD. In this fiscal year the Congress appropriated to the Forest Service $158 million for roads and trails; $18 million of that is impounded by this administration; the Forest Services is not allowed to spend it. Next year the administration is asking for a $71 million dollar decrease from this $158 million. They want $87 million in fiscal year 1974 for roads and trails. What kind of attitude is that on the part of this administration if it indeed wants to increase access and increase sales and harvests?

Dr. DUNLOP. Senator Packwood, you are pushing me back into a jurisdictional dispute between the Forest Service and the Budget, OMB, which it was my intention to stay out of, and in which it was, however, necessary in my view to resolve or design a procedure to resolve if one was going to get results, recognizing the past discussions over the factors you have just indicated. It was my plan and objective in the meetings which I have been to, to let those people resolve that problem among themselves and I believe they have, in order to get that kind of output, get that kind of sale.

Senator PACKWOOD. We have not yet seen any resolution of the problem. Are you saying that the administration indeed is going to reverse its position and ask for an increased amount in the budget?

Dr. DUNLOP. I have not said that at all.

The CHAIRMAN. Will the Senator yield?

Senator PACKWOOD. Yes, sir.

The CHAIRMAN. We are going to have the Forest Service here, and I think it is a pertinent question to ask them.

Senator PACKWOOD. I do not mind asking the Forest Service, but I want to pursue Dr. Dunlop about this a bit further. Is it fair to say that, with the administration's budget request this year for roads and trails, we might as well forget about an increased harvest?

Dr. DUNLOP. I do not agree with that. Since you force me a little bit more into it, let me tell you what the situation is as I understand it. As I perceive it, there has been a difference of view in which the Forest Service has said that they needed more money to get the output and the Office of Management and Budget has classically retorted. you do not need the additional money, you can get the output by using more effectively the funds you have.

I am not in a position to resolve that dispute. Now the procedures which I announced this morning were specifically designed to get us out of that kind of controversy which does not get the job done. I am interested in the job.

Senator PACKWOOD. You mentioned some talks or negotiations with the Japanese Government. Is it your impression that they are going to voluntarily reduce their demands on our forests?

Dr. DUNLOP. It would be my view that, as that cable states, they would reduce the extent of their purchases in the period ahead.

Senator PACKWOOD. Mr. Chairman, I wonder if I might put in the record an article from the Portland Oregonian reporting a press conference in which Nobuhiko Ushiba, the Japanese Ambassador to the United States says: "We will be buying more quantities of logs and lumber. Yes, we are seriously considering buying more lumber from your country."

May I put that in the record?

The CHAIRMAN. Without objection, it will be put in the record.

[The article follows:]

[From the Portland Oregonian, Feb. 20, 1973]

JAPANESE ENVOY SEES NW LUMBER PURCHASE

(By D. J. Sorensen, of The Oregonian staff)

The prospect of Japan buying dimension lumber from the Northwest was disclosed in Portland Monday by the Japanese ambassador to the United States.

"Yes, we are seriously considering buying more lumber from your country." Nobuhiko Ushiba said in a news conference at Portland State University. "We will be buying more quantities of logs and lumber," he said in response to a question about the shipment of logs from the Northwest.

Although he would concede that Japanese sawmills are operating at capacity nor indicate when lumber imports would begin, the envoy acknowledged that a problem exists over log exports, an extremely sensitive issue in the Northwest.

Couching a comment in diplomatic terms, he said. "I have nothing definite to say about resolving the controversy about logs." Noting the current visit to Japan of Rep. Wendell Wyatt, R-Ore., he added, "We are hopeful the problems can be solved."

Ushiba was on a whirlwind visit to Oregon. He addressed both houses of the Legislature in Salem before coming to Portland, where he met with community leaders and Portland State University faculty and students interested in the Pacific Rim Studies Center.

President Nixon "made a bold move" in devaluing the dollar last week, Japan Ambassador Nobuhiko Ushiba said during a visit to Portland Monday.

Ushiba, his nation's top diplomatic representative to the United States, said the devaluation "will increase your exports and give you a better trade balance."

He parried a question about whether devaluation would mean an increase in log buying because of the cheapening of the dollar. In reply, he posed a rhetorical question: "You'll just have to export more, won't you?"

Ushiba stressed the continued development of trade between the two nations. "The exchange of goods will bring our countries an increasingly closer relationship." Noting that much of the products bought by Japan from the U.S. has been raw materials, he suggested that in the future his country would be more in the market for manufactured goods and machinery.

Asked about direct Japanese investment in the Northwest, Ushiba denied that Japanese interests have purchased sawmills or made similar transactions in this region. Masatadi Higaki, Japanese consule general in Portland, who joined Ushiba at a news conference, said later that he also is not aware of any direct investment by Japanese business in the Northwest.

Earlier in Salem, Ushiba called for continued cooperation between Japan and Oregon. Citing trade benefits to the two areas, the ambassador suggested that special efforts be made for international exchange of culture and education, as well as attention to environmental problems.

Senator PACKWOOD. I think, Mr. Chairman, those are all the questions that I have for Dr. Dunlop.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. Dr. Dunlop, the figures which you have submitted indicate the February 1973 wholesale price of all lumber and wood products was 13.4 percent greater than the November 1971 price. That is for all the lumber and wood products. Some wood products increased by more than the average some by less. Softwood and plywood increased by 42.6 percent. Now that increase is large in absolute terms, and it shows prices are continuing to increase at a high rate. The increase between January 1973 and February 1973—6.5 percent—is far and away the largest monthly increase of any of the months covered by the figures which you have given us. That month coincides with the lifting of phase 2 controls. Don't the figures indicate that the greatest single factor in the recently increased lumber prices has been the lifting of phase 2 controls?

Dr. DUNLOP. I do not think so.

Senator STEVENSON. Before you go on, what do you have on March? Do you have any indications on the wholesale price increases for March?

Mr. KINCEL. According to the leading trade publications, the price of softwood lumber and plywood has been mixed. In the last 3 weeks, the prices mostly have leveled off. They have not increased in the average.

Senator STEVENSON. Have not increased on the average?

Dr. DUNLOP. This is not the wholesale price index. This is the mill quotations published by various leading publications.

Senator STEVENSON. We have nothing on wholesale prices?

Dr. DUNLOP. No; not yet.

Senator STEVENSON. Mr. Dunlop, if you could go back to your explanation as to why those figures do not indicate that the lifting of the phase 2 controls is a major cause of higher lumber prices.

Dr. DUNLOP. I guess my view is something like this, that as has been widely said this morning, the level of prices has been going up fairly rapidly from 1971 on. So, we were on a very much inclined plane.

Senator STEVENSON. Excuse me. If I may interrupt you again, that February increase of 6.5 percent compares with 1.4 percent in January 1973, 0.3 percent in December 1972, and goes back through 1972 with relatively small monthly increases. Certainly February had far and away the largest monthly increase of any month after November 1971.

Dr. DUNLOP. Suppose I cite again the sentence on page 2: "Between January 1971, and January 1973, the Wholesale Price Index for softwood lumber increased by 56 percent."

That is a fairly rapid rate of price increase by anybody's standards. That was before, if I may say so, any decision of January 11 1973, was announced. My position is we were very much on an inclined plane in the lumber price area.

Now, it is true that in the actions reported of the Cost of Living Council toward the end of 1972 wholesale prices were held down in that period. It is my view, having studied the situation since before coming to the job, that that was a very tenuous arrangement, very widespread violations were in effect, and that they would have sooner or later broken out perhaps not as dramatically. There was an inherently unstable situation developing. The effects of the January decision were to bring the level of prices in the United States back up to the Canadian level where at the end of 1972 there had been developing a wider and wider gap between Canadian prices and U.S. prices and the actions of early January in which the whole control mechanism was being eroded very seriously. I agree that the effect was to bring in several months the level of U.S. price to the level of Canadian prices.

Senator STEVENSON. First, let me just mention for the record that the 56 percent increase in wholesale lumber prices between January 1971 and January 1973 occurred in substantial part before the controls went into effect.

Dr. DUNLOP. Yes.

Senator STEVENSON. You indicate that this was a demand-induced inflation.

Dr. DUNLOP. Relative to supply, yes.

Senator STEVENSON. Pardon?

Dr. DUNLOP. Relative to supply, yes.

Senator STEVENSON. Relative to supply. At present prices, which you say have come up to the Canadian level, do you expect that demand to taper off? Is that the basis for your optimism about the prices in the future?

Dr. DUNLOP. Well, I am not sure I exuded the optimism about prices in the future. I said that, if we can take the supply measures which I indicated, if we can both on the Japanese export and on the expanded output of our national forests, coupling those measures with perhaps going back in on a more effective system of direct controls, we can bring the price levels from where they are now down somewhat but not necessarily down to the levels of last year.

Senator STEVENSON. What I am getting at is demand at present prices, leaving aside increased supply. One of the factors which you mention is the hope that the Japanese may take some voluntary steps to decrease their demand or level it off.

Dr. DUNLOP. Yes.

Senator STEVENSON. You may project 10 percent annual increase in log exports over the 1972 level. Do those projections take into account the consequences of a revaluation of the dollar in relation to the yen?

Dr. DUNLOP. You mean——

Senator STEVENSON. The effect of revaluation has very substantially decreased the cost of American logs bought by the Japanese. How realistic is it to expect any decreased demand on the part of the Japanese as a result of that fact?

Dr. DUNLOP. There were no restraints on the Japanese. You are saying the normal market forces would lead them to purchase more. I agree with the second part of that sentence. Therefore, I underscore the importance of the measures which they have said they were going to take. I do think, also, there is a question which I am not expert on, but which I have talked to people about in other agencies—these numbers are somewhat complicated by distinguishing the dates purchased from the dates of actual shipments and exports which somewhat compounded the problem of interpreting the numbers. So, if they should agree to restraint on their purchases, the question of shipments is still another matter.

Senator STEVENSON. You have said if we were to interfere in the unfettered play of market forces by imposing controls on the exports of U.S. logs that one effect would be to encourage the Japanese to increase their purchases of lumber which, by increasing demand, would have an inflationary effect on U.S. lumber prices. If we wanted to avoid that, couldn't we also impose controls on the export of the finished product—lumber?

Dr. DUNLOP. Well, yes; I suppose you could do that. I think then the level of discussion raises really to more general international trade situations. That is not the area of my responsibility, but as a general economist I would say it would be kind of hard to talk people into taking more goods from the United States, reducing the amount of their internal restrictions on our exports which we are daily asking them to do, revaluing the yen, and saying, "Oh, by the way, we are formally embargoing any exports to you of lumber or logs."

But the logical answer to your statement is yes.

Senator STEVENSON. The impression I get is that the administration is not going to reduce demand through export controls, and it is not going to restrain prices through effective price controls. Your basic approach seems to be an effort to increase production in a way that

is going to meet this rising demand. Yet, we see the budget for the Forest Service reduced.

I do not know of any efforts to increase the supply of wood products from private sources. It takes a long time to grow trees. It takes quite a long time just to build the roads by which to get them out of the forests.

In the meantime, prices have gone up very rapidly. The cost of homes is going up rapidly as a result, and I think some short term action is called for.

I note you referred to the reimposition of controls. In considering this question, would you at least be willing to consider, not just the reimposition of controls, but a price rollback to, say, the January levels?

Dr. DUNLOP. Let me comment on the first part of your question first.

I had not thought that the policy which I was announcing was simply a matter affecting the Forest Service.

It seemed to me that a number of measures were required. One of them, to increase the sales from the Forest Service for 1973 and to create the view and reality that this would be a policy for higher sales in 1974 and 1975. That is item No. 1.

Item No. 2, to say that we would try to get the Japanese to reduce their purchases in this country in 1973. In that setting a renewed approach to direct controls should be undertaken and as I said, perhaps earlier, I was announcing a hearing for April 4 and April 5 with a specific set of proposed controls for people to comment on.

I would not preclude the rollback. My own view is that we need a lot more information about that to make it sensible. You have a whole series of markets with differentials, a whole lot of middle people from the sawmill on up and on out in the distribution system, and one must deal with that fairly. Whether an effective rollback arrangement and how much is possible is a matter I would hope our hearings could explore.

Senator STEVENSON. I certainly do not mean to sound critical of the actions which you have announced. I just think you are far more optimistic about the results than I am. It sounds as if you are not much inclined to reimposing controls. I am not very happy or optimistic about the prospects for voluntary efforts on the part of the Japanese to decrease significantly their consumption of American logs.

As to the transportation problem, the initiatives on that one are coming from the Congress. Even with these initiatives it is going to be a long time before the rail industry comes up with a system with which to make better use of its boxcars, which are now running only about 12 percent of the time, and are empty half that time. It is going to be awhile before the railroad industry comes up with better utilization of its existing boxcars and acquires more boxcars.

The actions to increase production are salutary and commendable, too, but I just cannot be very optimistic again that production is going to be increased substantially from the forests or from private sources in 1973. I do not know what actions can be taken except to put controls on exports and prices right now.

Anyway, my time has expired. I thank you, Mr. Chairman.

The CHAIRMAN. Let me say this, gentlemen, we have had Dr. Dunlop on the stand now for almost 2 hours. He has given us, I think, very valuable information but we also have three other witnesses: Mr. Cook from the Department of Commerce, Mr. McGuire from the Forest Service and Mr. Kelly from the Department of Housing and Urban Affairs. I would like for us to excuse Dr. Dunlop now and move immediately to Mr. Cook, whose statement is quite brief. I understand he needs to get away, and our colleague, Senator Packwood needs to leave here soon. I think if we can follow that procedure, we can hear Mr. Cook and Mr. McGuire in time to let Senator Packwood get away. We will go ahead and hear Mr. Kelly. Is that agreeable?

Thank you very much, Dr. Dunlop. You have been very helpful to us.

[The complete statement of Dr. Dunlop follows:]

STATEMENT OF DR. JOHN T. DUNLOP, DIRECTOR OF THE COST OF LIVING COUNCIL

Mr. Chairman, I am pleased to have this opportunity to discuss current problems of rising lumber and plywood prices, and to describe actions which the Cost of Living Council and other federal agencies are taking, or are planning to take, to reduce the prices of lumber and wood products.

CURRENT PRICING PROBLEM

Since January 11, 1973, rapid increases have been experienced in the prices of the softwood lumber and plywood products most frequently used as building materials. *Random Lengths*, a leading trade publication of softwood lumber mill prices, reports that between January 12 and March 16, 1973, the price of 2 x 4 standard and better kiln-dried Douglas Fir increased 25 percent. During this same period, the price of ⅜ inch AD interior sanded plywood increased 98 percent. The Wholesale Price Index (WPI), reported for the single month of February 1973 for softwood lumber, increased 8 percent, while the WPI for the same month for all lumber and wood products increased by 6.6 percent.

The price increases since January 10, 1973, represent the continuation of a longer term tendency for higher prices of lumber and wood products which began in early 1971. Between January 1971 and January 1973 the WPI for soft-wood lumber, increased by 56 percent. Meanwhile the WPI for all commodities increased by only 11 percent over the same period. Additional information on these price increases is shown in the attachments.

FACTORS CONTRIBUTING TO THESE PRICE INCREASES

Price increases experienced since January 10, 1973 and the longer term period of more gradual increases in lumber and wood products prices existing since January 1971, were predominantly the result of demand-induced inflation. That is, pressures for higher prices stemmed mostly from a relative shortage of lumber and wood products with respect to a high demand for these products. Resultant higher prices acted as a rationing mechanism which allocated the limited supply among numerous potential purchasers. This type of inflation is often contrasted with "cost-push" inflation wherein the inflationary pressure stems mainly from the need of suppliers to increase prices in order to recover costs and to maintain reasonable profit margins.

The factors contributing to the relative shortage of lumber and wood products were several. Increased demand was stimulated by a sharp increase in private housing starts. In 1972, 2.38 million private houses were started, representing a 66 percent increase over the 1.4 million houses started in 1970 and a 16 percent increase over the 2.05 million houses started in 1971. This increased demand pressure has continued into early 1973. In January 1973, housing starts rose to an annual rate of 2.46 million units, up 5.3 percent over December 1972.

Log exports reached a record rate of 3.0 billion board feet during CY 1972. This volume represented a 7 percent increase over the corresponding 1970 volume and a 27 percent increase over the corresponding 1971 volume. The effect of the increase in log exports was softened by an offsetting increase in softwood lum-

ber imports of 1.8 billion board feet representing a 25 percent increase over the corresponding 1971 volume and a 55 percent increase over the corresponding 1970 volume.

In brief, inflationary demand-induced pressures were injected at both the raw agricultural product level and the consumer level. Softwood lumber and plywood prices increased 56 percent by the great demand for these products for domestic construction purposes. This inflationary pressure was partially transmitted backward in the distribution chain to the prices of timber and stumpage. Increased demand for log exports further added to the inflationary pressure on stumpage and timber prices. As a result, stumpage prices increased by about 78 percent between the first quarter 1971 and the third quarter 1972.

WHAT CAN BE DONE?

The lumber and wood products industry is composed of approximately 81,000 companies with only 895 having over $5 million in revenues from the sale of wood products. The largest 21 companies account for about 10 percent of the total industry sales volume and have little direct influence on the market price of lumber and plywood. Given this market condition, the artificial maintenance of a lower price introduces a real gap between the volume supplied and the volume demanded at that price. In the current lumber and wood products market, only a relatively small increase in supply can be effected in the short run. However, artificially maintained lower lumber and plywood market prices allow a greater number of purchasers to demand the product at these lower prices. The results, as experienced during the end of Phase II wage and price controls, were numerous complaints of shortages, distortions in the market due to the inevitable nonuniform effects of controls and an upsurge of illegal pricing practices.

This does not mean that nothing can be done to stop the price rise, nor does it mean that a wage and price control system can have no role in maintaining reasonable lumber and plywood prices. Nor does it mean that we should look to a policy of a deliberate cutback in housing construction to restrain lumber prices. However, it does mean that given a desired high demand for lumber and wood products, the only way to maintain price stability in these markets over an extended period is to increase the supply of these products. Wage and price controls which mandate artificially low prices can, at most, have a temporary effect in halting the price rise, at the expense of market distortions and apparent shortages.

Ways to increase supply in order to maintain stable, reasonable lumber and plywood prices fall into three classes: increase internal supply of timber and lumber, decrease net exports of softwood logs, and construct a wage and price control system which helps constrain prices without inhibiting increased internal supply. Each of these areas for action are discussed below and possible effects are assessed in light of results from previous actions taken. For reference purposes, a chronology of previous actions taken under the Economic Stabilization Program as applied to the lumber and wood products industry is attached.

ACTIONS TO INCREASE SUPPLY FROM INTERNAL SOURCES

The National Forests, in contrast to private forest lands, must serve as the primary source of increased timber in order to satisfy higher projected lumber requirements during the decade of the 1970's. Recognizing this fact, the Cost of Living Council, in coordination with other federal agencies, undertook several actions over the last year aimed at increasing timber supply.

Measures which were recently recommended by the Softwood Lumber and Plywood Task Force, could effect accelerated timber sales and increased lumber supply. These measures include accelerated sales preparation activities and actions aimed at increasing timber utilization at the sawmills.

ACTION TO BE TAKEN

(1) *Increased Sales from the National Forests*

Because of the concern caused by continuing increases in softwood lumber and plywood prices, a government team has been assigned by Secretary Butz, as Counsellor to the President on Natural Resources, to work on a continuing basis in the next month with the Forest Service and the Bureau of Land Management. The Administration will develop and implement plans to assure sale

of 11.8 billion board feet in calendar year 1973 from the Forest Service lands, and set higher output goals and develop specific action plans for 1974 and 1975. Increasing sales from BLM lands will also be an objective.

The team under the leadership of Counsellor Butz's staff is being drawn from the Office of Management and Budget, the Cost of Living Council, the Council on Environmental Quality, the Department of Agriculture and the Department of Interior. We expect results from the team's work within 30 days.

(2) *Actions to Decrease Net Log Exports*

As you know, lumber imports of which over 95 percent originate in Canada, have increased by 55 percent from calendar year 1970 to calendar year 1972. Currently, the lumber imports from Canada, approximately 9.0 billion board feet, represent about 70 percent of total Canadian softwood production, most of the remainder being used for Canadian domestic purposes. Increased lumber imports from Canada could only be effected by increasing lumber production within Canada. Canadian production is now limited by the harvest from the Canadian National Forests allowed by the Canadian Government.

Log exports from the United States, of which about 85 percent go to Japan, have increased 27 percent over the 1971 level during calendar year 1972. The calendar year 1972 export level, however, was only 7 percent over the corresponding 1970 level. In addition, log exports are projected to increase by ten percent over the 1972 level during calendar years 1973, 1974 and 1975. The question presented by this condition is: Whether or not some controls should be imposed by the government to limit or eliminate log exports?

After a review of the problem by the Softwood Lumber and Plywood Task Force chaired by the CEA, it was concluded that a temporary embargo could have a short term inflationary effect on the prices of lumber and plywood. Over 62 percent of the export logs are harvested from the State of Washington and another 24 percent originate in the State of Oregon. Sawmills in these states could not significantly expand capacity in a short period of time in order to manufacture all the logs which are currently being exported.

If Japan were totally deprived of these logs it could be expected to react in two ways. It would first attempt to increase trade channels for logs with U.S.S.R. New Zealand, Australia, and Oceania. However, these log sources could not immediately supply the total amount lost from the United States. Therefore, the Japanese would have to come to the United States and Canada and purchase lumber and plywood in order to maintain their current housing construction levels. This behavior is consistent with the historic use of the United States lumber market by the Japanese as a "spot market;" that is, the Japanese only purchase American lumber when lumber demand in Japan exceeds total supply produced in Japan.

In addition, the Japanese realize a 70 percent wood utilization ratio from a log when manufacturing it into lumber; the United States realizes only a 50 percent utilization ratio. Therefore, if Japan had to return to America to replenish lumber lost from American log exports it would have to purchase 20 percent more lumber by volume than the current volume of log exports. This additional lumber volume demanded by the Japanese would tend to bid up lumber prices.

Artificial controls to obtain any specific log export level are not the desired solution since controls are not consistent with this Administration's policy to move toward free world trade conditions.

At the request of the Cost of Living Council, the U.S. Embassy in Tokyo has discussed with Japanese Government officials and importers the price pressures in the United States on softwood logs and lumber and the relationship between these price pressures and U.S. softwood log exports to Japan. Japanese officials indicated that they are aware of the problem and are taking and will be taking a series of actions to ease these pressures. Japan is seeking increased imports of softwood logs from other sources, such as Canada and the Soviet Union. It is now contacting these other sources and may send trade missions to those countries in the near future to accelerate imports.

The Japanese Government believes its log import situation has stabilized from the peak month of October, 1972. Finally, the Japanese Government will give strong guidance to Japanese importers "to ensure that Japan's log imports do not inconvenience the United States." Japan will set a specific goal to achieve this objective after further discussion within the Japanese Government.

(3) *The Role of Wage and Price Controls*

In addition to these actions aimed directly at increasing supply, the wage and price controls system should be structured to provide some constraint on prices, while not inhibiting increased supply. A review of previous ESP actions and their effects may be instructive. The record does not indicate considerable success.

On May 1, 1972, the Small Business Exemption released from control over 95 percent of the firms in the lumber and wood products industry which had less than sixty employees. However, in June 1972 the lumber component of the WPI rose 2.6 percent on a seasonally adjusted basis. This one item accounted for approximately 25 percent of the overall increase in the industrial component of the WPI for that month. A survey conducted by the Internal Revenue Service at the request of the Cost of Living Council indicated that the prices of lumber and plywood at the dealer and retail levels showed much greater increases than the corresponding price increases at the mill level. Therefore, on July 17, 1972 the Cost of Living Council removed the Small Business Exemption from all firms which had revenues from the sale of lumber and wood products of $100,000 or more, recovering approximately 62,000 of the 81,000 firms in the industry. Thereafter, prices continued to rise but at a less rapid rate and more uniformly throughout the distribution chain.

During early September 1972 the Cost of Living Council directed the IRS to initiate a series of comprehensive investigations to determine whether or not the firms in the lumber and wood products industry were adhering to the reinstituted price controls. The IRS was to determine if these firms were continuing to price whatever the market would bear or if they had begun to price based on allowable costs and limited customary percentage markups as required by the Phase II controls system.

Preliminary results of these investigations indicated that much of the continued price rise was due to illegal pricing by the industry. Therefore, on October 3, 1972, the Cost of Living Council directed the IRS to increase the number and coverage of compliance investigations in order to ensure increased compliance with the Phase II regulations in this industry. This increased enforcement effort represented one step of a multipronged approach to maintain lower prices and to increase supply. In addition, price and profit reporting requirements were extended to firms with $5 million or more in sales of lumber and wood products.

The increased reporting requirements and enforcement efforts are widely believed to have had a significant effect in maintaining lower prices. In fact, the WPI for November and December 1972 showed increases on an annual rate of only about 2½ percent compared to an increase on an annual rate of over 20 percent between November 1971 and October 1972. However, numerous complaints of shortages in certain items most frequently used as building materials were received. In addition, various sectors complained that production was being halted and that stockpiling of inventories was occurring to reduce sales in order to restore profit margins to base period levels.

In late November CLC asked IRS to determine whether or not these complaints were valid. The IRS reported that inventory stockpiling was not occurring. However, IRS also reported that manufacturers were shifting production runs to items which had price ceilings allowing higher profits for the firm. These price ceilings were determined by individual firms based on allowable costs. The shifts in production were anticipated when Phase II controls were originally designed. This kind of distortion is one of the negative effects of mandatory controls.

Attempts were also made to investigate reports of wide-spread illegal pricing practices and "black markets." These kinds of practices proved very difficult to substantiate although their existence was not doubted.

By the end of 1972 distortions in the market and shortages had in some cases tripled delivery times as reported by the IRS. The time had come to alter the wage and price control system to eliminate these distortions and to allow price to exert more influence as a rationing mechanism of the relatively scarce lumber and plywood.

When Phase III controls were announced on January 10, 1973, the gap in American and Canadian lumber and plywood prices maintained during the latter part of 1972, about thirty percent, was rapidly closed. American prices immediately rose to meet the Canadian level and thereafter the market price for lum-

ber and plywood increased slightly. The current softwood lumber prices are historically high price levels, representing a 20 percent increase over the previous peak level reach in March 1969.

It is possible that during the current rapid rise in prices, wholesalers, dealers and manufacturers are receiving windfalls from the higher prices whose benefits are only partially passed on to the primary suppliers. Wage and price controls could be used to limit markups on a uniformly equitable basis throughout the distribution chain and thereby shifts as much of the benefits of any necessary increased prices to the log supplier. In the intermediate term increased investment may be stimulated and increased lumber supply could then be attained. However, any alteration in the controls system will be largely ineffective without the implementation of direct actions to increase supply from the National Forests.

A public hearing has been scheduled from April 4, 1973 to allow various industry representatives and other interested parties to comment on the effects of the reimposition of controls now under consideration by CLC.

(4) *Actions to Relieve Transportation Bottlenecks*

In addition to these potential actions relating to controls, the Cost of Living Council has requested the Department of Transportation to resolve railroad car bottlenecks which could be supporting higher lumber and plywood prices. The Railroad Administration is working on a number of ways which involve appropriate allocation of cars for grain shipments and for timber and lumber shipments.

In summary, price increases experienced since January 10, 1973 represent a continuation of a longer term tendency for increased prices for lumber and plywood beginning early in 1971. This price inflation is predominantly demand-induced which can be eliminated effectively in the intermediate and long term only by increased supply from the National Forests. Wage and price controls which mandate lower prices tend to distort supply patterns and in the long run adversely effect prices. However, price controls used as a supplement to direct actions to increase timber harvested from the National Forests can help to ensure that the benefits of any necessary higher lumber prices are passed on to the primary supplier level in order to increase output.

CHRONOLOGY: ACTIONS OF THE ECONOMIC STABILIZATION PROGRAM AFFECTING THE LUMBER AND WOOD PRODUCTS INDUSTRY

June 21, 1972: *Price Commission Order No. 7.* Definition of Allowable Costs for Manufacturers of Lumber and Wood Products.

The Commission ordered that allowable costs for logs as a direct material were to be calculated as the average cost of the logs, weighted by production volume measured in thousands of board or cubic feet, measured over a 6-month period. The purpose of the order was to specify a method for determining allowable costs more realistic for this industry, so as to facilitate control of price increases attributable to allowable costs.

July 17, 1972: *Cost of Living Council removal of small business exemption for lumber industry.* The CLC action on May 1, 1972, exempting business firms with no more than 60 employees from the effect of stabilization regulations, had the result of exempting some 62,000 lumber and wood products firms, constituting a large portion of this industry. IRS investigations since May 1 disclosed considerably increased prices in the industry since that date. The July 17 CLC action resulted in bringing back almost all lumber sales under controls.

July 17, 1972: *Price Commission Order No. 8.* Detail on Implementation of CLC removal of small business exemption.

This order established a 10-day period (July 20 to 30, 1972) during which no wholesale price for lumber or wood products could be marked up more than 5%, and specified other methods whereby this industry could, with some transition, be brought back under price regulations after 2½ months of exemption.

August 8, 1972: *Price Commission Public Hearing on Lumber Prices and the Lumber Industry,* Portland, Oregon.

Held to gather facts on this industry's price behavior and its economic conditions, this hearing was followed on August 9 by panel discussions with industry representatives. Recent regulations changes were discussed, complaints from lumber consumers were heard, and industry spokesmen offered their views.

August 11, 1972: *Price Commission Meeting with Industry Representatives*, San Francisco, California.

Held to further the purposes of the public hearing in Portland, Oregon.

August 18, 1972: Price Commission Meeting with Industry Representatives, New Orleans, Lousiana.

Held for the same purpose as the Portland and San Francisco meetings.

September 7, 1972: IRS nationwide price investigations of small retail and wholesale lumber firms, announced as initiated.

Over 200 investigations were announced would be initiated, as part of a series of comprehensive investigations and monitoring of this industry. An industry-wide survey of six large lumber manufacturers and six large wholesalers was announced as having been completed. The purpose of the intensified investigations was announced as an effort to ascertain the industry's compliance to date with the stabilization program, and to document violations for prosecution.

September 13, 1972: Price Commission Notice 72-2. Discussion of Profit Margin Calculation for Lumber Firms formerly exempted from control.

This notice announced and explained several alternative methods of profit margin calculation the Commission was considering, to permit profit margin adjustments for lumber firms that were exempt from price regulations between May 2, 1972 and July 17, 1972.

October 3, 1972: Cost of Living Council actions to mitigate rising lumber prices, announced this date.

CLC requested the Department of Agriculture to take certain steps through the Forest Service to increase the supply of lumber.

CLC requested the Department of Justice and the Federal Trade Commission to conduct investigations of lumber pricing practices under the antitrust laws.

CLC directed the IRS to increase the number and coverage of compliance investigations of lumber firms, by 50%.

Price Commission Order No. 11. Reclassification of lumber firms, extending reporting requirements to firms with $5 million or more in annual sales of lumber or related products.

Lumber manufacturers, wholesalers, and retailers that had previously not been required to file reports with the Commission, and that had at least $5 million in sales of lumber products, were required to file such reports on specified dates in November 1972.

October 11, 1972: *Price Commission Meeting with Lumber Firms' Representatives*, Washington, D.C.

Held to explain effect of Price Commission Order No. 11, requiring the filing of certain reports.

October 19, 1972: *Price Commission Public Hearing on Lumber Prices and the Lumber Industry*, Atlanta, Georgia.

Held to continue the Commission's inquiry into this industry.

November 3, 1972: *Price Commission warning to lumber industry on penalties for failure to file reports required by Order No. 11.*

The Commission announced that reclassified category II lumber firms would be subject to fines of $2,500 a day if they did not comply with the requirement to file certain reports by the November 6 and other deadlines.

November 20, 1972: *Price Commission press conference on enforcement problems in the lumber industry.*

The Commission's deputy director indicated that the lumber industry was giving the stabilization program particular problems in enforcing compliance with price regulations. The Commission released a list of industry practices that it said were being used to circumvent price regulations. Additional IRS investigations of lumber firms were announced.

January 11, 1973: *Phase III announced*, including reapplication of small business exemption to lumber industry.

Introduction of Phase III had the effect of removing from controls all the lumber firms that had been brought back under controls on July 17, 1972, when the exemption was removed for this industry.

January 16, 1973: *Federal Government Softwood Lumber & Plywood Task Force* submits *recommendations for actions to increase the supply of lumber.*

March 13, 1973: *Federal Trade Commission issued proposed complaint* which, if implemented, would abolish the present system of freight basing used by plywood manufacturers, whereby local customers pay freight rates from Pacific Northwest.

FTC complaint stems from investigations requested by Cost of Living Council on October 3, 1972.

INCREASES IN WHOLESALE PRICE INDEX FOR LUMBER & WOOD PRODUCTS (1967=100)

(All percentages in parenthesis = increase since Nov. 1971)

Month	Year	Lumber & Wood Products	Softwood Lumber (148.4)	Douglas Fir Lumber (141.5)	Southern Pine Lumber (141.5)	Softwood Plywood	Hardwood Lumber	All Commodities
January	1971	113.0	114.0	108.0	117.4	108.7	109.0	111.8
August	1971	146.7	154.5	150.9	141.4	138.7	115.[illegible]	114.9
November	1971	141.9	148.4	141.5	141.5	130.5	116.1	114.5
December	1971	143.8(1.3%)	180.4(1.3%)	143.5(1.4%)	141.9(.2%)	134.1(2.7%)	117.3(1.0%)	115.4(.7%)
January	1972	134.9(-5%)	154.1(3.8%)	148.2(4.7%)	142.4(.6%)	137.9(5.6%)	118.3(1.8%)	116.3(1.5%)
February	1972	137.7(-3%)	158.1(6.5%)	151.4(6.9%)	145.7(2.9%)	145.8(11.7%)	119.8(3.1%)	117.3(2.4%)
March.	1972	139.5(-1.6%)	160.5(8.1%)	153.6(8.5%)	148.5(4.9%)	153.5(17.6%)	120.4(3.7%)	117.4(2.5%)
April	1972	141.1(-1/2%)	163.3(10%)	156.3(10.4%)	150.9(6.6%)	153.3(17.4%)	122.5(5.5%)	117.5(2.6%)
May	1972	142.7(.5%)	165.1(11.2%)	159.1(12.4%)	151.6(7.1%)	155.6(19.2%)	124.8(7.4%)	118.2(3.2%)
June.	1972	144.2(2%)	167.0(12.5%)	160.8(13.6%)	151.6(7.1%)	157.9(20.9%)	127.4(9.7%)	118.8(3.7%)
July	1972	146.1(3%)	169.7(14.3%)	165.4(16.8%)	152.2(7.5%)	160.5(22.9%)	129.5(11.5%)	119.7(4.5%)
August	1972	148.1(4.3%)	172.7(16.3%)	166.[illegible](17.8%)	153.3(8.3%)	162.1(24.2%)	129.7(11.7%)	119.9(4.7%)
September	1972	148.5(4.6%)	174.0(17.2%)	167.3([illegible].2%)	154.4(9.1%)	159.7(22.6%)	129.9(11.8%)	120.2(4.9%)
October	1972	149.2(5.1%)	175.1(17.9%)	167.9(18.6%)	154.8(9.3%)	159.7(22.6%)	130.3(12.2%)	120.0(4.8%)
November.	1972	149.4(5.2%)	176.0(18.5%)	168.1(18.7%)	156.3(10.4%)	157.4(20.6%)	130.4(12.3%)	120.7(5.4%)
December	1972	149.8(5.5%)	177.2(19.4%)	168.3(18.9%)	156.3(10.4%)	155.2(18.9%)	131.0(12.8%)	122.9(7.3%)
January	1973	151.0(6.9%)	178.0(20.2%)	169.5(19.7%)	156.9(10.8%)	160.5(22.9%)	133.3(14.8%)	124.5(8.7%)
February	1973	161.0(13.4%)	192.4(29.6%)	188.3(33%)	164.5(16.2%)	186.1(42.6%)	142.4(22.6%)	126.9(10.[illegible])

Source: U.S. Department of Labor

94-218 O - 73 - 6

PRICE INCREASES DURING PHASE III FOR KEY INDICATOR LUMBER AND PLYWOOD ITEMS

(All percentages in parenthesis = increases over Jan. 12)

2 x 4 Standard & Better Green Douglas Fir

Date	Brit. Columbia	Portland
Jan. 12	$166/mbf	127/mbf
Jan. 19	178(7.2%)	165(29.9%)
Jan. 26	180(8.4%)	178(40.1%)
Feb. 2	180(8.4%)	180(41.7%)
Feb. 9	185(11.4%)	185(45.6%)
Feb. 16	182(9.6%)	185(45.6%)
Feb. 23	181(9.0%)	190(49.6%)
Mar. 2	181(9.0%)	190(49.6%)
Mar. 9	182(9.6%)	190(49.6%)
Mar. 16	183(10.2%)	192(51.1%)

2 x 4 Utility Green Douglas Fir

Date	Brit. Columbia	Portland
Jan. 12	114	106
Jan. 19	118(3.5%)	118(11.3%)
Jan. 26	120(5.2%)	120(13.2%)
Feb. 2	120(5.2%)	120(13.2%)
Feb. 9	120(5.2%)	122(15.0%)
Feb. 16	120(5.2%)	122(15.0%)
Feb. 23	122(7.0%)	125(17.9%)
Mar. 2	122(7.0%)	125(17.9%)
Mar. 9	127(11.4%)	125(17.9%)
Mar. 16	129(13.1%)	127(19.8%)

(All percentages in parentheses = increases over Jan. 12)
(All percentages in brackets = increases over previous week)

2 x 4 Standard & Better Kiln-Dried Douglas Fir

January 12	$160		
January 19	167	(4.3%)	[4.3%]
January 26	172	(7.5%)	[2.9%]
February 2	179	(11.8%)	[4.0%]
February 9	188	(18.0%)	[5.0%]
February 16	190	(18.7%)	[1.0%]
February 23	190	(18.7%)	[0%]
March 2	194	(21.2%)	[2.1%]
March 9	198	(23.7%)	[2.0%]
March 16	201	(25.6%)	[1.5%]

3/8" Standard Exterior Western Sheathing Plywood

January 12	$105		
January 19	150	(42.8%)	[42.8%]
January 26	150	(42.8%)	[0%]
February 2	155	(47.6%)	[3.3%]
February 9	165	(57.1%)	[6.4%]
February 16	162	(54.2%)	[-1.8%]
February 23	162	(59.2%)	[0%]
March 2	162	(54.2%)	[0%]
March 9	160	(52.3%)	[-1.2%]
March 16	160	(52.3%)	[0%]

3/8" AD Interior Sanded Plywood

Jan. 12	138		
Jan. 19	166	(20.2%)	[20.2%]
Jan. 26	170	(23.1%)	[2.4%]
Feb. 2	190	(37.6%)	[11.7%]
Feb. 9	234	(69.5%)	[23.1%]
Feb. 16	234	(69.5%)	[0%]
Feb. 23	254	(84.0%)	[8.5%]
Mar. 2	274	(98.5%)	[7.8%]
Mar. 9	274	(98.5%)	[0%]
Mar. 16	274	(98.5%)	[0%]

Source: Random Lengths

STUMPAGE PRICES FOR SAWTIMBER LAND FROM NATIONAL FORESTS

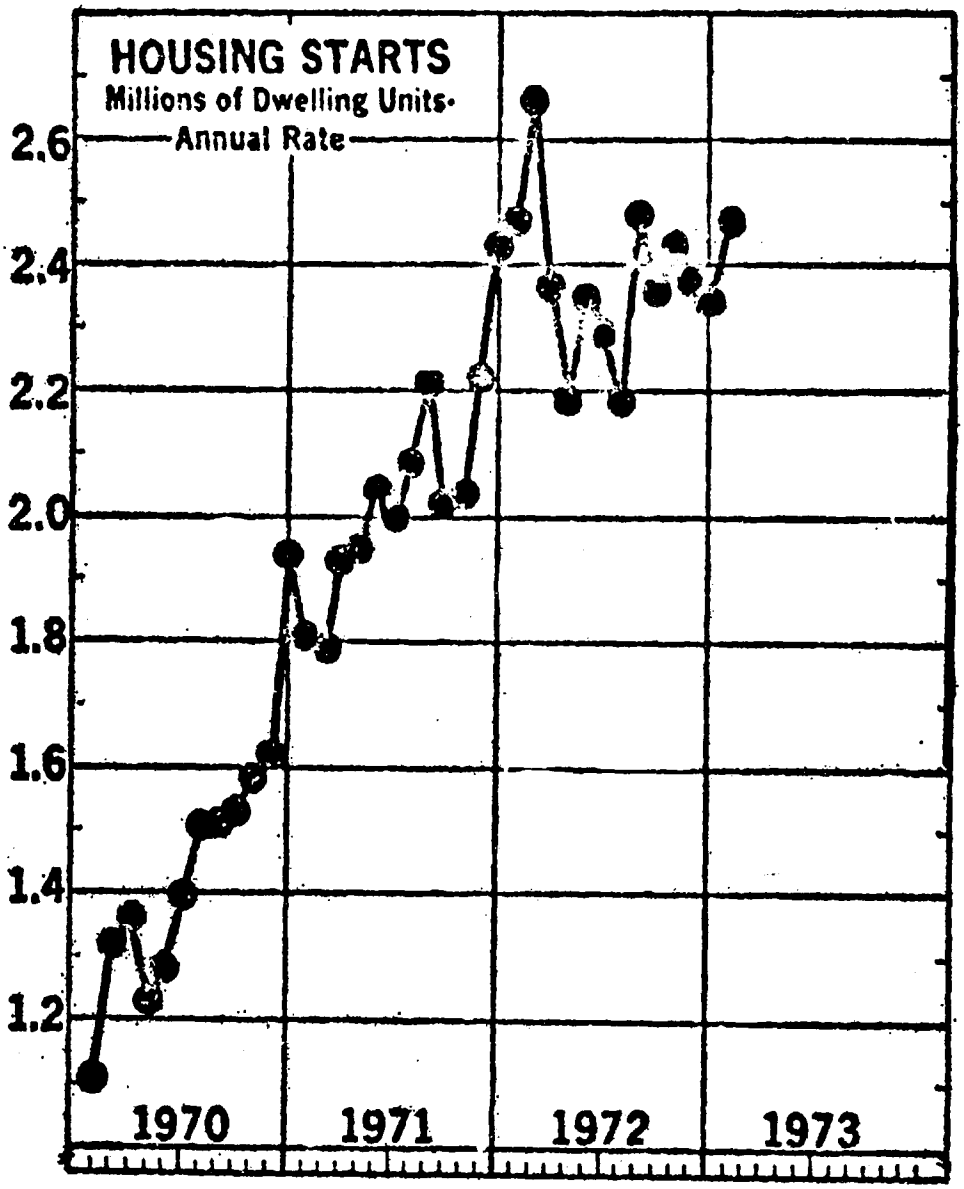
(Current dollars per thousand board feet)

Year & Quarter	Douglas Fir	Southern Pine	Ponderosa Pine	Western Hemlock
1970:				
First	59.50	42.10	41.00	29.70
Second	34.40	45.50	30.00	17.30
Third	45.70	43.80	36.40	20.20
Fourth	37.50	43.90	25.10	16.90
1970:				
First	43.50	48.30	22.90	17.80
Second	45.30	49.10	35.70	18.20
Third	52.00	54.80	37.60	13.50
Fourth	54.00	60.40	53.50	30.30
1972:				
First	56.20	63.40	43.10	30.20
Second	60.70	63.00	62.60	30.90
Third	77.74	63.60	55.80	44.00

Source: USDA, Forest Service

HOUSING STARTS

PART A—MONTHLY RATE OF HOUSING STARTS SINCE JANUARY 1970



Source: Department of Commerce.

PART B—PROJECTED DATA (NATIONAL HOUSING GOALS)

Year	Amount	Actual	Year	Amount	Actual
1971	1,906,000	(2,084,000)	1978	2,137,000	
1972	1,996,000	(2,377,000)	1979	2,162,000	
1973	1,997,000		1980	2,195,000	
1974	1,995,000		1981	2,191,000	
1975	1,996,000		1982	2,266,000	
1976	1,962,000		1983	2,260,000	
1977	2,086,000				

PART C—RECONCILIATION OF ACTUAL AND PROJECTED DATA

1971 Actual housing starts projected figure 178,000
1971 percentage of housing starts over projected data=9.3 percent
1972 Actual housing starts over projected figure=381,000
1972 percentage of housing starts over projected figure=19.0 percent

SOURCE: Department of Agriculture, Forest Service, 1972.

SOFTWOOD LOG AND LUMBER EXPORTS

Softwood log exports from the Pacific Coast to Japan

1971	Total	Total from Pacific N.W.	1972	Total	Total From Pacific N.W
January	183,150	171,452	January	143,784	139,502
February	171,164	157,143	February	80,074	72,274
March	145,612	124,182	March	307,701	297,820
1st Quarter	499,926	452,777	1st Quarter	531,559	509,596
April	155,840	144,245	April	245,701	242,380
May	161,590	147,054	May	239,798	229,532
June	144,686	140,305	June	163,868	155,48[illegible]
2nd Quarter	462,116	431,604	2nd Quarter	649,367	627,401
July	57,472	49,391	July	184,116	178,857
August	60,366	51,284	August	297,652	287,516
September	72,986	68,695	September	200,135	191,005
3rd Quarter	190,824	169,370	3rd Quarter	681,903	657,378
October	158,412	154,826	October	261,627	241,687
November	249,344	235,652	November	216,958	186,796
December	281,906	266,070	December	180,461	168,305
4th Quarter	689,662	656,548	4th Quarter	659,046	596,78[illegible]
Year	1,842,528	1,710,29[illegible]	Year	2,521,875	2,391,[illegible]

Softwood log exports from the Pacific Coast to all countries.

1971	Total	Total From Pacific N.W	1972	Total	Total From Pacific N.W
January	185,595	173,857	January	153,08[illegible]	[illegible]8,798
February	185,480	169,459	February	88,66[illegible]	[illegible]
March	156,395	134,965	March	316,961	30[illegible]
1st Qtr.	527,470	478,281	1st Qtr.	558,709	534,[illegible]
April	169,852	158,257	April	261,553	257,632
May	178,039	162,869	May	283,472	273,206
June	176,004	167,191	June	187,476	177,9[illegible]7
2nd Qtr.	523,895	488,317	2nd Qtr.	732,501	708,775
July	69,962	61,881	July	213,631	208,372
August	67,761	58,399	August	325,962	313,426
September	88,802	81,918	September	229,363	220,233
3rd Qtr.	226,525	202,198	3rd Qtr.	768,956	742,031
October	161,248	155,012	October	289,407	267,667
November	255,990	242,148	November	241,398	207,700
December	287,053	271,217	December	189,473	176,2[illegible]9
4th Qtr.	704,291	668,377	4th Qtr.	720,278	651,5[illegible]6
Year	1,982,181	1,837,173	Year	2,760,348	2,617,052

Source: U.S. Department of Commerce, Bureau of the Census

Softwood lumber exports from the Pacific Coast to Japan
(thousand board feet)

1971	TOTAL	TOTAL From Pacific N.W.	1972	TOTAL	TOTAL From Pacific N.W.
January	17,280	4,492	January	23,448	3,398
February	20,248	286	February	38,975	3,805
March	13,260	578	March	37,086	2,050
1st qtr.	50,788	5,356	1st qtr.	99,509	9,253
April	17,839	113	April	25,053	1,877
May	21,291	126	May	22,024	1,385
June	12,744	379	June	28,057	583
2nd qtr.	51,874	618	2nd qtr.	75,134	3,845
July	30,327	1,501	July	21,434	1,456
August	29,191	930	August	43,395	579
September	19,627	3,015	September	38,112	905
3rd qtr.	79,145	5,446	3rd qtr.	102,941	2,940
October	16,821	2,103	October	25,567	1,112
November	36,460	1,277	November	24,496	1,115
December	31,317	1,936	December	39,734	5,434
4th qtr.	84,598	5,316	4th qtr.	89,797	7,661
Year	266,405	16,736	Year	367,381	23,699

Source: U.S. Department of Commerce, Bureau of the Census.

Softwood lumber exports from the Pacific Coast-To All Countries (thousand board feet)

1971	TOTAL	TOTAL From Pacific N.W.	1972	TOTAL	TOTAL From Pacific N.W.
January	51,065	35,991	January	50,741	28,896
February	52,123	29,802	February	52,442	15,724
March	52,330	36,357	March	88,927	47,599
1st qtr.	155,518	102,150	1st qtr.	192,110	92,219
April	54,248	31,780	April	57,993	31,891
May	49,212	25,511	May	69,565	44,341
June	52,330	36,141	June	70,354	38,456
2nd qtr.	155,790	93,432	2nd qtr.	197,912	114,688
July	37,483	8,654	July	51,320	28,957
August	47,621	19,360	August	78,244	31,198
September	28,907	12,295	September	81,029	40,899
2nd qtr.	114,011	40,309	3rd qtr.	210,733	101,054
October	39,257	18,187	October	66,759	39,359
November	101,308	60,478	November	65,448	36,141
December	54,245	19,762	December	64,641	25,032
4th qtr.	194,810	98,427	4th qtr.	196,848	100,532
Year	620,129	334,318	Year	797,603	408,493

Source: U.S. Department of Commerce, Bureau of the Census

The CHAIRMAN. Mr. Cook, will you come around, please, sir. We have your statement. It is not very long. It will be printed in full in the record. You may proceed as you see fit. We are very glad to have you. Proceed as you wish in the presentation of your statement.

By the way, let me say that Mr. Cook's statement, which I have already read, deals primarily with the export of logs.

STATEMENT OF GARY M. COOK, ACTING DEPUTY ASSISTANT SECRETARY FOR COMPETITIVE ASSESSMENT AND BUSINESS POLICY, DEPARTMENT OF COMMERCE, ACCOMPANIED BY JAMES McELROY, CONSTRUCTION AND FOREST PRODUCTS DIVISION, AND RICHARD HULL, DEPUTY ASSISTANT GENERAL COUNSEL

Mr. COOK. Mr. Chairman, let me introduce to you these gentlemen who accompany me. On my right is Mr. James McElroy, who is the head of our forest products program and on my left is Mr. Richard Hull, who is a Deputy Assistant General Counsel in the Department.

As you say, sir, I can summarize my statement briefly. I would like to touch upon two points. First, I would like to talk briefly about the impact that exports have had upon price pressures in the softwood log and lumber area and second, I will just briefly talk about the Export Administration Act Authority which the Secretary of Commerce shares in this area with the Secretary of Agriculture. With regard to the export area, there is no question but that in 1972 the exports of softwood logs did reach a record 3 billion board feet in exports, the bulk of which went to Japan.

However, when you look at the period 1970 to 1972 and you examine the increase in apparent consumption of softwood sawtimber in the United States, due to both domestic consumption increases and in exports, I think the statistics are revealing.

First, of the net increase of some 9.6 billion board feet, fully 8.5 billion board feet was a result of increased housing requirements. Over that some period of time, there was an increase of some 0.6 billion board feet as a result of the increased exports of softwood logs. To sum that up, softwood logs and lumber exports over that period of time contributed about 6 percent of the increased annual consumption of softwood sawtimber; whereas housing demand, represented about 88 percent of the increased requirements.

I would like to turn now briefly to the Export Administration Act. The act authorizes controls over exports for three purposes: national security, foreign policy and short supply.

I would like to deal only with the short supply portion of the act at this time. According to the policy section of the act, short supply controls are to be used only "to the extent necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact from abnormal foreign demand."

We believe that both the 1969 and 1970 legislative histories of this provision reflect the intent of Congress that such authority be used extremely sparingly and only when the situation prevailing renders it absolutely necessary.

It is the policy of the Department to seek information and advice from other interested Government agencies in accordance with the interagency consultation requirements of section 5(A) of the act. Moreover, we do not reach any decisions without consultation with appropriate representatives of the industries affected.

We have considered applying short supply controls in the softwood lumber area several times in the past, the most recent time being 1969, but on each of those occasions, the Department decided that the situation did not warrant this extreme kind of action.

At the present time, we feel that it would be inappropriate to apply the act to the export of softwood logs. Increases in exports do not appear to be the primary component of increased demand and, as Dr. Dunlop pointed out, there appears to be a real possibility of a lack of capacity. These factors indicate that the act would probably have no effect. I should raise one other point here. By the amendments of 1972, as you gentlemen know, raw logs are considered to be an agricultural commodity and as such the consent of the Department of Agriculture, specifically the Secretary of Agriculture, is required to put on export controls in this case. So, to sum up, Mr. Chairman, we feel that, up to this point in time, it has been inappropriate to apply controls under the Export Administration Act.

We appreciate very much the opportunity to come before you and to speak about the problem today.

Thank you.

The CHAIRMAN. Thank you very much.

Let me ask you, when you complete that study that you are making in depth—you said you were going to coordinate with other agencies—will you make that available to us as soon as the study is available?

Mr. COOK. Yes, sir.

The CHAIRMAN. To this committee.

Mr. COOK. That study is in effect, an on-going effort, starting last year.

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. I have no questions.

I just want to state that the figures you used to downplay the role of exports in the inflated prices of lumber in our country seem to me to ignore the international situation that exists and Japan's reaction to devaluation and other events that have caused a really tremendous effort by Japan to use their dollars in our country very swiftly without paying much attention to the price that they are paying.

I think that has had a tremendous impact on the inflationary situation that we find ourselves facing. You do not consider that at all in your statement.

Mr. COOK. Senator Cranston, the only thing I can say in response is that the initatives which the administration is now undertaking have been taken, of course, after that devaluation and we received every assurance from the Japanese Government that they would cooperate even though the effect of devaluation is clear to them as well as to us now.

Senator CRANSTON. That is a wonderful hope. I have some questions about what is actually going to happen.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. In response to letters from Senator Cranston and myself, the administration is indicating, so far, thanks but no

thanks to enforcing a log export ban under the Export Administration Act.

Do I take it from your statement that there might be some rethinking on the part of the administration, that they might exercise the export control law to embargo logs?

Mr. COOK. No. First, as we have interpreted the act in the past and as the legislative history indicates it should be used sparingly, we do not believe the present situation warrants the imposition of those controls.

Secondly, it is not clear to us that additional sawmill capacity in the West Coast, in the facilities from which most of the logs we exported go, and as a result, the imposition of the act might not have a desirable impact in the short term.

Senator PACKWOOD. As of this date, the administration has no intention of restricting log exports?

Mr. COOK. That is correct, sir.

Senator PACKWOOD. Thank you. No further questions.

The CHAIRMAN. May I just comment: I do not quite understand the concluding paragraph of your statement:

> We are now reviewing the supply, demand and export situation in depth to determine whether the present circumstances meet the export control requirements of the Act.

It seems to me that the statement you have just made shuts it off and invalidates that paragraph.

Mr. COOK. Mr. Chairman, I guess the more correct way to have phrased it would be to say we have had the area under review for some time and we are continuing to review it. However, at the present time the available facts and analyses do not suggest that the imposition of export controls would be appropriate.

The CHAIRMAN. But you have not finished that study in depth, have you?

Mr. COOK. No, we have not.

The CHAIRMAN. And you will let us know when you have finished it?

Mr. COOK. Yes, sir.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. Does USDA have a position on export controls?

Mr. COOK. We have reviewed this question with them at length and Secretary Butz is well informed with regard to exports as we are. At the present time, I think it is fair to say that his position is the same as ours, although he should speak for himself on that point.

Senator STEVENSON. As part of this interagency consultation, will you consult with HUD on the question, sir?

Mr. COOK. Yes, indeed, and in fact we have consulted with that agency.

Senator STEVENSON. Does it have a position?

Mr. COOK. Again I think they would be better suited to speak to that point.

Senator STEVENSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Cook.

[The complete statement of Mr. Cook follows:]

STATEMENT OF GARY M. COOK, ACTING DEPUTY ASSISTANT SECRETARY FOR COMPETITIVE ASSESSMENT AND BUSINESS POLICY, DEPARTMENT OF COMMERCE

I appreciate the opportunity to be here to present the views of the Department of Commerce concerning the softwood log and lumber supply and demand situation.

Softwood lumber is an important component of residential construction. Each single family detached housing unit requires about 10 thousand board feet and a single unit in a multiple family structure requires about one-third this volume. Softwood lumber represents about 10 percent of the construction price of a detached single family unit. Approximately 40 percent of softwood lumber consumption is used in residential construction, 22 percent in nonresidential, and 18 percent in repair and remodeling. The remainder of the softwood production (20 percent) is used in materials handling, furniture, mobile homes, railroads, and other manufactured products.

Softwood plywood represents about 2 percent of the construction price of a detached single family unit. Over one-half (56 percent) of the softwood plywood is used in residential construction. The remainder is consumed in non-residential construction, industrial, and miscellaneous uses.

During the past two years demand for softwood lumber and plywood has been stimulated largely by the record-setting pace of U.S. construction of housing. During 1972 the year's total reached 2.4 million units of which 1.3 million were single family structures. The outlook for housing starts (not including mobile homes) in 1973 is for approximately 2.2 million new units, a reduction of approximately 10% over 1972.

During January and February of this year, housing starts were actually running at a higher rate, but we expect that for the remainder of the year they will be at lower levels.

The 1972 record housing year was also a record year for softwood log exports. These exports increased from 450 million board feet in 1962 to more than 3.0 billion board feet in 1972. Exports to Japan increased from 326 million board feet in 1962 to 2.5 billion board feet in 1972. However, in terms of percentage of domestic production, 1973 exports of logs are not likely to exceed the 1970 peak of 7 percent.

According to U.S. Forest Service figures, softwood sawlog consumption increased from 47.2 billion board feet in 1970 to 56.8 billion board feet in 1972—an increase of 9.6 billion feet. Of this increase, 8.5 billion feet was a result of increased housing requirements. The remaining 1.1 billion board feet represents increased requirements from all other consumers. Softwood log and lumber exports increased from 4.4 billion board feet (lumber equivalent) in 1970 to 5.0 billion board feet in 1972—an increase of 0.6 billion board feet. Therefore, softwood log and lumber exports contributed about 6.3 percent of the increased annual consumption of softwood sawtimber; whereas, housing demand represents about 88.5 percent of the increased requirements. The remaining 5.2 percent of the increased consumption is contributed to other uses such as nonresidential construction, industrial, materials handling, etc.

Of the total quantity of softwood logs exported in 1972 almost 91 percent was exported from Washington, Oregon, California, and Alaska. Washington accounted for 62 percent of the total, Oregon 24 percent, California 3 percent, Alaska 2 percent and other states 9 percent. Thus, dislocations in the market due to log exports are felt primarily in the Pacific Coast states. Similarly, the economic benefits of log exports are greatest in this geographic region, especially

in Washington State, which has been troubled with high unemployment rates in other industries.

Nationally, softwood log exports are significant with respect to two important aspects of the economy; the balance of payments and the supply of softwood lumber and plywood for domestic use in construction, particularly housing.

In 1972 approximately 22 percent of the softwood lumber consumed in the U.S. originated in Canada—the remainder was produced domestically. In 1972, the U.S. imported 9 billion board feet of lumber mostly from Canada at a value of over $1 billion compared to less than 5 billion board feet (approximately $285 million) in 1962. Softwood lumber exports last year were about $210 million compared to only about $70 million in 1962. Softwood log exports in 1972 were valued at over $390 million compared to only $30 million in 1962.

In 1962, the trade deficit in softwoods (logs, lumber and plywood) was about $185 million and by 1972 this deficit had more than doubled—$415 million deficit.

At the request of the Cost of Living Council, the U.S. Embassy in Tokyo has discussed with the Japanese Government officials and importers the price pressures in the U.S. on softwood logs and lumber, and relationships between these price pressures and U.S. softwood log exports to Japan. Japanese officials indicated that they are aware of the problem and are taking and will be taking a series of actions to ease these pressures. Japan is seeking increased imports of softwood lumber and logs from other sources, such as Canada and the Soviet Union. It is now contacting these other sources and may send trade missions to these countries in the near future to accelerate imports. The Japanese government believes its log import situation has stabilized from the peak month of November 1972. Finally, the Japanese government will give strong guidance to Japanese importers to insure that Japan's log imports will not inconvenience the U.S.

However, the present softwood supply/demand imbalance cannot be attributed solely to exports. Indeed, I indicated earlier in my testimony, the housing boom has been the principal cause of this imbalance.

Since the Department of Commerce has the responsibility for administering the Export Administration Act, I would like to briefly discuss that Act as it applies to softwood exports.

The Act authorizes controls over exports for three purposes—"National security," "foreign policy," and "short supply."

National security and foreign policy controls, although important aspects of our responsibilities under this Act, are not pertinent to this discussion.

Short supply controls, as directed by the policy of the Act, are used only "to the extent necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of abnormal foreign demand."

Both the 1969 and the 1972 legislative histories of this provision reflect the intent of Congress that such authority be used extremely sparingly and only when the situation prevailing renders it absolutely.

In determining whether a short supply program should be established it is the Department's policy to seek information and advice from other interested government agencies in accord with the interagency consultation requirements contained in Section 5(a) of the Act. Moreover, no decision is reached by the Department without some degree of consultation with appropriate representatives of the industries affected, in order to gather additional information on the problem and, where appropriate, obtain advice on the ways and means of establishing a fair and impartial control.

The Department of Commerce has on several occasions in the past considered the adoption of a short supply export control program for softwood logs. On each of those occasions, the Department decided that the situation did not warrant such ex[illegible]e action. We are now reviewing the supply, demand and export situation [illegible]th to determine whether the present circumstances meet the export contr[illegible]quirements of the Act. We are coordinating this effort with other inter[illegible] Federal agencies to be sure that the entire range of possible options is considered in seeking a solution to the problems facing this market.

Table 1. -- U.S. Exports of Softwood Logs -- 1962-1972
(Value in millions of U.S.$; Quantity in Million Board Feet)

	EXPORTS			Quantity--Source by Customs Districts				
Year	Total Value	Total Quantity	Quantity to Japan	Washington	Oregon	California	Alaska	All Others
1962	30	453	326	164	147	37	2	103
1963	55	880	689	412	297	38	9	124
1964	67	1,023	752	464	371	13	3	172
1965	83	1,114	800	618	283	15	11	187
1966	104	1,318	1,080	720	389	22	16	171
1967	160	1,874	1,580	1,069	502	43	40	220
1968	238	2,473	2,112	1,321	653	212	47	240
1969	256	2,316	1,996	1,309	561	207	32	207
1970	322	2,683	2,372	1,579	637	192	52	223
1971	264	2,233	1,844	1,320	517	102	43	251
1972 P	392	3,048	2,522	1,888	730	78	66	286

P = Preliminary

Source: Bureau of the Census
U.S. Department of Commerce

Table 2

U.S. Softwood Lumber Production, Imports, Exports and Apparent Consumption, 1947-72
(million board feet)

	Production	Imports 1/	Exports 2/	Apparent Consumption 3/	Import as % of Consumption
1947	27,937	1,092	972	28,057	3.9
1948	29,500 4/	1,652	462	30,690	5.4
1949	26,472	1,425	503	27,394	5.2
1950	30,633	3,146	386	33,393	9.4
1951	29,493	2,250	816	30,927	7.3
1952	30,234	2,267	539	31,962	7.1
1953	29,562	2,527	472	31,617	8.0
1954	29,282	2,854	555	31,581	9.0
1955	29,815	3,327	621	32,521	10.2
1956	30,231	3,131	545	32,817	9.5
1957	27,100	2,714	614	29,200	9.3
1958	27,379	3,155	540	29,994	10.5
1959	30,509	3,742	605	33,646	11.1
1960	26,672	3,631	688	29,615	12.3
1961	26,066	4,004	596	29,474	13.6
1962	26,819	4,571	621	30,769	14.9
1963	27,552	5,027	740	31,839	15.8
1964	29,284	4,914	796	33,402	14.7
1965	29,295	4,898	773	33,420	14.7
1966	28,847	4,781	858	32,770	14.6
1967	27,311	4,772	951	31,132	15.3
1968	29,285	5,812	1,035	34,062	17.1
1969	28,342	5,847	1,018	33,171	17.6
1970	27,530	5,754	1,160	32,124	17.9
1971 P	30,039	7,246	927	36,358	19.9
1972	32,100 5/	8,977	1,181	39,896	22.5

P = Preliminary

1/ Includes siding and drilled or treated lumber

2/ Includes softwood cutstock and softwood flooring

3/ Production plus imports, minus exports

4/ U. S. Forest Service estimate. Not reported by Census in this year.

5/ National Forest Products Association estimate

SOURCE: Bureau of the Census, except as noted

Table 3.

Index of Wholesale Prices - Softwood Lumber, Softwood Plywood and all Commodities 1971-73 (1967=100)

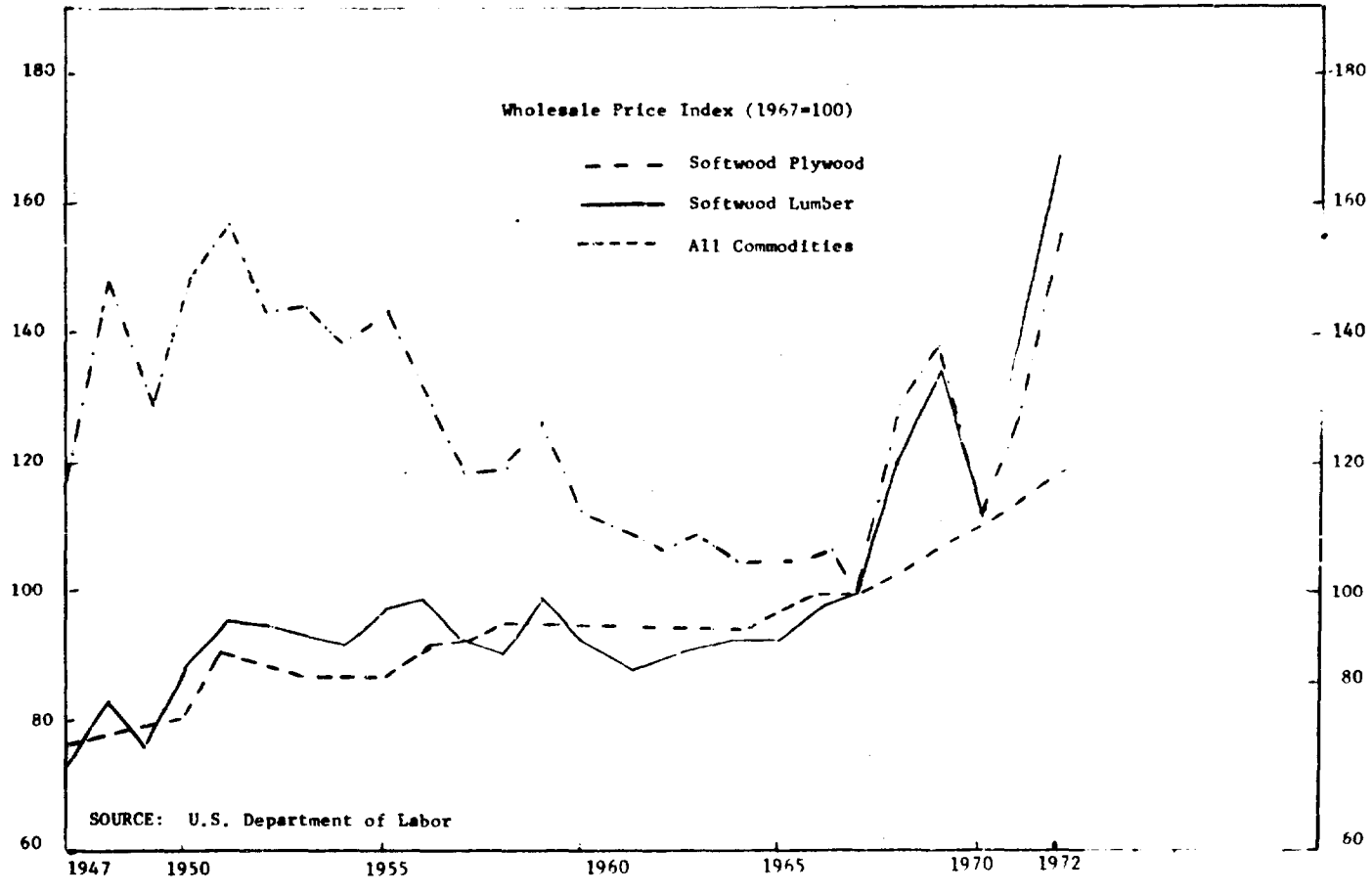
Year and Month	Softwood Lumber	Softwood Plywood	All Commodities
1971-January	114.0	108.7	111.8
February	122.8	123.6	112.8
March	133.5	136.1	113.0
April	136.6	127.4	113.3
May	137.8	118.6	113.8
June	139.7	118.7	114.3
July	149.7	122.5	114.6
August	154.5	138.7	114.9
September	154.6	136.5	114.5
October	149.5	131.1	114.4
November	148.4	130.5	114.5
December	150.4	134.1	115.4
1972-January	154.1	137.9	116.3
February	158.1	145.8	117.3
March	160.5	153.5	117.4
April	163.3	153.3	117.5
May	165.1	157.1	118.2
June	167.0	157.9	118.8
July	169.7	160.5	119.7
August	172.7	162.1	119.9
September	174.0	159.7	120.2
October	175.1	159.7	120.0
November	176.0	157.4	120.7
December	177.2	155.2	122.9
1973-January	178.0	160.5	124.5
February	192.4	186.1	126.9

Source: U.S. Department of Labor

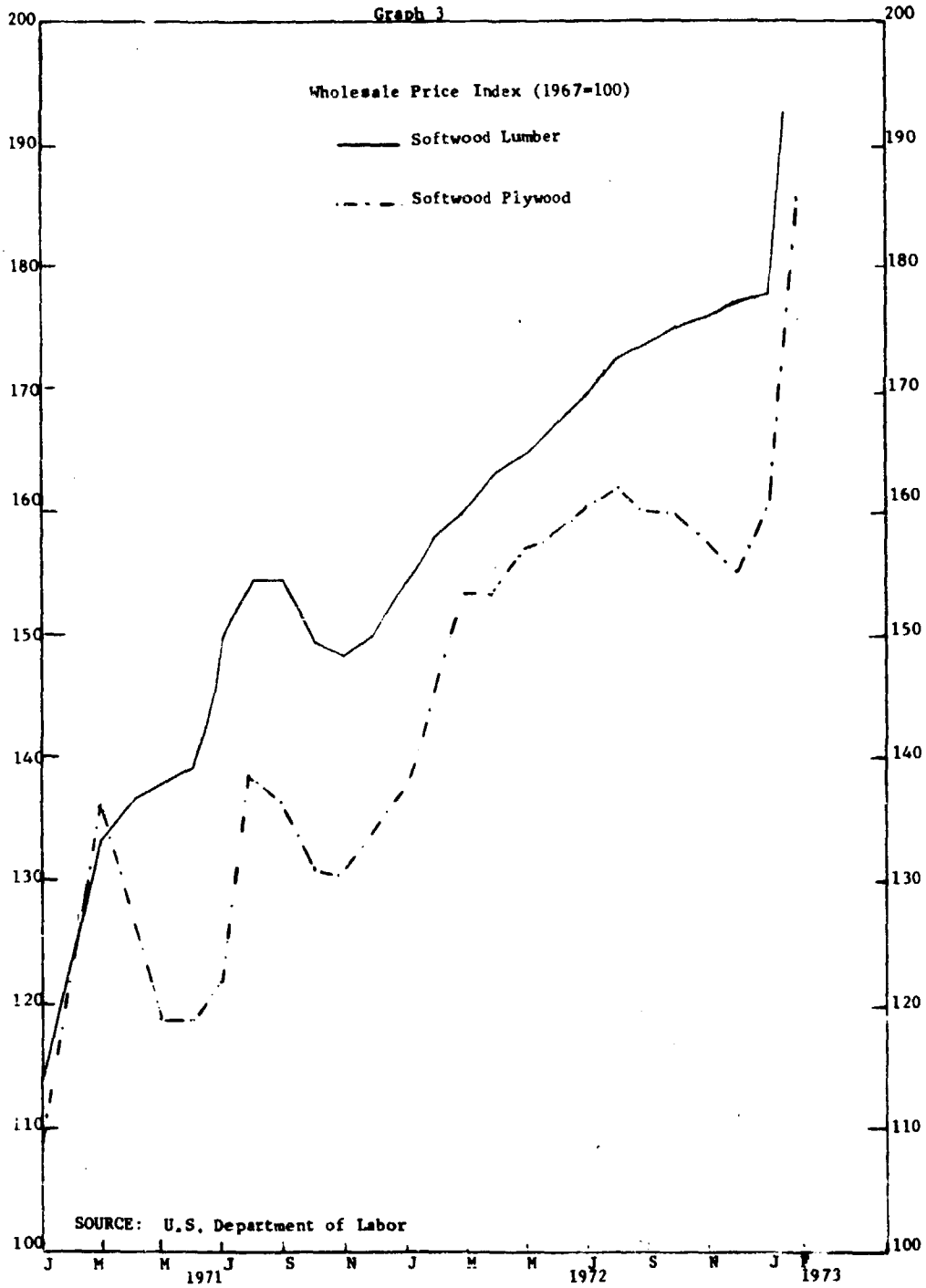
Graph 1

U.S. Softwood Lumber: Production, Imports, Exports, Apparent Consumption
(1947-72)
(Quantities in Million Board Feet)
Mil Bd Ft
Apparent Consumption
Production
Imports
Exports
SOURCE: Bureau of the Census
1947
50
55
60
65
1972

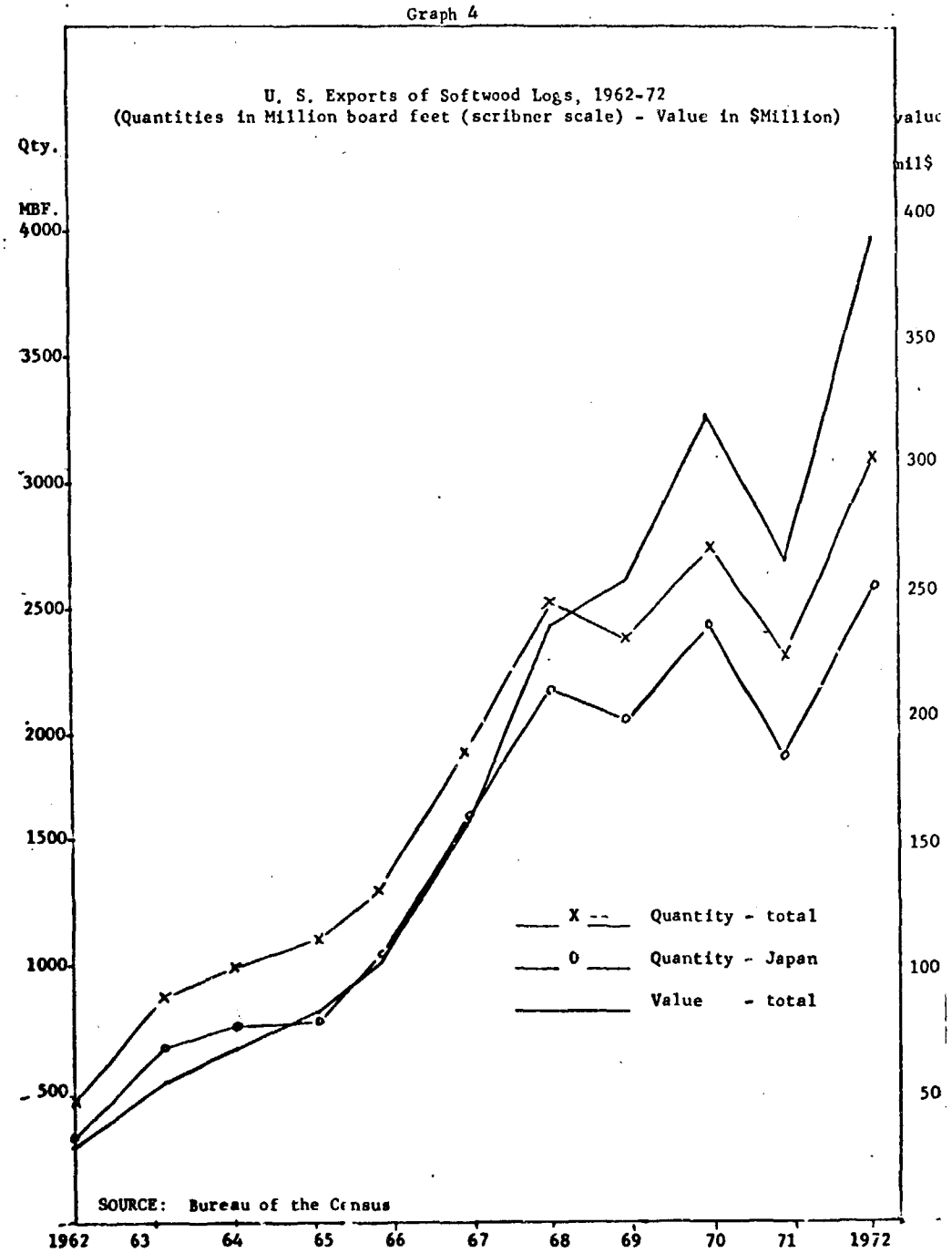
Graph 2



94-318 O - 73 - 7


Graph 3
Wholesale Price Index (1967=100)
Softwood Lumber
Softwood Plywood
SOURCE: U.S. Department of Labor
200
190
180
170
160
150
140
130
120
110
100
J M M J S N J M M J S N J F
1971
1972
1973

Graph 4


U. S. Exports of Softwood Logs, 1962-72
(Quantities in Million board feet (scribner scale) - Value in $Million)
Qty.
MBF.
4000
3500
3000
2500
2000
1500
1000
500
valuc
mil$
400
350
300
250
200
150
100
50
X Quantity - total
O Quantity - Japan
Value - total
SOURCE: Bureau of the Census
1962
63
64
65
66
67
68
69
70
71
1972

The CHAIRMAN. Now, Mr. McGuire, if you will come around, please, sir.

Mr. McGuire, we have a copy of your prepared statement. As I told the others, it will be printed in full in the record. I notice it is very brief. You present it as you see fit.

And for the benefit of the record, will you identify the gentlemen who accompany you?

STATEMENT OF JOHN R. McGUIRE, CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY H. R. JOSEPHSON, CHIEF, DIVISION OF FOREST ECONOMICS AND MARKETING RESEARCH OF THE FOREST SERVICE, AND PAUL NEFF, DIRECTOR, DIVISION OF TIMBER MANAGEMENT

Mr. McGUIRE. Thank you, Mr. Chairman. On your right is Dr. H. R. Josephson, Chief of the Division of Forest Economics and Marketing Research of the Forest Service. On your left is Mr. Paul Neff, who directs our Division of Timber Management.

With your permission, I will summarize my statement. We appreciate this opportunity to participate in your review of the lumber price and supply situation.

The Department of Agriculture shares your concern over shortages of softwood lumber and plywood. As you have stated, Mr. Chairman, these materials are indeed basic to homebuilding, and nonresidential construction and thus to the economic and social well-being of our Nation.

Four years ago we met with you to discuss the price rises which occurred in 1968–69. At that time we talked about the opportunities for increasing timber supplies. We discussed the complex problems that as you have noted are involved in the production and marketing of lumber and plywood. I am glad to have a chance today to continue our discussion.

Since that time this administration has been intensively studying the timber supply situation. The Council of Economic Advisors and the Cost of Living Council have devoted much time to this subject. The President's Advisory Panel on Timber and the Environment has been engaged in a major study of many aspects of forest management and production. Upon completion of the analysis of the findings of this major study, the administration will be in a better position to assess what actions seems appropriate to deal with the long-term situation.

As to immediate steps, we are reexamining what the Forest Service can do at this time to alleviate the immediate lumber and plywood supply problem.

Increases in log production this spring can come only from the backlog of uncut volume under contract, currently estimated to be 25 billion board feet, local log scale, excluding Alaska—about a 2-year supply at current rates of harvest.

As Dr. Dunlop mentioned, we will take the necessary steps to insure a calendar year 1973 sales offering of 11.8 billion board feet from the national forest system.

Finally, I would say there are no simple solutions, as you recognize, to the current problem of lumber and plywood shortages and high

prices. Public pressures, sustained yield requirements, and economic factors in some areas all combine to limit seriously the potential for increasing harvest from national forests in the short run.

Opportunities for timber production from other lands also need serious consideration, as well as the possibilities for increasing timber yields through better utilization.

The CHAIRMAN. Thank you, Mr. McGuire.

I note in part of your statement, you say, "Over the next few years, we may see a further fall-off in housing construction from the recent peak levels."

You are aware, aren't you, of the provision in the law that calls for 26 million units to be completed by 1978? That was a 10-year program which has got about 6 years yet to go. We have got to increase the number of housing starts if we reach that goal. On the one hand, we are striving in every way we can to meet that goal.

So, I fail to see where you get the idea that we may have the drop-off.

Mr. MCGUIRE. Our projection here, Mr. Chairman, of course, takes into account the difficulties of the home buyer in the face of higher prices for housing. It also considers the changes proposed in the Federal Government activity in the housing field.

This is getting a little out of my bailiwick. I am merely saying here what we understand from those who are more expert on the subject.

The CHAIRMAN. I just want to say that I think that statement of yours is not in accord with what we intend to do, and I feel confident that we are going to get good housing programs.

We will be taking that up shortly, and I feel certain we are going to get them. What we are trying to do now is to be sure that lumber production is adequate to enable us to build those homes.

I will ask you a very few questions. You remember the study we made in 1969, do you not?

Mr. MCGUIRE. Yes, sir.

The CHAIRMAN. At that time one of the strong recommendations that we made was the construction of roads and trails to make timberlands now inaccessible, to make them accessible, and Senator Packwood was asking Dr. Dunlop, I believe, a little earlier about the appropriations called for in order to build those roads.

Let me ask this question to satisfy my own curiosity: How much of the Government-owned forest lands is not accessible at the present time?

Mr. MCGUIRE. Mr. Chairman, we have recently completed an inventory of all tracts of 5,000 acres and larger in the national forest system that are unroaded. Our estimate of unroaded tracts of 5,000 acres and larger comes to 56 million acres.

The CHAIRMAN. That would produce a lot of lumber if you could get in there, couldn't it?

Mr. MCGUIRE. Of course, not all of that area is timber. The national forest system totals 187 million acres. However, only 92 million acres of that total are classified by the Forest Service as commercial forest land. So, I would estimate perhaps half of that acreage is timber-growing land for commercial purposes.

The CHAIRMAN. That would be 46 million acres, wouldn't it?

Mr. McGuire. It would be half of the 56.

The Chairman. I thought you said 92. Did you say 56?

Mr. McGuire. The unroaded acreage is about 56 million acres. So, about half of that, or 28 million acres, would be commercial forest land.

The Chairman. Do you consider this an important part of the long-range program of the Forest Service?

Mr. McGuire. Yes, sir; indeed we do. We not only need to increase the road mileage in order to reach many of these areas for timber production, for protection from insects and disease, to get in to thin and salvage and so on, but we also need to reconstruct and maintain the 200,000 miles that we now have in the way of roads.

The Chairman. Why then the reduction in the budgeted amount for this coming fiscal year?

Mr. McGuire. The reason for the reduction relates to the manner in which roads are financed. Each year the construction of roads on the national forests is largely accomplished by the timber purchasers. In the current fiscal year, for example, we plan to construct about 600 miles of road as a part of timber sale contracts, and we plan to construct an additional 700 miles of road out of appropriated funds.

Now, the premise upon which our budget request is based is that more of the mileage could be constructed by the timber purchasers. We are going to do our best to insure that we get the maximum mileage by that means. So, what we are doing here is simply changing the method of financing in the next fiscal year.

The Chairman. Do you mean that lower amount is to be appropriated and would not include the timber sales?

Mr. McGuire. That's right, sir.

The Chairman. The only way you can build roads into those present inaccessible areas is by appropriating funds, isn't it?

Mr. McGuire. In many inaccessible areas, the timber values are insufficient to cover the cost of the road, particularly the main haul road. For that reason we do need some appropriated funds to build the main road and then leave the spur roads to the timber purchasers. I think we can go further toward timber purchaser construction than we have in the past. We are going to try to do this next year.

The Chairman. What about some of the other recommendations we made, a better, stronger forest management program on Government-owned lands and assistance toward better management of privately owned forests?

Mr. McGuire. Both of those recommendations have, of course, been considered and there have been in recent years up to fiscal year 1973 some increases for those purposes.

The Chairman. Do we have a reforestation program that is active and aggressive and adequate?

Mr. McGuire. Yes, sir; we do.

We have a target for tree planting on national forest lands in fiscal year 1974 of about 150,000 acres.

The Chairman. May I ask you how many seedlings would be planted on those?

Mr. McGuire. May I correct that figure, Mr. Chairman? It is 130,000 acres. We would plant on the average acre around 1,000 seedlings. I would say about 150 million seedlings on those acres.

The CHAIRMAN. 150 million seedlings?

Mr. McGUIRE. Yes.

In addition to those acres which are planted with appropriated funds, we require the timber purchaser to deposit enough money to replant the areas in which the cutting is done. On those particular areas we planted in 1972 about 200,000 acres and we plan to plant about 190,000 acres this year.

The CHAIRMAN. You saw an announcement recently that Weyerhaeuser Co., made that they were going to plant 100 million seedlings this year. They don't own as much forest land as the Government does, do they?

Mr. McGUIRE. That sounds high to me. That may be their hundredth million seedling to date, Mr. Chairman. I am not sure if that was this year.

The CHAIRMAN. Oh, no; here is the announcement.

This is a statement I made based upon their announcement. I think it is dependable. It says that they will be planting 100 million seedlings this year, two trees for every family in the United States, and it says that the people in the United States use on an average of one tree a year. That is where they get their two trees for every family in the United States.

Mr. McGUIRE. Mr. Chairman, I won't dispute your figures. They sound reasonable, and Weyerhaeuser is doing a great deal of planting and seeding. I have seen the work that is being done on their lands, and I know it is a very large project.

The CHAIRMAN. I was impressed by the statement, and I just wondered how their holdings compared with the Federal Government's.

Mr. McGUIRE. I am sorry, I don't know.

The CHAIRMAN. The only purpose was to get a comparison as to the tree-planting activities. It seems to me the Federal Government certainly ought not to let its program lag behind any private program, and I will go further and say it seems to me that we ought to do a more aggressive job than we are now doing.

Senator Cranston?

Senator CRANSTON. What has the President requested for the Forest Service in fiscal year 1974?

Mr. McGUIRE. The budget request for fiscal year 1974, regular appropriated funds, is $457 million.

Senator CRANSTON. What was your request before OMB made its decision on what you would be granted?

Mr. McGUIRE. We began with a request for $854 million.

Senator CRANSTON. What will you not be able to do because of the lesser sums that you were accorded?

Mr. McGUIRE. There is a great deal of detail to that answer.

Senator CRANSTON. Could you just in general outline it?

Mr. McGUIRE. I can say that this request covered not only the management of the national forests, but also our forestry research program and our program for cooperation with the States and with the private landowners.

Because of other national priorities, all of them will operate at lower levels than initially proposed.

Senator CRANSTON. What would be the impact insofar as the specific matter that we are primarily concerned with at this hearing, and that is in terms of increased harvesting?

Mr. MCGUIRE. In order to increase the harvest, we felt that we needed more money for preparing sales, for doing the ancillary work related to wildlife management, soil surveys, watershed protection, landscape management, and so on, and we would need to build more roads.

I don't recall the volume figure that went with that, but undoubtedly it was around 11.8 or 12 billion board feet.

Senator CRANSTON. What is the immediate current effect of the impoundment of some of your money in terms of harvesting and things directly related to today's subject?

Mr. MCGUIRE. The immediate effect is some reduction in the volume offered for sale in this next fiscal year, and there will be some effect on road construction which will not appear in the volume offering level until some future fiscal year.

Senator CRANSTON. In other words, the administration's current actions in this regard are directly contrary to the policies that were set forth by Mr. Dunlop this morning. I am not posing that as a question to you. I am just making it as a statement.

I gather that sustained yield forestry techniques have been developed which make it possible to develop x amount of timber on leased land when they are followed carefully, but because of inadequate funding you have not been able to apply fully those techniques to forest land; is that correct?

Mr. MCGUIRE. The way we calculate the allowable harvest under sustained yield, and we are required to practice sustained yield by law, is to estimate what we can expect in the way of growth under our current levels of funding, and then we limit the cut to what we can anticipate in the way of growth. Until we actually have the trees planted or the stands thinned and begin to obtain new growth, we do not take possible additions to the harvest level into account.

So, the levels of funding that were available in prior years are beginning to be reflected in present years.

Senator CRANSTON. But under your present funding, you cannot apply fully sustained yield forestry techniques that have been developed to increase the take; is that correct?

Mr. MCGUIRE. Perhaps I can answer it by saying that in our view, the sustained yield level of harvest in the national forests eventually could be increased about 50 percent, given the funding.

Senator CRANSTON. That is what I believed to be the case, although I did not know that figure exactly.

Another aspect of all of this, of course, is to seek to increase the harvesting without permanent damage to the environment, and that obviously requires a larger professional staff and improved practices, including salvaging old and dying timber and thinning young growth and reforesting nonstocked land and doing everything that you can do to minimize the environmental damage which is caused by road construction, logging debris, and other side effects. If you are not able to follow those practices, then the counterpressures from environmentalists will continue to increase and then we will be in another bind on getting adequate production. Is that correct?

Mr. McGuire. That's correct, Senator Cranston. In fact, we reduced our target in the current fiscal year from 11.8 billion to 10.9 billion mainly for those reasons. We felt we could not fully comply with the Environmental Policy Act and still meet the target that we originally set for ourselves with the funds available.

Senator Cranston. Could you compare your fiscal year 1974 reforestation program with first the backlog of actual need; and, second, the prior year?

Mr. McGuire. The backlog of acres that could be planted in order to increase the allowable harvest and to furnish additional protection to the soil amounts to 4.8 million acres on the national forest system as a whole.

Now, in 1973, we will be reforesting about 130,000 acres.

Senator Cranston. Thank you very much.

What is the procedure for determining allowable cut of Federal timber?

Mr. McGuire. The allowable cut is determined for each of the national forests separately about once every decade. It begins by estimating the volume of standing timber, estimating the volume of growth, and then calculating from that what we can harvest over the decade and still achieve a desired level of inventory and growth.

Now, the problem is not quite as simple as I have described it, because many of the national forest acres contain old growth timber, and we must spread the harvesting of that timber over longer periods of time so that in future years we will not find ourselves without inventory available for the market.

Senator Cranston. Is funding and access and also our environmental considerations involved in determining the allowable cut?

Mr. McGuire. Yes, sir. The allowable cut takes into account the current level of funding; it takes into account the areas that are too fragile for logging under current technology; it takes into account the areas that must be maintained for scenic, wildlife, recreation, or other purposes, where cutting must be modified. All of those factors go into the calculations.

Senator Cranston. Mr. Dunlop referred to a 12.8 ceiling on the allowable cut. Could that figure be increased without getting into serious environmental problems if there was adequate funding or the soundest possible harvesting procedures, and proper roadbuilding and trailbuilding?

Mr. McGuire. Mr. Dunlop's figure should really read 13.6 billion, if I may correct it.

We think we can approach 13 billion safely. We have about 4 billion board feet in areas where we do not have the technology as yet to go into them and remove the trees safely.

There is also about 1.7 billion board feet of allowable harvest in areas such as the Rocky Mountains that is so remote from market, so small, so scattered, or in less desirable species so that a market thus far has not developed.

Senator Cranston. How much additional funding do you feel is necessary for the Forest Service for the particular purpose of enabling you to get up toward that figure of 12.8 or 13 billion, taking into account the need for proper environmental practice and sustained yield techniques?

Mr. McGuire. If you take into account the idea of a balanced program, recognizing that expenditures must be made not only for timber, but also for recreation, wildlife, range management, wilderness, and so on, we think an optimum level for the national forests, and not counting roads and trails for a moment, would be about $355 million as compared to the $258 million actually appropriated in fiscal year 1973.

With national priorities permitting, it would be something like $95 million higher than what we are now getting.

Senator Cranston. How much more is that than the President's budget would give you?

Mr. McGuire. The President's budget in this same category would be $246 million.

Senator Cranston. Then to build additional required roads beyond those that the timber people themselves would be willing to build in terms of economic return, how much do you need for that?

Mr. McGuire. Our estimate, including construction and maintenance in both roads and trails for all purposes, we believe should be in the neighborhood of about $236 million if choosing an optimum level.

Senator Cranston. Compared to what budget figure in the President's budget?

Mr. McGuire. Compared to the President's budget request for 1974 of $129 million.

Senator Cranston. I missed the figure you gave a moment ago in the President's budget in the other matter for a balanced program. What was his figure?

Mr. McGuire. For the balanced program for all of the national forests, we estimate $355 million to be about the optimum.

Senator Cranston. That is what you need. What is in the President's budget for that purpose?

Mr. McGuire. $246 million.

Senator Cranston. How soon could you reach roughly the 13 billion figure if you had the sums made available?

Mr. McGuire. I would estimate 2 years, maybe 3. We have to do some more intensive land-use planning first.

In some areas we do not have plans made. I think we could probably accomplish that timber offering in 2 or 3 years.

Senator Cranston. At last summer's hearings which were chaired by Senator Packwood, it was indicated that price increases are due in part to substitution, to the practice of timberland owners exporting their private timber which they then replace by bidding high on Federal timber to get that source.

Do you believe that practice of substitution has contributed to the price rise?

Mr. McGuire. We do receive complaints that substitution is occurring. Thus far we have not been able to find enough evidence to take any action against it.

We can enforce antisubstitution rules through use of the timber sale contract. The timber changes hands frequently. It is quite difficult to prove that substitution actually is occurring. We have no evidence.

Senator Cranston. Thank you very much.

The Chairman. Senator Packwood?

Senator PACKWOOD. You have already indicated that one of the reasons for the reduction in your roadbuilding budget was the shifting of the costs to purchasers of timber. Is the inevitable effect of that shift to make lumber prices higher? Do the purchasers build that cost into their pricing structure.

Mr. MCGUIRE. I think the purchasers recognize that such costs are built in to the timber appraisals. I think this is such an unconcentrated industry that it is very difficult for a producer to pass on unusual costs. You could argue, I suppose, that if there is a little less timber produced because some sales are not harvested as a result of the high cost of roadbuilding, or some reason like that, then consumer prices would be a little higher.

Senator PACKWOOD. This is where a person bid for the timber a few years ago and decides not to harvest it. So it goes by the board and it is not harvested. Is it fair to say that the lower the Federal road budget, the less likely you are going to have greater harvest if the private purchaser must pay for the cost of the road?

Mr. MCGUIRE. Possibly that could happen in some areas. There are, as I mentioned, many areas, particularly in the Rocky Mountains, where no one timber sale can cover the cost of roads for the entire drainage, and where for environmental reasons we cannot offer larger sales.

In those situations the timber simply cannot be offered for sale.

Senator PACKWOOD. Let me move for a moment to the situation in the exports versus the Canadian imports of lumber. Assuming for purposes of answering the question that there would be sufficient productive capacity in California, Oregon, and Washington to increase lumber output, is the type of wood we are exporting, roughly, not specifically, roughly the kind of lumber that we are importing from Canada?

Mr. MCGUIRE. If anything, I would think the material we are exporting is of somewhat higher grade.

Senator PACKWOOD. Would there be any reason, assuming productive capacity, that we could not reduce our imports if we kept the exports here and milled them for consumption?

Mr. JOSEPHSON. A large part of the exports that are going out of the country are hemlock logs, for instance, which are manufactured in Japan into 4 by 4's and similar construction timbers. The lumber we get from Canada is mostly 2 by 4's, 2 by 6's, 2 by 8's, used for framing in housing construction in this country.

In general, I would have to say that the lumber that could be made from exported logs would be generally similar to the lumber we get from Canada.

Senator PACKWOOD. Would be generally similar?

Mr. JOSEPHSON. Would be generally similar.

The CHAIRMAN. May I ask you to repeat the very first part of your statement there, that most of the hemlock logs going to Japan are used for what purpose?

Mr. JOSEPHSON. They are used for making lumber for framing houses in Japan and for other construction.

Senator PACKWOOD. I wonder if I might read into the record, Mr. Chairman, the type of species which we are importing and exporting. This is the imports from British Columbia into the Washington Custom District. By percentage of species, hemlock is 12.2 percent;

Douglas-fir is 22.3 percent; pine is 15.5 percent; spruce is 32.3 percent; western red cedar is 15.7 percent; and other miscellaneous is 1.7.

Then if I might read our exports from the State of Washington—Oregon varies slightly, but not much. The type of species that were exported: hemlock, 5.5 percent; Douglas-fir, 21.7 percent; true firs, 10.2 percent; western red cedar, 8.1 percent; spruce, 4 percent; and others, 0.5 percent.

In short, the species of logs we are exporting is roughly the same as those of the lumber we are importing.

Forest Service Region 6 is Oregon and Washington, is that correct?

Mr. McGuire. That's correct.

Senator Packwood. The 13-year average, from 1960 to 1972, indicates that we have been harvesting 107.5 percent of the allowable cut, is that correct?

Mr. McGuire. I think that is about right.

Senator Packwood. Can you explain for the record how we can actually harvest more than the allowable cut?

Mr. McGuire. Most of the difference, Senator, is due to sales of thinning and salvage material which is not in the allowable harvesting base. Part of the overage is due to the fact that we attempt to average out over a decade in each forest around the allowable cut target. Where we have gone a little over on some forests in past years, we are going to have to go a little under in future years in order to come out even at the end of the decade.

Senator Packwood. Is it fair to say that for Region 6 you would be hard-pressed to push the harvest much beyond 107 percent of allowable cut consistently decade after decade?

Mr. McGuire. That is correct, although we can produce additional volume of thinnings, and we could do more in the way of salvaging.

Senator Packwood. But for purposes of my question, if you are going to substantially increase your timber production, you are talking about increasing it, to a large degree, from regions other than Region 6. These are regions where, at the moment, you do not have enough money for roads, where you have indicated the access roads are so expensive it is difficult for a timber purchaser to make a bid.

Mr. McGuire. That is true, except that Region 6, Oregon and Washington, has, in general better timber growing sites than most of the rest of the country, except the South. There are great opportunities in the Pacific Northwest through tree planting and cultural measures to increase the growth. If we could increase the growth in those States, then, we could increase the cut.

Senator Packwood. I don't think any of us are quarreling with the need for money for reforestation and improved silva-culture. I don't have the figures here for 1972. If you have them, would you give them for the record, the total harvest, public, for Region 6 for 1972?

Mr. McGuire. We have them just for the National Forest.

Senator Packwood. Give those, please.

Mr. Neff. The total harvest from the National Forests for fiscal year 1972 was 10,675 million board feet. I am sorry, if you are asking for region 6, it was 4,869 million. The harvest of timber from other public and private lands in 1972 was an estimated 15.9 billion board feet.

Senator Packwood. You took me by surprise there for a moment.

I have no other questions, Mr. Chairman.

The Chairman. Anything further, Senator Cranston?

Senator CRANSTON. No, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen. We certainly appreciate your giving us this helpful information.

[The complete statement of Mr. McGuire and additional material from the Department of Agriculture follow:]

STATEMENT OF JOHN R. MCGUIRE, CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the committee: We appreciate this opportunity to participate in your review of the lumber price and supply situation. The Department of Agriculture shares your concern over shortages of softwood lumber and plywood. As you have stated, Mr. Chairman, these materials are indeed basic to homebuilding and nonresidential construction and thus to the economic and social well-being of our Nation.

Four years ago we met with you to discuss the price rises which occurred in 1968–1969. At that time we talked about the opportunities for increasing timber supplies. We discussed the complex problems you have noted that are involved in the production and marketing of lumber and plywood. I am glad to have a chance today to continue our discussion.

Since that time this administration has been intensively studying the timber supply situation. The Council of Economic Advisors and the Cost of Living Council have devoted much time to this subject. The President's Advisory Panel on Timber and the Environment has been engaged in a major study of many aspects of forest management and production. We expect to see the results of these reviews in the near future. Upon completion of the analysis of the findings of this major study, the Administration will be in a better position to assess what actions seem appropriate to deal with the long term situation.

TIMBER PRICE TRENDS AND OUTLOOK

As you all know, we have recently experienced very rapid increases in prices of most timber products. Between 1970 and August 1971, when price controls were imposed, the wholesale price index for softwood lumber rose 36 percent and the index for softwood plywood rose 22 percent. Prices for dimension lumber and sheathing grades of plywood, which were in great demand for residential construction, showed even larger increases.

Following some leveling off in late 1971, prices of softwood lumber and plywood continued to rise throughout 1972 and particularly after mid-January 1973 when Phase II price controls were terminated. At the present time, softwood lumber and plywood prices are about 70 percent amove the 1970 levels.

The price increases that we have been experiencing reflect, in large part, record levels of housing production in the United States, plus steadily expanding use of lumber and plywood for other purposes. Consumption of softwood lumber and plywood in housing rose about 40 percent in 1971, with a further rise of 13 percent in 1972, to 23 billion board feet, or 40 percent of the total consumption of all softwood sawtimber products. In 1972 there were also substantial increases in the use of softwood lumber and plywood in nonresidential construction and manufacturing, and increases in softwood log exports.

Forecasts of housing starts, prepared by the Department of Housing and Urban Development, indicate that demands for softwood lumber and plywood in housing may drop about 10 percent in 1973.

Over the next few years, we may see a further falloff in housing construction from recent peak levels; but most forecasts indicate that, in a relatively short time, housing demands will again be close to recent high levels. Demands for timber for other uses likewise can be expected to continue to rise. Thus we are faced with the possibility of prices higher than we have had during most of the past two decades. This would, of course, be consistent with the long-term upward sweep of lumber prices during the last century or so.

IMMEDIATE STEPS

We are reexamining what the Forest Service can do at this time to alleviate the immediate lumber and plywood supply problem. Increases in log production this spring can come only from the backlog of uncut volume under contract, currently estimated to be 25 billion board feet, local log scale, excluding Alaska—about a two year supply at current rates of harvest.

We will take the necessary steps to insure a calendar year 1973 sales offering of 11.8 billion board feet from National Forest System lands. This volume is 18 percent higher than the corresponding calendar year 1972 sales volume.

INCREASED TIMBER PRODUCT IMPORTS

In past statements, we have discussed the opportunities for growing more timber, and improving utilization. We can also look to foreign sources for increasing our timber supplies.

Although timber from United States forests provides most of the wood products we consume, we have steadily increased imports of lumber, woodpulp, and paper from Canada and hardwod plywood, mostly from Southeast Asia. These imports annually amount to the equivalent of 2.9 billion cubic feet of roundwood. Current imports are about double those of 1950 and provide over a fifth of our total supply of roundwood products, including 20 percent of our lumber supply, and 30 percent of all pulpwood products consumed.

The 1972 timber harvest in Canada, amounting to about 3.4 billion cubic feet, represents about two-fifths of the estimated economic allowable cut there. Hence, it is expected that Canada in time will increase its production and exports of timber products substantially.

Tropical countries, especially in the Western Pacific area, probably will continue to supply substantial amounts of hardwood plywood and veneer, plus some additional hardwood lumber.

In time, the USSR also could become a major factor in world timber trade in softwood pulp as well as softwood lumber, and many countries could increase output of plantation wood. However, it does not seem likely that these developments will have a major impact on the U.S timber situation for some time to come.

In recent years, net imports have composed about 10 percent of the timber products consumed in the U.S. With higher prices we expect some increases, but it is clear that more imports can represent only a partial answer to our prospective timber supply problems.

EXPORTS

In the last couple of decades, exports of pulp and paper and softwood logs and lumber have increased from the equivalent of 0.1 billion cubic feet of roundwood to 1.3 billion. The increase of about 1.2 billion cubic feet has roughly offset the rise in imports.

The rapid growth in timber exports has largely reflected increases in demand and insufficient timber supplies in western Europe and Japan. Studies of the timber situation in these areas indicate that timber demands will continue to grow rapidly, while local timber supplies will be increasingly short. This suggests some continuing increases in demands for U.S. exports.

SUMMARY

There are no simple solutions to the current problem of lumber and plywood shortages and high prices. Public pressures, sustained yield requirements, and economic factors in some areas all combine to limit seriously the potential for increasing harvests from National Forests in the short run. Opportunities for timber production from other lands also need serious consideration, as well as the possibilities for increasing timber yields through better utilization.

UNITED STATES DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., March 9, 1973.

MR. CARL A. S. COAN,
Staff Director, House Subcommittee, Senate Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR MR. COAN: Enclosed is some more background information that may be useful to you regarding the lumber price hearings coming up on the 26th and 27th.

Two aspects of the statistics enclosed tend to be confusing. Volumes in board feet, if not otherwise stated, are "local scale"—that means estimates of lumber yields from the log according to various rules or formulae in use locally. "Lumber

tally" means what the mills produce as measured in boards, 2 x 4's, etc. Local scale can be converted to lumber tally by multiplying by 1.19.

Secondly, overall National Forest data on timber cut, sold, allowable cut, is expressed in MMbf (million board feet); this includes sawlogs used for lumber or plywood, *and* smaller cordwod used in paper making, etc. For example, the allowable harvest from the National Forests in FY 1972 is 13.6 billion board feet (local scale)—but this actually includes 11.6 billion of sawtimber size useable for lumber and plywood and the equivalent of 2.0 billion (4.1 million cords) of material useable only for pulp or other products. (We, of course, sell the timber as it stands in the trees in the forest.)

Let me know if we can be of further assistance.

Sincerely,

PHILLIP L. THORNTON, *Deputy Chief.*

NATIONAL FOREST TIMBER CUT AND SOLD

Fiscal year	Timber cut		Timber sold	
	Volume (Mbm)	Value	Volume (Mbm)	Value
1940	1,740,271	$4,806,729	1,779,209	$4,671,541
1941	2 067,279	5,761,819	1,464,523	4,769,348
1942	2,204,749	6,109,097	2,839,416	8,195,727
1943	2,359,473	8,671,729	3,696,048	16,171,529
1944	3,333,167	14,154,983	2,858,465	12,121,348
1945	3,144,789	13,016,232	2,391,449	10,465,748
1946	2,729,708	11,490,318	2,687,018	10,626,293
1947	3,834,588	16,399,890	3,786,231	21,954,920
1948	3,758,885	21,054,111	3,741,856	30,275,736
1949	3,740,810	28,749,007	2,614,701	29,122,287
1950	3,501,937	30,714,292	3,434,114	32,980,017
1951	4,688,280	47,816,389	4,912,958	60,482,487
1952	4,418,530	59,341,209	12,975,274	80,002,439
1953	5,160,355	70,616,025	4,801,304	56,949,128
1954	5,365,113	65,407,400	5,367,655	60,380,691
1955	6,328,229	70,760,440	9,626,729	100,430,988
1956	6,907,043	97,619,548	6,837,262	129,306,477
1957	6,978,185	115,567,029	6,533,376	111,116,227
1958	6,420,701	94,187,973	13,292,643	112,583,811
1959	8,340,518	113,896,697	9,359,045	132,995,296
1960	9,366,897	156,423,791	12,167,180	170,892,642
1961	8,380,689	124,451,784	8,856,904	125,145,413
1962	9,032,237	128,905,266	10,325,872	133,660,089
1963	10,026,242	134,405,770	12,175,253	153,567,600
1964	10,954,193	151,074,949	11,681,508	171,925,104
1965	11,244,025	161,105,702	11,510,659	198,185,066
1966	12,138.401	195,590,242	11,382,967	226,014,528
1967	10,850,930	188,710,969	11,654,647	203,603,585
1968	12,128,225	239,311,589	11,651,566	274,253,980
1969	11,783,473	326,996,862	18,930,942	502,140,808
1970	11,526,725	307,609,817	13,382,025	317,302,594
1971	10,341,024	257,020,185	10,636,387	215,299,552
1972	11,700,364	381,956,590	10 339,486	328,436,311

VOLUME AND VALUE OF TIMBER HARVEST ON NATIONAL FORESTS

	Financed volume[1] (MMbf)	Actual volume sold (MMbf)	Value of stumpage sold	Allowable harvest (MMbf)	Timber receipts (million)	Timber sale appropriation[3] (million)
Fiscal year:						
1972	12,395	10,339.5	$328,436,311	13,631.4	$330.0	[2]63.6
1971	12,395	10,636.4	215,299,552	13,673.5	217.0	55.5
1970	13,690	13,382.0	317,302,594	13,537.9	283.9	48.5
1969	12,790	[4]18,930.9	502,140,808	13,552.3	306.8	39.4
1968	12,200	11,651.6	274,253,980	12,979.7	205.6	36.7
1967	11,800	11,654.6	208,603,585	13,059.6	172.8	34.5
1966	12,000	11,383.0	226,014,528	12,992.9	164.9	30.8
1965	10,933	11,510.7	198,185,066	12,724.8	138.8	30.4

[1] Includes sales preparation work on R-10 long term sales.
[2] Includes silvicultural examination.
[3] Excludes $1,680,000 applied to fighting forest fires.
[4] Includes 8.75 mm long-term Juneau pulp sale R-10.

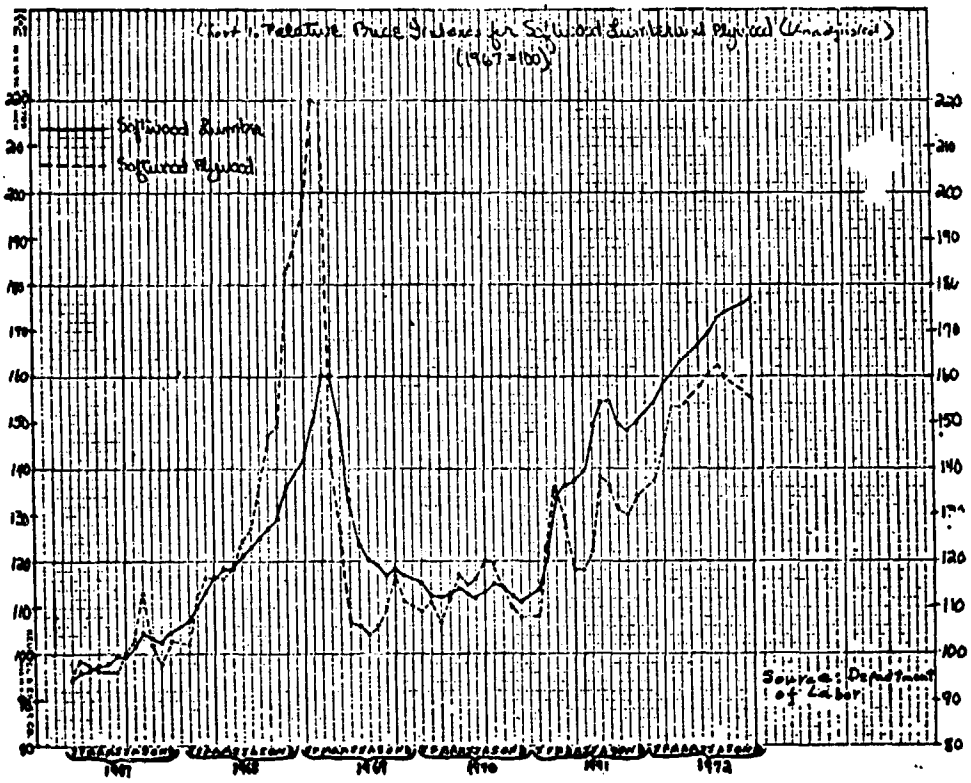


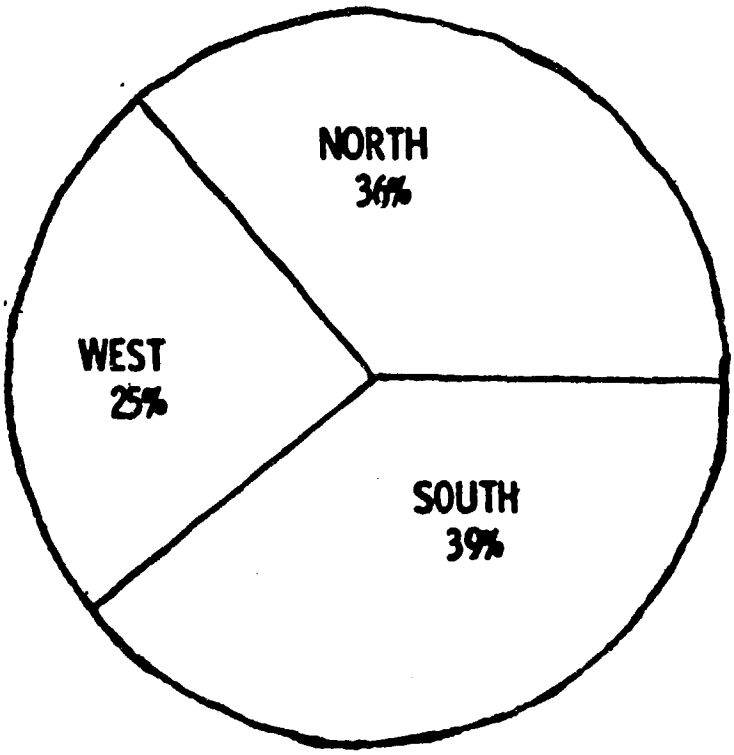
TABLE 2.—CONSUMPTION AND SUPPLY OF SOFTWOOD SAWTIMBER PRODUCTS, WITH ESTIMATES THROUGH FISCAL YEAR 1974

[Billion board feet, lumber tally]

	Actual, calendar year—				Estimated			
					Calendar year—		Fiscal year—	
	1968	1969	1970	1971	1972	1973	1973	1974
Consumption:								
Housing	16.3	15.5	14.5	20.8	23.3	[1] 20.3	[1] 20.9	[1] 20.6
Other	33.0	32.4	32.6	31.6	33.5	35.5	34.6	36.3
Total	49.3	47.9	47.1	52.4	56.8	55.8	55.5	56.9
Supply:								
Log harvest:								
National forests	14.6	13.3	11.5	12.2	13.9	13.9	13.9	13.9
Other lands	33.0	32.6	34.4	36.5	39.0	39.5	39.3	39.8
Total	47.6	45.9	45.9	48.7	52.9	53.4	53.2	53.7
Log exports	3.2	3.0	3.5	2.7	3.8	4.2	4.0	4.4
Log imports	.1	.1	.1	.1	.1	.1	.1	.1
Logs for U.S. mills	44.5	43.0	42.5	46.1	49.1	49.3	49.3	49.4
Used for lumber	29.3	28.3	27.3	30.3				
Used for plywood	6.9	6.4	6.8	7.8				
Used for other products	8.3	8.3	8.4	8.0				
Lumber imports	5.8	5.9	5.8	7.2	8.9	9.5	9.2	9.8
Lumber exports	1.0	1.0	1.2	.9	1.2	1.2	1.2	1.2
Total supply	49.3	47.9	47.1	52.4	56.8	57.6	57.3	58.0
Supply-demand balance	0	0	0	0	0	1.8	1.8	[illegible]

[1] Based on housing projections prepared by the Department of Housing and Urban Development.

Source: U.S. Department of Agriculture, Forest Service.

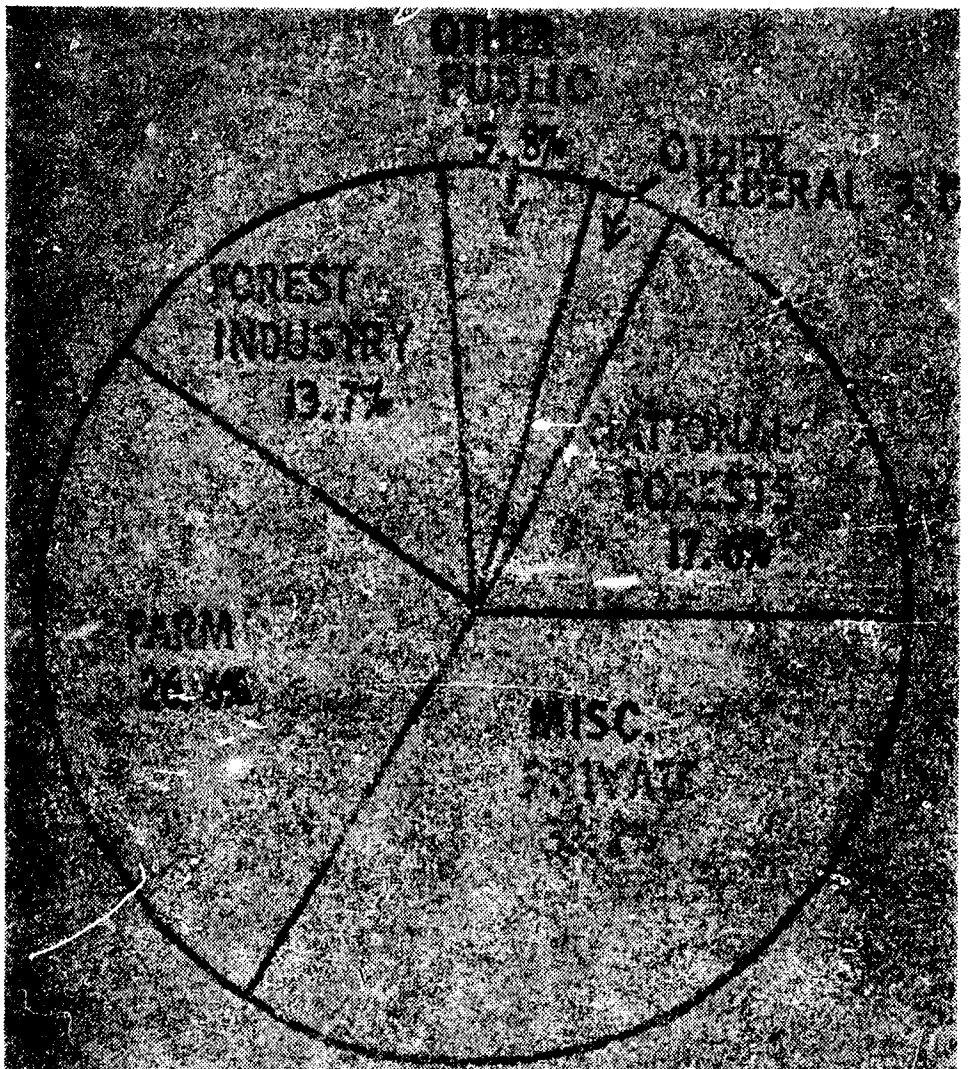


COMMERCIAL FOREST LAND U.S. 1970

North	178
South	192
West	125
Total	495 Million Acres

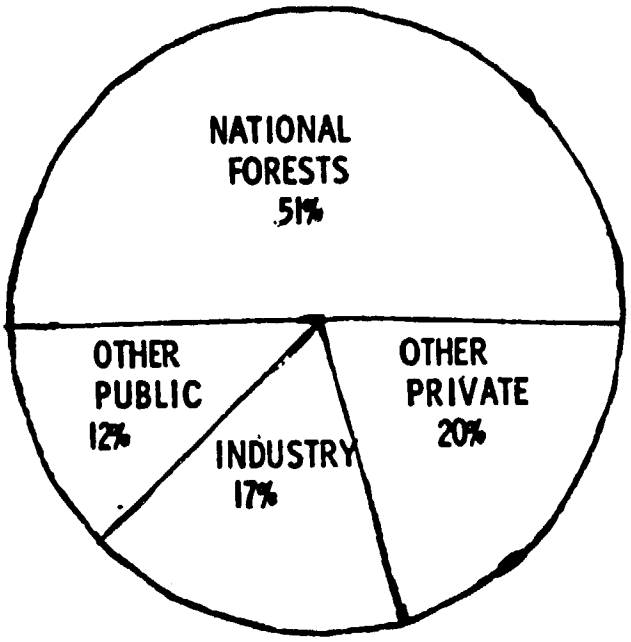
(NOTE: 72% of CFL in the East is non-industrial private)

94-218 O - 73 - 8



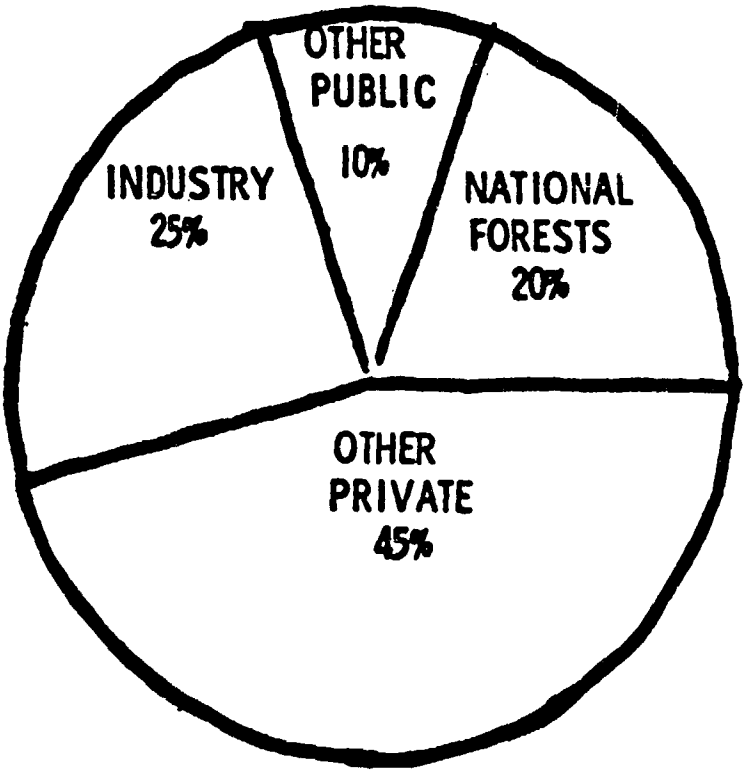
COMMERCIAL FOREST LAND U.S. 1970

National Forests	87	Public	26.5%
Other Federal	15	Industry	13.7%
Other Public	29	Other Priv.	59.8%
Forest Industry	42	Total	100.0%
Farm	133		
Misc. Private	142		
Total	[illegible] million acres		



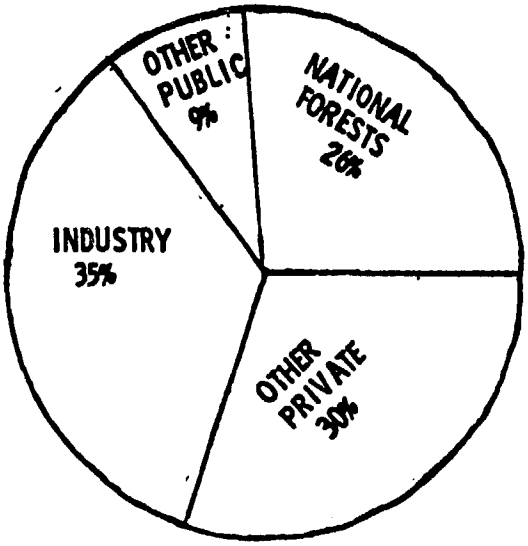
SOFTWOOD SAWTIMBER GROWING STOCK INVENTORY, U.S. 1970

National Forests	982.0
Other Public	223.6
Industry	319.2
Other Private	381.7
Total	1906.5 Billion Board Feet



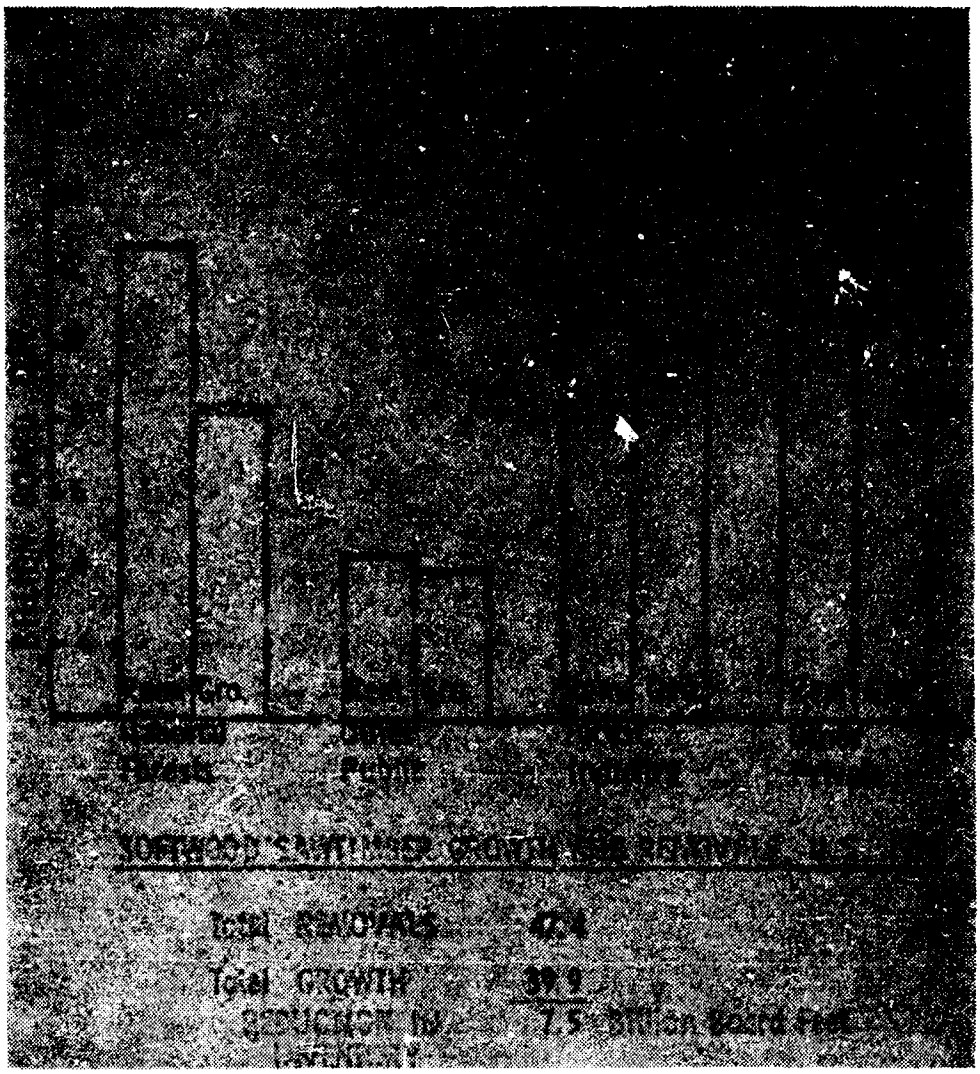
ANNUAL SOFTWOOD SAWTIMBER GROWTH U.S. 1970

National Forests	8.2
Other Public	4.0
Industry	10.0
Other Private	17.7
Total	39.9 Billion Board Feet



ANNUAL SOFTWOOD SAWTIMBER REMOVALS FROM GROWING STOCK, U.S. 1970

National Forests	12.5
Other Public	4.2
Industry	16.3
Other Private	14.4
Total	47.4 Billion Board Feet



The CHAIRMAN. Now, our last witness is Mr. Kelly from the Department of Housing and Urban Development. Mr. Kelly, we are glad to have you with us. I note your statement is very brief. You may present it as you see fit, either read it or summarize it and discuss it. It will be printed in full in the record.

STATEMENT OF ROBERT A. KELLY, SPECIAL ASSISTANT TO THE SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. KELLY. Mr. Chairman and members of the subcommittee, the hearings you are conducting are particularly important to the housing sector of our economy. I appreciate this opportunity to present the views of the Department of Housing and Urban Development on the relationship which exists between developments in the markets for lumber and plywood and the market for housing.

Our country is in the midst of the greatest housing boom in its history. While residential construction is subject to more than average

variability over the economic cycle, we normally expect that new housing production will equal between 2 and 2.5 percent of the existing occupied housing stock each year.

During 1971 and 1972, almost 5.5 million new housing units were produced in the United States. This production was equal to 8.5 percent of the occupied housing stock in existence at the beginning of 1971.

Or in other words, the rate of new housing production has been almost twice the rate we would normally expect to occur. As a result of this housing boom the lumber and plywood industry has prospered even while considerable slack existed in the economy as a whole.

While the production figures continue to prove us wrong, most housing economists believe that the current rate of housing production cannot be sustained and that the economy will require a period of adjustment to absorb the new housing currently being produced. The price bulge following the removal of phase II restraints and the delay of this expected adjustment in housing production in the face of a strong revival in demand of nonhousing, lumber and plywood users have resulted in very substantial price pressures in the markets for softwood lumber and plywood.

But as the lumber industry completes its adjustments to the new economic stabilization regulations and as housing production takes its breather, as inevitably it must, pressure on lumber and plywood prices should be reduced.

In the recent past housing has accounted for 30–35 percent of total domestic consumption of softwood sawtimber allocated for use in housing increased by almost half. And as a result of continued record-housing production, housing accounted for more than 40 percent of total domestic consumption of the 57 billion board feet of softwood sawtimber consumed in the United States in 1972.

The typical new, single-family house contains approximately 15,000 board feet of softwood lumber and plywood. Multifamily units contain about one-third that amount. In a survey of labor and material requirements for 1969, the Bureau of Labor Statistics determined that lumber and lumber products—this includes rough and dressed lumber, millwork, and all other lumber products including hardwoods and some furniture and fixtures—represented slightly less than 18 percent of the construction costs of new single-family housing. This was down slightly from 19 percent as determined from a similar survey taken for 1962.

No comparable survey was conducted to determine the construction cost breakdown for multifamily housing. But a 1959–60 survey of public housing construction indicated that lumber and lumber products accounted for 7 percent of development costs, excluding land, and this figure is used as an estimate applicable to unsubsidized multifamily construction.

Estimates prepared by McGraw-Hill for the President's Committee on Urban Housing indicate that developed land accounts for approximately 25 and 13 percent of the total development costs of conventional single-family and elevator apartment units, respectively. From these estimates it can be calculated that lumber and lumber products account for 13.5 percent of the total development costs of a new single-family home and approximately 6 percent of the costs of

new multifamily units. The 19 percent and 22 percent increases in softwood lumber and plywood prices respectively which occurred between 1971 and 1972 could then be translated into about a 3-percent increase in the development costs for new single-family homes. The comparable change in development costs would be about 1 percent for apartment units.

In dollar terms, the development costs of the median single-family housing unit could be said to have risen by about $800 over the past year. The same costs for the average multifamily units probably increased in the neighborhood of $200.

It should be clear that because lumber and plywood accounts for only part, albeit an important part, of total development costs, a given increase in lumber and plywood prices does not lead to a proportionate increase in development costs. In fact, every 10-percent increase in lumber and plywood prices should correspond roughly to a 1.5-percent increase in the development costs of new single-family housing.

I would like to stress also that the final sales price of new housing does not necessarily increase by any given increase in the price of lumber and plywood. The determination of final prices of new housing is the result of a complex interaction of influences, and it would be a mistake to conclude that costs are the only determinant. While the cost of development is the primary determinant of sales prices in the long run, in the short run, prevailing rent levels and the demand for owner-occupied housing relative to available, existing supplies play a far more important role in determining what a builder will receive for his output than do changes in his cost of lumber.

Thank you, Mr. Chairman.

[The tables accompanying Mr. Kelly's statement follow:]

TABLE I.—CONSUMPTION AND SUPPLY OF SOFTWOOD SAWTIMBER, 1970–73

[Billion board feet, lumber tally basis]

	1970	1971	1972	1973 [1]
Consumption:				
Housing	14.5	20.3	23.0	20.3
Other	32.7	32.4	33.8	35.5
Total	47.2	52.7	56.8	55.8
Supply:				
Log harvest:				
National forest	11.5	12.3	13.9	13.9
Other lands	34.2	36.8	39.0	39.5
Total	45.7	49.1	52.9	53.4
Log exports	3.2	2.8	3.8	4.2
Log imports	.1	.1	----------	.1
Logs for U.S. mills	42.6	46.4	49.1	49.3
Lumber imports	5.8	7.2	8.9	9.5
Lumber exports	1.2	.9	1.2	1.2
Total supply	47.2	52.7	56.8	57.6
Supply-demand balance	0	0	0	+1.8

[1] Estimated.

Note: The supply estimates show the volumes of what would be available at prices prevailing in late 1972.
Source: U.S. Department of Agriculture, Forest Service.

TABLE II.—WHOLESALE PRICE INDEXES FOR ALL COMMODITIES AND FOR SOFTWOOD LUMBER AND PLYWOOD 1960–73

[1967=100]

Year	All commodities	Softwood			
		Lumber		Plywood	
		Actual	Relative[1]	Actual	Relative[1]
1960	94.9	92.7	97.7	113.2	199.1
1961	94.5	87.9	93.0	110.0	116.3
1962	94.8	90.1	95.0	106.3	112.4
1963	94.8	92.1	97.2	108.9	114.1
1964	94.7	93.3	98.5	105.6	115.9
1965	96.6	93.1	96.4	105.7	109.4
1966	99.8	97.7	97.9	106.1	106.3
1967	100.0	100.0	100.0	100.0	100.0
1968	102.5	120.7	117.8	129.2	126.0
1969	106.5	134.4	126.2	139.1	130.6
1970	110.4	113.4	102.7	113.6	102.9
1971	113.9	141.0	123.8	127.2	111.7
1972	119.1	167.7	140.8	154.9	130.1
1973:					
Jan.[2]	124.5	178.0	143.0	160.5	128.9
Feb.[2]	126.9	192.4	151.6	186.1	146.7

[1] Relative price is the actual price index divided by the all commodity index.
[2] Preliminary.

TABLE III.—AVERAGE WEEKLY EARNINGS OF PRIVATE NONFARM PRODUCTION WORKERS 1960–73

	All production workers	Contract construction	Manufacturing	Trades
1960	$80.67	$113.04	$89.72	$66.01
1961	82.60	118.08	92.34	67.41
1962	85.91	122.47	96.56	69.91
1963	88.46	127.19	99.63	72.01
1964	91.33	132.06	102.97	74.28
1965	95.06	138.38	107.53	76.53
1966	98.82	146.26	112.34	79.02
1967	101.84	154.95	114.90	81.76
1968	107.73	164.93	122.51	86.40
1969	114.61	181.54	129.51	91.14
1970	119.46	195.98	133.73	95.66
1971	126.91	212.24	124.04	100.74
1972	135.78	224.22	154.69	106.00
1973:				
January[1]	137.98	222.77	159.20	107.30
February[1]	139.48	221.68	161.58	107.99
Percent increase:				
1960 to February 1973	72.9	96.1	80.1	63.6
1965 to February 1973	46.7	60.2	50.3	41.1
1970 to February 1973	16.8	13.1	20.8	12.9

[1] Preliminary.

Source: Bureau of Labor Statistics.

TABLE IV.—PERCENT DISTRIBUTION OF CONSTRUCTION PRICE OF SINGLE-FAMILY HOUSES[1]

	1962	1969
Materials	47.2	43.4
Equipment	1.0	.9
On-site wages	22.1	20.4
Overhead and profit[2]	29.7	35.3
Total	100.0	100.0

[1] Construction price is defined as including selling expenses in construction contract costs.
[2] Includes off-site wages, construction financing costs, inventory and other overhead, and administrative expenses, as well as profit.

Source: Bureau of Labor Statistics.

TABLE V.—ITEMIZED MATERIALS AND EQUIPMENT USED IN SINGLE-FAMILY HOUSING CONSTRUCTION, 1969

Type of material and equipment	Value per $1,000 of construction price	Value per 100 square feet of livable space	Percent of total materials and equipment
MATERIAL AND EQUIPMENT			
Total	$442.85	$706.95	100.0
MATERIAL			
Total	434.02	692.87	98.00
Lumber and wood products, except furniture	165.64	264.03	37.40
Softwood flooring, and all other softwood, rough lumber and finished lumber	101.60	161.95	22.94
Hardwood flooring and all other hardwood lumber, including parquet floor	7.20	11.47	1.62
Shakes, shingles	3.32	5.30	.75
Millwork, including windows, moulding, trim, doors, proches, staircases, weatherstrip, cornices, ready-made roof trusses, structural members, prefab wood panels	38.21	60.91	8.63
Plywood, veneers	12.76	20.34	2.88
Ladders, scaffolds, miscellaneous	2.52	4.02	.57
Furniture and fixtures	14.53	23.16	3.28
Ready-made wood kitchen cabinets, vanities	14.00	22.32	3.16
Metal cabinets	.43	.69	.10
Venetian blinds, curtains and drapery rods, window shades	(1)	.14	.02

Source: Bureau of Labor Statistics.

TABLE IV.—Sales Price of New One-Family Homes, 1970–73

Year:	*Median sales price*
1970	$23,400
1971	25,200
1972 [1]	27,500
1972:	
January	24,700
February	26,500
March	27,400
April	26,700
May	27,000
June	26,800
July	27,700
August	28,100
September [1]	28,000
October [1]	28,900
November [1]	28,900
December	29,700
1973: January [1]	30,400

[1] Preliminary.

Source: U.S. Department of Commerce, Bureau of Census.

TABLE VII.—AVERAGE MARKET PRICE OF SITE FOR NEW HOMES WITH MORTGAGES INSURED UNDER SEC. 203(b)

Year	Average market price of site	Price of site per square foot
1966	$3,544	$0.52
1967	3,776	.57
1968	4,161	.68
1969	4,214	.66
1970	4,995	.86
1971	5,172	1.03
1972:		
1st quarter	5,507	1.17
2d quarter	5,299	1.15

The CHAIRMAN. Thank you, Mr. Kelly. It is a very brief statement, but full of adequate information.

If there should be a rollback in lumber plywood prices, if there should be controls and part of that would be a requirement for a rollback of prices, would that result in lower housing costs?

Mr. KELLY. It would result in lower housing costs; not necessarily lower housing prices, however.

The CHAIRMAN. I was going to follow up and ask you about that part of it. I suppose that would depend very largely on the demand in the market for housing?

Mr. KELLY. Yes, sir.

The CHAIRMAN. Certainly, as we moved along, if it produced more houses as a result of the cheaper cost, then there would be cheaper prices for the houses; is that not logical?

Mr. KELLY. I think, sir, that when we have short-term adjustments in costs or short-term changes in costs, that there is primarily a change in builder's profit. To the extent that this change in the cost of, say, materials or any other particular input leads to a change in sales price, I think what is most likely to occur, in the short run, is that housing purchasers will change the amount of amenities they demand with their houses. So, in the present circumstances I would suspect that the sales prices of houses very probably are not affected by the full change in the cost of lumber price changes. But to the extent these price changes have been passed through, the final sales price probably remains approximately the same, because home buyers may decide not to purchase a drier with their house or they may decide not to have a central vacuuming system. If lumber prices were to recede, it might be possible for the builder to include these amenities in the output that he sells.

The CHAIRMAN. I notice in your statement that you said the average single-family house, the cost of it had been increased by $800 as a result of these increases in the last couple of months.

Mr. KELLY. The last year, sir.

The CHAIRMAN. I have heard that figure given much higher. In fact, every time I have heard it, it seems to be a little higher than the time it was before.

I believe perhaps it was Senator Stevenson or Senator Cranston who used a figure of $1,800 this morning.

Senator CRANSTON. I did.

The CHAIRMAN. That is the highest I have ever heard.

Mr. KELLY. Yes, sir. The mail that has been sent to the Secretary of HUD over the last year from homebuilders claims that the price increases have been in the neighborhood of $1,200 to $1,800.

The CHAIRMAN. Thank you.

Senator Cranston?

Senator CRANSTON. Thank you very much.

I was interested in the figures where you say theoretically "Every 10-percent increase in lumber and plywood prices should correspond roughly to a 1.5-percent increase in the development costs of new single-family housing."

These may not be totally accurate or scientifically arrived-at figures, but we have had—I am talking about my figures—an $1,800 increase

in homes at the $30,000 sales price in California and on the west coast generally, I believe, just in 3 months, which is a 6-percent increase in 3 months.

To what would you attribute that tremendous surge, if not primarily to the main factor that we detect, which are Japanese exports?

Mr. KELLY. I think the point I tried to make in my statement, sir, was that in the short run the price the builder can obtain for his output is not determined by the cost of his inputs, but is determined primarily by demand and supply conditions in the market.

Senator CRANSTON. There hasn't been this kind of a change in the demand/supply situation in the housing market in California?

Mr. KELLY. Well, from the information that we have as to what has happened over the past year, not as to what has happened in the past few months in California, but over the past year, it appears that there has been a considerable increase and demand for larger size homes and for homes with more amenities. So, the price change you have observed in California may well reflect, and probably does reflect, this source of demand more than changes in the price of lumber.

Senator CRANSTON. You say "As a result of continued record housing production, housing accounted for more than 40 percent of total domestic consumption of the 57 billion board feet of softwood * * * consumed in the United States in 1972."

Could you break down that 57 billion board feet into its main categories? The ones I would be particularly interested in, how much of that is from the national forest, how much from privately held timber holdings, how much from imports?

Mr. KELLY. Those data are available from the Forest Service, and I would be happy to obtain them for you for the record, if you would like, sir.

Senator CRANSTON. I would appreciate it if you would.

Mr. KELLY. Yes, sir.

[The information follows:]

Production and consumption of softwoods in the United States in 1972

[Billion board feet]

Total consumption	56.8
Housing	23.0
Other uses	33.8
Total supply	56.8
Log harvest	52.9
National forests	13.9
Other lands	39.0
Net log imports	−3.8
Log exports	−3.8
Log imports	
Net Lumber imports	7.7
Lumber exports	−1.2
Lumber imports	8.9

Source: Forest Service.

Senator CRANSTON. In regard to production from privately held timberlands in our country, do you believe that they are producing at roughly the maximum they can on a sound basis at the present time?

Mr. KELLY. Not being a forest economist, I may not be the most appropriate person to answer that. Just from a rough look at the data, I would say the answer to that is no. There seems to be a mixed picture with respect to the private sector. First, I would say the fact that the Federal Government accounts for some 65 percent of the supply and does not hold 65 percent of the available timberland, is an indication that in general the private forests are not producing as efficiently as they could.

On other hand, however, if we disaggregate private production, it is also well established that a number of at least our major forest product companies produce much more efficiently than do the national forests.

I guess the breakdown appears to be generally that large private forests produce quite efficiently, while the small ones produce relatively inefficiently.

Senator CRANSTON. You said the privately held production is more effective than the publicly held?

Mr. KELLY. No, sir; in general the answer to your question is no; but if we go into further specific areas, we would see that some private sources are very effective, more effective than the Federal sources, and that some are not as effective.

Senator CRANSTON. What accounts for those that are more effective being more effective?

Mr. KELLY. I presume it indicates more efficient management of the land and perhaps some research in improving species.

Senator CRANSTON. What are the factors that are keeping privately held production from being at the maximum, in your opinion?

Mr. KELLY. Well, I would say I guess price is probably the most important factor. While certainly present prices are quite high, for a small producer, the investment that is required to increase the productivity of his land is quite large and he may not have the capital resources necessary to make the investment that would enable him to increase the profitability of his land. I think perhaps the major constraint, from the investment point of view, is that you are talking about an investment decision of a minimum of 35 years, and most of us don't have that kind of investment horizon.

Senator CRANSTON. Are the large producers producing at the maximum, or are they producing under what they might be doing in your opinion?

Mr. KELLY. This, I don't know. They seem to be performing quite impressively.

Senator CRANSTON. I beg your pardon?

Mr. KELLY. Some seem to be performing quite impressively. Of course, we are used to progress, and we are not surprised when someone comes along and finds a better way of producing things.

Senator CRANSTON. What figures do you have for the level of housing starting in calendar 1972 and the estimated level for 1973?

Mr. KELLY. For 1972, we had total housing production of almost 3 million units. And for calendar 1973, I hate to be a forecaster—I have proven myself not a very good one in the past—but at the pres-

ent time I would say the best judgment I could offer is that we should have housing production in the neighborhood of perhaps 2.8 or 2.9 million units.

Senator CRANSTON. If we stay somewhere above 2.5, how many billion board feet will be needed each year to meet that demand?

Mr. KELLY. I believe we are currently consuming approximately 23 billion board feet a year, and if we maintain our current level of production, we would need approximately 23 billion board feet a year.

Senator CRANSTON. Does the Department foresee with continued escalation of lumber prices, housing starts will drop off?

Mr. KELLY. As my statement indicates, I think we have already had significant increases in lumber prices.

Senator CRANSTON. You have had what?

Mr. KELLY. We already have had a significant increase in lumber prices and in the long run anything that increases our construction costs will influence demand for housing. I think that there is some limit as to how high lumber prices can go and still have an influence on housing prices. We can reach some point, and I think we are doing this every day, where more products other than lumber become attractive for use in housing.

I would think that at some point—and, of course, we don't know what that point is—that we would have a fairly large substitution away from lumber.

Senator CRANSTON. You would have what?

Mr. KELLY. A fairly large substitution of other inputs for lumber; that is, plastics, steel, cement, bricks.

Senator CRANSTON. What does the Department feel should be done to hold down the inflated prices of houses?

Mr. KELLY. Sir, I believe we feel it is essential to increase the source of supply of lumber.

Senator CRANSTON. Your testimony generally downplays the role of the increased price of lumber which is quite contrary to the testimony we received from HUD in 1969. Is there some reason for that shift in viewpoint?

Mr. KELLY. Was this the testimony of Secretary Romney in 1969?

Senator CRANSTON. Yes.

Mr. KELLY. I read that testimony, sir, and I don't recall that my statement is inconsistent with his.

Senator CRANSTON. He seemed to be very concerned about the rising cost.

Mr. KELLY. We are very concerned.

Senator CRANSTON. He was much more concerned then than this testimony indicates HUD is concerned now, and the problem is more serious now than then, which rather baffles me.

Mr. KELLY. I guess the point we would try to make it that we are very concerned about anything that changes the price of housing

in an upward direction, but the point I have tried to make in my statement is we feel that the impact of cost changes occurs in the long run as far as housing is concerned.

So, we are concerned with this as a long-run problem.

Senator CRANSTON. Do you know of any time in modern history where prices have dropped in any significant way on houses, in the past 25 years?

Mr. KELLY. No, sir.

Senator CRANSTON. It makes the present skyrocketing prices extremely important in the long run.

Mr. KELLY. First, it is true we are very concerned about the impact on prices in the long run. But, in our economy in general, prices tend not to move downward—everything seems to move upward. So, while it may not be true that housing prices will fall in the future, the important question is not whether housing prices fall or rise, it is how the prices of housing move in relation to the changes in income.

Senator CRANSTON. I agree with you and I agree with what Senator Sparkman has said at one point, that we should be very concerned with the long-range impacts of what is happening and what we or the administration might do. But the immediate effect of this present surge in prices is to get prices up to some level that they will never go down, then there is a long-range impact to what is happening right now and we should find a way to do something about it.

Senator Packwood and I have proposed one way.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Kelly. We appreciate your help.

For tomorrow, we have a very long list of witnesses, morning and afternoon. I will ask the committee, therefore, to come in at 9:30. Senator Cranston, will that be acceptable to you?

Senator CRANSTON. Yes, sir.

The CHAIRMAN. The committee stands in recess until 9:30 tomorrow morning.

[Whereupon, the hearing was adjourned, to reconvene at 9:30 a.m., Tuesday, March 27, 1973.]

[The following information was received by Senator Sparkman from the Interstate Commerce Commission:]

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., April 4, 1973.

Senator JOHN SPARKMAN,
U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: Thank you for your letter of March 23, 1973, enclosing questions which the Commission might wish to cover in its response to the Subcommittee. While your letter was not received in my office until March 26, it did take some time to compile the information desired, and I apologize for any delay in answering.

I shall answer the questions in the sequence of their listing by you.

1. Has the ICC issued any service orders to expedite lumber and plywood shipments? If so, how effective does the Commission judge them to be?

Just after the announcement of the Russian wheat sale and with the realization that the present car surpluses would quickly dissipate and shortages occur, the Commission on October 3, 1972, issued Service Order No. 1112, the provisions of which require expeditious handling of all traffic by all carriers. This order undoubtedly has been very effective in shortening transit time on lumber and other shipments, as well as having cars placed and pulled promptly.

2. Are freight cars being diverted away from lumber and plywood shipments for use in grain shipments? If so, does the ICC have an estimate of how many cars have been diverted?

It has been our experience through observations made by our field staff that very few freight cars have been diverted away from lumber and plywood shipments for use in transporting grain. This opinion is predicated on the fact that lumber shipments are normally made in wide-door 40-foot boxcars or 50-foot cars, neither of which are highly desired by the grain shipper because of the cost of coopering and door protection. A fair estimate is that less than 5 percent of the cars now being used in the grain trade are of the type needed for lumber shipments.

3. How long is the shortage of freight cars for lumber and plywood shipments expected to last?

For reasons stated in Item 2, it is our opinion that the supply of cars for lumber and plywood shipments cannot be tied in with the demand, or continued demand, for cars to transport grain but must be gauged on the condition of the general economy and the demand for lumber and plywood, together with paper and other commodities shipped in these types of cars.

4. What is the present length of time for shipping lumber and plywood by rail from southern and western mills to the eastern lumber markets?

The transit time on lumber shipments, particularly, varies to great degrees, depending upon the marketing pattern of the shipments. It is a well known practice in the lumber trade to load what is known as "free rollers," constituting cars that are loaded and destined to a hold point. The sale of the lumber contained in these cars is negotiated for while cars are in transit. The shippers of such cars also often employ the practice of selecting the most circuitous route possible in order to give the owner time to sell the contents of the car and avoid demurrage at the hold point. The Commission is now considering issuing a service order that will restrict such practices and impose a heavy penalty on any car excessively held at the hold point.

5. How are the freight rates for the shipment of lumber and plywood established?

The freight rates on shipments of lumber and plywood are established by adjustments to base rates on those commodities which were authorized by the Interstate Commerce Commission in leading cases decided previously. For example, in *Adams-Bank Lbr. Co.* v. *Aberdeen & R.R. Co.*, (157 I.C.C. 280), on September 23, 1929, the Commission approved a scale of rates on lumber (moving between specified southern points) based to a considerable extent on the distance of the movements. In 1940, the Adams-Bank scale, following conferences between the carriers and shippers, was replaced by the Southern Compromise Lumber Scale. In 1941, the compromise scale was employed in determining lumber rates to and from additional points.

A detailed discussion of the lumber and plywood rate structure in the southern territory is contained in the Commission's report at 276 I.C.C. 703, *Lumber Between Southern Points*, decided January 16, 1950. The rate structure is described commencing at page 706 of that report, and summarized on page 711 as ". . . the product of long-continued efforts by the carriers, in consultation with shippers, to provide, within the framework of the Act, a system of rates fitted to the needs of the traffic on which it was intended to apply. It embodies numerous modifications of rates, constructed according to earlier proposals, made in the interest of harmony or as a result of the representation by shippers, based on experience in actual operation. . . ." A copy of the report is enclosed for your convenience.

For a history on the structure of rates on plywood and lumber from the Pacific

Coast to eastern points, your attention is invited to 210 I.C.C. 317, a copy of which is also enclosed for your convenience.

Have these rates sharply increased over the last five years?

The southern territory rates on lumber and plywood have not increased sharply over the last five years. On the enclosed table we have shown the rail rates applicable to eight weight classifications from two southern origin points to two southern destination points. The rates in Line A are the scale considered in 276 I.C.C. 703 referred to above. The rates in Line B became effective on May 1, 1958. The incentive rates in Lines C through H became effective on October 1, 1962, for rough or dressed lumber only and extended to include plywood and other wood products on June 29, 1963. The southern rates have not been adjusted other than by the ex parte increases shown in the table and in several of those cases the southern carriers took lower increases on lumber than on other traffic.

An example of the increases on lumber and plywood from the West to the East is reflected in the enclosed table for a 34,000 pound minimum weight shipment from Eureka, California, to Baltimore, Maryland.

6. Are plywood and lumber shippers receiving boxcars in bunched arrivals or on an orderly flow basis? What is the ICC doing to insure that arrivals are on an orderly flow basis?

The Commission does attempt to assure an orderly flow of cars by enforcing the provisions of Service Order No. 1112. However, for reasons stated in Item 4 it is impossible to obtain a normal process of handling on some lumber shipments.

7. Are plywood and lumber shippers using boxcars for warehousing and storage purposes?

Very definitely, for reasons stated in Item 4. Also, many receivers of lumber and plywood who have insufficient storage facilities find it necessary to use the freight cars for such purpose. It is for these reasons the Commission has issued its Service Order No. 1124, making the holding of cars considerably more costly.

8. Has the ICC had reports of Western lumber mills receiving rebates from railroad companies for losses in weight of lumber caused by the drying of it during shipment to Eastern destinations? If such a practice is occurring, is it in violation of Federal laws or regulations over which the ICC has authority?

It will require more time for inquiry as this Commission has no authority to judge the merits of claims for loss and damage; and in instance as cited in this item, we are unable to say at this time what agency, if any, would have jurisdiction over such practices.

9. Would the ICC please provide the Subcommittee with the following information:

a. The average daily shortages of plain boxcars, wide-door boxcars, and flat cars for the ten-year period beginning on January 1, 1963, and ending on March 17, 1973. Also, the total number of plain boxcars, wide-door boxcars, and flat cars in existence at the end of year during the ten-year period.

A statement is attached showing shortages and ownerships for the periods requested.

b. The number of plain boxcars, wide-door boxcars, and flat cars that have been installed and retired for each year during the ten-year period beginning on January 1, 1963, and ending on March 17, 1973. Also, provide the total number of each of these types of cars that were in existence at the end of each year during the ten-year period.

A statement is attached showing installations and retirements for periods requested.

c. The national weekly loading statistics for lumber and plywood for the period beginning January 1, 1968, and ending March 17, 1973.

A statement is attached showing weekly loadings of lumber and plywood for period requested.

Sincerely yours,

GEORGE M. STAFFORD, *Chairman*.

94-218 O - 73 - 9

FOURTH SECTION APPLICATION No. 22520 [1]

LUMBER BETWEEN SOUTHERN POINTS

Submitted September 10, 1947. Decided January 16, 1950

1. Authority granted, on conditions, to continue or to establish and maintain rates for the transportation, in carloads, of lumber and other forest products and related articles between points in southern territory, including border-line points in official territory, without observing the long-and-short-haul provision of section 4 of the Interstate Commerce Act.
2. Certain applications denied.

William C. Burger, Joe S. Thompson, Joseph P. Cook, S. R. Goodman, Charles P. Reynolds, D. Jordan, H. L. Hanes, J. I. Bonner, Norman E. White, P. V. Green, T. T. Masengill, J. C. Tuten, W. R. Grimm, C. H. Ware, and *Roy Pope* for applicants.

REPORT OF THE COMMISSION

DIVISION 2, COMMISSIONERS AITCHISON, SPLAWN, AND ALLDREDGE

BY DIVISION 2:

Carriers other than the Tennessee Central Railway Company, parties to Agent R. H. Hoke's tariff I. C. C. No. 995, as amended, according as they participate in rates to be considered, apply for authority to continue or to establish and maintain rates [2] on lumber and articles taking the same rates and on articles on which the rates are or may be made with relation to the rates on lumber, in carloads, between points in southern territory, including border-line points in official territory, without observing the long-and-short-haul provision of section 4 of the Interstate Commerce Act.

The rate structure to be dealt with was presented to us originally by application No. 16808. The adjustment there proposed was, over a period of time, modified in numerous particulars by several amendments to that application and by the other applications referred to in footnote 1 (*a*) and 1 (*b*). Relief as to the original proposal and the several modifications thereof was granted temporarily.

A hearing was held, and a proposed report by an examiner was served during the course of those proceedings. Many of the changes

[1] As amended. The report includes also fourth-section applications (*a*) Nos. 16808, as amended, 18858, 18945, 19047, 19409, 19640, 19766, and 19854; (*b*) No. 20202 (in part); and (*c*) No. 22906.

[2] Rates and rate differences are stated in amounts per 100 pounds. They do not include general increases authorized by the Commission in 1946 and subsequently.

in the proposals were made after the hearing. The record having become extremely complicated and confusing, owing in part to the numerous modifications of earlier proposals, the Commission on July 7, 1944, suggested that a new application, together with appropriate exhibits, describing in detail and with clarity the various rate adjustments, be filed to supplant the prior applications. Application No. 22520 was filed in response to that suggestion. It supersedes in their entirety the applications, as amended, referred to in footnote 1 (*a*), and in part, No. 20202, referred to in footnote 1 (*b*). The last-mentioned application relates to rates from points on the line of the Brimstone Railroad Company, in Tennessee, to destinations in official, including Illinois, territory, as well as in southern territory. It is understood that the part of this application relating to rates to destinations within the territory previously described as being involved in this proceeding is superseded by application No. 22520.[3]

The adjustment to be considered herein is therefore that presented in the title application, as amended, and application No. 22906 (footnote 1 (*c*)). The latter application, in effect an amendment of No. 22520, changed the formula for determining rates from southern origins to certain destinations in Virginia and North Carolina on the main line and certain branch lines of the Norfolk and Western Railway Company. Relief with respect to these changes also has been granted temporarily. The applications listed in footnote 1 (*a*), in their entirety, and the part of No. 20202 previously described as having been superseded, will therefore be denied. There has been no opposition to the granting of the relief now sought. The proposals were submitted without an additional hearing.

The outstanding temporary relief, which was unlimited as to circuity of routes, was granted by fourth-section orders No. 12751, as supplemented, and No. 14465, as supplemented. No. 12751, as supplemented, relates to all of the proposals except those in application No. 19409 and part of No. 19766. The latter order, as supplemented, deals with the excepted situations.

The articles here considered are generally of wood, native or Canadian, or Mexican pine. The commodity descriptions, which are listed in exhibit 1 with application No. 22520, include lumber, box or crate material, and numerous other articles on which the rates are made

[3] The substitute application purports to supersede also, in part, without indicating to what extent, fourth-section applications Nos. 21370, 21464, 21566, and 21791. The latter applications, which relate to rates on lumber and related articles beyond as well as within southern territory, have been disposed of by orders that are not limited as to time. Presumably this reference to the additional applications was intended to mean that the instant proposals would effect changes in some instances in rates from and to points that were involved in those applications.

with relation to the rates on those commodities. The rates to be referred to herein will be those on lumber.

The original application, filed March 22, 1937, as amended in October of that year, contained proposals for a general revision, to become effective November 17, 1937, of the lumber rates within the defined territory. Upon protest of shippers, the schedules were, however, suspended, and an investigation with respect thereto was instituted by division 2 in Investigation and Suspension Docket No. 4432. Subsequently, interested parties agreed upon bases for determining rates in dispute, and the carriers canceled the suspended schedules. The investigation proceeding was discontinued March 21, 1940. Rates modified pursuant to the understandings reached became effective June 17, 1940. The rates that they replaced will be referred to hereinafter as the prior adjustment or rates.

The prior adjustment to a considerable extent stemmed from rates that had been approved by the Commision or a division thereof, principally by the Commission in *Rates on Lumber from Southern Points*, 34 I. C. C. 652 and 36 I. C. C. 137, decided in 1915, and by division 3 in *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, 157 I. C. C. 280, decided September 23, 1929. The former proceeding dealt with the rates from the Mississippi Valley and a portion of the Southeast to the Ohio River crossings. The latter proceeding concerned the rates from Tennessee, Mississippi, Alabama, and Georgia to South Carolina, North Carolina, and the Virginia cities and points directly intermediate thereto; between South Carolina and North Carolina; and between the two Carolinas and points in Virginia intermediate to the Virginia cities.

Many of the remaining rates were, however, in need of revision. There were, for example, generally no through specific commodity rates between points in a portion of the Southeast and between points in the Mississippi Valley and the Southeast, except to the principal consuming points. The rates of that type that existed reflected in large part low intrastate rates, according to the State in which the consuming point was located, and bore little relation to the rates in competing territory or to fourth-section principles. The absence in this situation of a full line of through rates properly related to the rates in other sections had given rise to numerous complaints by shippers. Recognizing the need for further readjustments, the carriers had, following the decision in *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, *supra*, conferred a number of times with that object in view, but reached no conclusions. At this juncture, division 2, by fourth-section order No. 10760, entered November 13, 1931, denied so-called 1910 applications, which protected fourth-section departures in the

lumber rates within southern territory generally other than those approved in the two proceedings previously cited.

Following the entry of order No. 10760, the carriers conferred numerous times among themselves and with lumber shippers to determine upon rates which would be satisfactory to all parties and defensible from the viewpoint of section 4 of the act. It was not, however, until June 17, 1940, as previously mentioned, that a readjustment became effective. The effective date of order No. 10760, originally May 13, 1932, was postponed from time to time. The rates that became effective June 17, 1940, have been modified in numerous particulars. The changes on two occasions were of major proportions, and were largely responsive to complaints by shippers. The first major change, effective December 9, 1941, was in the rates from Ohio River crossings, Cincinnati, Ohio, and west thereof, and intermediate territory to southern points; the second, effective July 2, 1942, was from southern points to the Virginia cities and intermediate territory.

THE RATE STRUCTURE

The rate structure before us may be described generally as comprising rates based on distance in some situations, and rates determined by methods in which distance was not the major consideration, in others, with an intermingling of systems in the remaining situations. Such provision was deemed necessary, in the varying circumstances and conditions, including differences in grade or quality of the commodity or in competitive conditions encountered in different parts of the territory, or in movements in different directions, to fulfill the aim of providing an adequate and reasonably consistent rate structure containing a minimum of fourth-section departures. Extensive grouping of points obtains in some situations. The rates are generally subject to a minimum of 34,000 pounds.

Because of numerous exceptions in determining the rates, there are usually no definite boundaries within which it may be said that rates are exclusively of a particular type. In appendixes 1 through 9 with application No. 22520, as amended, the carriers have named the main methods, and the principal exceptions, used in determining the rates from and to eight sections[4] into which the territory was divided for descriptive purposes, and, in exhibit A with application No. 29906, have described the bases for rates there proposed. The maps accompanying application No. 22520 depict the territorial subdivisions and important rate groups. A detailed account of these documents would

[4] Ohio River crossings, Ohio River intermediates, north of Pine Belt, Mississippi Valley, southeastern territory, Carolina territory, Virginia intermediates, and Virginia cities.

be impracticable. The principal features of the rate structure, typical rates, and the revenue yielded thereby will be described.

The rates that were approved in *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, supra, were to a considerable extent based on a distance scale. The proposed adjustment that was suspended in 1937 was, in substantial part, based on the same scale, reduced somewhat for distances of 260 miles and less. In the revision that became effective in 1940, a scale, the result of the conferences between the carriers and shippers that followed such suspension, and lower for certain distances than the one used in the suspended adjustment, increased 5 percent in accordance with the general authorization in 1938 for increases in rates, was substituted for the latter scale. The substitute scale, called the Southern Compromise Lumber Scale, will be referred to hereinafter as the compromise scale.

In the 1941 revision, the compromise scale was employed in determining rates from and to additional points. The territory within which it was used generally may be described roughly as south of Virginia and Kentucky and east of the line of the Louisville and Nashville Railroad Company extending from Nashville, Tenn., through Birmingham, Ala., not including the part of Florida west of the Apalachicola River. It was likewise used generally from the Ohio River crossings to southern points, except to Gulf ports and Mississippi River crossings, to which the prior rates were continued, from the Mississipi Valley to the Southeast and the territory (hardwood) referred to as north of the pine belt, and from the last-mentioned section to the Southeast. The scale was employed also generally from the section north of the pine belt to the Mississippi Valley and within that section and the valley except in the situation to the Gulf ports hereinafter discussed.

Existing rates within the described territory were continued in some instances where in harmony with the general readjustment. This was true as to some group rates from southeastern territory to Carolina territory. Rates determined by the scale were usually subject to rates in the reverse direction, or other rates, as minima or maxima, or to other exceptions. As in the class-rate revision, distances were determined over the shortest routes over which carload traffic could be moved without transfer of lading, employing groups the same as the class-rate groups except in comparatively few instances where it was deemed advisable to depart therefrom to provide a more harmonious adjustment or to avoid disrupting long-standing origin rate relations. The scale is reproduced in appendix A, and typical rates and revenues are shown in appendix B, examples 1–9, herewith.

The Adams-Bank scale has been recognized by the Commission in ıumerous proceedings as a standard of reasonableness in measuring :ates on lumber and allied products within the South. *Georgia Veneer & Package Co.* v. *A. C. L. R. Co.*, 206 I. C. C. 566, 572. The 'ompromise scale averages 23.2 cents as compared with averages of 25.6 cents under the Adams-Bank scale (extended), 26.9 cents under :olumn 25, prescribed for application on lumber within official terri- :ory in *Lumber between Points in Official Territory*, 214 I. C. C. 493 ınd 219 I. C. C. 427, and 25.1 cents under column 22.5, voluntarily :stablished by the carriers for such application, including in the com- ›ared figures general increases made in 1938.[5] As compared with the ;outhern-territory and official-territory first-class scales (in 1940), it ıverages 15.1 and 20.8 percent, respectively.

To Carolina territory, from virtually all of Alabama, Florida west ›f the Apalachicola River, central and western Tennessee, and Missis- ippi Valley territory, the prior rates stemmed from rates that had ›een approved in *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, *:upra.* They were on a group basis, and reflected approximately an ıverage of rates which would result from the use of the Adams-Bank ;cale. In this revision, the scale was reduced materially for the median ınd shorter distances, and the groups were modified in some respects 'o as better to aline the rates with rates in other sections that were ›ased on the compromise scale. Example 10 of appendix B shows 'ates and revenues.

The groups are much larger than those in the class-rate adjustment. 'or example, origin group C comprises approximately two-thirds of ·lississippi, Louisiana east of the Mississippi River, and a strip of outhwestern Alabama generally west of Mobile, Ala. The preserva- ion, to the extent practicable, of these and other preexisting groups ;as insisted upon by the shippers so as to continue broad competitive pportunities afforded thereby.

The Ohio River crossings are official-territory rate points under the lass-rate adjustments. The prior lumber rates between these cross- ıgs, which were on the general official-territory level, 22.5 percent of rst class, or were commodity rates, were continued and were observed s maxima on direct routes through southern territory. The com- ıodity rates and the points from and to which they were continued are ıown in appendix 1A with the application. A typical rate and the evenue thereunder are shown in example 11 of appendix B.

[5] The figures to which the designation "column" refers indicate that the rates are cor- ·sponding percentages of first class, on the basis prescribed in eastern class-rate investi- ıtion.

The rates between Ohio River crossings and Virginia cities, also on the general official-territory level, were continued under relief authorized in connection with the class rates.

The prior rates were continued also, with minor deviations, or additions in harmony therewith, from Mississippi Valley and southeastern territories, including western Tennessee and southern Florida, to the Ohio River crossings. This portion of the adjustment stemmed in large part from the rates that had been approved in *Rates on Lumber from Southern Points*, *supra*. The shippers had insisted that these rates be not changed. The origin territory embraced much of what is known as the southern pine belt, in which there were two extensive rate blankets. Origins in northern Mississippi and western Tennessee, outside the pine belt, were grouped. Typical of the rates are examples 12–15 of appendix B.

From Memphis, Tenn., to the Gulf ports, the prior rates were the equivalents of those that had been approved in *Lumber Rates from Memphis to New Orleans*, 27 I. C. C. 471, decided in 1913; the rates from Memphis were observed as maxima from intermediate points; and those from points north thereof were graded somewhat over Memphis. Continuation of the rates from Memphis, an important lumber-manufacturing point, to these destinations was considered necessary to enable the rail carriers to meet competition by chartered barges. The adjustment was continued with changes so as not to contravene the provisions of section 4 over reasonably direct routes. Rates and revenues appear in examples 16–17 of appendix B.

The north-bound rates to the Virginia cities and Virginia cities intermediate territory were, prior to the revision on July 2, 1942, constructed on several bases and were generally on a higher level than the rates that had been established to competing destinations in North Carolina. The rates to the Virginia cities were set to blend with the adjustment from points in the South to trunk-line and New England territories, originally prescribed by division 2 in *North Carolina Pine Assn.* v. *Atlantic Coast Line R. Co.*, 85 I. C. C. 270, 107 I. C. C. 190, and were approved in *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, *supra*. The disparity between the levels of the rates mentioned gave rise to complaints by Virginia furniture manufacturers and others. Joint conferences resulted in a compromise of differences between the parties and in the revision that became effective on the date mentioned. Rates to principal key points were arbitrarily determined and those to other points were related thereto. Origins in Georgia and Carolina territory are generally grouped. Minor changes were subsequently made, as proposed in application No. 22906, in the relations of rates to a limited number of destinations, partly as a result of

establishment of an additional furniture manufacturing plant in the territory. The effect of the revision was to reduce somewhat the level of the rates to the Virginia cities and intermediate territory without adversely affecting the adjustment to official territory. The rates are usually not less than on the basis of the compromise scale for the distances used in constructing the class rates except in the case of group rates, in which case they are not less than on the basis of that scale applied to average distances. Examples of these rates are Nos. 18–22 of appendix B.

The south-bound rates from the Virginia cities are to a large extent the same as in the reverse direction, with exceptions for better alinement. To Ohio River intermediate territory, commodity rates that were in effect to a limited extent were modified for better alinement under section 4 and additional ones were established in harmony therewith. To the Mississippi Valley and certain destinations in the territory north of the pine belt, they are group rates that are approximately an average of the compromise scale and that blend into the scale-rate adjustment from Carolina territory. From the intermediate territory, the rates are generally the same as from the Virginia cities or in the reverse direction. See examples 23–25, appendix B.

The adjustment between the Ohio River intermediate territory and points south thereof includes rates that were determined according to the compromise scale, that were made the same as or in relation to the rates from or to the next more distant Ohio River crossing, or intermediate point, or that resulted from observing such rates as maxima or minima. The general purpose of this adjustment was to provide a buffer group having rates consistent with those from and to points north and south thereof that were constructed on different bases. See examples 26–29, appendix B.

Between Ohio River crossings and the Virginia cities intermediate territory and between the Virginia cities and the Ohio River intermediate territory, the prior rates were in some instances on a lower level than those, made by official territory lines, between the crossings and the Virginia cities. These rates were revised so as to blend with the rates within official territory, within the remainder of southern territory, and between the Ohio River crossings and Carolina territory. See example 30, appendix B.

The prior rates from Ohio River intermediate territory to Ohio River crossings were continued with reductions from certain points owing to motortruck competition.

The rates provided for application from or to local points on so-called short or weak lines and certain branch lines of standard carriers are frequently, as described in exhibit 16 with application No. 22520,

on a higher level than the rates of the standard carriers, hereinbefore discussed, usually the result of adding authorized arbitraries to the rates from or to the junction points with the standard or main lines, or to rates determined by distance scales.

As appears from the preceding discussion, the rate structure before us is the product of long-continued efforts by the carriers, in consultation with shippers, to provide, within the framework of the act, a system of rates fitted to the needs of the traffic on which it was intended to apply. It embodies numerous modifications of rates, constructed according to earlier proposals, made in the interest of harmony or as a result of representation by shippers, based on experience in actual operation. It appears to be in conformity with the long-and-short-haul provision of section 4 over the short tariff routes except, in the case of rates based on distance scales, in some instances where shorter routes were used in determining the distances. The departures on the short tariff routes are of the same types as those in the class rates from and to the same points. In the case of circuitous routes, departures obtain at origins and destinations or origins or destinations, as illustrated by the examples of rates referred to in the prior discussion of the several main features of the rate structure. Applicants seek relief that will enable them to apply the rates over all routes.

CONCLUSIONS

The authority vested in us by section 4 of the act to grant relief from the long-and-short-haul provision of that section is limited. We may not, in exercising such authority, "permit the establishment of any charge to or from the more distant point that is not reasonably compensatory for the service performed." We have heretofore, in dealing with general proposals such as the instant one, invariably placed some limit upon circuitous hauling to insure compliance with the quoted provision or to avoid countenancing what might be wasteful transportation. In the more recent cases which dealt with lumber rates, relief to indirect routes has been limited to those that were not more than 70 percent circuitous where the short-line distances were 150 miles or less, and 60 percent circuitous where the short-line distances were 160 miles or longer and the rates, applied over the circuitous routes, would yield revenue of not less than 6 mills per ton per mile. See *Lumber from and to the Southwest*, 255 I. C. C. 149, and *Lumber Between the South and the Southwest*, 268 I. C. C. 225. In an earlier proceeding, *Lumber in the South*, 196 I. C. C. 255, 201 I. C. C. 459, a similar restriction was imposed in connection with rates within the South, considered therein, that were on a group basis;

while, in other instances, in which the rates were constructed on a distance scale similar to the Adams-Bank scale, relief was authorized to the extent that it had been granted with respect to the class rates.

The question of authorizing relief to maintain the group rates also over class-rate routes does not appear to have been considered therein. As hereinbefore shown, the compromise scale averages 15.1 percent of the southern first-class scale, that is, the average scale rate for the average scale distance is 15.1 percent of the first-class rate prescribed in the southern class-rate investigation for the same distance. The general relief authorized in connection with southern class rates by fourth-section order No. 11200 (191 I. C. C. 507 and supplemental reports to and including 227 I. C. C. 59) may be applied in connection with rates that are not less than 75 percent of twelfth class or 13⅛ percent of first class. Rates on the compromise scale, therefore, are not too low to be applied over routes over which relief is authorized as to class rates.

Also, the evidence tends to establish with reasonable clarity that the group rates approximate the scale or are generally higher than they would be if made on the scale, and represent a higher percentage of first-class rates. The lumber rates are published from each class-rate base point to each class-rate base point, with few exceptions, and, based upon applicants' statements, observance of the class-rate maximum circuity limitation will not disturb the groups.

We conclude that, under relief as hereinafter provided, the rates will be reasonably compensatory for the service to be performed and that such relief is warranted here.

AUTHORIZATION

Applicants will be authorized to continue or to establish and maintain for the transportation, in carloads, of lumber and other forest products taking the same rates or rates related thereto, as listed in the application, and other kindred articles which from time to time may be added to those lists to take rates the same as or arbitraries higher than the rates on lumber, over existing routes between points in southern territory, including border points in official territory embraced by the applications, the lowest rates that may be constructed over any lines or routes from and to the same points on the bases hereinbefore described or referred to, without observing the long-and-short haul provision of section 4 at origins and destinations or origins or destinations, according as higher rates at intermediate than at more distant points may occur in such rates so continued or established and maintained; provided (1) that the higher rates author-

ized herein from or to intermediate points shall not be increased except as authorized by this Commisison and shall in no instance exceed the lowest combination of rates subject to the Interstate Commerce Act; and (2) that the relief authorized herein to circuitous lines or routes shall extend only to those routes which do not exceed in length the longest route over which relief is authorized concurrently with respect to class rates from and to the same points.

All other and further relief prayed in the applications under consideration will be denied.

An appropriate order will be entered.

APPENDIX A

Southern compromise lumber scale

Distance	Rate [1]	Distance	Rate [1]	Distance	Rate [1]
Miles		*Miles*		*Miles*	
20	4½	190	14	600	30
30	5½	200	14½	640	31
40	6½	210	15	680	32
50	7	225	16	720	33
60	7½	250	17	760	34
70	8	275	18	800	35
80	8½	300	19	840	36
90	9	325	20	880	37
100	9½	350	21	900	38
110	10	375	22	920	38
120	10½	380	23	960	39
130	11	400	24	1,000	40
140	11½	420	25½	1,040	41
150	12	440	26½	1,080	42
160	12½	460	27½	1,120	43
170	13	520	28	1,160	44
180	13½	560	29		

[1] Rates are in cents per 100 pounds, and do not include general increases authorized by the Commission in 1946, and subsequently.

APPENDIX B

Typical examples of rates, fourth-section departures, and revenue

Example	Points	Distance		Circuity	Rate	Revenue	
		Short Tariff route [1]	Circuitous route [1]			Per ton-mile	Per car-mile [2]
		Miles	*Miles*	*Percent*	*Cents*	*Mills*	*Cents*
1	From Louisville, Ky., to Middleboro, Ky	216			16	14.8	25.2
			356	64.8	16	9.	15.3
	Cumberland Gap, Tenn		352		17		
	Knoxville, Tenn		287		19		
	Harriman, Tenn		237		18		
2	From Louisville, Ky., to Columbia, S. C.	557			32	11.5	19.5
			842	51.2	32	7.6	12.9
	Darlington, S. C		760		34		
3	To Atlanta, Ga., from Louisville, Ky	465			27.5	11.8	20.1
			721	55.1	27.5	7.6	13.
	Caneyville, Ky		637		30		
	Fulton, Ky		448		30		

See footnotes at end of table.

INVESTIGATION AND SUSPENSION DOCKET NO. 4108

LUMBER FROM PACIFIC COAST TO EASTERN POINTS

Submitted July 20, 1935. Decided August 13, 1935.

Proposed reduced rates on lumber, in carloads, from Pacific coast regions to destinations in official-classification territory east of the Illinois-Indiana State line found justified. Order of suspension vacated and proceeding discontinued.

J. M. Souby, *J. N. Davis*, *J. P. Plunkett*, *M. L. Countryman, Jr.*, *I. L. Artes*, *L. H. Kentfield*, *H. C. Hallmark*, and *Walter J. Kelly* for respondents.

William C. McCulloch, *Nuel D. Belnap*, *Luther M. Walter*, *John S. Burchmore*, *Roy H. Dahlberg*, *F. R. Adams*, and *A. G. Linnemann* for interveners in support of respondents.

B. F. Batts, *William Burger*, *Henry Thurtell*, *W. N. McGehee*, *J. P. Cook*, *Y. D. Lott*, *S. C. Inkley*, *H. W. Schaffer*, *J. A. Lynch*, *F. A. Key, Jr.*, *M. W. Howe*, *W. M. Carney*, *Lawrence Chaffee*, *R. P. DeCamp*, *R. A. Chadwick*, *C. H. Ware*, *E. B. de Villiers*, and *A. W. Frey* for various carrier protestants.

R. C. Fulbright, *A. G. T. Moore*, *Charles Donley*, *H. E. Ketner*, *Mason Manghum*, *J. V. Norman*, *Paul L. Grady*, *E. L. Woolever*, *Robert E. Quirk*, *F. M. Drucker*, *T. M. True*, *J. H. Sturtevant*, *R. D. Waller*, *Walter Condran*, *E. J. Balda*, *John C. De Mar*, *E. P. Johnson*, and *I. W. Pretorius* for shipper protestants.

Frank B. Townsend and *F. D. Hussian* for others.

REPORT OF THE COMMISSION

BY THE COMMISSION:

By schedules filed to become effective June 10, 1935, respondents proposed to reduce the rates on lumber, in carloads, from the Pacific coast and certain interior origins, including the Inland Empire, to destinations in official-classification territory extending east from the Illinois-Indiana State line through central, trunk-line, and New England territories to the Atlantic coast. Upon protest of numerous lumber manufacturers throughout the United States, principally in the South, Arizona, New Mexico, Wisconsin, Michigan, New England, and trunk-line territories, of southern and southwestern carriers, as well as various other interests, we suspended operation of

the schedules until January 10, 1936. Rates and differences in rates will be stated in amounts per 100 pounds.

The rates on lumber to these destinations apply from large origin groups, the most extensive of which are the north Pacific coast and California coast groups. There are a number of interior groups such as the Spokane and Montana-Oregon groups and the Hawley-Truckee group. The territory embraced within these groups is described in detail in *West Coast Lumbermen's Assn.* v. *Akron, C. & Y. Ry. Co.*, 183 I. C. C. 191, and other prior cases and will not be restated here. The rates from the interior groups are differentially related to those from the coast groups. Those from the Spokane and Hawley-Truckee groups usually are 3.5 or 3 cents under those from the coast groups. The destination territory is likewise grouped. The present rates to those groups, which apply on a large list of sawmill products and analogous articles, are shown below:

Destination group	From coast groups	From Spokane and Hawley-Truckee groups
	Cents	*Cents*
Grand Rapids, Mich.-Evansville, Ind	82.5	79
Lansing, Mich.-Indianapolis, Ind	84.5	81
Cincinnati, Ohio-Detroit, Mich	85	81.5
Cleveland-Columbus, Ohio	87	83.5
Buffalo, N. Y.-Pittsburgh, Pa	88.5	85
Trunk-line and New England	90	87

The carload minimum weight in connection with these rates on lumber when loaded in closed cars 36 feet or less in length is 38,000 pounds, for cars of 36 feet and not over 42 feet in length 44,000 pounds, and for cars over 42 feet in length 54,000 pounds. When cars are loaded to full visible capacity, charges are based on actual weight of the shipment, but not less than 30,000 pounds. The minimum weight on lumber shipped in open-top cars is 57,000 pounds.

From the described origin groups to the destination groups above mentioned, respondents propose to establish a rate of 72 cents on lumber to expire on December 31, 1935, unless sooner canceled, changed, or extended. In a few instances, rates slightly higher than 72 cents are proposed from branch-line and short-line origins. The proposed rates will be subject to carload minimum weights of 50,000 pounds and 57,000 pounds in closed and open cars, respectively, 41 feet 6 inches or less in length, and 60,000 pounds in either type car exceeding that length. The rates are to alternate with the present rates which are carried in other sections of the same tariffs. They are published to apply on "Lumber, the product of saw and planing mills, not further advanced in manufacture than by sawing, resawing and passing lengthwise through a standard planing machine,

cross-cut to length and end-matched." This description is intended to limit the application of the rates to those products which are adapted to and move in volume by the intercoastal routes.

Approximately 88 percent of the soft-wood timber in the United States is in the Rocky Mountain region and westward. There are three major sources of timber supply in that area, namely, that west of the Cascade Mountains in Oregon and Washington where fir, hemlock, spruce, and cedar predominate; that east of the Cascades where species of pine predominate, with some hemlock and cedar of the dimensions used for poles and piling; and the northern California area in which there is a large production of redwood, tributary to the ocean, with pine predominating east thereof. About 60 percent of the lumber consumption in the United States is in the eastern States.

Lumber is divided into two general classes, upper grades and common grades. Upper grades comprise such items as drop siding, flooring, and ceiling. Typical items of common lumber are common boards, dimension lumber, timbers, joists, and planks. The average industry log in the west-coast region produces about 25 percent of the upper grades, which are usually kiln dried, and the lightest in weight per thousand board feet and 75 percent of the common grades which are shipped either air dried or green and accordingly heavier per thousand board feet.

Prior to 1920, west-coast lumber moved to market largely by rail. Approximately 75 percent of the total production of the members of the West Coast Lumbermen's Association moved in that manner. Water transportation was then practically restricted to off-shore business with foreign countries and the coastwise trade in California. Since then the proportions of rail and water shipments have been practically reversed. This shift has been due to the large intercoastal trade through the Panama Canal which has developed since 1920. To the markets east of Chicago, which were formerly supplied almost exclusively by rail shipments, the intercoastal water movement is now said to be approximately four times the movement by rail.

Previous to December 24, 1921, the rates from the Pacific coast were combination rates usually based on Chicago or Peoria, Ill., Mackinaw City, Mich, or St. Louis, Mo. On that date joint rates, substantially the former combinations subjected to the combination rule, were established to the principal destinations in central territory, and the rates to trunk-line and New England territories were reduced from $1.065 to 90 cents to meet competition through the Panama Canal as lumber had begun to move in volume by water. This necessitated rates to the Buffalo-Pittsburgh group which, to many destinations in the group, were less than the former combinations. A regrouping which resulted in the present destination groups

was made effective on August 17, 1923. The general reductions of July 1, 1922, would have reduced the $1.065 rate to 96 cents but the earlier establishment of the 90-cent rate has resulted in its continuous application since December 24, 1921. At that time the average intercoastal rate was $20 per thousand feet board measure. Thereafter the rates varied from $15 to $9.75 but those rates did not obtain on much of the tonnage. Since the Shipping Board Act became effective the rate has been stabilized at $12 per thousand feet board measure.

Respondents state that while water competition was responsible for the reduction to 90 cents, such competition was not regarded with the seriousness which developed with the earliest reduction of the intercoastal rates. Those early rates established a market for coast lumber. Reductions progressively made by the intercoastal lines enabled such lines to reach inland destination territory from the Atlantic seaboard and from originating territory through the Pacific ports resulting in the loss of much traffic by the all-rail routes to the intercoastal routes. Respondents have for a long time considered means whereby this lumber traffic, other than the port-to-port tonnage, might be restored to all-rail routes. Necessarily this required the concurrence of the lines east of the Illinois-Indiana State line which it was impossible to secure until recently. These considerations ultimately developed into the proposals here under consideration.

The table below sets forth the tons of 2,000 pounds, of logs and lumber, logs constituting but a small portion of the total, moved by way of the Panama Canal from California and north-coast ports as shown by the records of the United States Shipping Board:

	To north Atlantic ports	To south Atlantic ports	To Gulf ports	Total
	Tons	*Tons*	*Tons*	*Tons*
Year 1924	1,600,385	19,062	38,705	1,658,152
Year 1925	1,974,949	74,485	48,354	2,097,788
Year 1926	2,292,151	29,151	76,338	2,397,640
Year 1927	2,355,004	20,076	87,464	2,462,544
Year 1928	2,487,068	16,553	84,147	2,587,768
Year 1929	2,348,148	16,795	116,709	2,481,652
Year 1930	1,909,732	18,788	54,811	1,983,331
Year 1931	1,833,557	14,072	26,448	1,874,077
Year 1932	1,131,120	12,452	17,217	1,160,789
Year 1933	1,393,654	14,770	33,717	1,442,141

Respondents assert that the recent tendency to locate new mills on tidewater and on rivers navigable by deep-sea vessels has added to the difficulties of the interior mills in competing with the tidewater mills; that the great distances from the consuming area made it necessary for this lumber to secure the lowest possible transportation cost if it is to be marketed in this large consuming territory;

that the intercoastal routes afforded an opportunity to that end; and that the western lumber interests in recent years have endeavored to obtain, and are obtaining, lower-cost transportation by means of inland waterways and trucks in connection with the intercoastal routes. The competition of the intercoastal lines extended not only to lumber from the tidewater mills to points adjacent to the eastern seaboard but also to lumber moving from such mills to points on the Great Lakes and on the Ohio and Mississippi Rivers and points within trucking distances thereof and also to lumber moved by rail or truck from interior mills to Pacific coast ports, thence to points on and adjacent to the Atlantic seaboard. Lumber has been moving in substantial volume by truck from interior mills to Pacific coast ports for distances up to 350 miles thence to be reshipped by water. Requests for reduced rates westbound have been made and the mills have insisted that unless made they will of necessity resort to trucking service.

The situation in the East is claimed to be equally disturbing in that Pacific coast lumber manufacturers have established storage and distribution yards on the Atlantic seaboard to which cargo lots move by water and from which distribution is made by truck, rail, or by use of inland waterways and the Great Lakes to eastern and inland States. The movement of intercoastal lumber through the Atlantic ports to central territory in substantial volume began in 1931. Some 14 large yards of the above character have been developed primarily for handling west-coast lumber. The Weyerhaeuser Timber Company has extensive lumber depots or warehouses at Baltimore, Md., Newark, N. J., and Portsmouth, R. I. It has shipped increased quantities during the last few years to the Atlantic ports, which have been placed in storage and trucked from there, and has also shipped via the inland waterways, river, and lake routes to points west of Pittsburgh. This has been done to determine the feasibility of such transportation. Respondents state that with the increase in the water rate to $12 per thousand feet board measure, the rail routes from the eastern ports were abandoned and the lumber began to move inland by water as far as possible. In addition to this has been the development within the past year of transportation from the Atlantic coast via the New York State Barge Canal and of facilities for distributing west-coast lumber from points on the Barge Canal or on the Great Lakes reached by that canal. Some of this lumber is distributed therefrom by rail but mostly by truck. This has displaced a former rail movement from the Atlantic coast. Approximately 8,000,000 feet of west-coast lumber moved via this route in 1934 and approximately 4,000,000 feet in the first five months of 1935. Barge consignments are now en route

94-218 O - 73 - 10

through the Barge Canal to Cleveland and Detroit. Additional and more regular towage facilities have recently been provided and indications point to the establishment of distribution yards by intercoastal lumber distributors at points on the canal itself or at lake ports reached by the canal.

Another factor has been the extensive expansion in truck deliveries of lumber shipped from the west-coast sawmills to ports and distribution yards on the Atlantic coast and its connecting waterways. A survey made by the West Coast Lumbermen's Association in 1932 showed that approximately 40 percent of the lumber shipped by vessel to the Atlantic seaboard was consumed in the port districts themselves, 37.2 percent moved inland from the Atlantic ports to points of consumption by truck or canal, and 22.8 percent was reshipped to inland points by rail. Of the lumber shipped inland from the Atlantic port districts in 1931, 56 percent moved by truck, and in 1932, 62 percent. Truck rates were lower than the back-haul rail rates particularly for distances up to 75 or 100 miles and the transfer and loading charges for rail movement have contributed materially to the truck movement. Many inland retail lumber yards are using their own equipment to secure lumber from the port terminals. This has been facilitated by the maintenance of large assorted stocks at the distribution yards.

Another factor influencing the movement of lumber into eastern States by water is the reshipment of lumber by barge up the Mississippi River, and its tributaries. This movement, it is stated, began in 1932 and now extends to Chicago, St. Louis, Cincinnati, Peoria, and other river points. This, according to reports to the West Coast Lumbermen's Association, showed a movement of Douglas fir up the Mississippi River amounting to 663,000 feet in 1933, 1,077,000 feet in 1934, and 2,732,000 feet in 1935 up to June 1. Additional business booked but unshipped on June 1 amounted to 1,050,000 feet. While this movement is as yet small in volume, additional shippers are contemplating its use. Preliminary investigations also are under way looking toward the establishment of additional storage and distribution yards at a number of inland points. In other words, it is insisted that the same development is coming about as that which occurred on the Atlantic coast, and that once these investments, distribution methods, and selling connections are established, it will be difficult to change them. For these reasons, respondents felt that the inroads upon the traffic could no longer be ignored, and that unless some action were taken to meet these situations they would be out of the business entirely. Respondents state that after considering these matters they concluded that they could profitably compete

in part for this traffic, that the situation demanded the attempt be made at least for an experimental period, and that the best way to meet it was by blanketing the rates both at origin and destination. In determining upon this action they took into consideration the following statements of the Commission in *General Rate Level Investigation, 1933*, 195 I. C. C. 5, 27, 72:

West-coast lumber is moving through the Panama Canal to ports on the Atlantic coast and thence inland by rail, truck, or water, or by combinations of these means of transportation, to points as distant as Chicago or St. Louis, Mo. There is also some movement of such lumber up the Mississippi River. Shipments by a large west-coast producer into Ohio, Indiana, Illinois, and Michigan by way of the canal increased from 56.5 percent of its total in 1931 to 62.7 percent in 1932, and, it is estimated, will increase to 86.3 percent in 1933. In 1929 members of the West Coast Lumbermen's Association shipped 64 percent of their lumber destined to States east of the Mississippi River by the intercoastal route, 66 percent in 1930, 75 percent in 1931, and 80 percent in 1932. The movement was therefore large prior to, and has increased during the depression. Western pine mills and interior fir mills are using trucks increasingly in reaching the ports. Members of the Western Pine Association trucked 30 percent of their lumber moving to the ports in the period from November 1932 to March 1933. Of the fir lumber landed on the east coast in 1932, 40 percent remained in the coast area and 62 percent of the remainder moved inland by truck or water. * * *

The carriers may well give consideration to the inroads upon this traffic by trucks and water carriers, particularly the latter, with a view to determining whether there are instances in which lower rates might result in greater rail movement and net revenue.

In determining the measure of the rate various factors were considered. The present cargo rate of the intercoastal conference lines from Pacific to Atlantic ports is $12. There is considerable variation in the weights of the various items of lumber, as well as in the cubic-foot content of such items in relation to one thousand feet board measure. Hence, an all-rail rate which might be low enough to meet the transportation charges over the water routes for one item of lumber might not be low enough to meet those on another item. The intercoastal rates are based on gross measurement, being predicated largely on the basis of the space occupied and 1,000 feet board measure of lumber, gross measurement, generally contains more than 1,000 board feet of lumber under commercial standards. Thus, it was necessary to make calculations for each item of lumber to determine the transportation cost per 100 pounds over the intercoastal routes. Most of the lumber shipped by rail is kiln dried, which substantially reduces the shipping weight per thousand feet. This is not true of that moving by water, where weight is of no consequence in the assessment of charges. Lumber is sold per thousand feet board measure. It is estimated that the average weight of lumber, as sold to the trade, per thousand feet board measure moving all rail is about 2,100 pounds as compared with 2,700 pounds for that moving by water

through the canal. The net measurement of lumber shipped by rail is approximately 80 percent of gross, and upon this basis respondents estimate that the present intercoastal charges on a commercial selling unit per thousand board feet average about $9.60. From this respondents determine that the port-to-port charge per 100 pounds is 35.5 cents, to which are added insurance and handling charges of 2.5 cents. It is anticipated that the proposed rate of 72 cents will enable respondents to compete with the water lines on equal terms where the transportation charge from the interior shipping point to the western port, or from the Atlantic port to the interior destination, is 18 cents or more; or where the combination of the charges from the interior point to the Pacific port plus the transportation charge from the Atlantic port to the interior destination is 18 cents or more.

In most instances the combination of the port-to-port charges, computed as above, and the rail rates beyond, is less than the proposed all-rail rates. In certain instances, where these combinations are greater, lower charges are available in connection with water routes to the inland water points if the lumber is destined thereto or by combination of the water charges to the inland point plus truck or rail rates beyond. It is insisted that in such instances the water combination controls the situation and that, regardless of the rate under suspension, the situation will remain in the hands of the water routes so far as the eastern trunk-line and New England territories are concerned. This, it is claimed, indicates that respondents have gone no lower than necessary to meet the aggregate charges available by way of the various competitive routes.

Lumber producers on the west coast supporting respondents compute the actual water charges per 100 pounds in relation to the rate of $12 maintained by the intercoastal lines, as above explained, which have been recognized for a number of years in water transportation. To these are added charges for marine and other insurance of 25 cents per thousand feet and of 35 cents per net ton for loading into cars at north Atlantic ports and the transportation charges by rail from the ports. Upon this basis the spreads in favor of the water routes to representative destinations in comparison with the proposed rate of 72 cents range up to as much as 28 cents. The greatest spreads are generally to territory where respondents do not anticipate that they will be able to compete with the water routes. On certain items, mostly in the upper grades, the spreads are slightly in favor of the rail lines. To Cincinnati the spreads in favor of the rail lines extend to some extent into the common grades but on the heavy common grades they are in favor of the water routes. There is additional competition at Cincinnati in the available joint steamer and barge rates via New

Orleans which result in differences against the all-rail routes ranging up to 23 cents. Much the same situation is described as to Cleveland and various other points in Ohio, where the differences in favor of the water-rail routes range from 3.5 to 14 cents. As the traffic moves farther inland from the ports the spreads in favor of the water-rail routes are not so great. To certain Indiana and Michigan points the differences on specific items favor the all-rail routes, but on others they are in favor of the water routes in amounts ranging from 1.5 to 23 cents.

The proposed rates are intended to apply only on such articles as are adapted to and actually move in volume by way of the intercoastal lines. Respondents contend that they have, during recent years, been able to transport by rail only such items as are for the most part included in the so-called upper grades of lumber, which comprise only about 25 percent of the total and that since common grades can be shipped more cheaply by way of the Panama Canal, this is influencing further diversion of upper-grade shipments from the rail to the water routes as the canal lines have demonstrated their ability to compete successfully for that traffic.

The table below shows the all-rail movement of lumber from transcontinental origins to destinations east of the Illinois-Indiana State line and the movement through the Panama Canal from Pacific coast ports to north Atlantic ports for the years 1931 to 1933, inclusive:

	All rail		Via canal		
	Cars	Percent	Tons of 2,000 pounds	Cars of 27.5 tons	Percent
Year 1931	26,466	28.4	1,833,557	66,675	71.6
Year 1932	15,945	27.9	1,131,120	41,131	72.1
Year 1933	[1] 19,059	27.3	1,393,654	50,678	72.7
Average	20,490	28	1,452,777	52,828	72

[1] Estimated; based on movement of 14,295 cars for first nine months.

It is estimated that the volume of tonnage moving all rail would be increased by 450,000,000 feet, or approximately 16,666 carloads, if the proposed rates became effective. This is based on an assumed annual volume of 1 billion feet of water shipments to the Atlantic coast, the annual maximum having been over 2 billion and the minimum about 800,000,000 feet. Of that total approximately 40 percent is consumed in the coastal districts, 37 percent moves inland by truck, and 23 percent is back hauled by rail. Approximately 10 percent of the total consumed in the coastal districts is light-weight material, and while respondents do not anticipate they will secure any of the local port-to-port traffic, it is estimated that 65 percent of such mate-

rial will be restored to the rails because it is not as readily adapted to water transportation as are the other articles. Of the amount moving inland by truck, about 50 percent is material weighing 2,400 pounds or less per thousand feet and it is estimated that 65 percent would be diverted to all-rail routes. It is estimated that 60 percent of the rail traffic from the north Atlantic ports moves at back-haul rates of 15 cents or more and that 80 percent of that traffic would be restored to the rails. Certain other estimates brought the total to the figures above indicated. Obviously, estimates of this character are rather indefinite, but it is insisted that, with rail costs more nearly comparable with present water costs, and with delivery time considerably reduced so that shipments would arrive at destination in better condition, and in view of the preference generally of the consuming trade for rail deliveries, traffic would be diverted to the rail routes. It is further argued that the proposed rates would gain little business at the expense of other producers, since lumber will continue to move from the west coast by water if the present rail rates are continued, which competition other producers will have to meet, as the industry looks upon the water routes as standard avenues of transportation to the territory east of Chicago, and furthermore that even if the proposed rates take effect the rates from other territories will continue to be much lower than those proposed.

The west-coast lumber interests assert that if the proposed rates are established, they will be put to use by the industry, and that it can and will move a much larger volume by rail, even though the cost might be higher than by the water routes. One manufacturer testified that, although located 60 miles inland from tidewater, his company had been shipping lumber by water to the Atlantic coast since 1920. In 1934, 4,500,000 feet, mostly dry lumber, was so shipped, in addition to a considerable amount of green lumber. It was stated that under a 72-cent rate, 75 percent of the shipments of dry lumber would have moved by rail.

One party supporting respondents has been receiving lumber at Cincinnati by rail from the Pacific coast. Within the past year it has tried out the water routes to its entire satisfaction. Within three weeks prior to the hearing 12 carloads of lumber from the Pacific coast via water routes have been unloaded. Another concern at Cincinnati receiving approximately 200 carloads per year has been giving consideration to moving its traffic by water. It is stated that practically all this tonnage will be held to the rails if the proposed rate takes effect. This lumber will continue to move from the Pacific coast, and it is simply a question whether it will move by rail or water.

Whether the proposed reductions will result in securing traffic to the rails to the extent anticipated, or to such an extent as to justify the reductions from a revenue standpoint, is manifestly conjectural. However, carriers have the right to initiate rates within the zone of reasonableness that will enable them to obtain or retain desired traffic over their own lines. *Texas & P. Ry. Co.* v. *United States*, 289 U. S. 627, 636. The suspended schedules must be upheld unless adequate reasons are presented for setting them aside. *United States* v. *Chicago, M., St. P. & P. R. Co.*, 294 U. S. 499.

It is respondents' position that the proposed rates will not only secure a substantial part of the traffic which has been moving by water, but that the earnings thereunder cannot be considered unduly low, and that the rates will not result in undue prejudice to any other section of the country. They believe that the additional lumber which, they estimate would be transported by rail would mean about $6,375,000 additional gross revenue per year, and that, although the assumed loss on traffic now moving by rail would be $1,700,000, a substantial part thereof consists of lumber products more advanced in manufacture than those covered by the proposed rates, which presumably would continue to move at the present rates. It was felt that the revenue losses on the traffic now moving by rail would be incidental to the losses which would be sustained if the proposed rates were not established. In other words, they could not retain even the present traffic but would sustain greater losses. In publishing the rates respondents undertook, by the proposed minima, to insure the maximum utilization of each car. This, it is anticipated, will increase the earnings per car and per car-mile.

The proposed rate of 72 cents from Seattle, Wash., Portland, Oreg., Spokane, Wash., Westwood, Calif., Klamath Falls, Oreg., and Libby, Mont., to 42 typical destinations in the territory considered, would yield ton-mile earnings ranging from 4.17 to 7.91 mills for distances ranging from 1,821 to 3,450 miles. The car-mile earnings for the same distances on the basis of the proposed minimum of 50,000 pounds, applicable on shipments in cars 41 feet 6 inches or less in length, range from 10.4 to 19.8 cents, and upon the basis of the average weight of 55,000 pounds the car-mile earnings range from 11.5 cents to 21.7 cents. The revenue per ton-mile for the average distance of 2,605 miles to these destinations would be 5.53 mills and per car-mile 13.08 cents, based on the minimum of 50,000 pounds, and 15.2 cents based on the average weight of 55,000 pounds. The lowest earnings are in each instance to destinations on or near the Atlantic seaboard, to which it is not anticipated that any substantial volume will be secured for all-rail movement. In determining distances the routes of

the single-line or system routes to the Twin Cities or Missouri River crossings are used, to which are added the distances over the short single-line routes from those points to Chicago or St. Louis, and the short-line distances from Chicago or St. Louis to the eastern destinations. In *Lumber from South Pacific Coast*, 206 I. C. C. 359, division 2 found that rates of 62.5 cents on lumber from Eureka, Calif., to St. Paul, Minn., over a route 2,983 miles, yielding 4.2 mills per ton-mile and 6.3 cents per car-mile on a minimum loading of 30,000 pounds and of 66 cents to Superior, Wis., 2,606 miles, yielding earnings of 5.1 mills per ton-mile and 7.6 cents per car-mile would be reasonably compensatory. The earnings under the proposed rates will not be unreasonably low.

The revenues per car and per car-mile under the proposed rates also compare favorably or exceed those on various other commodities moving between points in the same or other territories for substantially similar distances. The transportation characteristics of these commodities are dissimilar from those on lumber and the loadings are considerably less.

Question was raised that the proposed description was susceptible of different interpretations. Respondents suggest a revised description to include only definite items which come within the manufacturing limitation and are well understood by the trade and transportation interests, and to limit its application to the Pacific coast native forest species listed in the intercoastal tariffs, as follows:

Lumber (cedar, fir, hemlock, larch, pine, redwood, spruce, or tamarack). The product of sawmill and planing-mill plants not further advanced in manufacture than by sawing, resawing, and passing lengthwise through a standard planing machine, cross-cut to length, and end matched, viz:

Boards
Ceiling
Cut stock, for the manufacture of sash, doors, and blinds, and other millwork
Flitches
Flooring
Lath
Moldings, carpenter's plain
Partition
Pickets
Planks (including studding, scantling, and joists)
Sheathing
Siding
Strips
Timbers (including ties)

The above description, proposed at the hearing, was also objected to, principally because it might be interpreted to include box shooks. They do not now move by water, as the time element is a considerable factor which militates against their so moving. They do not

ordinarily move such long distances by rail, because they are made from comparatively low grades of lumber of which there is an abundance in the South and East and will not stand the transportation charges. It was the purpose only to include commodities which moved by water. The description was not intended to, and, in respondents' opinion, did not, cover box shooks, so that further specific exclusion was not, in their opinion, required. Furthermore, the transcontinental tariffs publishing the present lumber rates specifically mention box shooks, and, since the amended description does not do so, it is clear, in our opinion, that as a matter of interpretation the proposed rates would not apply on box shooks.. Pickets should not be included, since they are further manufactured than by passing lengthwise through a standard planing machine.

Lumber from the South and Southwest finds a large market in central territory. It is actively competing with that originating on the Pacific coast. The protesting rail lines take the position that the proposed reductions will deprive their lines of revenue from lumber traffic and will displace lumber from the South to the detriment of their shippers, who, it is claimed, will be subjected to undue prejudice. They urge that, since the territory on the Atlantic seaboard or contiguous thereto consumes a large portion of the lumber shipped by water, which respondents do not hope to secure, the reductions will be applied largely on traffic now moving all rail and respondents would not be benefited financially. Manifestly, as we have previously indicated, whether the proposed rates will secure traffic for the rails is one which cannot be answered with any degree of definiteness. The question presented is whether respondents' proposal, will, if it takes effect, violate any of the provisions of the Interstate Commerce Act.

The lumber industry is important to the railroads and to the people of the South, as well as to those of the Far West. This is indicated by the following table, which shows the production of lumber in 1,000 board feet in southern and southwestern States, and in the western States of California, Idaho, Montana, Nevada, Oregon, and Washington, for the years shown, mills cutting less than 50,000 feet annually being excluded:

	Southern	Southwestern	Western
Year 1926	10,534,825	6,115,166	15,515,102
Year 1927	10,037,204	5,420,744	14,709,778
Year 1928	8,634,093	5,190,622	14,995,207
Year 1929	11,333,397	5,460,140	15,566,878
Year 1930	7,076,656	3,811,571	11,807,866
Year 1931	4,268,829	2,164,655	8,151,884
Year 1932	2,802,750	1,348,724	4,904,527

A large proportion of the mills operating in the South are small mills. They produce considerable quantities of lumber. The record is not clear as to what constitutes a "small mill", but it is stated that what would be termed a small mill on the west coast would be considered a large mill in the South.

In 1924 the total tons of lumber originated in the South approximated 6.97 percent of the total tons carried, and for the Pacific Northwest it was 5.66 percent. Since then the ratio for the Pacific Northwest has been less than that for the South until 1933 when it was exactly the same for each territory. During 1933, 4,589,917 tons of lumber were originated in the South compared with 1,892,-281 in the Pacific Northwest. The figures for the South do not include lumber originating on numerous short lines. For 1933 the ratio of lumber originated in the South was but 24.19 percent of that for 1924, whereas the corresponding figure for the north Pacific coast was 29.73 percent. This the protesting producers claim shows a greater relative decline in the South than in the West. During 1933 the Atlantic Coast Line Railroad Company originated 654,154 tons of lumber, representing 6.61 percent of the total tonnage handled and 6.59 percent of its total revenues. The revenue for the South as a whole was 5.28 percent of the total revenues. In 1934 the Gulf, Mobile and Northern Railroad Company handled 26,933 carloads of lumber, which were approximately 47 percent of the total tonnage. The revenues therefrom were 26.5 percent of the total. For the same year, lumber and related articles constituted 6.5 percent of the total tonnage of the Central of Georgia Railway Company. This has declined since 1927, when it was 16.2 percent of the total. On the Louisville and Nashville Railroad Company lumber from a tonnage standpoint ranks next to coal. In 1934, it originated 17,577 carloads of lumber, from which $1,252,129 of revenue was received. This was approximately one fifth of that for 1925. Other southern lines have suffered substantially similar decreases. This is attributed to the unfavorable business conditions which have existed for the past few years and also to the substitution of other materials for lumber. In 1933 the products of forests originated on four southwestern lines were approximately 7.2 percent of the total.

As the production of lumber in the South far exceeds consumption and producers must find markets in other territories, these carrier protestants insist that, if the proposed reductions become effective, they must either drastically reduce their rates or lose a large volume of lumber tonnage. It is urged that in view of their financial condition they are not in position to stand the loss of revenue incident to such reductions as it would seriously impair their earning ability and their continued successful operation. The southwestern carriers

estimate, based upon the lumber shipments to central territory during February, May, August, and November 1932, that if the same percentage reductions were found necessary from the Southwest as are proposed from the Pacific coast, they would result in an annual loss of $456,000.

In 1931, 1932, and 1933 the rates of return on investment for class I carriers in the southern region were 1.34, 0.79, and 1.85 percent respectively. For the Seaboard Air Line Railway Company they were 0.07, 0.88, and 0.54 percent for 1932, 1933, and 1934, and for the Atlantic Coast Line 0.04, 1.47, and 1.47 percent. The total operating revenues for the Florida East Coast Railway Company were less than for any year since 1915. Six trunk-line carriers in the South operating 9,675 miles of the total of 39,647 are now in receivership.

The protesting carriers, with the exception of the Atlantic Coast Line, do not question the compensatory character of the proposed rates. That carrier offered no substantial evidence in support of that contention. The rates from the Southwest apply from the so-called southwestern blanket, which is approximately 300 miles wide and 400 miles long. Although the early rates were combinations of local or proportional rates to and from the gateways, principally Thebes, Ill., and Cincinnati, a later readjustment was made so that the joint rates are equivalent to the lowest combinations over the Ohio and Mississippi River gateways but not in excess of 2 cents over the yellow-pine rates from the Mississippi Valley. Prior to June 25, 1918, the rates to representative destinations were from 31.7 to 39 cents under those from the coast groups. Under the rates proposed they will range from 23 to 33 cents under such rates.

Using Albany, Ga., Bogalusa, La., Hattiesburg, Laurel, and Meridian, Miss., and Mobile, Ala., as representative origins, the southern protestants show that the present all-rail rates from the Pacific coast to representative destinations are from 35.5 to 55.5 cents higher, and that under the proposed rates these spreads will range from 22 to 41.5 cents. These are generally less than those existing prior to the general increases of June 25, 1918. As previously stated, west-coast lumber is lighter than southern lumber. It is mostly kiln dried, which is not true of southern lumber. Because of this, the freight charges per thousand board feet, which is the basis used in selling lumber, would be narrowed. The cost of producing southern lumber is said to be greater than that on the west coast, which adds to the difficulties encountered by southern producers. Such testimony can be given weight only as it may have an effect upon transportation considerations.

Protestants compare the earnings from Hattiesburg, Albany, and Perry and Willow, Fla., to representative destinations under rates

of from 28.5 to 52 cents for distances of 573 to 1,040 miles, ranging from 6.36 to 11.01 mills per ton-mile and 18.9 to 31.31 cents per car-mile, based on a weight of 55,000 pounds, with the earnings from Seattle to the same destinations under the rates proposed for distances of from 2,250 to 3,074 miles, which range from 4.68 to 6.4 mills per ton-mile and 14.05 to 19.2 cents per car-mile, based on an average loading of 60,000 pounds. The distances used generally are the short-line distances and are not those used for the movement of traffic, which would be greater. Other similar comparisons were submitted and have been considered. These earnings are shown generally to be less than those under rates on other commodities from Seattle to the same destinations such as asphalt, bagging, brick, briquettes, fuller's earth, manure, potash, slate, stone, crushed or ground, and talc or soapstone, crude, ground, or unground. Whether any of these commodities move from Seattle or for distances such as those involved does not appear of record.

These protesting carriers concede that if lumber be diverted only from the water routes, as respondents anticipate, these protestants would not be hurt, and further that they endeavor, as a matter of policy where they are confronted with truck or water competition, to put into effect rates which will assure a fair share of the traffic.

The protesting lumber producers generally take the position that the proposed reductions, without corresponding reductions from their producing points, will result in undue prejudice to them. Ponderosa pine constitutes about 95 percent of the total lumber produced in Arizona and New Mexico. It is about 8 percent of the total of this species in the United States. The remaining 92 percent is in the origin States involved. The principal market is Chicago and eastward. The quality of this lumber is decidedly inferior to that of the Northwest, but it costs considerably more to produce, due to topography and the much smaller stand of timber per acre. Since prices are generally fixed under those for Northwest mills, the mill realization on Arizona-New Mexico lumber is less. These factors, protestants claim, affect their ability to market lumber in the eastern territory. In other words, that they must obtain a greater mill-realization price than is obtained by the Northwest mills to offset the higher logging and operating costs. These are matters which manifestly we cannot undertake to equalize.

The earnings from Klamath Falls to representative destinations, under the proposed rates, are compared with those from Gallup, N. Mex., to the same destinations under rates ranging from 50.5 to 74 cents. The ton-mile earnings would range from 4.12 to 5.84 mills for distances of from 2,465 miles to 3,498 miles, and the car-mile earnings from 10.3 to 14.61 cents, whereas those from Gallup for dis-

tances of from 1,678 to 2,711 miles range from 5.46 to 6.47 mills per ton-mile and 13.65 to 16.2 cents per car-mile. The car-mile earnings are in each instance based upon 50,000 pounds to the car. Much emphasis is placed upon the relatively higher earnings from Gallup.

These protestants insist that since the rates are limited to expire on December 31, 1935, we cannot approve the tariff here under consideration, because it will result, if the old rates are restored, in increases which are prohibited by paragraph 2 of section 4 unless after hearing it shall be found that the increases rest upon changed conditions other than the elimination of water competition. As previously indicated, the bulk of the traffic from the west coast has been moving to official territory by water. The rates are proposed as an experiment to determine whether the carriers can secure traffic which so moves. It is respondents' purpose if the rates do not accomplish the results anticipated to restore the present rates. It is not claimed that water competition will be eliminated. In fact the parties are generally agreed that the port-to-port traffic will continue to move largely by water. In *Woodstock Lumber Co.* v. *B. & A. R. Co.*, 129 I. C. C. 255, division 1 said:

> In *Skinner & Eddy Corp.* v. *United States*, 249 U. S. 557, the Supreme Court declared that the specific purpose of the second paragraph of section 4 is to insure and preserve water competition and to prevent competition that kills. The reductions made in October, 1924, by the carriers in the instant case were not made for the purpose of destroying competition, on the contrary they were made for the purpose of preserving competition with Pacific coast lumber reaching New England ports by water. That competition has not only not disappeared but, contrary to the expectation of both complainants and defendants it is at least as severe as it was when the reductions were made.
>
> The only fair construction to be placed upon the second paragraph of section 4 is that it is not applicable except in those cases where rates have been increased after water competition has been eliminated.

Seventy-five percent of the hardwood production is in the South and Southwest. Production was at its peak in 1906, and by 1931 had declined 85 percent. The per capita consumption fell from 129 feet in 1906 to 29 feet in 1931. During the same period the production of softwoods declined 72 percent. The principal markets are in official territory. These producers, who compete with certain west-coast woods, claim to have lost business recently in this territory, due to the substitution of lumber from the west coast, and that if the proposed reductions take effect it will be more difficult than ever to compete. Markets have also been lost to wood substitutes. One producer stated that he had been selling quantities of maple and ash in the territory, but that the business was lost to west-coast lumber. The reasons for that loss were not stated, but there is an intimation that the consumer was experimenting

with different kinds of woods. Since then the consumer has returned to the use of maple.

Although there has never been a fixed relation between the rates from the South and those from the west coast, protestants point out that carriers from each producing section have endeavored to maintain rates so adjusted as to permit the free movement of lumber from each, and that, if the proposed rates become effective without a corresponding reduction from the South, a serious disruption of competitive relationships will result. They show that the average rates from the west coast to representative destinations now reflect greater differences over the June 24, 1918, rates than do those from the other lumber-producing territories, but this will not be true if the proposed rates take effect. The short-haul competitive rates in eastern territory are also shown to have been increased since June 24, 1918, in lesser amounts than have their rates.

These protestants insist that the fact that reductions are proposed from the west coast to meet water competition, and that like competition does not exist from the South, is immaterial, as they must meet the same water competition as does the rail movement from the west coast. They urge that corresponding reductions should be made from the South and that, as the witness for the central-territory carriers indicated that they would not join in such reductions, we should not permit the proposed rates to go into effect, because, if relative reductions are not made from the South, those carriers will violate section 3 by participating in reductions from the west coast and declining to participate in reductions from the South. Such a contention is without merit. The rates from the South can be considered here only insofar as may be necessary to determine whether the relations which will follow if the proposed rates take effect will result in a violation of law.

In 1929, 55.1 percent of the total active lumber mills were in the southern region which included Texas, Arkansas, Oklahoma, and Louisiana. They employed 45.1 percent of the salaried employees and 48.3 percent of the wage earners in the industry. The latter drew 35.4 percent of the total wages of the sawmills in the United States. The lumber industry in the South, with few exceptions, pays out to its employees a larger portion of the value of its production than any other industry. The value of lumber therein produced in 1929 was approximately 44 percent of the total for the entire United States. There are numerous small portable mills operating in or near practically every town or hamlet in the South. This was not true in early days. Many farmers sell small quantities of lumber. It is estimated they received $82,000,000 from this source in 1929. Thus the continuance of the industry is exceedingly important to the

community, and any curtailment of the markets of the South will seriously affect that section. Climatic and soil conditions are well adapted to rapid reproduction and growth of softwoods. Cutting can be repeated in cycles of from 20 to 25 years. Constantly improving policies of reforestation have recently been adopted. Selective cutting and fire-prevention measures have been undertaken to perpetuate lumber operations. The South contains 38 percent of the total saw-timber growth. Numerous witnesses testified that they had been operating for years in the same areas without substantial reduction of the timber supply. With the increasing care of the forested areas it is claimed that the South will continue to operate as a major lumber-producing area and that the industry will be a permanent one. Various reasons are given why this will be true.

During the past four years the production of southern pine was considerably less than one half of the production in the years prior to 1930. The west-coast production likewise was substantially less than in the preceding years. Even with this drastic reduction southern producers must nevertheless find markets outside of their territory. The same likewise may be said of the west coast. Both regions must have outlets beyond their borders as they produce more than they consume. During the first 10 months of 1934 approximately 64 percent of the total shipments of southern pine to points outside of the South went to Indiana, Michigan, Ohio, Pennsylvania, and New York. In 1924 the South furnished 59.5 percent of the total softwood lumber consumed in those States, including Illinois, whereas in 1932 it furnished only 52 percent. During the same years Oregon and Washington furnished 21.5 and 32 percents respectively. Thus it is urged that western producers are now meeting them on an equal basis and need no further help in the way of alleged preferential freight rates. This would indicate that western producers are now accorded an advantage. If this reasoning be sound, then the fact that various southern mills, as hereafter stated, in recent years shipped a greater portion of their production to this territory than formerly must show that they have an advantage.

Southern lumber producers testified that they can successfully compete with each other on substantially equal freight rates; that they encounter competition with western pine as well as Douglas fir in central territory, where they market substantial quantities of lumber; that they meet competition therein from the South as well as the West; that they distribute only certain items of lumber on the eastern seaboard; that they steadily lost lumber business west of the Mississippi River, western woods having displaced southern pine; that they have lost business in central territory where they compete with western lumber; and that, since the 72-cent rate was established

to Chicago, although rates of 39.5 and 38 cents apply from the Southwest blanket and Mississippi Valley respectively, they steadily have lost business there to western lumber. One mill in 1920 distributed 24.9 percent of its shipments in Ohio, Indiana, Michigan, and Illinois, 20.3 percent in 1925, 45.4 percent in 1930, 40.2 percent in 1934, and 42.08 percent in the first five months of 1935. Two other mills shipped a greater percentage of their total volume to those States in 1934 than in any year since 1928. Two others in 1934 shipped 15.7 percent of their total to those States. The percentage fluctuated from year to year, having been 30.5 percent in 1922. The percentage of their shipments to other points mostly in the South increased from 37.2 in 1922 to 73.4 in 1934. Another increased its percentage of total shipments to Indiana from 1.8 in 1930 to 7.45 in 1934. To Michigan its percentage of total shipments in 1929 was 5.9, after which it decreased considerably, and in 1934 the percentage was 7.3. To Ohio the percentage of its shipments to the total was higher in 1934 than in any year since 1920. These mills are representative of the South.

One witness attributed the loss at Chicago to the fact that "they" simply do not buy our lumber. Another said business was lost because fir lumber was better, and a third that the loss of business was due to the west-coast competition. In general, it is the testimony of these witnesses that they are now restricted to markets in central and Buffalo-Pittsburgh territories. The percentage of decline in lumber tonnage in recent years has been greater on southern than on western lines, and protestants therefore urge that respondents are not undertaking to regain traffic but to drive southern producers out of central-territory markets. They claim that, as a 72-cent rate eliminated them from the Chicago market, with a rate from the South of 38 cents they would be seriously crippled if the proposed rate is applied to the territory concerned, where their rates range from 40 to 50 cents, which would promote the development, by the rate adjustment, of one locality to the detriment of another, which is prohibited by section 3 (1). See *Ann Arbor R. Co.* v. *United States*, 281 U. S. 658. They state that they are at a disadvantage because (1) southern pine weighs substantially more per thousand feet than Douglas fir or western pine and (2) there are differences in operating conditions in the South and West which reflect themselves in substantially higher production costs in the South. The proposed reductions will in their opinion capture the southern pine markets unless producers shrink their sales prices in proportion, which they are not in position to do because of their higher manufacturing costs. That under an adjustment of rates a shipper may be unable to sell with reasonable profits does not war-

rant a finding that the adjustment is unduly prejudicial. *Lester & Toner* v. *L. I. R. Co.*, 83 I. C. C. 251.

In general it is the position of the protestants that there are reasons other than water competition for at least some of the reductions here proposed, and that the real motive is to increase the traffic which is now moving all rail. Generally speaking, the carriers' intention in changing a rate is of small concern to the Commission. The effect of the change is the matter over which it has jurisdiction. *In re Advances on Barley*, 24 I. C. C. 664.

To 88 destinations east of Chicago the average rail rates from Hattiesburg, Miss., and Alexandria, La., are 28.8 and 26.6 cents less than the proposed rate of 72 cents. To Indiana, Ohio, and Michigan, out of which protestants particularly claim they will be driven if the proposed rates take effect, the differences in favor of Hattiesburg will range from 43.5 cents at Evansville to 27.5 cents at Bay City, Mich. Since southern producers state that they are able to compete with each other on equal or substantially equal rates, respondents point out that, if Alexandria, for example, can compete at Pittsburgh with the mill at Hattiesburg under a rate 3.5 cents higher, it is illogical to assume that freight rates would make it impossible to compete with a west-coast mill where its rate advantage is 24.5 cents, or at other points where the rate advantages are still greater.

Most of the southern and southwestern mills are located inland and are not readily accessible to water transportation. It is urged that in that respect their situation is similar to that of a number of west-coast mills, which are located considerable distances inland and cannot under respondents' theory avail themselves, except in a few instances, of the water competition, but nevertheless they are given the full benefit of the reduced rates because they are in competition with tidewater mills. Protestants insist that there is no necessity for reducing the rates from those mills and that to do so will result in undue prejudice. The record shows that during 1930, 8,000,000 feet or 320 cars; in 1931, 35,937,000 feet or 1,430 cars; in 1932, 43,681,000 feet or 1,748 cars; in 1933, 35,340,000 feet or 1,413 cars; in 1934, 42,418,000 feet or 1,693 cars and for the first five months of 1935, 23,411,000 feet, indicating a probable movement of 50,000,000 feet for 1935, moved from the pine mills east of the Cascades to the ports for movement by water to the Atlantic seaboard territory. There can be no question that the carriers are confronted with water competition from the tidewater mills. The rates from the interior mills for competitive reasons were reduced and it is claimed that water competition thus is reflected indirectly. This is indicated by the figures showing the movement to the ports from the inland

94-218 O - 73 - 11

mills. Manifestly carriers may meet such competition but they may not do so to the undue prejudice of another locality.

There is no contention that the proposed rates are not below a maximum reasonable level. In general the rates from the South have been prescribed as reasonable maximum rates or approved by us. The rates from all of these territories to destinations, among others, in central territory, were considered in *West Coast Lumbermen's Assn.* v. *Akron, C. & Y. Ry. Co., supra.* The history of the rates, and the cases wherein we considered or prescribed rates, are stated at length in that report and it is not necessary for the purposes of this proceeding to restate them. It was there pointed out:

> There is no definite or fixed relation in the rates from the South and those from the Far West to central territory, but carriers from each of these producing sections have endeavored to maintain rates relatively so adjusted as to permit free movement from each.

It is asserted that prior to June 25, 1918, the rates from the two territories, South and West, were more or less acceptable to the industry, and that the present rates in large measure preserve that situation. At that time, however, there was not the substantial volume of intercoastal traffic to and through the north Atlantic ports, nor was it the practice to kiln dry lumber as it is at present. This has developed to such an extent that it enables western shippers to save freight charges, whereas southern shippers are unable to do so because their lumber is not kiln dried to so great an extent. Respondents concede that but for competitive conditions the rate to Chicago might be higher than it is at present. As it is proposed to extend that rate to all of this territory, whereas the rates from the South and Southwest are generally on a maximum level, protestants contend, since there is keen competition between all of these producers, that this establishes a *prima facie* case of undue prejudice. Whether an alleged preference or advantage in rates is undue is a question of fact to be determined from the evidence. It cannot be presumed. The fact that the rate from a point alleged to be preferred may be relatively lower than that from another point stated to be unduly prejudiced, distance considered, does not establish undue prejudice. *Memphis Freight Bureau* v. *St. Louis S. W. Ry. Co.* 169 I. C. C. 202.

The proposed rates to central and Buffalo-Pittsburgh territories will be from 0.3 to 16.1 percent over the June 24, 1918, rates, whereas those from the Southwest are from 37.2 to 41.8 percent higher than such rates. The proposed rates represent decreases of from 10 to 31.1 percent under the peak rates whereas those from the Southwest are but from 9.5 to 11.2 percent under such peak rates. It is claimed that the rate changes which have occurred since June 24, 1918, gen-

erally favored the West. Yet protestants say that the present adjustments are generally satisfactory.

Southern producers compare the average earnings under the present rates from representative points in the South and Mississippi Valley groups and the southwestern yellow-pine blanket to representative destinations in Indiana, Ohio, and Michigan, to Pittsburgh and Buffalo ranging from 7.36 to 10.5 mills per ton-mile for average distances of from 705 to 1,290 miles with ton-mile earnings under the rates proposed of from 5.32 to 7.51 mills per ton-mile for average distances of from 1,918 to 2,706 miles. The distances used are those over workable routes. The car-mile earnings range from 20.36 to 27 cents, being based on 24.8 tons per car from the Southeast and Mississippi Valley groups and 28.3 tons per car from the Southwest, as compared with similar earnings from the territory from which the proposed rates would apply of from 14.74 to 20.8 cents based on an average load of 27.7 tons. It is contended that the suspended rates relatively are too low when contrasted with the rates in effect from the South, or else the southern rates are too high. Respondents assert that the proposed rate of 72 cents will be no more favorable to the shippers from the Northwest than are the rates for the shorter hauls from various points in the South. In support of this contention they determine the differences between the average rates applicable for the shortest and longest hauls from typical southeastern and Mississippi Valley origins to representative destinations in official territory, as shown by the protesting carriers, and project the rates at the same rate of progression until they reach 72 cents. Upon this basis a 72-cent rate would be reached at distances of from 2,461 to 3,438 miles. If, instead of a constant rate of progression, a rate diminishing as distance increased, which is customary, had been used, the distances would have been in excess of those shown. As heretofore stated respondents have shown the average distance to 42 typical destinations, to which the proposed rate will apply, as 2,605 miles.

In *West Coast Lumbermen's Assn.* v. *Akron, C. & Y. Ry. Co.*, *supra*, it was said:

> Rates from the South to this territory are substantially less than those from the Pacific coast and intermediate groups. It is apparent that such difficulty as the southern complainant may experience in meeting competition from the fir producers on the Pacific coast, may not be attributed to a great degree to the cost of rail transportation.

As previously indicated, although the spreads in the rates will be narrowed under respondents' proposals, the differences will still be substantial. However, what was there said seems peculiarly applicable to the proposed situation. It has not been shown that the pro-

posed rates will result in undue prejudice to the protesting shippers of lumber.

Midwest manufacturers of millwork, such as sash and doors, claim that the proposed reductions will result in undue prejudice to them. There is no claim that the proposed rate will prefer sash and door mills on the west coast. About 75 percent of their pine lumber is secured from the Pacific coast. At least 70 percent of their finished products, which constitute about 40 percent of the total produced in the eastern States, are marketed east of Chicago and north of the Ohio River. The shipments move by rail. There are numerous manufacturers of like products in eastern territory who obtain their raw material from the Pacific coast by water or by rail and reship the manufactured products into the interior either by truck or rail. They are usually small mills whose activities are confined to the particular community in which located. The rate to New York is cited to show that undue prejudice will result. The rate on sash and doors thereto from the Pacific coast is $1.105, which these Midwest plants use under transit arrangements, the transit charge being 1.5 cents. This, plus an emergency charge of 3 cents, results in a total through cost of $1.15. The New York manufacturer, under the present rates, pays 22 cents more, and under the proposed rate will pay 4 cents more, on lumber than Dubuque, Iowa, to which the rate is 68 cents and which it is not proposed to change. The average loading of inbound lumber is said to be 53,000 pounds and, on the basis of an estimated waste of 25 percent in manufacture, this would produce 39,750 pounds of building woodwork at either point. To show the prejudice to which, they claim, they would be subjected, these protestants compute the Dubuque manufacturer's cost of laying down 39,750 pounds of finished product at New York, at a rate of $1.15, to be $457.13, and on the lumber lost in manufacture, 13,250 pounds at the rate of 68 cents to Dubuque, as $89.10, or a total cost of $546.23 as compared with the cost to the New York manufacturer of $477 under the present rate and $381.60 under the proposed rate. Other examples of the same character are shown. The circumstances and conditions surrounding the transportation of the raw material, lumber, from the west coast to the East differ from those surrounding the transportation of the raw material from the west coast to the Middle West and of the aricles manufacured therefrom from the Middle West to the ultimate eastern destination. The record does not support the conclusion that the charges in the two situations should be the same. Protestants also contrast the suspended rates with the rates applicable from the west coast under which their products move in as lumber and building woodwork out. The ton-mile earnings under the suspended rates would be considerably less than un-

der the rates under which they operate. They assert that the reductions now proposed will add to their disadvantage.

That the proposals will operate to further increase the competition these mills now have is admitted by respondents, but they urge that, as lumber used by eastern manufacturers can and does move by water, and, while the volume so moving thus far has been small, they believe it will continue to so move in increasing volume, protestants' situation will not be improved if the rates do not become effective. They concede that the proposal will bring about a changed condition which these mills will have to meet, that it is a situation which they feel deserves attention on their part, and if there is any action which the carriers can take in the premises it should be taken. Respondents might well give further consideration to this question. On this record, however, we are not satisfied that it has been shown that undue prejudice will result to these mills.

The intercoastal lines claim that if the proposed rates take effect it will be impossible for them to compete with the rail lines at any distance west of the Atlantic seaboard; that the proposal has for its purpose the confining of intercoastal transportation to that moving from port to port, which will result in a substantial revenue loss to them. They claim this is contrary to the declared policy of Congress as expressed in section 500 of the Transportation Act, to promote, encourage, and develop water transportation and to foster and preserve in full vigor both rail and water transportation. The great preponderance of the traffic to this territory now moves by water and it cannot be said that the participation of the rail lines in that transportation to a greater extent than at present—if that will be the result under the proposed rates—will be contrary to the intents and purposes of section 500. Railroads are within their rights in endeavoring to secure additional tonnage, although at present the additional tonnage is hauled by a water line, but it would defeat the intent of Congress to foster transportation by water lines as well as rail in full vigor if, in any case, rail carriers were permitted, at little or no profit to themselves, to operate so as to deprive water carriers of traffic which they now enjoy. *Tin Plate to Sacramento*, 140 I. C. C. 643.

To support their contention that respondents have gone lower than necessary to meet the competition, protestants point out that the differences in favor of the water-rail routes under the suspended rates will be substantially less than during 1931–33, when intercoastal rates were lower, but nevertheless the all-rail lines continued to handle a substantial portion of the traffic. They rely upon the fact that the Weyerhaeuser Company, during that period, shipped to Indiana 265 carloads by water-and-rail and 275 carloads by rail,

and to Ohio and Michigan 1,340 and 1,303 carloads, respectively, by water-and-rail and 270 and 438 carloads, respectively, by rail. The water shipments moved through Hampton Roads ports. They emphasize the fact that the traffic manager of that concern testified that since 1933 their shipments by water into this territory had decreased. He attributed this to the increase in the cargo rates in 1933 and the longshoremen's strike in 1934. No supporting figures were shown. Further, that although much lower charges were available by water-and-rail this company during 1931–33 shipped more lumber to Indiana by rail than by water-and-rail; that substantial quantities were shipped to Michigan by rail, and that as a general rule, the all-rail routes will secure the traffic even though the water-and-rail rates are a good deal lower. Except during 1931, the great preponderance of the movement of this company to Indiana was by water-and-rail, namely, 66 and 62 percent, whereas, to Michigan, for the three years, 74, 75, and 76 percent respectively of the total movement was water-and-rail. This was likewise true as to Ohio. Protestants claim that if, with water-and-rail rates from 15 to 30 cents less than all rail, the latter lines held a substantial portion of the traffic, it is not reasonable to assume, with the water rates substantially higher, that the all-rail lines are not now enjoying a fair share of the traffic, especially when considering the advantages of all-rail transportation. The total movement from the Douglas fir region to central territory through Hampton Roads was approximately 1,850 carloads in 1931, 2,340 carloads in 1932, 2,250 carloads in 1933, and 1,680 carloads for the fiscal year ended June 30, 1934. Twelve producers on the Pacific coast shipped during 1934 a total of 1,268 carloads to central territory via intercoastal routes. A longshoreman's strike was on from May 6 to July 31, 1934, that seriously interfered with traffic.

To certain points in Indiana the proposed rate is lower than the water-and-rail cost. To others the margin in favor of the water-and-rail routes is considerably less than it was in 1931–33. To certain of these points respondents claim that lower charges are available by water to inland points. To the territory farther east the differences favor the water routes to a greater extent, but they are not as great as the previous differences to Indiana points, under which protestants claim the all-rail lines retained a substantial portion of the traffic. However, the figures for 1932–33 to Indiana do not, in our opinion, support that contention. Respondents do not deny that in instances the proposed rates will be lower than the combination water-and-rail rates. In others they state the rates will be higher, but point out that there is no provision of law which prohibits the publication of rates lower than actually necessary in every

instance, so long as undue prejudice or discrimination is not caused thereby or the rates are not so low as to place a burden on other traffic. While the proposed rates are low, the earnings thereunder, as previously shown, will not be so low as to warrant our condemning them on that ground. Whether the reductions will, as respondents anticipate, add to their revenues, or as claimed by protestants recover but little traffic from the water lines compared to that moving all rail and thus result in a substantial loss of revenues to an extent that a burden may be cast on other traffic is a question which cannot be determined with certainty. We have heretofore considered the contentions that the law will be violated in other respects.

As indicated, respondents have estimated that a certain volume of traffic will be restored to the rails and that they will substantially benefit from a revenue standpoint. In *Increases in Intrastate Freight Rates*, 186 I. C. C. 615, we said:

> A finding as to the future revenue effect of increased rates is not, strictly speaking, a finding of fact but a prediction. The evidence may be such that a prediction may be made with reasonable assurance of accuracy, and in such instances sufficiently approximates a fact so that a finding is justified. In other instances the result may be wholly problematical, and no definite finding can be justified. We have never felt that we ought to forbid a proposed increase in rates on the sole ground that we are unable to find that it will accomplish its purpose, where the outcome is plainly a mere matter of judgment. The decision of such questions of judgment is a responsibility of management, and we are not the managers of the railroads.

The same principle applies here. Whether respondents' judgment on this question is well founded can only be determined after the experimental rates have been in effect. As indicated, the rates are to continue for a limited period. Protestants criticise the estimates in the above respects on the ground that the witness did not give details to support them; that they have no means of testing the assumptions; that a very small volume of traffic will be recovered by the suspended rates; that experimental movements by certain large west-coast shippers have been used as an excuse for spreading the reductions over this wide destination territory; that to certain points such reductions are not necessary to meet the potential water and barge line competition; that the respondents will gain very little, if anything, in the way of additional revenues under the proposed reduced rates; that during 1934 only 600,946,000 feet of lumber moved by water and that therefore the figures used by respondents as a basis for their estimates of tonnage which would move all rail were approximately 40 percent too high. Protestants claim that this falling off in the water movement was due to the increase in the intercoastal rates, but it may be noted that during approximately three months of 1934 a longshoremen's strike was on, which no doubt

had its effect upon the volume of movement by water. In addition the figure for 1934 does not include shipments from California points or ports. It is also claimed not to be all inclusive, since it represents only lumber inspected during that year by a lumber-inspection bureau. Protestants agree that there will be a large increase in the all-rail movement of lumber, but claim that it will be lumber which displaces an all-rail movement from the South. Protestants' estimates are no more definite than are respondents'.

There are intimations that, if the proposed rates take effect, the intercoastal lines and carriers from other territories may find it necessary to reduce their rates, and that in the final analysis it may result in a rate war with a reduction in the revenues of all the carriers. Every change of a rate schedule, either voluntary or involuntary, is a disruption *pro tanto* of the rate structure theretofore prevailing. Plainly such a disruption without more is no sufficient reason for prohibiting a change. The threat of such a war may be a reason for rejecting a new schedule if the rate relation previously existing is a fair one. *United States* v. *Chicago, M. St. P. & P. R. Co., supra.* We have never determined, and the present record does not indicate, what would be the fair relation between the rates from the Pacific coast and those from the other territories.

Protestants cite various cases in which we have condemned proposed reduced rates. In those cases, generally speaking, the rates or their relation had been prescribed or approved by us. Here there is no such situation in that the relation of the rates which protestants claim would be broken down has not been prescribed or approved by us. There is no indication what rate changes would be necessary to prevent alleged losses in revenues from other territories or what would be the proper relation between the rates. It is true that generally the rates from the South have been prescribed by us, but we have never determined what the minimum relation between the rates from the several territories might be without creating undue prejudice. In those cases referred to by protestants it also appeared that the proposed rates would have resulted either in loss rather than gain to the publishing roads and thus impose a burden on other traffic; in changes in established rate structures to such an extent that they would have been harmful to the public interest, having in mind our responsibility for railroad earnings in general; or in marked effects upon marketing and distribution to such an extent as to render them unlawful.

Although there is nothing definite as to the exact amount of the revenues which it is hoped to recover, the record justifies the conclusion that lumber shippers will use the all-rail lines to a greater extent than at present if the reduced rates are established, and that

a substantial increase in net revenues to respondents will result. We have previously found that the rates proposed will not result in undue prejudice to other producers of lumber. Accordingly, the net result to the rail carriers concerned being a revenue increase, we could not find in the proposed rate situation any changes in established rate structures which will be harmful to the public interest, having in mind our responsibility for railroad earnings in general.

It is claimed that the proposed rates will affect marketing and distribution to an unlawful degree in that an improper relation with the rates from the other territories will result and thus adversely affect the revenues of the protesting carriers. There is no indication what the proper relation should be, or what revenue losses, if any, might result if the protesting carriers reduced their rates, except an estimate made by certain southwestern lines, the amount of which was dependent upon the extent to which they might deem it necessary to reduce their rates. The bulk of the lumber production by protesting shippers is in the South. These shippers claim that in recent years the rate changes generally have favored the West and that they have lost business in central territory. This loss was attributed to various causes and not entirely to the rate situation. The record shows that in recent years certain representative mills in the South shipped as great or greater proportions of their total shipments to central territory than previously. Whether the proposed rates will change the situation we cannot foretell, but we are not convinced that the record supports the conclusion that the proposed rates of themselves will cause such a shift in marketing and distribution as to impair the revenues of the carriers generally.

Counsel for the many interests involved in this case have alike urged upon us with great earnestness what they respectively see as the results likely to flow from our action in this case. We are deeply sensible of our responsibilities in such a situation. While it is proper for us, particularly in view of section 15a of the act, to consider the effect of our action in any given case, yet, after all, there are certain basic considerations which are controlling in a case like the one before us. It must be borne in mind that the primary right to make rates rests with the carriers, and to adopt such a policy of rate making as to them seems wise. *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 522. As already stated, we have heretofore admonished the carriers that in dealing with the basic industry here involved they should search carefully to ascertain if it would not be to the benefit of all parties concerned to make a reduction in their rates. This the respondents have here

attempted to do, and we would not be justified in interfering with their discretion in the matter unless we are convinced that the results of their action will in some particular violate the provisions of law. We do not believe it possible to predict with definiteness just what the result of the proposed rates may be. They are proposed with a definite limitation for the reason, as freely admitted by the respondents, they are purely an experiment.

Which set of prophesies as to the results will prove correct can only be determined by the future. However, the Supreme Court of the United States has reminded us that it must be remembered that railroads are the private property of their owners; that while, from the public character of the work in which they are engaged, the public has the power to prescribe rules for securing faithful and efficient service and equality between shippers and communities, yet in no proper sense is the public a general manager. *Interstate Commerce Commission* v. *Chicago G. W. Ry. Co.*, 209 U. S. 108, 118. The respondents may be mistaken in their judgment as to the effect of these reductions, but that fact is not determinative of the lawfulness or unlawfulness of the rates in question. They are entitled, as a matter of right, to make the experiment unless upon this record we can say that their action or its probable results will violate some provision of the act. The questions that have been raised in this case and must be answered by us are well answered in *United States* v. *Illinois Central R. Co.*, *supra*, wherein the court said:

> It is true that the law does not attempt to equalize opportunities among localities, *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, 46; and that the advantage which comes to a shipper merely as a result of the position of his plant does not constitute an illegal preference. *Ellis* v. *Interstate Commerce Commission*, 237 U. S. 434, 445. To bring a difference in rates within the prohibition of Sec. 3, it must be shown that the *discrimination practiced is unjust when measured by the transportation standard.* In other words, the *difference in rates cannot be held illegal, unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions.* [Italics ours.]

Upon this record we find that the proposed rates on lumber, in carloads, from the Pacific coast to official classification territory here considered will not be unreasonably low and have not been shown to result in undue prejudice or in violation of any other provision of law. We accordingly find the schedules have been justified. However, we shall expect the respondents to publish on one day's notice, permission for which is hereby granted, a revised description of the items upon which the rates found justified are to apply, which description was proposed at the hearing and is set forth in the report,

eliminating therefrom the item of "pickets." We also expect all parties to keep records which will throw light on the results of this experiment.

An appropriate order will be entered.

SPLAWN, *Commissioner*, concurring in part:

I agree that we should permit the proposed schedules to become effective but I do not agree with the dicta and discussion as to undue prejudice.

Respondents' proposals are in harmony with our suggestions in *General Rate Level Investigation, 1933*, 195 I. C. C. 5, 72, and *Emergency Freight Charges, 1935*, 208 I. C. C. 4. There is no serious contention that the proposed schedules will not be reasonably compensatory.

The southern carriers have indicated, on brief and at the argument, that they, too, will make corresponding reductions. This they should be permitted to do. In this way any question of undue prejudice and preference will be eliminated.

In my opinion the record clearly shows that the proposed reductions are made primarily for the benefit of inland mills shipping dried lumber of the upper grades by rail to central territory and shippers from other territories are entitled to rates that will give them the benefit of their natural transportation advantages. I object to this report insofar as it leaves the inference that the reduced rates from the Northwest will be properly related to the present rates from competing districts.

I am authorized to state that COMMISSIONER MILLER joins in this expression.

MCMANAMY, *Commissioner*, dissenting in part:

With the finding that no undue prejudice will be created by the proposed rates I disagree. To my mind the record shows that the change in the long-established relationship of rates between the Pacific coast regions and the South and the Southwest will deprive the southern and southwestern producers of markets which they have long enjoyed unless similar reductions are made by southern and southwestern carriers, which we have no right to expect.

I also disagree with the finding that no undue prejudice will result to Midwest mills. The record shows and respondents admit that Midwest mills will be damaged and that "the proposals will operate to further increase the competition which these mills now have." The report of the majority states:

> They [respondents] concede that the proposal will bring about a changed condition which these mills will have to meet, that it is a situation which

they feel deserves attention on their part, and if there is any action which the carriers can take in the premises it should be taken.

The majority then proceeds to admonish respondents as follows: "Respondents might well give further consideration to this question." Such admonitions afford no relief. If further consideration is required it should be given by the Commission on the record and appropriate action taken.

CHAIRMAN TATE and COMMISSIONER MAHAFFIE did not participate in the disposition of this case.

From: Eureka, Calif. (coast rates).
To: Baltimore, Md. (B-945).
T. C. F. B. East-bound Lumber Tariff 27-X, ICC 1679—Lumber and plywood carload: Minimum weight 34,000 lbs; Boxcar, 42 ft.; both commodities take same basic rates—hence same ex parte increases

Base rate	$1.61
X-256, Aug. 19, 1967	.03
Total	1.64
X-259-B, Nov. 28, 1968	.08
X-259-B, Nov. 28, 1968 (5 percent)	.08
Total	1.72
X-262, Nov. 13, 1969 (6 percent)	.10
Total	1.82
X-265-B, Nov. 20, 1970 (6 percent)	.11
Total	1.93
Maximum: X-267-B, Apr. 12, 1971 (12 percent)	.15
Total	2.08
Per 100 lbs (X-281—2½ surcharge on freight charges) X-281-B superseded X-281 on Oct. 23, 1972—Item 895-series T-5 (5 percent)	2.18

LUMBER AND PLYWOOD

[Legend: Minimum weight A=34,000; B=50,000; C=40,000; D=excess over 40,000 but less than 60,000; E=60,000; F=excess over 40,000 but less than 90,000; G=90,000; H=excess over 90,000]

	Cents per 100 pounds—						
	X256 Aug. 19, 1967	X259A June 24, 1968	X259B Nov. 28, 1968	X262 Nov. 18, 1969	X265A June 9, 1970	X267[1] Nov. 20, 1970	X281B Oct. 23, 1972
TO NASHVILLE, TENN.							
Ex Decatur, Ala.:							
A	24½	25	26	28	29	32	33
B	19½	20	20	21	22	23	24
C	17	17½	18	19	20	21	22
D	12½	12¾	13	14	15	16	17
E	15½	16	16	17	18	19	20
F	10½	10¾	11	12	13	14	15
G	13	13½	14	15	16	17	18
H	9	9¼	9½	10	10½	11	11½
Ex Decatur, Ala.:							
A	60½	62	64	68	71	76	79
B	48½	50	51	54	57	60	62
C	41½	43	44	47	49	53	55
D	28½	29	30	32	34	36	37
E	37½	39	39	41	43	46	48
F	26	27	27	29	30	33	34
G	32	33	34	36	38	40	42
H	22	23	23	24	25	27	28
TO LEXINGTON, KY.							
Ex Decatur, Ala.:							
A	58½	60	61	65	68	73	76
B	46½	48	49	52	55	58	60
C	36½	38	38	40	42	45	47
D	25	26	26	28	29	32	33
E	33	34	35	37	39	41	43
F	23	24	24	25	26	29	30
G	28	29	29	31	33	35	36
H	19½	20	20	21	22	23	24
Ex Decatur, Ala.:							
A	70	72	74	78	82	88	92
B	55½	57	58	61	64	69	72
C	53	55	56	59	62	67	70
D	37½	39	39	41	43	46	48
E	44.2	46	46	49	51	55	57
F	31	32	33	35	37	39	41
G	38.1	39	40	42	44	48	50
H	25½	26	27	29	30	33	34

[1] Reflects X265B (6 percent) and X267A and X267B (6 percent); effective Feb. 5, 1972; subject to X281 surcharge.

AVERAGE DAILY FREIGHT CAR SHORTAGES, CLASS I U.S. RAILROADS

Period ending	Plain boxcars	Equipped boxcars	Covered hoppers	Refrigeration	Gondolas	Hoppers	Flats	Stock	Other	Total
Jan. 5, 1963	220	0	0	0	5	0	0	0	0	225
Jan. 4, 1964	1,298	20	54	0	57	48	3	0	0	1,480
Jan. 2, 1965	336	26	19	4	318	41	110	0	56	910
Jan. 1, 1966	3,758	61	208	20	170	71	35	0	233	4,556
Jan. 7, 1967	1,077	100	146	36	364	34	81	0	22	1,860
Jan. 6, 1968	679	54	339	7	357	62	60	0	6	1,564
Jan. 4, 1969	1,900	217	596	81	194	11	99	0	12	3,110
Jan. 3, 1970	2,959	182	3,206	98	1,028	305	152	0	36	7,966
Jan. 2, 1971	205	34	1,499	24	166	286	8	4	66	2,292
Jan. 1, 1972	217	46	48	61	6	21	29	0	0	430
Jan. 8, 1972	243	52	69	59	22	65	24	0	6	540
Jan. 15, 1972	317	143	178	35	38	70	101	0	0	882
Jan. 22, 1972	430	127	261	22	28	75	130	0	16	1,154
Jan. 29, 1972	892	122	643	13	70	102	124	0	55	2,021
Feb. 5, 1972	1,144	214	322	47	106	87	204	0	8	2,132
Feb. 12, 1972	1,171	148	237	51	68	102	199	0	5	1,982
Feb. 19, 1972	1,218	154	335	34	77	53	177	0	12	2,060
Feb. 26, 1972	1,159	157	327	15	216	30	176	0	49	2,129
Mar. 4, 1972	1,352	173	392	30	203	93	137	0	39	2,419
Mar. 11, 1972	1,384	217	381	69	326	140	253	0	38	2,809
Mar. 18, 1972	1,578	250	376	91	424	132	243	0	69	3,165
Mar. 25, 1972	1,405	322	391	74	334	284	265	0	49	3,124
Apr. 1, 1972	1,192	290	311	54	270	285	286	0	62	2,750
Apr. 8, 1972	1,170	209	352	66	266	360	215	0	48	2,686
Apr. 15, 1972	1,017	183	298	8	299	316	238	0	67	2,426
Apr. 22, 1972	830	153	235	1	287	425	327	0	78	2,336
Apr. 29, 1972	981	276	311	2	337	463	313	0	76	2,759
May 6, 1972	958	227	247	1	266	717	317	0	41	2,774
May 13, 1972	980	196	182	0	260	481	185	0	13	2,297
May 20, 1972	815	183	82	0	149	1,006	125	0	13	2,373
May 27, 1972	729	183	17	10	160	1,013	163	0	18	2,293
June 3, 1972	668	142	21	3	248	307	161	0	30	1,580
June 10, 1972	682	137	25	8	247	368	143	0	46	1,656
June 17, 1972	682	155	237	15	307	421	222	0	34	2,073
June 24, 1972	794	146	378	10	276	418	114	0	39	2,175
July 1, 1972	709	124	770	34	241	284	99	0	40	2,301
July 8, 1972	574	126	168	25	232	257	80	0	5	1,467
July 15, 1972	640	94	332	25	232	211	77	0	43	1,654
July 22, 1972	677	294	706	17	380	231	136	0	34	2,475
July 29, 1972	687	312	663	48	476	438	159	0	32	2,815
Aug. 5, 1972	910	223	767	45	411	267	134	0	23	2,780
Aug. 12, 1972	1,078	213	2,030	52	592	330	166	0	29	4,490
Aug. 19, 1972	1,563	265	1,975	53	520	243	172	0	31	4,822
Aug. 26, 1972	2,036	290	2,093	57	580	182	190	0	30	5,458
Sept. 2, 1972	2,672	377	1,765	66	718	200	146	0	36	5,980
Sept. 9, 1972	2,791	445	1,590	58	461	134	179	0	40	5,698
Sept. 16, 1972	2,589	529	1,686	45	729	122	200	0	41	5,941
Sept. 23, 1972	2,174	504	1,496	74	610	217	190	0	31	5,296
Sept. 30, 1972	2,300	649	1,710	122	700	230	188	0	23	5,922
Oct. 7, 1972	3,109	696	2,142	129	673	219	172	0	28	7,168
Oct. 14, 1972	3,997	659	2,996	78	775	348	169	0	35	9,057
Oct. 21, 1972	4,671	617	3,134	61	782	386	146	0	35	9,832
Oct. 28, 1972	5,113	665	3,588	61	662	372	195	0	26	10,682
Nov. 4, 1972	5,237	600	3,791	71	816	552	138	0	27	11,232
Nov. 11, 1972	5,246	627	3,596	79	767	379	164	0	17	10,875
Nov. 18, 1972	4,805	601	3,526	75	740	360	180	0	25	10,312
Nov. 25, 1972	5,377	571	3,370	75	468	105	148	0	25	10,139
Dec. 2, 1972	5,378	475	4,281	48	468	185	143	0	21	10,999
Dec. 9, 1972	6,272	632	5,837	47	527	116	143	0	24	13,598
Dec. 16, 1972	7,330	741	7,519	49	678	220	275	0	24	16,836
Dec. 23, 1972	8,339	775	9,041	69	700	148	191	0	35	19,198
Dec. 30, 1972	8,147	594	9,530	57	681	110	121	0	25	18,265
Jan. 6, 1973	8,543	596	10,122	28	758	63	116	0	50	20,276
Jan. 13, 1973	10,163	729	12,163	61	767	187	113	0	27	24,210
Jan. 20, 1973	11,889	732	9,731	90	1,021	674	135	0	50	24,322
Jan. 27, 1973	13,654	932	14,350	116	1,330	678	155	0	107	31,322
Feb. 3, 1973	15,751	1,096	14,886	175	1,509	993	339	0	106	34,855
Feb. 10, 1973	16,608	1,392	15,749	206	1,863	1,322	1,151	0	80	38,371
Feb. 17, 1973	16,943	1,399	15,917	245	1,963	1,076	955	0	45	38,543
Feb. 24, 1973	17,032	1,438	14,736	318	2,188	1,452	1,082	0	104	38,530
Mar. 3, 1973	18,327	1,556	16,249	354	2,682	2,189	1,029	0	148	42,534

FREIGHT CAR OWNERSHIP, CLASS I RAILROADS

	Plain boxcars	Equipped boxcars	Covered hoppers	Refrigerators	Gondolas	Hoppers	Flats	Stock	Others [1]	Total
Jan. 1, 1963	578,834	58,941	69,106	29,291	249,618	443,784	54,125	26,190	42,482	1,552,371
Jan. 1, 1964	543,898	71,989	73,823	33,017	237,127	434,516	56,316	24,376	40,077	1,515,139
Jan. 1, 1965	508,713	87,889	81,753	37,629	223,681	434,234	58,772	22,128	39,904	1,494,703
Jan. 1, 1956	473,798	107,599	92,080	43,675	214,679	428,566	60,859	20,596	38,718	1,480,570
Jan. 1, 1967	454,761	125,891	105,027	49,016	207,077	428,970	66,645	19,078	40,114	1,496,579
Jan. 1, 1968	427,206	139,067	118,960	51,705	200,096	419,298	66,996	16,531	42,302	1,482,161
Jan. 1, 1969	404,592	146,252	122,566	52,535	197,087	410,508	68,558	14,964	41,158	1,458,220
Jan. 1, 1970	386,499	159,574	125,867	55,068	192,238	394,204	71,498	11,797	41,445	1,438,190
Jan. 1, 1971	367,833	168,528	130,954	53,813	187,429	388,492	75,622	10,189	40,483	1,423,343
Jan. 1, 1972	350,493	173,951	138,099	65,471	183,512	386,482	76,976	8,687	38,740	1,422,411
Feb. 1, 1972	349,521	174,420	138,202	65,324	183,357	387,144	76,983	8,646	38,649	1,422,246
Mar. 1, 1972 [2]	361,699	177,373	139,385	65,696	186,406	391,016	95,743	8,621	38,870	[2] 1,464,809
April 1, 1972	360,345	177,449	139,839	65,609	185,823	390,060	95,952	8,528	38,641	1,462,246
May 1, 1972	357,326	177,809	138,848	65,037	185,509	389,408	95,919	7,774	38,438	1,456,068
June 1, 1972	355,354	177,910	139,138	65,269	185,707	388,110	95,929	7,728	38,271	1,453,416
July 1, 1972	352,121	178,108	139,757	65,639	185,722	385,779	96,038	7,501	38,225	1,448,890
Aug. 1, 1972	350,541	178,259	140,993	65,831	185,972	384,862	96,018	7,294	38,302	1,448,072
Sept. 1, 1972	348,023	178,638	141,167	66,169	186,106	384,903	96,849	7,203	38,141	1,447,199
Oct. 1, 1972	347,444	179,427	141,075	66,414	186,453	384,003	96,846	7,133	38,049	1,446,844
Nov. 1, 1972	343,059	179,111	141,023	66,770	186,146	382,513	91,867	6,838	37,723	1,435,050
Dec. 1, 1972	341,817	179,861	140,979	66,817	186,865	381,036	93,761	6,778	37,728	1,435,642
Jan. 1, 1973	339,613	180,199	142,309	66,709	186,381	379,461	94,610	6,529	37,506	1,433,317
Feb. 1, 1973	339,060	180,442	143,441	66,850	186,534	376,809	95,043	6,061	37,786	1,432,026
Mar. 1, 1973	339,166	180,476	144,203	67,071	189,067	375,383	95,384	6,010	35,565	1,432,325

[1] Includes tank cars.

[2] Figures now include class I, class II, and switching and terminal carriers.

CARS INSTALLED AND RETIRED 1963–72

	Box	Covered hoppers	Gondolas	Hoppers	Stock	Flat	Refrigerators (railroad owned and controlled)
Installed 1963	12,542	4,827	210	8,646	0	3,623	6,257
Retired 1963	34,430	110	12,701	17,914	1,814	1,432	3,653
Installed 1964	18,016	8,295	2,040	28,764	302	3,429	6,332
Retired 1964	37,301	365	15,486	29,046	2,550	973	3,797
Installed 1965	22,239	10,898	5,615	19,065	0	4,322	7,648
Retired 1965	35,004	520	11,654	22,957	1,532	2,003	2,878
Installed 1966	28,929	13,868	7,152	20,079	22	4,623	7,546
Retired 1966	29,674	921	14,754	19,675	1,540	[1] −1,163	3,642
Installed 1967	26,349	15,770	7,535	16,275	0	3,253	4,647
Retired 1967	40,728	1,837	14,516	25,947	2,547	2,902	4,417
Installed 1968	18,087	4,627	7,779	14,729	--------	3,459	3,692
Retired 1968	33,516	1,021	10,788	23,519	--------	1,897	7,039
Installed 1969	26,007	5,327	5,299	9,381	--------	3,605	5,305
Retired 1969	30,848	2,026	10,148	25,685	--------	605	4,565
Installed 1970	19,820	6,960	7,091	14,891	--------	2,520	5,533
Retired 1970	29,532	1,873	11,900	20,803	--------	[1] −1,602	7,200
Installed 1971	13,245	8,498	4,376	15,304	--------	1,057	5,066
Retired 1971	25,162	1,353	8,293	17,314	1,502	[1] −297	7,537
Installed 1972	14,523	5,323	6,599	7,251	--------	1,227	2,581
Retired 1972	27,485	1,750	7,775	20,597	2,158	[1] −15,696	7,140

[1] Negative retirement. Indicates increase in ownership in excess of new installations, resulting from reclassification or transfer of equipment, purchase or lease of used equipment, etc.

1968

CS 54 Record

CARS OF REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS

Grand Total (All Districts) _____ RAILROAD

1968 WEEK ENDED	Grain and Grain Products 1968	Grain and Grain Products 1967	Livr Stock 1968	Livr Stock 1967	Coal 1968	Coal 1967	Coke 1968	Coke 1967	Forest Products 1968	Forest Products 1967	Ore 1968	Ore 1967	Mdse. L.C.L. 1968	Mdse. L.C.L. 1967	Miscellaneous 1968	Miscellaneous 1967	TOTAL 1968	TOTAL 1967	Total Cars Received From Connections 1968	Total Cars Received From Connections 1967
Jan. 6	39710	45038	1032	1340	81879	96755	7494	7414	28429	29669	15046	15390	3167	4616	240506	251353	417263	451575	366766	412112
13	50012	55029	1472	1966	98177	114508	7916	7505	33072	39305	14358	17325	3839	5371	278318	301293	487466	542304	607773	667723
20	50968	52077	1233	1529	98917	111830	8430	7412	38116	38852	14523	18358	3892	5361	287488	294924	503369	528324	445816	470227
27	51516	49318	1155	1322	103322	114050	8401	7597	39284	40621	17000	17633	4094	5207	302001	291036	526775	526784	463494	466731
TOTAL	192206	201462	4892	6157	382295	437143	32241	29928	138905	148447	60927	66707	15092	20515	1108513	1138608	1935071	2048987	1685865	1817313
Feb. 3	48099	47696	1021	1046	85886	107343	8347	7378	39605	40825	14671	17314	4194	5013	300444	293088	502265	519703	466131	474450
10	47397	48937	1027	1121	106042	105173	8747	7480	38012	37287	15033	16840	3884	5021	285994	277809	504136	499688	441750	471750
17	48294	49188	1042	1125	104812	112920	8494	7778	40308	41023	14721	18202	3934	5556	295123	294372	516730	530212	467105	483857
24	42013	46320	933	1197	102247	106622	8812	7275	38800	38714	16008	16037	3605	5351	286527	282753	499943	504271	468635	472315
TOTAL	186803	192161	4023	4489	397085	432058	34400	29911	156725	157899	60431	68393	15619	20939	1168088	1148024	2023174	2053874	1843421	1907772
Mar. 2	45676	52118	1213	1390	106178	106750	8597	7132	41482	41873	16165	17982	4338	5222	312101	301892	533755	534359	482717	491769
9	43145	51019	1132	1702	107028	93372	9313	6770	42334	41219	16790	18027	4217	5210	307698	314344	531658	521663	493936	495238
16	43297	50037	1207	1407	103236	106648	9032	7067	40032	40973	17787	18383	4203	5182	307565	307265	526359	536962	488115	486912
23	41273	49210	1116	1426	105400	109317	8609	7300	40672	40970	17780	18561	4031	5143	309343	297678	528224	529605	483428	490646
30	40644	46746	923	1307	113639	110727	8271	6917	41472	40171	19299	18289	4211	4972	325733	308780	554192	537909	498202	479636
TOTAL	214035	249130	5591	7232	533482	526814	43822	35186	205992	205206	87821	91242	21000	25729	1562640	1519959	2674188	2660498	2446396	2444119
1st 13 WKS.	592044	642753	14506	17878	1312862	1396015	110463	85025	501622	511552	209179	226342	51711	67203	3839061	3806521	6632633	6761359	5973662	6169804
Apr. 6	38158	45480	856	1389	94754	111744	8764	7323	39004	38393	24010	21287	4083	5188	318767	312957	528398	543761	492230	496215
13	34267	43658	889	1408	110292	114688	8344	7239	38455	39406	26419	26954	4128	5239	308124	315406	536918	553996	489129	497658
20	33519	40516	852	1358	112255	115497	8209	7240	40561	38725	39381	35908	3873	5212	318434	316635	557100	560891	466784	502718
27	34192	40615	1086	1288	112563	116559	8637	7651	40012	38722	46691	41634	3846	5313	324923	318280	569964	567862	482368	489209
TOTAL	140134	170269	3683	5443	429864	456488	33954	29453	158032	155244	138511	125583	15928	20952	1270248	1263278	2190380	2226510	1930513	1985801
May 4	33934	40572	1288	1482	107141	116436	7770	7607	40582	38375	50182	44679	3926	4867	336099	310300	580920	566368	496251	490453
11	32049	40783	1366	1398	109808	113972	8286	7407	40515	39889	52394	51846	3941	4993	327181	315285	575544	575596	488112	491232
18	33457	40719	1012	1225	109420	111128	8445	7679	39570	40272	54866	49746	4070	4920	329763	315454	580603	571363	476095	478910
25	33995	38463	1059	1179	109004	116042	9122	7692	42220	39548	54927	53625	3780	4991	335110	311788	589217	573628	469421	472265
TOTAL	133435	160537	4725	5284	435373	457578	33623	30385	162887	158184	212369	199910	15715	19751	1328153	1253107	2326284	2286736	1927879	1932880
June 1	31072	35321	1064	1190	91202	97272	8405	7237	37968	36074	53715	51709	3409	4670	301193	275372	528028	508865	456118	448263
8	34051	45268	1289	1052	112378	118396	8533	7565	41252	41343	56314	55094	3718	4766	325380	303723	585114	577225	445960	432734
15	42628	46182	915	963	112012	116309	8363	7440	41667	40615	54082	53907	3796	4831	325619	300734	590880	570783	460126	469880
22	46332	43411	829	1127	112733	117457	8548	7430	42357	38068	54086	54040	3873	4868	329391	299048	598149	565429	478856	462413
29	48116	45489	823	992	59140	60110	7726	6139	41875	36507	50744	53505	3959	5177	326771	297753	539144	505672	455514	435444
TOTAL	204199	215671	4920	5326	487465	509544	41574	35811	204919	192427	271141	268255	18743	24290	1608356	1476630	2861315	2727954	2294554	2269736
2nd 13 WKS.	677768	546677	13328	16053	1352702	1423610	109149	93649	525850	505855	622021	593748	50386	64993	4206755	3992815	7357959	7239200	6152968	6138435
TOT. 26 WKS.	1070812	1189230	27834	33931	2665564	2819625	219613	190674	1027677	1017407	831200	820090	102097	132198	8045796	7799606	13990392	14002559	12126608	12368239

94-818 O - 73 - 12

1968

CS 54 Record — CARS OF REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS — Grand Total (All Districts) — RAILROAD

1968 WEEK ENDED	Grain and Grain Products 1968	Grain and Grain Products 1967	Live Stock 1968	Live Stock 1967	Coal 1968	Coal 1967	Coke 1968	Coke 1967	Forest Products 1968	Forest Products 1967	Ore 1968	Ore 1967	Mdse. L.C.L. 1968	Mdse. L.C.L. 1967	Miscellaneous 1968	Miscellaneous 1967	TOTAL 1968	TOTAL 1967	Total Cars Received From Connections 1968	Total Cars Received From Connections 1967
July 6	42135	40353	602	878	40210	39519	7319	6291	31547	26325	52139	51429	3282	4236	266143	236563	443377	405594	412739	378661
13	45242	51742	911	1078	96658	102845	8313	6300	39683	38140	53257	52546	3501	4612	301967	272847	549532	530110	381550	380177
20	43787	47468	904	774	105024	99925	7845	5929	43846	38028	56316	44163	3398	3691	305896	244577	565016	484568	425948	348687
27	43740	55976	818	1126	109455	113770	7295	6246	42787	41550	56384	49886	3555	4326	302024	276043	566058	548923	431411	448104
TOTAL	174904	195539	3235	3856	351347	356059	30772	24766	157863	144036	218096	198024	13736	16865	1176030	1030030	2123983	1969175	1651648	1555629
Aug. 3	44747	55800	747	869	104902	110009	6393	6354	41733	41015	46924	49174	3733	4572	304895	281947	556104	549740	436706	442067
10	44151	55981	888	863	106223	113930	6702	6429	42047	40766	44889	48110	4080	4484	291231	282775	540211	553338	428240	439657
17	43361	52397	1035	1242	107784	114094	6821	6807	42401	42676	50863	51396	4135	4230	302143	296930	558523	569772	429242	454943
24	38601	47856	1156	1583	108744	109537	6708	6667	42527	40912	44553	44880	4209	4212	301642	296938	548140	552585	433961	455785
31	40538	45677	1249	1629	112273	113340	6312	6882	45191	40828	47754	48269	4607	4280	315871	311556	573795	572461	442227	467583
TOTAL	211398	257711	5075	6186	539926	560910	32936	33139	213899	206197	234993	241829	20764	21778	1515782	1470146	2774773	2797896	2170376	2260035
Sept. 7	35834	37588	1644	1540	93035	93917	6030	6642	36760	34657	44655	46016	4040	3579	269960	263539	491958	487872	416762	421650
14	45398	43836	2217	2314	111150	111436	6475	6967	45304	42058	43647	42833	4415	4162	321957	313215	582763	566821	443045	452651
21	44403	43237	2274	2854	112880	110986	6273	7101	44590	42710	46188	40996	4218	4507	326801	316914	585625	569303	465551	466081
28	43882	47504	2247	2637	115867	109817	6318	6695	45348	41983	44512	42867	4443	4498	330761	329668	593378	585673	472274	479517
TOTAL	169517	172565	8382	9343	432932	426156	25096	27405	172202	161406	179000	172712	17116	16746	1249479	1223336	2253724	2209669	1797632	1819899
3rd 13 WKS.	555819	625815	16692	19385	1324205	1343125	88804	85110	543966	511639	630089	612565	51616	55389	3941291	3723512	7152480	6976740	5619656	5635563
TOT. 39 WKS.	1626621	1815045	44526	53316	3989769	4162730	308416	275984	1571461	1529046	1461285	1432655	153713	187585	11987087	11522918	21162872	20979299	17746264	18003802
Oct. 5	49270	50876	2642	3114	81623	108875	5982	6809	45135	40628	43293	42871	4509	4955	335941	324561	568397	582619	475773	487788
12	48061	48528	3028	3321	48509	110545	6047	6975	43738	39532	40386	40007	4415	4535	336920	330550	531104	583993	449402	482725
19	50909	50552	3143	3900	75067	107768	6972	7200	45099	40346	34397	40259	4309	4576	339956	335282	561854	589883	437638	479533
26	54513	55852	3582	3679	106071	110876	6946	7282	45390	41277	33623	37545	4388	4564	340893	331420	597434	592495	463738	475787
TOTAL	202753	205808	12397	14014	311[illegible]70	438014	25947	28266	179362	161783	155729	160682	17621	18630	1353710	1321793	2258789	2348990	1826551	1925043
Nov. 2	57756	51603	2872	3472	111010	109660	7388	7370	46761	38309	33864	38681	4407	4524	347781	321726	611819	575552	479608	477618
9	53712	53339	2563	3136	107393	110401	7283	7930	43844	40817	29654	34278	4354	4947	328377	314433	577180	569281	474506	467468
16	51053	55721	2602	2625	95247	112728	7829	7869	42547	40302	26708	30821	4094	4494	324531	318151	554611	572891	458949	467722
23	51800	46288	2395	1910	100313	95182	7405	7284	45790	33275	29043	27931	4159	3846	329476	275907	578381	491621	477004	436581
30	46262	52722	1349	2121	92226	109659	7244	8211	39318	39456	27660	30882	3297	4262	294490	309404	511828	556715	459616	430576
TOTAL	260583	259673	11781	13464	516189	537630	37149	38644	218260	192239	146909	162592	20311	22083	1624655	1539615	2833817	2766060	2349683	2299965
Dec. 7	50089	49108	1485	2127	98592	108755	7397	8318	41733	39770	24346	26892	3606	4423	318990	315934	546238	555545	460702	472843
14	47294	47229	1474	1575	104019	104663	7591	7958	45446	38753	22671	23634	3551	4232	317940	305593	549986	533635	457594	471864
21	42178	45244	1295	1286	103594	100779	7017	7896	43516	35620	20637	18403	3372	3973	299595	289821	521704	503022	444837	450711
28	28708	35726	741	855	83175	79173	7064	7400	28154	23183	13798	15134	2477	3105	216179	232624	378296	397200	381918	375732
TOTAL	168269	177307	4995	5843	389380	393570	29069	31572	158849	137332	81452	84063	13006	15743	1150704	1143972	1995724	1989402	1725049	1771150
4th 13 WKS.	631585	642790	29173	33321	1214839	1369214	92165	98482	556671	491473	384090	407338	50938	56456	4129069	4005380	7088330	7106452	5901283	5996958
2nd 26 WKS.	1187404	1268605	45865	52706	2539044	2712339	180969	183792	1100435	1003110	1014179	1019903	102556	111845	8070360	7728892	14240810	14081192	11520939	11632521
TOT. 52 WKS.	2258216	2457835	73699	86637	5204608	5531964	400581	374468	2127912	2020517	1845375	1839993	204651	244041	16116156	15528298	28231202	28083751	23667547	24000760

Car Service Division
February 12, 1969

ASSOCIATION OF
AMERICAN RAILROADS

1970 - 1969

CS 54 RECORD

REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS

52 WEEKS ENDED IN 1970 AND 1969

	(1) GRAIN		(2) FARM PROD EX GR		(3) METALLIC ORES		(4) COAL		(5) CR ST, GRAV, SAND		(6) NONMETAL MINERALS	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PRIOR QTRS												
7001	20036	14083	18197	15705	17259	13757	76267	80829	15682	17081	7344	7448
7002	26636	20424	22093	19200	19776	15381	82244	97345	17004	19902	7394	9496
7003	28824	21614	20189	20579	20444	16588	97516	102187	17450	21912	8166	9750
7004	26434	20071	20776	18530	19477	14952	92551	99552	16585	21217	7909	9209
7005	27768	16806	21834	17081	19479	15426	100895	101114	20091	20708	8488	9043
7006	25559	19245	17839	16085	20815	17525	96870	98191	19876	21690	8809	9133
7007	26364	20347	17962	15920	20332	17660	99088	97273	20495	23877	8862	9822
7008	27398	20286	17234	16645	21747	18302	100162	95475	20893	21734	8926	9018
7009	26097	20773	15315	17109	20916	19245	106490	75791	21083	25309	8744	9239
7010	26818	20501	12626	14754	20970	19340	99202	70852	22247	24260	9154	9928
7011	27087	20768	13348	13276	21328	21842	102743	88207	23829	23883	9067	10038
7012	24920	20693	13311	13854	21298	20564	103711	107895	24388	29485	9543	10473
7013	25482	20011	12553	13617	20776	21463	107465	106224	25053	25771	9660	10654
QTR TO DATE	339163	255332	223877	212399	244612	232043	1265204	1220915	244618	291021	112066	123453
7014	25597	19715	12029	12973	25005	26153	91116	95347	25336	28737	9355	10351
7015	25656	18639	12375	12467	27556	22387	107288	102915	27887	30374	9266	10360
7016	24602	18922	12237	14209	29543	28307	104019	105944	28818	32205	9841	9788
7017	25593	20195	12584	14307	40516	35346	101046	110504	30045	33246	9732	10725
7018	23217	19956	12272	14043	43548	42766	95220	110496	29813	34798	9830	12226
7019	22906	20463	12186	13421	46454	44468	104202	106542	30854	34215	11181	11632
7020	24029	19963	12858	14806	52809	54444	100931	108311	32017	35350	11028	11313
7021	24733	20932	14074	16211	55495	48803	101719	110841	31996	35259	11215	11011
7022	21601	18474	17657	14644	50263	49806	103203	95760	31124	32307	10895	11160
7023	22761	24706	12456	14557	50359	51523	100648	110801	31012	34737	10031	11236
7024	29551	28165	13360	15005	55006	52176	103102	99646	33049	35268	10161	10956
7025	33104	26260	12882	14828	55209	50799	100702	95165	32312	35722	10641	11351
7026	33488	32524	12644	13380	53967	51963	94581	108187	33216	35301	10605	11604
QTR TO DATE	339441	289319	164610	184861	585739	559141	1307777	1357509	397484	437539	133881	143613
YR TO DATE	678604	544641	388487	397260	830352	791184	2572981	2579424	662102	728560	245947	267066
7027	31895	29816	12602	12292	53824	48693	59133	49099	30701	30657	9796	10182
7028	30822	32329	11604	13406	47969	50145	54825	50326	30084	33115	9928	11463
7029	31878	33151	12604	13487	49472	53477	90444	85864	32894	34565	10360	12040
7030	32720	30577	11638	12610	51377	54564	91778	93641	33375	34188	10511	11616
7031	31741	31375	11736	12505	51754	54482	98524	105381	33272	35021	10343	11937
7032	31412	30966	11670	12729	52572	57419	102720	105022	35262	34946	11024	11604
7033	32207	30267	11517	12436	50270	55816	108227	104579	32886	35156	10991	11973
7034	30576	28368	10925	11883	54980	61080	101634	101747	34415	33887	11570	11295
7035	31493	27624	10636	12476	52245	56188	105187	105731	34727	34939	11579	11541
7036	29686	23141	10401	11357	55162	54302	107029	89866	34739	29905	11284	9562
7037	25234	26318	9903	12574	44993	58761	96236	107073	29510	35878	10045	11430
7038	29640	24034	11001	13167	49857	58314	109141	107501	33267	35725	11332	11266
7039	29957	24696	12351	17816	45861	54633	110324	108693	34453	34749	11603	11404
QTR TO DATE	399261	372662	148558	170738	660336	719874	1225202	1214463	427525	442731	140366	147313
YR TO DATE	1078865	917313	537045	567958	1510678	1511058	3798163	3792887	1089627	1171291	386313	414379
7040	21323	25668	15960	22807	45886	53835	106458	107896	34739	36273	11210	10969
7041	32140	26038	20529	25516	46548	54999	112626	109786	33341	34678	9809	10609
7042	31942	25475	21941	25055	44271	50923	106546	103386	32868	33770	10094	10680
7043	35319	29418	24007	28217	45140	51008	109611	107553	31646	34186	9460	10996
7044	34100	32658	23454	26356	45015	42891	111251	110177	31763	33204	9912	10605
7045	35391	29915	23810	25616	34314	43231	110014	107837	30396	32759	9396	10680
7046	35138	32481	25059	26661	34229	42894	99540	97658	30303	31717	9574	10035
7047	34239	30618	27469	27759	29622	38457	114525	108645	30359	29245	9603	9751
7048	25230	25603	22999	24930	23823	33738	91418	98830	22416	26514	7860	9337
7049	29294	30897	26047	26451	25072	33894	114076	111218	26464	28185	9940	9297
7050	23581	27773	21024	26325	21544	27272	94765	111274	22564	25232	7940	9024
7051	26024	27909	22454	23758	25615	28063	115356	109554	23544	23770	8741	8759
7052	20131	21061	16045	17082	20919	18813	79015	75828	17245	15503	6934	6250
QTR TO DATE	394072	363354	290678	326563	441998	520018	1365201	1359662	367728	385036	120553	127021
YR TO DATE	1467937	1280667	827723	894521	1952676	2031076	5163384	5152549	1457355	1556347	506866	541400

ASSOCIATION OF
AMERICAN RAILROADS

CS 54 RECORD

REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS 52 WEEKS ENDED IN 1970 AND 1969

	(7) GRAIN MILL PROD		(8) FOOD & KIND PROD		(9) PRIM FOREST PROD		(10) LBR & WD PROD EX FR		(11) PULP, PAPER, ETC		(12) CHEMICALS, ETC	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PRIOR QTRS												
7001	16995	15892	20147	19174	18274	19056	9736	11042	18078	18762	25465	25364
7002	20340	19719	23488	24810	21572	24457	11333	14567	21794	22883	26585	27710
7003	21064	20545	25723	25472	25302	25566	12874	15204	22833	23786	26838	29100
7004	21008	20519	26263	25614	24518	22915	13484	14676	23316	24152	26365	28058
7005	21455	19965	26995	25381	27016	22328	13594	12707	24261	24822	27587	28884
7006	21070	20196	26578	24714	24617	22761	13752	14227	23596	24629	29035	28849
7007	20894	20069	26024	25217	27580	25133	14485	15516	23461	24127	28948	30469
7008	20762	20040	26321	23837	25944	24071	14025	16029	24128	24652	29714	30407
7009	18643	20362	24967	26124	26431	26300	14019	16777	23969	25415	30007	32257
7010	19915	20747	26142	25383	26188	23959	14486	15990	24137	24841	31388	33406
7011	19929	20511	25645	24457	27480	26414	13924	16343	23300	24734	32202	33358
7012	19601	20677	25990	24929	26091	25030	14102	16470	23334	25192	33034	34985
7013	19117	20884	26329	24936	26245	26479	15790	16940	24318	25797	32266	35473
QTR TO DATE	260115	260166	330653	320053	327248	314509	175624	196488	300525	313792	377518	396330
7014	18364	19262	24625	23862	24918	26083	14894	16295	23451	24703	30924	34859
7015	19209	18499	24677	22810	26998	24561	14987	15482	23577	24280	33554	35488
7016	18687	19848	25411	23604	26276	22336	14975	15527	24193	24539	35143	36144
7017	18863	19714	25670	24159	25820	24944	15565	16326	24586	24877	34238	34656
7018	18282	20148	26615	24900	25692	26503	15898	17466	24889	25974	33797	35050
7019	17986	19120	25236	24219	25394	25553	15228	16530	24095	25444	33166	35711
7020	18669	19025	25601	24187	25704	25851	15029	16589	24102	25478	31975	34218
7021	19018	19614	26282	24097	26657	25525	14982	16740	24025	25573	30126	31009
7022	18145	17868	25909	22851	25288	25569	15161	15486	24632	24530	27334	28053
7023	17564	18065	24706	22514	24944	25353	13969	15669	23598	25059	25841	27792
7024	18634	20253	25192	23264	27165	26252	15990	16384	23867	24743	26494	28453
7025	18459	19935	24784	22951	26351	25992	14530	15845	24066	24704	25801	26487
7026	18553	19424	24968	22585	25161	25474	15281	15835	24788	25950	25975	24717
QTR TO DATE	240433	252605	329675	304008	336308	330002	196489	210174	313849	325454	393468	412637
YR TO DATE	500548	512771	660328	626061	663556	644511	372113	406662	614374	639246	770986	808967
7027	17120	17039	23625	20119	22786	20547	13821	12523	22382	21244	22559	21775
7028	16589	18354	22472	22030	21953	23301	12002	13034	18110	20226	20741	22476
7029	18791	19610	23891	22926	25503	25387	13931	15464	22373	23380	22928	24148
7030	18648	19021	24572	23585	24466	25597	14312	15486	22715	23117	23034	24232
7031	18265	19328	24337	24187	25951	25676	15296	16101	23634	24378	22564	24325
7032	18151	19278	23864	24512	25715	25940	14913	15518	22692	24183	24176	24922
7033	16892	20413	24063	24159	24640	26661	14480	15656	22777	24145	23818	24850
7034	19122	20169	24564	24758	25733	25187	14736	15729	23257	23534	25087	24658
7035	19315	20951	25307	25314	25246	26522	15545	16121	23587	24911	25330	26222
7036	19648	17159	25807	21915	24367	22380	15503	13289	23677	20293	26187	23230
7037	16296	21595	22664	26081	22169	26865	12717	16381	18859	24833	23172	26747
7038	20050	21513	25435	25737	25731	26907	15227	15753	22895	23791	26301	27502
7039	19762	21996	26045	26496	26359	25651	15666	16015	23991	25814	26679	27718
QTR TO DATE	240649	256426	316646	311819	320589	326671	188349	197068	290957	303849	312378	322805
YR TO DATE	741197	769197	976974	937880	984145	971132	563462	603730	905331	943095	1083364	1131772
7040	21375	21938	26446	26112	26100	25721	15420	15688	24391	25176	27789	27635
7041	19370	21407	25847	25743	25858	25235	14473	14647	23157	23905	26850	28021
7042	20075	21608	25870	25415	24666	26435	15046	15356	22590	24341	26067	27148
7043	20851	21686	26573	26206	24967	26831	14679	15471	23341	24430	26124	27201
7044	20567	21787	27241	26764	25004	26628	15266	16103	24111	25430	26340	27480
7045	20658	21299	25709	26086	25061	25533	14571	15854	22932	24563	26117	26832
7046	20192	21572	25056	25880	24744	26114	14544	15580	22910	24449	24725	27932
7047	20295	21759	26586	25882	24742	25723	15634	15339	22832	24667	28267	28461
7048	17042	19962	22141	23299	20593	23713	11847	13847	20947	22879	22400	25329
7049	20076	21038	26023	24566	25751	27239	12449	13289	22904	24285	26445	27468
7050	16897	21326	21079	25287	22856	25703	11671	14759	19729	24035	22428	27757
7051	19435	21526	25169	24706	24447	27823	14122	15211	22568	24005	26001	27576
7052	15430	16545	20432	19285	18494	17763	11[illegible]	11280	17889	17667	20379	21951
QTR TO DATE	252173	273433	324172	325229	313283	330461	181449	192424	290301	310032	331932	350191
YR TO DATE	993370	1042630	1301146	1263109	1297428	1301593	741911	796154	1195632	1253127	1415296	1481963

CS 5A RECORD — REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS — 52 WEEKS ENDED IN 1970 AND 1969

	(13) PETROLEUM PROD		(14) STN CLAY, GLSS PROD		(15) COKE		(16) MTLS & PROD EX COKE		(17) MOTOR VEH & EQUIP		(18) WASTE & SCRAP MATL	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PRIOR QTRS												
7001	9271	10761	13307	15856	7888	6488	22211	22737	10310	16777	9525	9900
7002	11676	12546	15768	17206	8387	7943	24997	26403	17515	23766	11867	12961
7003	11680	12988	15782	18591	8134	8114	25800	28425	21977	24793	13792	13870
7004	11521	12757	15291	18396	7657	7472	26588	28788	21212	24725	13861	14586
7005	12042	12441	17261	18229	7941	7667	28706	28770	21089	23856	14462	13949
7006	11712	12293	17569	19004	8177	7652	27702	28836	16896	25895	14068	14240
7007	11495	12699	16887	19112	8581	8289	26872	29312	19574	23612	15136	14665
7008	11458	12447	17502	18893	8479	7838	27509	29316	21511	23994	15188	14836
7009	10416	12582	17445	20165	8418	8024	27105	31384	22236	24756	15201	15391
7010	10955	12160	18964	20670	9068	7925	27965	30796	20959	25608	15740	15532
7011	11060	12795	19416	20045	9442	8551	27294	30614	21887	25104	16120	15776
7012	10615	12251	19492	22272	8693	8496	24921	30815	22896	25427	15405	15487
7013	10225	11631	19941	21062	8464	8027	25960	32022	19980	26060	15386	15434
QTR TO DATE	144176	160151	224625	249491	109359	101991	345450	378218	258042	312333	185751	186397
7014	10431	10959	19290	21931	8213	8211	26956	31450	17757	23416	14952	15276
7015	10702	11436	21054	21975	8695	8943	29762	29946	21852	22492	15687	14409
7016	10469	11394	21758	21585	8655	8405	34044	30480	21774	23789	15957	14983
7017	10429	10836	21782	23167	8536	7946	34860	31189	22105	24273	15232	15138
7018	10066	10939	21448	24144	8489	7860	36438	32653	22752	23075	15285	15292
7019	10651	11521	21262	22845	8770	8171	34503	30169	25611	21945	14914	15275
7020	10142	11345	21607	23988	9259	8427	34016	30641	24371	21694	15300	15300
7021	10337	11446	21686	23766	8956	8274	32650	30591	24971	23965	15640	15662
7022	9872	10314	21376	21633	8840	8815	30571	29978	24884	21407	15667	13713
7023	9955	11416	19615	22336	8179	8836	28485	30099	24029	22906	14925	13817
7024	10318	11731	20883	23093	8540	8054	28385	29578	25731	25132	15459	15483
7025	9851	11672	20674	23623	7840	8181	27578	29549	24800	24719	15183	15217
7026	9977	11553	21112	22678	8893	7912	27297	29678	23734	23143	15904	14503
QTR TO DATE	133624	146362	273527	296809	111864	108033	405400	396001	302351	301346	199585	194076
YR TO DATE	279800	306513	498152	546300	221223	210024	750850	774219	560393	613679	385336	380673
7027	9569	9585	20594	19372	7712	7732	26842	26968	20603	18328	14743	11950
7028	9615	10946	19998	21045	7443	7983	24026	26547	17277	17940	12922	13541
7029	9970	11599	21873	22462	8087	7939	23983	26650	14236	15039	14742	13888
7030	9914	11708	21499	22277	7910	7859	24024	27374	11525	13040	14409	13771
7031	9829	11262	21433	22462	7874	7708	25462	28923	10533	12739	13866	13870
7032	10252	11541	21715	22575	7584	7816	25345	26652	11411	13407	13544	14095
7033	9821	11636	21231	23223	7732	8017	23148	27207	13695	15660	13797	14669
7034	9980	11281	20554	23047	7970	7888	23939	27020	18002	18522	14100	14527
7035	10079	11874	20796	23467	7174	7950	25081	29517	20417	21859	14467	14676
7036	10346	9960	21075	20193	8099	7673	26991	25028	22004	19779	15402	12364
7037	8940	11918	18082	23078	8174	8620	22180	27523	19483	24406	12941	15693
7038	10211	11972	20449	23922	7612	8686	24541	28009	16894	25124	14983	15555
7039	10120	11565	20713	23381	8368	8668	24130	28753	13566	25439	14991	15424
QTR TO DATE	128646	146847	270012	290504	101739	105339	319702	356171	209646	240481	184707	184023
YR TO DATE	406446	453360	768164	836804	322962	315363	1070552	1130340	770039	854150	570043	564696
7040	10202	11910	20805	23498	8424	9629	25128	28634	12588	24498	14510	15777
7041	10299	11358	19910	22939	7615	8971	22342	27446	12711	25314	14145	15699
7042	10422	11532	19589	21792	8214	8867	22165	27743	12630	25423	14241	15700
7043	10122	11460	20071	22720	8325	10275	23159	28118	12917	25173	14234	15454
7044	9895	11255	19746	22080	8248	9062	24026	28816	13014	25842	14850	15633
7045	10068	11868	19263	21376	8744	9400	23274	26697	12603	25349	13629	15352
7046	10144	11360	17993	21482	8465	9746	22932	27218	12436	25128	13494	15389
7047	10776	11981	18558	20439	9580	9721	23058	27856	13041	24673	13348	14603
7048	9083	9847	14794	19137	8067	9072	20253	26226	12179	20732	12973	13196
7049	10653	11731	18633	20500	9646	10339	22845	27387	18677	23985	12882	14512
7050	8857	11504	15930	18249	8446	9042	19556	26841	18673	24844	11659	14831
7051	10385	11153	16823	18594	9323	9023	23348	27177	23156	20751	13724	14448
7052	8977	8923	12294	12607	7094	8063	18330	19066	15787	11503	10224	9811
QTR TO DATE	129881	145882	234509	264363	110209	121210	290416	349225	190412	303215	171913	190455
YR TO DATE	536327	599242	1002673	1101187	433171	436573	1360968	1479615	960451	1157375	741956	755151

ASSOCIATION OF
AMERICAN RAILROADS

CS 54 RECORD

REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS

52 WEEKS ENDED IN 1970 AND 1969

	(19) FWD TRAFFIC, FTC		(20) ALL OTHER CARLOADS		(21) LCL TRAFFIC (CARS)		(22) TOTAL CARS LOADED		(23) TOT LOADS FROM CONN	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PRIOR QTRS										
7001	4617	4547	47145	61316	1729	1627	386829	406432	323905	345736
7002	5589	6188	56709	69300	1329	1975	453998	494182	338706	391034
7003	6894	6123	62616	72967	1454	2135	496009	520249	389172	432358
7004	6871	6295	63374	72936	1318	2191	486289	507625	393567	448778
7005	7820	6888	68056	72308	1301	1980	518081	500433	427290	437963
7006	7661	7117	66944	73376	1365	1775	500310	505633	432829	461202
7007	7712	6530	65653	69908	1513	2120	507928	511707	432080	457895
7008	7952	7056	66748	69908	1345	1891	514386	506633	437672	465204
7009	7785	7205	66016	74396	1266	1893	512684	508204	440637	457249
7010	7413	7944	66929	72601	1124	2039	512190	498257	447683	469778
7011	7577	7385	66562	74665	1151	1963	520771	520229	439791	458729
7012	7595	7982	66092	73376	1542	1999	518504	544062	436036	476049
7013	7234	7605	68838	74569	1271	1988	522144	544640	435369	486769
QTR TO DATE	92720	88863	831773	931693	17004	25486	6450123	6571204	5376697	5786724
7014	6960	7457	65450	71908	1172	2625	497291	531063	421177	480515
7015	6867	6795	66852	68400	1129	2022	535528	524670	428042	446770
7016	6320	6693	65904	72526	1124	1985	539199	543193	436941	462591
7017	7185	7004	68787	75416	936	2084	555120	546072	446912	461582
7018	7492	7739	71785	74474	1046	2026	553874	582532	445273	478084
7019	7790	7370	69955	74907	935	2010	561084	571587	442542	469074
7020	8587	6609	70267	72879	912	2060	569093	583386	434804	458952
7021	8033	6583	72113	72977	948	2026	575156	580285	440121	460303
7022	8142	6592	72104	67006	739	1657	558206	538026	437598	447646
7023	7461	6708	66084	69069	786	1961	537027	570115	420034	450373
7024	7271	7601	69717	69369	796	2095	548651	571701	418878	439711
7025	7746	7440	70395	70707	795	1858	563608	561075	420994	429632
7026	7772	7451	71429	71687	818	1781	559272	576840	409354	436942
QTR TO DATE	97526	92037	901951	931529	12134	25590	7173109	7300645	5609270	5897935
YR TO DATE	190246	180900	1733724	1863222	29140	51076	13623232	13871929	10985967	11684659
7027	7469	6558	65023	57614	938	1515	483747	453609	404326	407907
7028	6224	6594	59019	63213	767	1480	494390	479494	345153	343904
7029	7508	6591	63929	67992	643	1816	520050	536975	370733	383797
7030	7636	7577	63751	67771	853	1808	520663	543619	385342	408854
7031	6782	7107	64151	70858	700	1711	518049	561335	378433	415154
7032	6785	7720	63317	68168	677	1803	532551	561216	398406	418849
7033	6865	8237	64791	69451	866	1737	536754	566748	387846	420649
7034	7026	7637	65113	69599	707	1790	543990	563606	397256	415227
7035	7429	8538	67108	71378	724	1894	553522	579493	410340	434932
7036	7314	6974	66734	59628	762	1437	562217	488435	422537	408273
7037	6049	8038	57976	71335	704	1880	486327	587027	382061	428157
7038	7108	8433	67270	73276	691	1729	549546	589916	400399	448027
7039	7148	8471	69190	74443	722	1671	532049	595494	418449	455029
QTR TO DATE	91443	98436	837352	884326	9754	22271	6823817	7114767	5101281	5386129
YR TO DATE	281689	279336	2571076	2747548	38894	73347	20447049	20986696	16087248	17070788
7040	7290	8692	69900	76017	837	1786	556731	599979	420595	463383
7041	7049	8331	67559	72347	769	1715	552947	594704	409954	450207
7042	6579	8561	67892	72066	609	1770	544717	583046	407792	446323
7043	6852	8594	68810	74366	634	1860	556842	601218	409655	452308
7044	7204	8729	69378	75615	606	1919	560591	597074	413092	455146
7045	6701	8326	65074	70867	620	1830	538343	581270	409340	463384
7046	5909	8023	64902	69867	561	1715	524870	573101	402512	442618
7047	6383	8233	67137	69744	673	1743	547187	575139	412771	446807
7048	5197	7154	54667	62712	503	1501	444432	516508	393500	449818
7049	5604	7080	63999	63991	612	1580	527930	558972	371991	429964
7050	4570	7012	53676	68133	454	1689	447899	547907	341853	437655
7051	5653	6816	62689	67756	567	1655	519184	560086	395809	437715
7052	4142	5195	49602	46719	415	1183	391925	381707	355852	368768
QTR TO DATE	79173	100748	825285	890203	7860	21946	6713198	7250711	5144736	5745094
YR TO DATE	360862	380084	3396361	3637751	46754	95293	27160247	28237407	21231984	22815882

Car Service Division
January 29, 1971

CS 54 RECORD

CARS OF REVENUE FREIGHT LOADED

1972-1971

Association of American Railroads
CAR SERVICE DIVISION
Washington, D. C.

Loadings by commodities cover years 1972 and 1971 only. Data include all revised reports received prior to January 1, 1973. Revised reports received after that date will be included in statement next year.

JANUARY 19, 1973

T-O-P-C REVENUE LOADING
NUMBER OF CARS AND TRAILERS (OR CONTAINERS) REPORTED TO THE CAR SERVICE DIVISION

WEEK ENDED	NO. RDS	1970 CARS LOADED	NUMBER TRAILERS	WEEK ENDED	NO. RDS	1971 CARS LOADED	NUMBER TRAILERS	WEEK ENDED	NO. RDS	1972 CARS LOADED	NUMBER TRAILERS
1-10-70	51	20558	32555	1-9-71	48	21007	32675	1-8-72	46	20623	33758
1-17		23707	37794	1-16		22449	35648	1-15		21706	35386
1-24		23642	37963	1-23		22535	35548	1-22		22318	37190
1-31		25795	42348	1-30		23271	36459	1-29		23698	39177
2-7		24492	39791	2-6		23094	36561	2-5		23913	40809
2-14		25344	41120	2-13		23115	37331	2-12		23586	39187
2-21		25772	41232	2-20		22007	36515	2-19		24452	41128
2-28		24670	40422	2-27		24143	38893	2-26		23582	39625
3-7	48	25337	41095	3-6		23720	38050	3-4		25999	44194
3-14		26421	42403	3-13		23526	38225	3-11		24566	42585
3-21		26774	43332	3-20		23654	38627	3-18		25113	43587
3-28		25865	42259	3-27		24121	38928	3-25		26009	41565
4-4		25982	37270	4-3		23735	39137	4-1		23838	40210
4-11		22248	34406	4-10		22318	35530	4-8		24616	40087
4-18		20503	32223	4-17		21999	35728	4-15		25317	41246
4-25		21292	34404	4-24		21682	35987	4-22		24755	41944
5-2		22567	34785	5-1		23478	38648	4-29		24527	44847
5-9		23610	37134	5-8		22406	36917	5-6		24944	41853
5-16		25369	40807	5-15		22706	36472	5-13		23274	41544
5-23		23229	41896	5-22		18435	31912	5-20		25426	42059
5-30		26154	43710	5-29		24538	40274	5-27		26077	43654
6-6		25552	41311	6-5		20444	32324	6-3		21971	37029
6-13		25729	42500	6-12		22496	37682	6-10		26430	44305
6-20		25914	42189	6-19		23448	38803	6-17		25521	43788
6-27		26822	044129	6-26		24985	41615	6-24		26420	43708
7-4		24776	39671	7-3		24899	41313	7-1		27389	45532
7-11		23265	37906	7-10		18596	31186	7-8		21271	35497
7-18		24371	39115	7-17		21479	34361	7-15		26780	41664
7-25		23664	38647	7-24		18873	30168	7-22		26402	41078
8-1		23880	38650	7-31		20769	33358	7-29		25099	42832
8-8		23760	38322	8-7		23139	39094	8-5		25572	42855
8-15		24088	39169	8-14		23384	39870	8-12		26997	42167
8-22		24812	39730	8-21		24252	40185	8-19	45	26269	44506
8-29		25357	41112	8-28		24351	41237	8-26		26663	45776
9-5		25583	41896	9-4		25455	42985	9-2		27897	47153
9-12		21802	33867	9-11		21[illegible]12	34903	9-9		22973	38392
9-19		25381	39995	9-18		24[illegible]99	41595	9-16		27376	47028
9-26		25418	41380	9-25		254[illegible]0	41603	9-23		27735	47176
10-3		26355	43922	10-2		026[illegible]8	043813	9-30		29396	50159
10-10		25292	41602	10-9		250[illegible]	41365	10-7		28897	49020
10-17		25538	41088	10-16		234[illegible]3	39726	10-14		28553	49392
10-24		254[illegible]	42095	10-23		25177	41986	10-21		29411	50326
10-31		027513	43326	10-30		25361	42032	10-28		28973	49663
11-7		25574	40178	11-6		25435	4[illegible]586	11-4		29940	051931
11-14		25482	40141	11-13		24371	40900	11-11		28216	49094
11-21		25496	40373	11-20		25057	41175	11-18		[illegible]757	49[illegible]
11-28		20882	33306	11-27		20521	33434	11-25		[illegible]190	41151
12-5		23061	36784	12-4		22964	37897	12-2		[illegible]583	47361
12-12		18670	29637	12-11		24382	4[illegible]	12-9		31401	47348
12-19		23401	37176	12-18		24901	4042[illegible]	12-16		270[illegible]	46111
12-26		17590	28249	12-25		20134	33145	12-23		28578	43990
1-2-71		16716	26602	1-1-72		19334	31099	12-30		1631	36962
YEAR		1,257,000	2,023,830	YEAR		1,199,157	1,967,276	YEAR		1,330,932	2,251,207
WK.AV.		24,173	38,920	WK.AV.		23,060	37,831	WK.AV.		25,595	43,331

High Week

CS 34 REVISED — REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS — 52 WEEKS ENDED IN 1972 AND 1971

	(1) GRAIN		(2) FARM PROD EX GR		(3) METALLIC ORES		(4) COAL		(5) CR ST, GRAV, SAND		(6) NONMETAL MINERALS	
	THIS WEEK	MONTHLY AVER	THIS WEEK	MONTHLY AVER	THIS WEEK	MONTHLY AVER	THIS WEEK	MONTHLY AVER	THIS WEEK	MONTHLY AVER	THIS WEEK	MONTHLY AVER
DATES ENDED												
7201	26073	22081	17943	18167	17937	17034	89003	97711	18009	16562	8152	8643
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7204	22050	27540	19983	18441	16832	17909	87209	90000	19401	19909	8749	8777
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7206	21061	23040	11620	13044	16741	18308	86500	89922	18087	18934	[illegible]	8644
7207	22532	26400	14349	14208	19150	20363	87900	93030	19059	19140	9216	9070
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7209	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9464	9082
7210	26416	29999	11106	19746	17020	21136	90142	100161	22232	21907	9836	9832
7211	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7212	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7213	21001	23700	7361	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7214	23634	22734	9939	10021	21861	24316	92403	104059	26252	23076	9304	9904
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7217	20045	20433	10500	10471	20090	40251	96873	105863	29100	30453	9807	10037
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7219	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7220	17072	16483	11399	9702	39468	90181	96172	84317	30810	25094	9816	9291
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7222	16016	[illegible]	[illegible]	[illegible]	43183	51595	85375	96457	24487	[illegible]	[illegible]	[illegible]
7223	21953	23604	11939	11826	42720	54154	99631	109449	30611	33408	10694	10047
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7227	23206	26096	8373	9009	34906	45229	35695	40024	24621	27943	8760	11016
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7229	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7230	20416	22929	9607	9409	40345	34001	91207	77063	28944	22300	10995	6432
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7232	[illegible]	27167	9819	9484	44736	42445	92596	107400	30768	29943	11209	10500
7233	20942	25000	8625	9166	49250	42377	99639	106443	31020	28790	11280	10074
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7236	20063	17161	7217	8246	42200	36769	76632	86799	27005	25768	9594	9287
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7240	29279	25984	10175	10724	43679	34614	88426	31619	31317	30396	10187	9300
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7242	[illegible]	30812	10722	10866	39963	32700	91000	23882	29967	29248	11056	9210
7243	30967	28077	10591	10772	41869	28987	89254	24006	29566	28569	10359	8834
7244	31388	30817	10361	10281	38687	28180	92781	25355	28267	28943	9741	8178
7245	30810	33496	20202	21680	38217	27524	89907	29634	28176	28439	9936	8464
7246	29014	31804	19897	16187	36307	26343	91816	62779	25774	24599	9672	10327
7247	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7248	[illegible]	71647	24006	19784	35214	29841	87693	100117	24074	[illegible]	9840	8366
7249	[illegible]	19340	14602	19408	31720	29496	84894	80716	23701	[illegible]	9328	8727
7250	31298	20312	17437	17238	28485	21028	78133	108302	20307	[illegible]	9476	8744
7251	33308	20169	18599	16740	28496	17877	78010	88805	19260	16623	8698	7657
7252	26974	17307	16311	15710	25662	16441	64240	87699	19481	16246	7336	7190
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	1984979	1278628	680904	687600	1718819	1771583	4550139	4503174	1359272	1356625	514421	489436

CS 54 RECORD — REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS — 52 WEEKS ENDED IN 1972 AND 1971

	(2) GRAIN MILL PROD.		(8) FOOD & KINDR PROD		(9) PRIM FOREST PROD		(10) LUM & WD PROD EX FR		(11) PULP, PAPER, ETC		(12) CHEMICALS, ETC	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PRIMO SIRA												
7201	17531	18903	22879	24054	20590	22190	14097	12676	21464	20909	24749	29130
7202	19809	20004	24207	26401	21335	24434	13010	13306	22211	22462	27349	26009
7203	17886	20003	24771	26425	23350	23871	16738	16278	22630	22416	26913	26472
7204	18600	20199	24609	27260	23297	24069	15096	15311	23291	23405	27575	27005
7209	18874	19273	25418	29950	20971	24149	15041	14479	23443	22934	27883	26404
7206	18639	19807	26120	29959	23636	23330	14886	15115	22783	23886	26932	25351
7207	18643	19539	24368	25591	23900	25451	17236	14027	23406	22667	27290	26090
7208	17903	19900	23603	26011	24079	24695	17090	16013	23030	23003	27066	28204
7209	18730	19037	23322	25110	24650	22620	17260	16547	23601	23237	28051	28009
7210	18546	19403	23950	25054	24040	26081	17051	15344	22650	23242	30475	29007
7211	17908	18674	24433	25671	20052	24771	18202	15650	23590	22815	32020	30779
7212	17941	18925	23587	23837	23185	23864	16003	15436	23024	23037	31730	31910
7213	18040	18183	23685	23435	22170	23575	16003	15015	23027	24190	30172	30114
SUB	237173	251150	313077	330058	295676	310772	210881	195609	290931	290172	371238	363496
7214	17940	18131	23064	24095	24790	23128	17704	15632	22442	22126	31980	32754
7215	18215	17907	23288	24111	24757	24690	17993	15679	22609	22201	32117	34277
7216	17917	18040	23890	24777	23831	23500	17585	15738	22594	23195	31231	34335
7217	18020	18464	24440	24900	24304	23127	16850	16908	24450	23174	32093	32811
7218	17431	18132	23117	24250	24047	23262	17402	15901	23101	23273	30480	30657
7219	17836	17922	23603	24101	23868	22868	17163	15763	23197	23273	30631	28102
7220	18014	19064	23843	23756	23398	23146	17332	16136	23127	24016	29480	29211
7221	18009	19009	24095	26049	24906	24161	16272	17225	23906	24283	28625	27874
7222	18030	19976	21852	21930	23313	22363	15665	16005	22287	21885	23336	23402
7223	18354	18662	23116	24617	25476	24126	17623	16802	23443	23369	26187	25150
7224	18152	18707	23479	23853	25714	24617	18217	17448	23897	23572	25320	24137
7225	18129	17813	23329	23329	25293	23800	18018	16824	23073	23066	24236	23525
7226	18448	18957	23201	23843	24851	21771	18440	18756	23957	22771	24016	22485
SUB	218371	221269	280551	311151	293897	287411	205517	200119	281543	271008	339431	322031
YR TO DATE	449744	472419	593628	641209	589573	598183	416398	401728	571474	561180	710669	685496
7227	14754	14252	19646	19062	17252	18070	11591	12550	17991	16513	21050	20416
7228	18190	18165	23499	23395	23670	22412	16214	19020	21910	20273	24230	23257
7229	17239	16778	22518	20001	24021	21398	17377	15831	21929	19036	23178	20130
7230	18603	16659	25548	17180	24759	18610	17873	11150	22604	19330	23921	16097
7231	18250	17515	23164	21631	25105	21714	17875	15167	23255	21362	23377	22031
7232	17943	18040	23017	23625	23052	23967	17387	16040	22379	23007	24212	23722
7233	18588	19241	24042	24590	24576	23003	17617	16181	23122	23017	24249	23248
7234	18790	19339	24001	24602	24711	23000	17584	16744	23002	23322	24810	24446
7235	17926	20021	24982	23298	24993	23713	18300	16481	23673	23323	24823	23427
7236	18169	17810	21615	22168	21114	20727	14550	14353	18040	18312	22843	21921
7237	20605	20364	25195	25706	25796	24330	18431	16866	23472	22755	26740	25671
7238	20316	19907	23723	24013	23818	23733	18181	17150	23388	23217	26943	26170
7239	20453	19882	24002	23243	25916	24346	18735	16697	24094	23100	26572	25180
SUB	240839	235812	307332	280353	313188	285115	221783	199178	280950	276473	318576	281388
YR TO DATE	459972	436619	587759	552208	598857	513848	426679	385376	551575	512853	1038015	1010187
7240	20182	18876	24027	24258	24944	24305	17737	15794	23314	22018	26564	26110
7241	20139	19305	25229	24293	25118	25076	17254	15572	23568	22871	26116	26165
7242	20252	19128	26035	25072	25005	24615	18285	16627	23364	22890	27113	26576
7243	117	19334	25467	25420	25705	24548	18157	16572	23701	23220	27215	25830
7244	19976	18587	26239	26097	23883	23797	17946	15577	23477	23384	25833	25395
7245	19307	18694	25577	24923	26429	24811	17288	15436	23071	22666	26413	25526
7246	19721	18868	24479	24647	26207	25144	17956	16656	23177	22606	25363	25026
7247	17366	19064	22317	21130	20016	20444	14099	12497	20474	20408	22417	21715
7248	20172	18260	25802	24057	23720	22593	17190	15203	23933	22362	26212	25408
7249	20219	19367	25174	23468	22597	21404	15327	16056	22485	22676	25993	25928
7250	19726	19350	23946	23042	21898	24619	14680	15887	22379	22153	25044	25182
7251	18762	18633	22227	21116	22647	20170	16371	16636	22905	20093	24983	22447
7252	18452	19402	20827	21112	16052	19440	12243	12003	15504	16659	23059	23058
SUB	253190	241489	310104	304411	300125	301400	210399	198471	297080	284095	332915	324786
YR TO DATE	503211	476311	616464	574111	1258272	1216107	888038	798487	1123558	1148830	1408008	1334973

CS 56 RECORD — REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS — 52 WEEKS ENDED IN 1972 AND 1971

	(13) BituMIN COAL		(14) STN CLAY, GLASS PROD		(15) COKE		(16) PETL & PROD EX COKE		(17) MOTOR VEH & EQUIP		(18) WASTE & SCRAP MATL	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PERIOD ENDS												
7201	9040	10061	15230	14894	6045	8461	19131	23230	19430	21068	11237	12430
7202	[illegible]	[illegible]	16173	15861	[illegible]	[illegible]	21123	25056	21889	24956	13562	14050
7203	[illegible]	[illegible]	16450	15186	6648	8151	20523	24477	23120	24885	13104	15186
7204	9944	10706	16953	14394	7930	8880	21001	24941	24094	24184	13542	14944
7205	9941	10523	16613	13616	6635	7980	22605	25783	23038	23887	12921	14733
7206	10194	10401	16217	15056	6377	7442	21127	25040	25220	23254	14094	14703
7207	9950	9963	1743	16636	7058	7866	22002	25945	26954	24082	15081	15602
7208	9116	[illegible]	17329	17332	[illegible]	8386	22938	26021	26062	25222	14527	16187
7209	9016	9130	20107	16944	7482	8375	23629	27460	26327	24816	15199	15211
7210	9299	9468	20176	17757	8212	8363	23056	26702	26300	24671	15770	15644
7211	9089	9415	21185	18751	7434	8527	23167	27067	25424	25722	15487	15520
7212	8722	9018	21129	19488	7703	7801	23265	26899	26825	26100	15083	15779
7213	8980	9254	22232	17250	7281	7214	23260	26173	24008	23468	14262	13261
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7214	8945	8941	21177	19414	8636	8520	24426	27455	25002	22079	15100	14022
7215	9428	9624	21227	20812	8213	8214	25274	26854	26406	20615	15618	15271
7216	9424	9387	21671	21041	7930	8134	25952	28598	26396	24587	15249	16092
7217	9201	9075	22786	20897	7977	8404	27348	31701	26748	25447	16221	15744
7218	8973	9368	22175	1650	8139	8113	25605	29121	27115	25022	16035	15285
7219	8968	9120	22145	19951	7772	8318	25076	28758	26964	25446	16148	16021
7220	9067	7795	22408	18899	7859	7350	24907	25198	26108	21291	16407	13131
7221	[illegible]	[illegible]	22865	22918	8203	9254	23176	32812	24922	24439	15833	16285
7222	8123	8049	23057	18211	8002	8157	24104	27604	22542	21916	15848	15487
7223	8083	8461	27913	21766	7469	7671	24339	28755	25614	25257	16072	15272
7224	8242	8285	23882	28777	7708	8790	24784	29461	29021	24769	15955	15316
7225	8232	8255	21898	20715	7818	8211	23987	28087	22858	23186	16087	14319
7226	8781	8828	20827	21382	7732	7775	23463	29573	20875	19833	16234	13828
7227	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7227	7917	7813	18820	17962	9950	6298	19940	21741	13377	19383	10820	10758
7228	8277	[illegible]	21271	21040	8126	6428	22212	24793	14087	14848	13336	13138
7229	8101	8230	21482	17740	6519	6646	21909	23693	13390	11693	13764	11512
7230	8198	7988	21290	12704	6381	6646	23411	20726	14415	10342	13614	8976
7231	8820	8813	21817	18110	7138	6488	23040	16741	14041	13572	13678	11130
7232	8716	8150	22886	20102	7284	6964	22904	15609	16166	16732	14504	12429
7233	9361	8878	21848	20831	6949	5822	22204	19831	19461	20429	14460	12347
7234	8120	8047	21890	21106	7137	6857	23328	17487	21023	22591	16747	12384
7235	8540	8240	21612	21067	6939	5759	24675	18904	22290	[illegible]	14444	12902
7236	8273	8160	19499	18238	7171	5787	21436	15297	20207	[illegible]	12484	11173
7237	8122	8148	22868	21081	7618	5878	26232	15257	23871	[illegible]	15481	13438
7238	8144	8164	22534	20070	6819	6848	24714	19561	24901	24789	19481	13958
7239	8266	8160	22868	20068	6687	5671	26364	20230	24827	23881	19898	13803
7240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	522941	560171	895243	876712	379816	344243
7240	9069	9130	22213	20341	7857	5446	24890	17189	26616	24585	15688	13297
7241	8148	8160	21398	20816	7766	6488	26475	18168	26398	24682	15872	13688
7242	9247	8977	21975	20672	8110	5747	24815	19105	27407	24789	15734	14047
7243	8969	8709	21446	20063	7249	4829	25101	19501	28292	25630	16210	13763
7244	8118	8318	20848	18816	7818	6328	26254	19384	27784	24848	15805	13229
7245	9198	9223	21233	19310	7794	5898	25517	19342	27930	24450	16040	13395
7246	9504	9370	20184	19002	8724	6004	24320	19805	27789	24688	16037	13504
7247	8188	7813	16882	15587	4731	5284	22123	16484	23238	20502	13282	10813
7248	10141	9697	19444	14896	8687	4406	24864	19494	28368	23870	15048	12604
7249	9954	9404	18676	17784	7780	5647	24327	19650	28384	24438	15745	13495
7250	8286	8247	16758	17115	7625	5578	23228	18877	27665	26057	15387	13805
7251	10569	8394	16473	14146	7831	4407	22981	16534	20527	16204	14692	11031
7252	8991	8192	16241	14888	6481	5588	21391	16801	14103	11910	10269	9270
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YR TO DATE	470530	476469	1084497	974654	395390	363382	1290990	1208027	1230730	1164473	769869	714841

PAGE 4

CS 54 REVISED — REVENUE FREIGHT LOADED BY MAJOR COMMODITIES AND TOTAL LOADS RECEIVED FROM CONNECTIONS — 52 WEEKS ENDED IN 1972 AND 1971

	(19)		(20)		(21)		(22)		(23)	
	FOOD PRODUCTS, INC.		ALL OTHER PACKAGED FREIGHT		ALL OTHER FREIGHT (FCL&LCL)		TOTAL CARS LOADED		TOT LOADS PER CONN	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
PERIOD (TEN)										
7201	4040	4005	54729	55033	641	505	429682	499402	321490	328043
7202	5362	5040	60831	62900	501	516	466632	501532	373879	381607
7203	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7204	5713	5014	63923	63115	599	620	468516	504283	387193	399875
7205	6091	5600	65877	62051	599	625	465620	474610	391445	395207
7206	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7207	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7208	6049	5095	61093	69702	480	620	461601	509509	387898	410574
7209	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7210	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7211	6092	5744	67607	66900	504	521	502367	511896	412048	429537
7212	6135	5962	[illegible]	[illegible]	572	579	[illegible]	[illegible]	[illegible]	[illegible]
7213	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7214	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	610	[illegible]	[illegible]	[illegible]	422745
7215	5920	4070	67046	61167	526	627	499787	511768	410705	407784
7216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7217	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7218	5909	5443	67879	65539	489	550	516251	534239	424111	426067
7219	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7221	6331	6200	69499	69092	541	611	533771	572965	414202	443053
7222	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7223	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7224	6110	5770	68514	63403	540	534	530213	526271	402320	407117
7225	6494	6094	69926	65412	610	505	514621	553244	384452	399336
7226	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7227	4609	5144	56994	66446	323	568	370207	393846	334163	325130
7228	5328	5099	61147	57899	471	521	479903	484882	334712	331135
7229	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7230	6132	4835	64997	58888	530	449	508333	389201	366170	294716
7231	6412	6220	66650	55716	491	462	505942	450247	375211	332046
7232	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7233	6510	6633	67235	63626	506	513	517057	507743	364148	381248
7234	6647	6451	68865	64062	570	609	526197	514509	387086	383953
7235	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7236	5946	5864	61172	55254	418	469	461371	440024	366253	354105
7237	6859	6497	72772	65788	579	632	547397	518572	388054	382926
7238	7031	6546	72418	65948	534	619	544490	513746	405460	392321
7239	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7240	7062	7065	73906	64377	608	605	546687	444879	419248	397217
7241	7398	6744	71078	63977	504	504	556794	451172	412774	368278
7242	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7243	7184	6677	71704	65119	502	606	547782	438480	416077	363879
7244	7525	6703	75519	64469	511	571	540800	436938	421239	364807
7245	7413	6752	73525	66747	[illegible]	651	561653	464707	419185	363070
7246	7217	6722	72066	66452	464	635	532322	471769	410850	378231
7247	4890	5205	60989	51088	326	410	459106	408366	397247	365320
7248	6856	5602	69528	61227	472	536	535326	481382	382401	363103
7249	6475	4717	69744	65536	388	346	515783	483006	393438	[illegible]
7250	5844	5794	64608	64511	334	419	488805	479070	372571	354469
7251	6118	4786	67032	57406	382	384	493007	411732	395740	360569
7252	5275	6319	50871	50481	273	322	391015	390136	333659	314829
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TO DATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Car Service Division
January 19, 1972

SHORTAGES AND RISING PRICES OF SOFTWOOD LUMBER

TUESDAY, MARCH 27, 1973

UNITED STATES SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met pursuant to adjournment at 10 a.m. in room 5302, New Senate Office Building, Senator John Sparkman, chairman of the committee, presiding.

Present: Senators Sparkman, Cranston, and Packwood.

The CHAIRMAN. Let the committee come to order, please.

We continue the hearings on timber supply and prices. We have quite a heavy schedule for today, morning and afternoon, so I think we better get started.

I do expect some other Senators to be present.

I think we had better get going.

First witness is Mr. George Martin, president of the National Association of Home Builders.

Glad to see you this morning. You just proceed. We have your statement. You know that it will be printed in full in the record. You may handle it as you see fit. And, for the record, give the names of the two gentlemen with you.

STATEMENT OF GEORGE C. MARTIN, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS, ACCOMPANIED BY NATHANIEL B. ROGG, EXECUTIVE VICE PRESIDENT; HERBERT S. COLTON, GENERAL COUNSEL; CARL A. S. COAN, JR., LEGISLATIVE COUNSEL; AND MICHAEL SUMMACHRIST, ECONOMIST

Mr. MARTIN. Thank you, Mr. Chairman.

Mr. Chairman, I am George Martin, president of the National Association of Home Builders, and I have with me today our executive vice president, on my right, Dr. Nathaniel Rogg, and our general counsel, Herb Colton, and our legislative counsel, Carl Coan, Jr.

We gratefully appreciate the interest which this subcommittee has shown by scheduling these hearings on the severe problems now confronting the homebuilding industry as a result of skyrocketing lumber and plywood prices.

This testimony of mine is made up of half exhibits. I won't have to go through the exhibits, and will try to make my remarks as brief as I can.

The CHAIRMAN. Thank you.

Mr. MARTIN. This is almost a rehash of 4 years ago today, 4 years ago March the 19th, when we gave almost the same testimony about our concern with almost the same problem.

We can only hope that the scheduling of these hearings will have an impact similar to that of 4 years ago when, shortly afterwards, prices broke and began to descend to more reasonable levels.

In fact, it seems that that effect may already be occurring as we note with pleasure the announcement made to the subcommittee yesterday by John Dunlop, the Director of the Cost of Living Council.

As I stated yesterday to the press, "The Government's decisive actions in the lumber price-supply crisis * * * are very welcome news to consumers and builders. We are hopeful that the actions proposed to improve the supply of timber will result in much-needed improvement in the supply and price situation."

The various actions announced by Mr. Dunlop represent, we believe, a recognition of the crisis situation which hundreds of our members came to Washington last Thursday to discuss with their Representatives in Congress.

They parallel in many ways the very recommendations made by these deeply concerned homebuilders during their visits with you and the other Members of the Senate and House.

While the actions announced yesterday by Mr. Dunlop should help to ease the present crisis situation, they are, of course, only a first step toward solving the long-range price and supply problems in lumber and plywood which precipitated this present crisis and the crisis of 4 years ago.

Unless the necessary long-range actions are taken we are liable, 3 or 4 years hence, to be confronted once again with a similar crisis.

This, the subcommittee recognized in 1969 when it made a series of recommendations to avoid a recurrence of that crisis.

Among the most important of these were legislation and administrative actions of the Federal Government to assure a more sensible use of the vast resources of our federally owned forest lands.

Legislation to accomplish this was embraced in the Timber Supply Act introduced by the chairman, along with other Members of the Senate and House. That legislation failed in the House and never was fully considered in the Senate.

I hope that we have learned our lesson over the past 4 years and that the recommendations and legislative proposals that hopefully will grow out of these hearings will proceed forward to accomplishment in order to prevent another crisis in the not-too-distant future.

I would like now to turn to the details of the crisis which is confronting us today and the types of actions we believe are necessary to deal with it on both a short-range, as well as a long-range basis.

Unlike 4 years ago, the escalation of timber prices occurred during a period of controls on the price of lumber. Yet, during that approximately 18-month period the housing industry has experienced price increases in softwood lumber and plywood of 75 percent, 100 percent and even more.

I brought with me today to dramatize the situation a piece of lumber. On one side is the price in 1971 and on the other side the price in 1973,

and the black part is the part that you don't get anymore for the same dollar amount.

With no relief in sight, the magnitude of these increases poses a serious threat to the achievement of our national housing goals.

This goal can only be met if we have an adequate supply of this most basic of housing construction materials available at reasonable and stable prices.

Wood is the major construction material for all single-family and much multifamily housing. It represents the largest single material cost item, about 29 percent of the construction cost of a single-family home (see attachment A).

About 43 percent of the softwood lumber and about 49 percent of the softwood plywood consumed in the United States are used in residential construction.

Because of the major role in housing production played by lumber and plywood you can readily understand the grave concern throughout our industry over excessive prices and supply shortages for these materials.

I should like, first, to discuss the current situation respecting lumber and plywood prices. Then I should like to discuss timber supply, the impact of the price and supply situation on housing, and conclude by offering our suggestions for both the short- and the long-range remedies.

The price situation today is completely out of control. This is true throughout the supply chain, from the price paid for stumpage to the price paid for the finished product at the lumberyard.

Approximately 27 percent of the Nation's supply of softwood sawtimber comes from Federal forest lands where it is sold at auctions. The rising price at which this timber is sold in our national forests provides an excellent barometer of the price situation for all timber cut from both public and private lands.

Rapidly rising timber prices, along with those of lumber and plywood, also have the psychological effect of encouraging keen competition and abnormally high bids at Federal auctions and, as well, high offers for nonfederally-owned timber.

They also can encourage the withholding of private timber from sale and a slowdown in the cutting of already purchased Federal timber in anticipation of even higher future prices.

On an annual basis, stumpage prices, shown in attachment B, jumped by 87 percent between 1971 and 1972. Monthly stumpage prices for 1972, listed in attachment C, in the Douglas Fir region of our Federal forests, provide an even closer view of what has been happening to timber prices.

In 1 month, between November and December of 1972, the price jumped by 40 percent. From all reports it was at this time that the Japanese vigorously moved into the purchase of American logs.

I shall touch on the export problem later in my statement.

Mill prices for softwood lumber and plywood provide an even more graphic illustration of how the price of these materials has been skyrocketing.

Attachment D, listing monthly mill prices at West Coast mills, shows a 104 percent increase in green douglas fir 2 by 4's in the 2 years between February 1971, and February 1973, a 90 percent increase in

kiln-dried hemlock and fir 2 by 4's during this period and a 102 increase in ½-inch exterior plywood.

Weekly prices for 1973 show that price increases have been accelerating even more rapidly in recent weeks. Attachment E shows that, since phase III, which began in mid-January, kiln-dried hemlock and fir 2 by 4's have increased in price 24 percent; ½-inch plywood 17 percent; and ¼-inch sanded plywood 66 percent.

Even steeper increases have occurred at the retail level where most homebuilders acquire their lumber and plywood. We have been conducting a continuing survey for the past several weeks of the lumber price increases paid by our members since the advent of price controls in August of 1971. Our members from all over the United States are reporting increases of tremendous proportions.

For instance, Portland, Oreg., reported a 191-percent price increase in ½-inch plywood and an 80.4-percent increase in 2 by 4 studs.

Ventura, Calif., reported a 94.5-percent increase in ½-inch plywood; and a 37.3-percent increase in 2 by 4's.

Baltimore, Md., reported a 107.4-percent increase in ⅜-inch plywood and a 71-percent increase in 2 by 4's.

Chicago reported a 57.2-percent increase in ½-inch plywood; and a 37-percent increase in 2 by 4's.

Attachment F provides additional information on these and similar price increases from selected cities across the country which generally do not reflect the even steeper mill price increases which have occurred since phase III began in mid-January.

In recent years, housing construction activities have reached record levels. In 1971, almost 2.1 million housing units were begun; in 1972, there were almost 2.4 million housing starts; and, for 1973, projections indicate there will be more than 2 million units started. Housing starts since 1960 are shown in the table in attachment G to this statement.

All projections, as well as the national housing goals set forth in the Housing and Urban Development Act of 1968, indicate a need for even higher production levels than were achieved in the past 2 years.

With this expectation of continuing high need for, and production of, housing, there will be a continuing and increasing demand for lumber, plywood, and other wood products.

The Department of Agriculture's report on the "Outlook for Timber in the United States: A Report of the Findings of the 1970 Timber Review," indicates that unless something is done we can look forward only to further problems in meeting domestic demand

It characterizes the softwood timber supply problem as "the most serious and immediate." Its projections of future supply indicate substantial shortfalls in timber supplies in the forthcoming years and an increasingly heavy reliance on imports of lumber.

We are already having to rely heavily on softwood lumber imports to fulfill domestic needs. As shown in attachment H, softwood lumber imports now represent 22 percent of domestic consumption.

Whereas we had been importing 4- to 5-billion board feet of softwood lumber in the 1960's, about 15 percent of our consumption, we imported 7.2 billion board feet in 1971 and nearly 9 billion in 1972.

Added to this high level of domestic need for lumber and plywood is a substantial increase in exports of softwood logs and lumber to foreign countries, particularly Japan.

Attachment I contains a table of exports of softwood logs and shows that in 1972 we exported 3.05 billion board feet, an increase of 36 percent over the previous year.

This 1972 figure is also about 26 percent above the average for 1968–71.

This trend has continued, as in January 1973 exports were almost 27 percent above those for January 1972, with Japan's share jumping from 69.8 percent in January 1972 to 81 percent in January 1973. This high rate of exports took place in a year when residential construction was at its highest rate in our history.

Softwood lumber exports have also increased despite heavy demand and accelerating prices at home. As attachment J shows, average annual exports of softwood lumber jumped in 1972 by about 20 percent above the 1968 to 1971 average.

Early in 1973 we estimated that the construction cost of an average house had increased by at least $1,200 as a result of lumber and plywood price increases during the preceding 6 months.

As we have shown, lumber and plywood prices have continued to increase since that time. We now estimate that the cost of an average house has gone up another $280 to $1,480. This represents an over-10-percent increase in the total construction cost in less than 9 months. The basis for making this estimation is explained in attachment K.

Estimates are, of course, always subject to attack. Therefore, there is no substitute for an actual case study.

Information provided by one of our members from Wilmington, Del., of prices actually paid for plywood and lumber in both single-family and townhouse construction verifies the accuracy of our estimate.

With respect to the single-family construction, this builder reports that his lumber and plywood costs for one model increased by $1,417.76, or 49.4 percent, during February 1972 and March 1973. Two other single-family models increased by 43 percent and 47 percent. This is set out in attachment L–1.

With respect to townhouse construction, this same builder—see attachment L–2—reported that lumber and plywood costs increased by 51 percent in one model and 54 percent in another.

Both of these cost statements do not include the rise in the cost of flooring, millwork, doors, siding, and kitchen cabinets.

A price increase of $1,500 has both a short- and long-range effect on a prospective home purchaser. In order to buy the home his mortgage lender will require an increased downpayment. Accordingly, he will usually have to apply for a larger loan; thus, his monthly payments for principal and interest will be higher.

Also, because his house costs more, his taxes and insurance will normally be higher.

Price increases in lumber and plywood have soared far above those for other materials that go into the structure of a house or apartment. This is illustrated by the wholesale price indexes for lumber and plywood as compared with those for all construction materials that go into a home, including lumber and plywood.

As attachment M demonstrates, in January 1971 the wholesale price index for lumber and plywood was below that for all construction materials. In January of 1973, however, lumber was 31 percent

94-218 O - 73 - 13

above the index for all construction materials, and plywood was 27 percent above that index.

Also, lumber and plywood prices have soared far above those of other industrial commodities.

As attachment N illustrates, in January 1971 the wholesale price index for lumber and plywood was below that for all industrial commodities, including these products.

By February 1973 the indexes for lumber and plywood were 55 percent and 53 percent respectively above that for all industrial commodities, with 1-percent and 16-percent jumps respectively, for lumber and plywood between January and February 1973 compared to only a 1-percent jump for all other commodities.

Because the price of lumber and plywood is heavily affected by the supply and demand for these materials, much needs to be done to increase the supply of these products in order that we can continue to meet our Nation's housing needs and hold the line on prices.

Many of the steps that should be taken involve long-range activities; others can bring significant relief in a relatively short period of time.

We believe that the tremendously disruptive influence on the price and supply of lumber and plywood caused by excessive exports and foreign buying activities must be brought to a halt.

With the domestic need for these materials so high and prices so totally out of hand it is entirely inappropriate for our Nation to continue to permit such a significant portion of its annual timber supply and lumber production to be exported to other nations. Therefore, we believe that softwood log and lumber exports should be temporarily curtailed.

It makes no sense whatsoever to place ourselves in the position of being more and more heavily dependent on lumber imports to fulfill our needs.

Had we not exported over 3.05 billion board feet of softwood logs—equivalent to 3.8 billion board feet of lumber—and 1.2 billion board feet of softwood lumber in 1972 our supply of domestically produced supply of lumber available for domestic use would have increased by 5 billion board feet, reducing our import requirements by over 56 percent.

Because of the severe impact on our industry of the recent substantial increase in softwood log and lumber exports, we met with Secretary of Commerce Dent on January 24 to point out the need for action to be taken to curb these exports.

This meeting was followed up by a formal request in writing to the Secretary on January 26 to take this action under the Export Administration Act of 1969. A further request was made to the President on February 5.

Last Thursday we sent to the Secretary of Commerce a lengthy petition once again asking him to implement the Export Administration Act.

A copy of our letter to the Secretary of Commerce and this petition, pointing out among other matters that the imposition of controls would have a positive effect on our balance of trade, has been supplied to each of you.

S. 1033 before this subcommittee offers some relief in this area. It provides for a complete halt in log exports from Federal lands and a

scaling down of exports of logs from non-Federal lands beginning January 1, 1974.

Beginning January 1, 1977 all log exports would be terminated.

This bill does not address the problem of lumber exports, nor the danger that foreign purchasers will do a minimum amount of processing of logs so that they may be qualified as lumber and thus escape the proposed restrictions.

While S. 1033 may help alleviate the long-term problem, the severity of the current price and supply problem and the imperative need for quick action dictate more drastic, even though perhaps temporary, action if the Secretary of Commerce does not act under the Export Administration Act.

Some may argue that we have insufficient mill capacity to handle any substantial increase in logs. This simply is not the case. A survey sponsored by the Home Builders Association of Metropolitan Portland, an affiliate of NAHB, indicates that there is in fact a substantial amount of capacity in the lumber industry on the west coast where most exports originate. It is not being utilized because of log shortages.

If the logs were available, the respondents to the survey indicated, they could produce an additional 147 million board feet of lumber and 44 million square feet of plywood on a monthly basis beginning immediately. On a yearly basis this amounts to 1.7 billion board feet of lumber and 535 million square feet of plywood.

It is estimated that a gain of 1.7 billion board feet of lumber would represent a 20-percent increase in the supply from this area. What is more, there may be additional capacity in the mills not responding to the survey.

Furthermore, the availability of a plentiful supply of timber for processing would encourage investment in increased mill capacity and in new mills and substantially improve the employment picture in this area.

There are other short-term solutions which can and should be taken. These primarily relate to actions with respect to the Federal forest lands which will both increase the available supply immediately and make it known to those mill operators who depend on Federal lands for their supply that an increased supply of timber will be available to keep their mills operating in the future.

The most important of these, of course, is making available for purchase the full allowable cut from Federal forest lands. The Forest Service has been falling farther and farther behind in this respect in the last few years.

We, therefore, are pleased by the announcement of the Federal Government yesterday that it plans immediate action to increase the sales from Federal lands. But if this only serves to increase log exports, it will only aggrevate the problem. It must be coupled with a curtailment of exports.

To do this it will be necessary to provide adequate manpower and funds. We hope, therefore, that the approximately $40 to $50 million of Forest Service funds impounded for this fiscal year will be released immediately.

We further would hope that the administration will increase its budgetary request for the Forest Service for fiscal year 1974 to a level commensurate with its announced intentions.

These actions, putting on the market timber not previously planned to be sold, should significantly relieve the contemplated supply bind which has induced many mill operators to hold down their production rate in order to assure an adequate supply of logs over the next couple of years.

Other immediate actions that we believe should be taken by the Forest Service include a concentrated effort to salvage trees which would otherwise be allowed to rot and to start at once on a long-delayed reforestation of now fallen Federal forest lands.

It is estimated that approximately 700 million board feet of salvageable timber couldt be put on the market annually. It is further estimated that there is a backlog of approximately 4.5 million acres of Federal forest lands in need of reforestation.

The immediate commencement of replanting these lands should lead to an increase in the allowable cut in the near future. Another immediate step that could be taken by the Forest Service would be an effort to speed up the cutting of time sold in past years. It is estimated that there are in excess of 10 billion board feet of standing timber sold in the past years remaining uncut. Some of this timber was sold as long as 6 or 7 years ago.

While we realize that there may be justifiable reasons for some of this timber being uncut, we feel that a more strenous effort by the Forest Service to get it cut within a year or two after it is sold would result in a substantial improvement of the present short-supply situation.

We further understand that approximately 1.8 billion broad feet of timber is currently delayed from harvest due to legal and administrative road blocks. Every effort should be undertaken to free up this timber as soon as possible.

Aside from supply we believe much can also be done to hold down the outrageous price increases which have occurred since phase III began in mid-January. The price controls under phase III have been almost totally ineffective. This, we are pleased to see, the Cost of Living Council has recognized.

We fully support its announced hearings for next week to explore what further control actions might effectively contribute to restraining lumber and plywood price increases. In our testimony before the full committee on February 6 on the extension of the Economic Stabilization Act of 1970, we spelled out several actions we believed were necessary to reestablish some semblance of control to lumber and plywood prices. We commend these to the subcommittee's attention. At this time I will only mention two, both resulting from changes made by phase III.

First, we believe the exemption from controls for businesses with 60 or fewer employees shoud be eliminated.

Second, the phase III provision permitting price standards to be exceeded "as necessary for efficient allocation of resources or to maintain adequate levels of supply" should be repealed at once.

This latter provision has been interpreted by some to grant a total exemption from controls for the lumber industry because of the present supply problem.

As was true in 1969, the most necessary and appropriate long range remedy available to deal with our present price and supply crisis is

to increase the supply of softwood logs coming from our national forest lands.

Approximately 58 percent of all the Nation's softwood sawtimber is in these forests, yet they only provide 27 percent of our annual products.

This is illustrated by attachment P which shows that the allowable cut has remained relatively stable over the past several years while the sales from these lands have decreased, even though our needs have increased.

The solutions are many faceted. However, the most important is providing a steady, assured means of financing the proper management of these lands.

As was mentioned earlier, there was proposed in 1969 a timber supply act which would have provided a trust fund into which the receipts from the sale of timber from Federal forest lands would go and from which annual appropriations could be made at levels deemed necessary to provide for proper management of these lands for all purposes, not only timber.

If our Federal forests were managed with the same efficiency that most privately owned holdings are managed we would not be confronted with the supply shortage that has precipitated the present crisis.

This can all be done without in any way sacrificing the environmental, wildlife, and recreational goals which our Federal forests also must serve.

The establishment of some kind of assured financing seems to be the only way that we will ever be able to achieve the true potential of these lands.

Annual budgetary restraints, as in the past, will continue to prevent funding at a level adequate to assure proper management, despite the fact that the proceeds from the sale of Federal timber are well in excess of the cost of proper management.

It has been estimated that for every $3 to $5 earned from timber sales it is only necessary to spend about $1 for management purposes.

It is absolutely essential that we not permit a crisis such as that of the present to recur in the future merely because we do not have enough commonsense to spend $1 to earn $3 or $5.

Aside from the need to properly manage our Federal forest lands it is also important that we provide the proper incentive for efficient management of privately owned forest lands.

The great bulk of these are held in small ownerships which receive little, if any, attention and which, accordingly, produce far below their potential.

We, therefore, believe it is important that legislation be enacted which will encourage and provide financial assistance to private land owners to reforest their holdings and manage them for maximum production purposes.

Also important is research to increase the yield from a log. Advance milling technology, we understand, would increase by as much as an estimated 50 percent the usable production from logs.

The forest service has requested funding for such purposes and yet, to date, has been unsuccessful. This is another example of shortsighted

economy when measured against long-range, much greater potential gains.

Not being extensively knowledgeable in forestry matters we are sure that there are other steps that can be taken to increase our timber and, therefore, our lumber and plywood supply.

However, the steps we have outlined, both of a short term and long term nature would, we believe, substantially remedy the present situation. They would also make it more possible to produce housing at the levels and at prices which are needed to meet our national housing goals.

Carrying out these recommendations is absolutely essential if this Nation is to meet one of its highest priorities, a decent home and suitable living environment for every American family.

We urge the subcommittee and the Congress to take the necessary steps to move in this direction. We further urge that these steps start now and be followed through to their conclusion.

If this is not done, once again we will be confronted with the type of crisis that now confronts us and confronted us 4 years ago.

I am also authorized to inform the subcommittee that the views we have expressed and the positions we have taken on the various aspects of shortages and rising prices of softwood lumber are concurred in by the Council of Housing Producers.

Thank you for this opportunity to appear before you today.

If you would permit, we would like to show you some charts that I think point out, more dramatically than words, what has happened.

Senator CRANSTON. Thank you very much.

Mr. MARTIN. Dr. Summachrist, our economist, will help.

Senator CRANSTON. So that everybody can see them, why don't Bob and I go move over.

Senator PACKWOOD. Fine.

Mr. MARTIN. There are west coast mill prices of 2 x 4 hemlock and fir framing lumber from 1970 to 1973 and there is no way that you can have anything more dramatic than the cost rise as indicated by that chart.

This shows through phase I the increase was this much. There was a time in there where there was a slight dip in late 1971.

In 1972, during phase II, the prices went up this high and in 1973 it is continuing in an almost vertical fashion.

Dr. SUMMACHRIST. This is the seasonal supply.

Mr. MARTIN. West coast mill prices of plywood from 1970 to 1973 and almost the exact situation repeats itself with phase II prices increases being dramatic and phase III is going almost in a vertical fashion.

This chart shows wholesale price indexes of all industrial commodities versus wood products in February of 1973.

This one shows Douglas-fir softwood lumber, softwood plywood, and millwork wholesale prices compared with all industrial commodities, and the increase in these particular wood commodities is dramatically shown.

This one shows the export of softwood logs from 1962 to 1973 and the total exports. You can see that the increase of exporting has gone up and it is almost directly proportional to the increase in prices here locally.

And the green line shows the export of logs to Japan.

In January of 1972 this much; January of 1973, a substantial increase to 3 billion board feet.

This one shows monthly stumpage prices of the Douglas-fir region in 1972, where, with an auction system, the increase in exporting has made the supply situation more aggravated. On an auction basis, prices, particularly since November, have gone up in almost a vertical fashion.

The imports of softwood lumber are primarily from Canada, and we are exporting logs, which means we are exporting jobs and we are importing the finished material, which means the Canadian people are processing the logs, and our imports have increased by almost the same vertical proportion as shown by this chart.

This chart shows the change in the total price of rough lumber and plywood is new homes built by one builder. We only picked it because he had three models of houses, and two models of townhouses, and it is pretty much typical of what has happened all over the country. We could supply you hundreds of examples.

This is a single-family detached house, up $1,400 from last April to this March, and a townhouse is up $761. This is strictly for framing lumber. This includes no millwork items, no kitchen cabinets, and no exterior items. These particular townhouses have masonry firewall in between, so they have less lumber. That cost has still gone up $761 in that period of time.

Senator CRANSTON. If you added other lumber products to the upper figure, do you know how high the upper figure would be then?

Mr. MARTIN. The framing materials are basically about 60 percent of the cost of lumber and millwork and if you took mill prices—for instance, in California these houses would have wood exteriors and wood shingle roofs, so that cost out there for that same type of house would be higher.

Senator CRANSTON. It would be up over $2,000?

Mr. MARTIN. Up over $2,000.

Senator CRANSTON. That is a 6 percent increase.

Well, that one itself would be higher if you took into account all the lumber products that are in it, would it not?

Mr. MARTIN. Yes, sir.

If there are any questions on any of these, I think they are documented in the written part of the exhibits.

Senator CRANSTON. Is that all, sir?

Mr. MARTIN. Yes, sir.

Senator CRANSTON. Thank you very much.

Mr. MARTIN. Thank you.

The CHAIRMAN. Have you finished?

Mr. MARTIN. Yes, sir, we have concluded our testimony. If there are any questions, we will be glad to answer them.

The CHAIRMAN. Let me ask you just one or two brief questions.

On page 13, you say if the logs were available, the respondents to the survey indicated they could produce an additional 147 million board feet of lumber on a monthly basis beginning immediately.

About 2 weeks ago I saw a news release that was put out by Weyerhaeuser, in which they said any mill in the Northwest that needed additional logs, they would supply them to them.

Did you see that news release?

Mr. MARTIN. Yes, sir, we did see that release.

The CHAIRMAN. Well, why, then, or how does it jibe with this?

Mr. MARTIN. We don't have any way of knowing how many people took Weyerhaeuser up on their offer or how many mills were close enough to Weyerhaeuser's point of origin of supply to take advantage of it. But there is probably somebody here from Weyerhaeuser. He may be able to answer that.

The CHAIRMAN. I think there will be a representative here later from there, and I will ask him that question.

Mr. MARTIN. This survey was taken less than a week ago on the West Coast, and it was from 102 sawmills that responded out of a survey of 347. In other words, they got about a one-third response. It was from California, Washington, and Oregon. They replied that without any increase in capital expenditures, but only with actions such as going to a 9-hour day, and a 6-day week, and in some cases putting on additional shifts, they could go up in the production of lumber by 40 percent, and in the production of plywood by 15 percent. We have that as attachment O, and we have submitted that to you for your consideration.

Mr. ROGG. Senator, I would like to say one further thing about it. While that survey had been completed last week, it had been in process nearly a month. It was a process at the time that the Weyerhaeuser announcement was made, and some of the answers may have come in beforehand. We are not certain.

The CHAIRMAN. Well, when the Weyerhaeuser representative is on the stand, I will certainly ask that question. Naturally, we want to see the capacity usage of our mills.

Now, there is another thing: You say that it is estimated that approximately 700 million board feet of salvageable timber could be put on the market annually.

That is because of the failure to get into this several million acres of land now unaccessible?

Mr. MARTIN. Yes sir. It is the whole picture of a shortage of funds to build roads and to send people out and survey where this timber is and where it is available. There is a lot of it that would not be salvageable, but this is from Forest Service figures. They believe that this quantity of timber could be salvageable if they made the effort and had the money to survey exactly where it was, and be sure that there were roads to get in to it.

The CHAIRMAN. You will remember—and also the vigorous reforestation program. You couple that with it, too?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. You remember 4 years ago, as you say, almost to the day, we were holding hearings on this subject, and we recommended then a strong program of doing these very things.

Do you say they haven't been done?

Mr. MARTIN. Yes, sir. They have not been done. It is unfortunate that the Office of Management and Budget considers this an expense item. We consider it a capital investment in our national forests, when you spend a dollar and you get back a return of four or five. This year alone I think they estimated that $70 million worth of expenditure in the national forest brought in $400 million. And this $400 million was based upon the sale price of logs that were sold 2 and 3 years

ago. Based on today's prices, where the sales price of logs is double what it was 3 or 4 years ago, it might be 7- or 8-to-1 return on the money.

The CHAIRMAN. Isn't it true that we could profit from using some of that $400 million towards getting more timber available?

Mr. MARTIN. There is no question about it.

The CHAIRMAN. Do you want to ask any questions?

Senator CRANSTON. Yes, sir.

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. I thank you very much for your very interesting and very constructive testimony. It provides those of us wrestling with this problem in the Senate with very helpful figures.

The testimony from the administration yesterday indicated first that they did not favor taking any forceful steps in regard to exports, but simply hoped that by negotiations, they might cool them down. They advocated stepping up private production of timber from the national forest, but as you point out, at the same time they are cutting back on funding Forest Service programs, besides impounding funds for them. This means they cannot step up production. You have recognized and made that point.

Finally, they said they were considering—Mr. Dunlop specifically said this—price controls. I gathered that they were not likely to do that from their testimony. You have indicated in your testimony that phase 2 didn't work very well, and phase 3 did not work very well.

Do you feel that if they did take steps toward price control along the lines that you recommend, that that would be effective without doing anything about exports, or, in your opinion do we have to examine price control steps with export control steps?

Mr. MARTIN. In our judgment, if we don't do something about the supply, there is really no way to do anything ultimately about pricing. But on a short-term basis, if we do something about the supply, it is going to take a while to happen. We have to do something about the prices in the meantime, because the supply shortage has caused people to take advantage of the situation. We are delighted that the statement was made that they were going to try to help to make boxcars available, because this has been a problem in some areas on shipment.

Senator CRANSTON. Well, does doing something about supply include, in your opinion, the necessity for doing something about exports?

Mr. MARTIN. Yes, sir, it does.

Senator CRANSTON. Do you have an estimate of how many Americans have been knocked out of the housing market and can no longer afford homes that they might have afforded as of January 1 by the price increases since then?

Mr. MARTIN. Well, let me think. Fifteen hundred dollars makes a payment of about $10 a month, $60 a month—this would cause somebody's income to have to go up about 5 percent in order to qualify for that same house. So for those people that are just marginally able to buy, it would knock out a number of people.

Senator CRANSTON. You don't have an estimate of how many?

Mr. MARTIN. I can get that for you.

Senator CRANSTON. Would you supply that? My indication, without having researched it adequately, is that we are running into many hundreds of thousands of people that have just been knocked out of the home buying market simply by what has happened since January 1.

If you could give us a more accurate statement, that would be very helpful.

[The following information was received for the record :]

INFORMATION SUPPLIED BY THE NATIONAL ASSOCIATION OF HOME BUILDERS ON FAMILIES DISQUALIFIED FROM PURCHASING HOMES FOR INCOME REASONS BECAUSE OF INCREASE IN HOUSE PRICES BY REASON OF INCREASED LUMBER AND PLYWOOD PRICES

In the second quarter of 1972 the median sales price of a FHA 203(b) home was $24,227 and the median gross income of the home buyer was $12,828. The ratio between the sales price and the buyer's income was 1.8886.

If the sales price increased to $25,707 because of a $1,480 increase in the cost of lumber, the homebuyer's income would have to be $13,612, assuming the same ratio between income and sales price. This is an increase of $784.

Of all the families in the country 7,674,000 families (14.4%) had an income of between $12,000 and $14,999 in 1971 (the latest data available).

The $784 increase in income from above is approximately 26.1% of the $2,999 difference between the upper and lower income limits of these families. This ratio (26.1%) times the number of families gives us approximately 2 million families that would not qualify for a new FHA home because of the increase in the sales price. (Assuming that these families' income did not increase.)

Mr. MARTIN. We had a group of builders from the Pacific Northwest who said that although the housing moratorium had cut back the 235 program, they wouldn't have been able to build under the 235 program anyway this year, because the increase in lumber would have put the price above the range at which it would have qualified.

Senator CRANSTON. Do you know how much the net loss in trade, in terms of dollars going out, is overall, from all lumber imports and all lumber exports? In the trade with Japan alone, apparently last year it ran about $400 million net loss. Do you have an estimate of what the net loss is, taking into account all exports and imports?

Mr. COAN. Senator, we estimated, and it is in the petition which we filed with the Department of Commerce, I believe, that if we were to bar all exports of softwood logs and lumber, and reduce our imports of softwood lumber by the equivalent amount, that we would have a $75 million net gain in our balance of payments.

Now this comes about primarily to a great extent because we sell lumber for export for less than we pay for it when we import it.

In other words, we are paying more per board foot for the lumber we import from Canada than for the lumber we export.

Senator CRANSTON. Since we are exporting better grade timber, is that because we are importing timber that has had more labor input?

Mr. COAN. We do not have that information. Our figures are derived from the Department of Commerce, which we had to extract by hand from their files.

Senator CRANSTON. You gave me a very useful answer to a question which I didn't ask, which is that we could have a net gain if we reverse the situation. But what is the net loss—do you have that figure—due to exports being less than imports overall?

Mr. COAN. I don't have it at the tip of my tongue, Senator. We will give it to you. I think it is in our testimony—the attachment we gave you on the petition to the Department of Commerce.

Senator CRANSTON. If you could give us that figure for the record. I would appreciate it.

You referred to S. 1033, and you said that the bill does not address the problem of lumber exports, nor the danger that foreign purchasers will do a minimum amount of processing of logs, so that they may be qualified as lumber and thus escape the proposed restrictions.

What would you recommend in regard to what you view as a lack in the current legislation proposed here? What would you do about that?

Mr. ROGG. We really don't know, Senator. We are not that experienced in the problem. But we do think that the business of squaring off the logs and calling it finished lumber is simply an evasion of the intent of what you propose to do.

Senator CRANSTON. You include in your remarks lumber exports in the category potentially available for domestic use. Do you favor export controls on lumber as well as logs?

Mr. ROGG. At this time?

Senator CRANSTON. Yes.

Mr. ROGG. We certainly do.

Senator CRANSTON. If controls were imposed on logs only, what do you think would happen to lumber prices?

Mr. ROGG. It would be most helpful, we think, but you would still have a loophole, an escape hatch; and it would probably take a little time for the escape hatch to become enlarged. But we do think that a control on the export of logs is an essential first step. Our natural resources ought to be reserved for our people. Only those in excess of what our people need should be exported.

Senator CRANSTON. In the chart, you show a direct correlation between rises in export volume and mill prices.

Have you made any projections on the effect of stopping exports? What would you expect mill prices to do? Would they start going down right away?

Mr. MARTIN. They should start going down right away, because, in our judgment, the Japanese bidding had more effect on the increased prices last fall and this spring than any other one item.

Mr. COAN. Senator, I have the answer to your previous question. According to the figures we received from the Department of Commerce, we earned on our exports of softwood logs and lumber, $486 million. We made approximately $1 billion for the softwood lumber we import. So that means there would be a deficit of $514 million balancing those two off.

Senator CRANSTON. That is 1972?

Mr. COAN. 1972; yes, sir.

Senator CRANSTON. Your concern, I gather, from your testimony, is that if we simply step up sale from Federal lands, but don't do something about exports in a vigorous way, that we would just be stepping up the supply for exports; is that correct?

Mr. MARTIN. That could happen; yes, sir.

Senator CRANSTON. Speaking about stepping up production from the national forests, you say you feel a more strenuous effort by the Forest Service to get timber cut that is sold and cut within a year or two after it is sold, would result in substantial improvement.

What do you think would represent substantial effort by the Forest Service to see that what is sold is then cut?

Mr. MARTIN. It should be cut within a reasonable time. If it becomes obvious to the Forest Service that people who have an adequate supply of timber themselves are buying timber from the Federal forest just to keep it off the market and impact the cost, then I think that practice ought to be discontinued.

Senator CRANSTON. What would you recommend as a way of discontinuing that practice? Law, regulation, what?

Mr. MARTIN. Regulation, I would think.

Senator CRANSTON. Then you refer in the next paragraph to approximately 1.8 billion board feet of timber currently delayed from harvest.

What are you referring to there?

Mr. ROGG. We understand that some of it is awaiting an environmental impact statement, the approval of the Environmental Protection Agency, which the Department of Agriculture has provided, but has not yet been approved.

Senator CRANSTON. Is that the main problem?

Mr. ROGG. That is the way we understand it, sir.

Senator CRANSTON. You said you believe it is important that legislation be enacted which will encourage assistance to private landowners.

What specific recommendations do you have on that point?

Mr. ROGG. This is something which we have been informed about by the people in the forest products industry. The problem of better local private forest management on the part of the small holders can be encouraged by the Department of Agriculture and the Forest Service if they have experimental programs, if they help with the reseeding and the reforesting of those lands. There will have to be an effort by local and State agencies to help private holders.

Mr. MARTIN. And education relative to getting a better yield from the manner in which the timber is cut, so that you can get the maximum yield from the cut. This is an educational process by the forest management.

Senator CRANSTON. One final question. There are many allegations and rumors about the Japanese processing these logs that we sell to them, and then sending them back to us in the form of plywood products and so forth. I do not know, or have not verified, whether this is true to a substantial degree. Do you have any information about wood products returning here from Japan?

Mr. MARTIN. We do know that there is some supply of Japanese plywood being imported into this country. We don't have any figures about the amounts. We will try to get that for you.

Senator CRANSTON. Could you please seek to do that?

Mr. MARTIN. Yes.

Senator CRANSTON. Thank you very, very much.

[The following table was received for the record:]

U.S. IMPORTS OF SOFTWOOD PLYWOOD[1], 1971-72

Year	Total imports	Canada	Taiwan	Brazil	Japan	Other
SOURCE						
1,000 square feet, 3/8-in. basis:						
1971	3,480	526	1,638	19	163	1,134
1972, preliminary	5,948	777	2,487	1,584	41	1,059
DISTRIBUTION						
Percent:						
1971	100	15.1	47.1	.6	4.7	32.6
1972	100	13.1	41.8	26.6	.7	17.8

[1] Includes veneer panels.

Source: U.S. Department of Commerce.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. Gentlemen, one of the arguments that is made against restricting log exports is that the kind of wood we are importing from Canada is not the kind of wood we are exporting, and that we would continue to import it in any event.

Eighty-five percent of what we are importing from Canada is spruce, hemlock, or fir. Are those common woods that you are using in building houses?

Mr. MARTIN. Spruce, hemlock, and fir?

Senator PACKWOOD. Yes.

Mr. MARTIN. Hemlock and fir. I don't know to what degree we are using any amount of spruce. But we are using hemlock and fir.

Senator PACKWOOD. And, therefore, to the extent that we did not export hemlock or fir, or spruce if you are using it, those would be wood species that you could use, whether it came out of northern California, Washington, Oregon, or British Columbia?

Mr. MARTIN. That is correct. I've heard it said that we were exporting hemlock because it wasn't very popular in this country. I have used a lot of hemlock cut from southern forests; I think hemlock is a perfectly good wood.

Senator PACKWOOD. It builds nice houses?

Mr. MARTIN. Yes, sir.

Senator PACKWOOD. I have no other questions.

The CHAIRMAN. Is that all?

Senator PACKWOOD. Yes.

The CHAIRMAN. Do you have anything else?

Senator CRANSTON. No.

The CHAIRMAN. Thank you very much, gentlemen. We appreciate it. You have been very helpful.

I would like to call attention to one thing, if my colleagues on the committee will listen to me, and the other witnesses, too.

We have spent 56 minutes on this testimony.

We have got [counting] 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 other witnesses this morning, and then we have a full schedule this afternoon. We are going to have to move along, or somebody is going to have to work tonight.

Senator PACKWOOD. May I ask you a question, Mr. Chairman?

The CHAIRMAN. Yes.

Senator PACKWOOD. Do we still have the votes set at 10:30 this morning?

The CHAIRMAN. I don't know what time they are coming, but we are going to have five votes.

Senator PACKWOOD. Do you plan to go back and forth between the votes?

The CHAIRMAN. I doubt that we would have enough time. We would probably have to have 10 minutes limit.

Senator PACKWOOD. Does that mean we will recess for an hour for the votes?

The CHAIRMAN. How late can you work tonight?

Senator PACKWOOD. I can stay tonight and tomorrow. I will be happy to stay as long as everyone wants to stay.

The CHAIRMAN. Well, I wonder if we shouldn't get started. I don't know whether they are coming at 10:30 or what. In 2 minutes, we should know.

[The complete statement of the National Association of Home Builders follows:]

NATIONAL ASSOCIATION OF HOME BUILDERS
National Housing Center

1625 L STREET, N.W., WASHINGTON, D.C. 20036
TELEX 89 2600 TELEPHONE (202) 737 7435

GEORGE C. MARTIN
PRESIDENT

STATEMENT OF

THE NATIONAL ASSOCIATION OF HOME BUILDERS

before the

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

on

LUMBER AND PLYWOOD PRICES

March 27, 1973

Mr. Chairman and Members of the Subcommittee:

My name is George C. Martin and I am a home builder from Louisville, Kentucky. I appear here today as President of the National Association of Home Builders. Our association has more than 67,000 members in 546 associations throughout the 50 states, Puerto Rico and the Virgin Islands. I have with me Nathaniel H. Rogg, our Executive Vice President, Herbert S. Colton, our General Counsel, and Carl A. S. Coan, Jr., our Legislative Counsel.

We greatly appreciate the interest which the Subcommittee has shown, by scheduling these hearings, in the severe problem now confronting the home building industry as a result of skyrocketing lumber and plywood prices. To some of you what we are going to say

today may seem like a replay of four years ago. It is almost exactly four years to the day that we appeared before this Subcommittee, on March 19, 1969, and expressed our great concern over the impact of similar outrageous increases in the price of lumber and plywood that were then affecting our industry's ability to produce housing. If anything, the situation is worse today than it was then, although the nature of the problems are in many ways quite similar.

We can only hope that the scheduling of these hearings will have an impact similar to that of four years ago, when shortly afterward prices broke and began to descend to more reasonable levels. In fact, it seems that that effect may already be occurring as we note with pleasure the announcement made to the Subcommittee yesterday by John Dunlop, the Director of the Cost of Living Council. As I stated yesterday to the press, "The government's decisive actions in the lumber price-supply crisis...are very welcome news to consumers and builders. We are hopeful that the actions proposed to improve the supply of timber will result in much needed improvement in the supply and price situation."

The various actions announced by Mr. Dunlop represent, we believe, a recognition of the crisis situation which hundreds of our members came to Washington last Thursday to discuss with their representatives in Congress. They parallel in many ways the very recommendations made by these deeply concerned home builders during

their visits with you and the other members of the Senate and House.

While the actions announced yesterday by Mr. Dunlop should help to ease the present crisis situation, they are, of course, only a first step toward solving the long range price and supply problems in lumber and plywood which precipitated this present crisis and the crisis of four years ago. Unless the necessary long range actions are taken we are liable, three or four years hence, to be confronted once again with a similar crisis. This the Subcommittee recognized in 1969, when it made a series of recommendations to avoid a recurrence of that crisis. Among the most important of these were legislation and administrative actions of the Federal government to assure a more sensible use of the vast resources of our federally owned forest lands.

Legislation to accomplish this was embraced in the Timber Supply Act introduced by the Chairman, along with other members of the Senate and House. That legislation failed in the House and never was fully considered in the Senate. I hope that we have learned our lesson over the past four years, and that the recommendations and legislative proposals that hopefully will grow out of these hearings will proceed forward to accomplishment, in order to prevent another crisis in the not too distant future.

I would like now to turn to the details of the crisis which is confronting us today and the types of actions we believe are necessary to deal with it on both a short-range as well as a long-range basis.

Unlike four years ago, the escalation of lumber prices occurred during a period of controls on the price of lumber. Yet, during that approximately 18-month period, the housing industry has experienced price increases in softwood lumber and plywood of 75%, 100% and even more. With no relief in sight, the magnitude of these increases poses a serious threat to the achievement of our national housing goals. The national comittment to the goal of a decent, safe and sanitary home and a suitable living environment for every American family can only be met if we have an adequate supply of this most basic of housing construction materials available at reasonable and stable prices.

Wood is the major construction material for all single-family and much multifamily housing. It represents the largest single material cost item, about 29% of the construction cost of a single-family home, see Attachment A. About 43% of the softwood lumber and about 49% of the softwood plywood consumed in the United States is used in residential construction. Because of the major role in housing production played by lumber and plywood, you can readily understand the grave concern throughout our industry over excessive prices and supply shortages for these materials.

Lumber and Plywood Price Situation

I should like, first, to discuss the current situation respecting lumber and plywood prices. Then I should like to discuss timber supply, the impact of the price and supply situation on housing, and conclude

94-218 O - 73 - 14

by offering our suggestions for both short and long range remedies. The price situation today is out of control. This is true throughout the supply chain, from the price paid for stumpage to the price paid for the finished product at the lumber yard.

Stumpage Prices

Approximately 27% of the nation's supply of softwood sawtimber comes from Federal forest lands where it is sold at auctions. The rising price at which this timber is sold in our national forests provides an excellent barometer of the price situation for all timber, cut from both public and private lands.

Rapidly rising timber prices, along with those of lumber and plywood, also have the psychological effect of encouraging keen competition and abnormally high bids at Federal auctions and, as well, high offers for nonfederally owned timber. They also can encourage the withholding of private timber from sale and a slowdown in the cutting of already purchased Federal timber in anticipation of even higher future prices.

On an annual basis, stumpage prices, shown in Attachment B, jumped by 87% between 1971 and 1972. Monthly stumpage prices for 1972, listed in Attachment C, in the Douglas Fir Region of our Federal forests provide an even closer view of what has been happening to timber prices. In one month, between November and December of 1972, the price jumped by 40%. From all reports, it was at this time that the Japanese vigorously moved into the purchase of American logs. I shall touch on the export

problem later in my statement.

Mill Prices

Mill prices for softwood lumber and plywood provide an even more graphic illustration of how the price of these materials has been skyrocketing. Attachment D, listing monthly mill prices at West Coast mills, shows a 104% increase in Green Douglas Fir 2 x 4's in the two years between February 1971 and February 1973, a 90% increase in kiln dried Hemlock and Fir 2 x 4's during this period and a 102% increase in 1/2" exterior plywood. Weekly prices for 1973 show that price increases have been accelerating even more rapidly in recent weeks. Attachment E shows that, since Phase III which began in mid-January, kiln dried Hemlock and Fir 2 x 4's have increased in price 24%, 1/2" plywood, 17%, and 1/4" sanded plywood, 66%.

Retail Prices

Even steeper increases have occurred at the retail level where most home builders acquire their lumber and plywood. We have been conducting a continuing survey for the past several weeks of the lumber price increases paid by our members since the advent of price controls in August 1971. Our members from all over the United States are reporting increases of tremendous proportions.

For instance, Portland, Oregon, reported a 191% price increase in 1/2" plywood and an 80.4% increase in 2 x 4 studs. Ventura, California, reported a 94.5% increase in 1/2" plywood and a 37.3% increase in

2 x 4's. Baltimore, Maryland, reported a 107.4% increase in 3/8" plywood and a 71.9% increase in 2 x 4's. Chicago reported a 57.2% increase in 1/2" plywood and a 37% increase in 2 x 4's. Attachment F provides additional information on these and similar price increases from selected cities across the country, which generally do not reflect the even steeper mill price increases which have occurred since Phase III began in mid-January.

Lumber Supply Situation

In recent years housing construction activities have reached record levels. In 1971, almost 2.1 million housing units were begun; in 1972, there were almost 2.4 million housing starts; and, for 1973, projections indicate there will be more than 2.0 million units started. Housing starts since 1960 are shown in the table in Attachment G to this statement. All projections, as well as the national housing goals set forth in the Housing and Urban Development Act of 1968, indicate a need for even higher production levels than were achieved in the past two years.

With this expectation of continuing high need for, and production of, housing, there will be a continuing and increasing demand for lumber, plywood and other wood products. The Department of Agriculture's report on the "Outlook for Timber in the United States, A Report of the Findings of the 1970 Timber Review," indicates that, unless something is done, we can look forward only to further problems in meeting domestic demand. It characterizes the softwood timber supply problem as "the most serious and immediate." Its projections of future supply indicate substantial

shortfalls in timber supplies in the forthcoming years and an increasingly heavy reliance on imports of lumber.

We are already having to rely heavily on softwood lumber imports to fulfill domestic needs. As shown in Attachment H, softwood lumber imports now represent 22% of domestic consumption. Whereas we had been importing 4 to 5 billion board feet of softwood lumber in the 1960's, about 15% of our consumption, we imported 7.2 billion board feet in 1971 and nearly 9 billion in 1972.

Added to this high level of domestic need for lumber and plywood is a substantial increase in exports of softwood logs and lumber to foreign countries, especially Japan. Attachment I contains a table of exports of softwood logs and shows that, in 1972, we exported 3.05 billion board feet, an increase of 36% over the previous year. This 1972 figure is also about 26% above the average for 1968-1971. This trend has continued, as January 1973 exports were almost 27% above those for January 1972, with Japan's share jumping from 69.8% in January 1972 to 81% in January, 1973. This high rate of exports took place in a year when residential construction was at its highest rate in our history.

Softwood lumber exports have also increased despite heavy demand and accelerating prices at home. As Attachment J shows, average annual exports of softwood lumber jumped in 1972 by about 20% above the 1968 to 1971 average.

Impact on Housing

Early in 1973, we estimated that the construction cost of an average house had increased by at least $1,200 as a result of lumber

and plywood price increases during the preceding six months. As we have shown, lumber and plywood prices have continued to increase since that time. We now estimate that the cost of an average house has gone up another $280 to $1,480. This represents an over 10% increase in the total construction cost in less than nine months. The basis for making this estimation is explained in Attachment K.

Estimates are, of course, always subject to attack. Therefore, there is no substitute for an actual case study. Information provided by one of our members from Wilmington, Delaware, of prices actually paid for plywood and lumber in both single-family and townhouse construction verifies the accuracy of our estimate. With respect to single-family construction, this builder reports that his lumber and plywood costs for one model increased by $1,417.76, or 49.4%, during February 1972 and March 1973. Two other single-family models increased by 43% and 47%. This is set out in Attachment L-1.

With respect to townhouse construction, this same builder, see Attachment L-2, reported that lumber and plywood costs increased by 51% in one model and 54% in another. Both of these cost statements lo not include the rise in the cost of flooring, millwork, doors, siding and kitchen cabinets.

A price increase of $1,500 has both a short-and long-range effect on a prospectivehome purchaser. In order to buy the home, his mortgage lender will require an increased downpayment. Additionally, he will

usually have to apply for a larger loan, thus his monthly payments for principal and interest will be higher. Also, because his house costs more, his taxes and insurance will normally be higher.

Price increases in lumber and plywood have soared far above those for other materials that go into the structure of a home or apartment. This is illustrated by the wholesale price indexes for lumber and plywood, as compared with those for all construction materials that go into a home, including lumber and plywood. As Attachment M demonstrates, in January, 1971, the price index for lumber and plywood was below that for all construction materials. In January of 1973, however, lumber was 31% above the index for all construction materials, and plywood was 27% above that index.

Also, lumber and plywood prices have soared far above those of other industrial commodities. As Attachment N illustrates, in January, 1971, the wholesale price index for lumber and plywood was below that for all industrial commodities, including these products. By February, 1973, the indexes for lumber and plywood were 55% and 53% respectively above that for all industrial commodities, with 11% and 16% jumps, respectively, for lumber and plywood between January and February, 1973, compared to only a 1% jump for all commodities.

Suggested Remedies

Because the price of lumber and plywood is heavily affected by the supply and demand for these materials, much needs to be done to

to increase the supply of these products in order that we can continue to meet our nation's housing needs and hold the line on prices. Many of the steps that should be taken involve long range activities; others can bring significant relief in a relatively short period of time.

Recommendations for Immediate Relief

We believe that the tremendously disruptive influence on the price and supply of lumber and plywood caused by excessive exports and foreign buying activity must be brought to a halt. With the domestic need for these materials so high and prices so totally out of hand, it is entirely inappropriate for our nation to continue to permit such a significant portion of its annual timber supply and lumber production to be exported to other nations. Therefore, we believe that softwood log and lumber exports should be temporarily curtailed.

It makes no sense whatsoever to place ourselves in the position of being more and more heavily dependent on lumber imports to fulfill our needs. Had we not exported over 3.05 billion board feet of softwood logs (equivalent to 3.8 billion board feet of lumber) and 1.2 billion board feet of softwood lumber in 1972, our supply of domestically produced supply of lumber available for domestic use would have increased by 5 billion board feet, reducing our imports by over 56%.

Because of the severe impact on our industry of the recent substantial increase in softwood log and lumber exports, we met with the Secretary of Commerce on January 24 to point out the need for action

to be taken to curb these exports. This meeting was followed up by a formal request to the Secretary on January 26 to take this action under the Export Administration Act of 1969. A further request was made to the President on February 5. Last Thursday, we sent to the Secretary of Commerce a lengthy petition once again asking him to implement the Export Administration Act. A copy of our letter to the Secretary of Commerce and this petition, pointing out among other matters that the imposition of controls would have a positive effect on our balance of trade, has been supplied to each of you.

S. 1033 before this Committee, offers some relief in this area. It provides for a complete halt in log exports from Federal lands and a scaling down of exports of logs from non-federal lands beginning January 1, 1974. Beginning January 1, 1977, all log exports would be terminated. The bill does not address the problem of lumber exports, nor the danger that foreign purchasers will do a minimum amount of processing of logs so that they may be qualified as lumber and thus escape the proposed restrictions.

While S. 1033 may help alleviate the long-term problem, the severity of the current price and supply problem and the imperative need for quick action, dictate more drastic, even through perhaps temporary, action if the Secretary of Commerce does not act under the Export Administration Act. Some may argue that we have insufficient mill capacity to handle any substantial increase in logs. This simply is not the case. A survey,

sponsored by the Home Builders Association of Metropolitan Portland, an affiliate of NAHB, indicates that there is in fact a substantial amount of capacity in the lumber industry on the West Coast (where most exports originate). It is not being utilized because of log shortages.

If the logs were available, the respondants to the survey indicated they could produce an additional 147 million board feet of lumber and 44 million square feet of plywood on a monthly basis, beginning immediately. On a yearly basis, this amounts to 1.7 million board feet of lumber and 535 million square feet of plywood. It is estimated that a gain of 1.7 billion board feet of lumber would represent a 20% increase in the supply from this area. What is more, there may be additional capacity in the mills not responding to the survey. Furthermore, the availability of a plentiful supply of timber for processing would encourage investment in increased mill capacity and in new mills, and substantially improve the employment picture in the area.

There are other short-term solutions which can and should be taken. These primarily relate to actions with respect to the Federal forest lands which will both increase the available supply immediately, and make it known to those mill operators who depend on Federal lands for their supply that an increased supply of timber will be available to keep their mills operating in the future. The most important of these, of course, is making available for purchase the full allowable cut from Federal forest lands. The Forest Service has been falling farther and farther behind in

this respect. We, therefore, are pleased by the announcement of the Federal government, yesterday, that it plans immediate action to increase the sales from Federal lands.

To do this it will be necessary to provide adequate manpower and funds. We hope, therefore, that the approximately $40 million to $50 million of Forest Service funds impounded for this fiscal year will be released immediately. We further would hope, that the Aministration will increase its budgetary request for the Forest Service for fiscal year 1974 to a level commensurate with its announced intentions. These actions, putting on the market timber not previously planned to be sold, should significantly relieve the contemplated supply bind which has induced many mill operators to hold down their production rate in order to assure an adequate supply of logs over the next couple of years.

Other immediate actions that we believe should be taken by the Forest Service include a concentrated effort to salvage trees which otherwise would be allowed to rot, and to start at once on a long-delayed reforestation of now fallow Federal forest lands. It is estimated that approximately 700 million board feet of salvageable timber, could be put on the market annually. It is further estimated that there is a backlog of approximately 4.5 million acres of Federal forest lands in need of reforestation. The immediate commencement of replanting these lands should lead to an increase in the allowable cut in the near future.

Another immediate step that could be taken by the Forest Service would be an effort to speed up the cutting of timber sold in past years. It is estimated that there are in excess of 10 billion board feet of standing timber sold in past years remaining uncut. Some of this timber was sold as long as six or seven years ago. While we realize that there may be justifiable reasons for some of this timber being uncut, we feel that a more strenuous effort by the Forest Service to get it cut within a year or two after it is sold would result in a substantial improvement of the present short-supply situation.

We further understand that approximately 1.8 billion board feet of timber is currently delayed from harvest due to legal and administrative road blocks. Every effort should be undertaken to free up this timber as soon as possible.

Aside from supply, we believe much can also be done to hold down the outrageous price increases which have occurred since Phase III began in mid-January. The price controls under Phase III have been almost totally ineffective. This, we are pleased to see, the Cost of Living Council has recognized. We fully support its announced hearings for next week to explore what further control actions might effectively contribute to restraining lumber and plywood prices.

In our testimony before the full Committee on February 6, on the Extension of the Economic Stabilization Act of 1970, we spelled out several actions we believed were necessary to re-establish some semblance

of control to lumber and plywood prices. We commend these to the Subcommittee's attention. At this time, I will only mention two, both resulting from changes made by Phase III. First, we believe the exemption from controls for businesses with 60 or fewer employees should be eliminated. Secondly, the Phase III provision permitting price standards to be exceeded "as necessary for efficient allocation of resources or to maintain adequate levels of supply" should be repealed at once. This latter provision has been interpreted by some to grant a total exemption from controls for the lumber industry because of the present supply problem.

Long Range Remedies

As was true in 1969, the most necessary and appropriate long-range remedy available to deal with our present price and supply crisis is to increase the supply of softwood logs coming from our national forest lands. Approximately 58% of all the nation's softwood sawtimber is in these forests, yet they only provide 27% of our annual production. This is illustrated by Attachment P which shows that the allowable cut has remained relatively stable over the past several years, while the sales from these lands have decreased, even though our needs have increased. The solutions are many faceted. However, the most important is providing a steady, assured means of financing the proper management of these lands.

As was mentioned earlier, there was proposed in 1969 a Timber Supply Act, which would have provided a trust fund into which the receipts

from the sales of timber from Federal forest lands would go, and from which annual appropriations could be made at the level deemed necessary to provide for proper management of these lands for all purposes, not only timber.

If our Federal forests were managed with the same efficiency that most privately owned holding are managed, we would not be confronted with the supply shortage that has precipitated the present crisis. This can all be done without in any way sacrificing the environmental, wild life, and recreational goals which our Federal forests also must serve.

The establishment of some type of assured financing seems to be the only way that we will ever be able to achieve the true potential of these lands. Annual budgetary restraints, as in the past, will continue to prevent funding at a level adequate to assure proper management, despite the fact that the proceeds from the sale of Federal timber are well in excess of the cost of proper management. It has been estimated that, for every $3 to $5 earned from timber sales, it is only necessary to spend about $1 for management purposes. It is absolutely essential that we not permit a crisis, such as that of the present, to recur in the future merely because we do not have enough common sense to spend $1 to earn $3 to $5.

Aside from the need to properly manage our Federal forest lands, it is also important that we provide the proper incentive for efficient management of privately owned forest lands. The great bulk of these are held in small ownerships which receive little, if any, attention and which,

ATTACHMENT - A

AVERAGE MATERIAL 1/ COSTS IN A SINGLE FAMILY HOME* 1972

Cost Item	Cost	Percent of Total
Excavation	$ 243.30	1.7%
Masonry	948.30	6.7
Concrete	1,123.47	8.0
Lumber	2,193.23	15.6
Wood Flooring	438.78	3.1
Millwork	1,455.41	10.3
Carpentry Labor	1,686.75	12.0
Roofing	337.12	2.4
Gutters	104.54	0.7
Lath and Plaster	829.38	5.9
Tile Work	277.00	2.0
Linoleum	288.94	2.1
Electric Wiring	517.54	3.7
Lighting	109.41	0.8
Plumbing	1,314.98	9.3
Heating	650.37	4.6
Painting	678.30	4.8
Insulation	132.38	0.9
Finish Hardware	112.97	0.8
Rough Hardware	127.64	0.9
Incidental Cost	280.41	2.0
Appliances	232.92	1.7
Total Cost:	$14,083.14	100.0%

*Approximate sales price: $25,000

Source: Based on cost data compiled in June, 1972, by NAHB Economics Department from data supplied during the first 6 months of 1972 from 70 cities.

1/ This excludes all hard costs i.e. cost of land, financing cost, overhead, and profit.

ATTACHMENT - B

AVERAGE STUMPAGE PRICES FOR ALL SPECIES OF SAWTIMBER SOLD ON NATIONAL FORESTS IN OREGON AND WASHINGTON,[1] 1960-72
(In Dollars Per Thousand Board Feet)

YEAR	PRICE
1960	$22.10
1961	18.50
1962	16.60
1963	18.50
1964	24.20
1965	27.50
1966	31.50
1967	28.00
1968	42.40
1969	58.80
1970	26.70
1971	30.10
1972 [2]	56.67

[1] Excludes Northeast corner of the state

[2] Price for the third quarter of 1972

SOURCE: U.S. Forest Service, Production, Prices, Employment, And Trade in NW Forest Industries. 3rd Quarter 1972

ATTACHMENT - C

MONTHLY STUMPAGE PRICES
Douglas Fir Region
1972

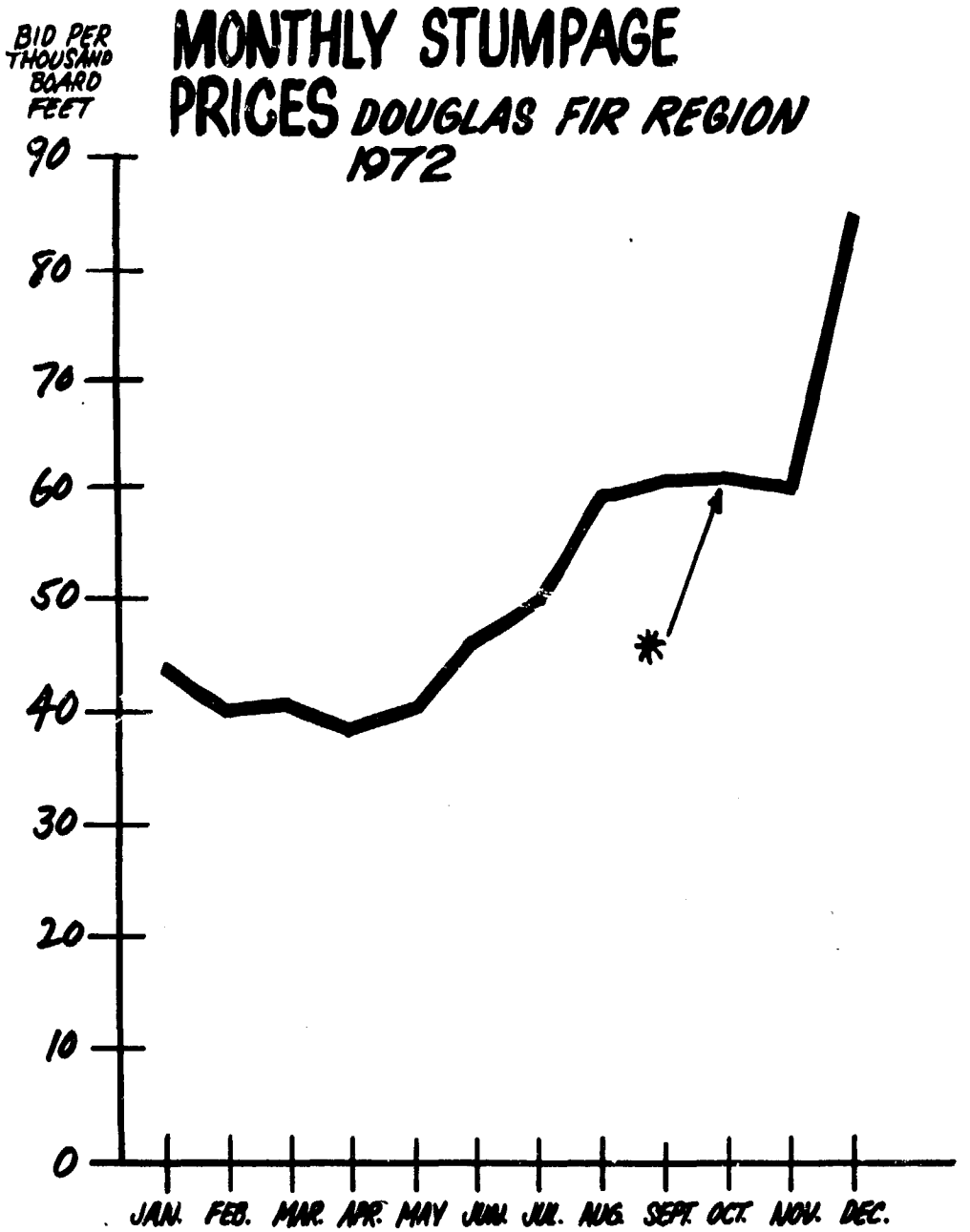
Month	Volume (million board feet)	Advertised (per thousand board feet)	Bid (per thousand board feet)	Differential Between Advertised and Bid (per thousand board feet)
January	57.3	$37.42	$43.99	$ 6.57
February	116.1	33.90	40.36	6.46
March	331.6	37.32	40.98	3.66
April	146.4	33.80	38.01	4.21
May	328.8	33.99	40.53	6.54
June	956.1	39.94	47.29	7.32
July	85.6	44.68	50.59	5.91
August	197.4	52.10	59.72	7.62
September	193.7	54.71	61.11	6.40
October	186.6	53.12	61.98 *	8.86
November	271.5	44.04	60.24	16.20
December	790.2	50.82	84.25	33.43

* Excludes sale on Siskiyou National Forest of 5.6 Million board feet of Port Orford Cedar at $1,000 per thousand board feet.

SOURCE: U.S. Forest Service

94-318 O - 72 - 15

Chart to Accompany
ATTACHMENT C



*EXCLUDES SALE ON SISKIYOU NATIONAL FOREST OF 5.6 MILLION BOARD FEET OF PORT ORFORD CEDAR AT $1,000 PER THOUSAND BOARD FEET.

SOURCE: U.S. FOREST SERVICE

ATTACHMENT D

PRICES OF FRAMING LUMBER AND PLYWOOD
1971 - 1973
(FOB Mill, West Coast)

MONTH	GREEN DOUGLAS FIR 2 x 4's [1]			KILN DRIED HEM-FIR 2 x 4's [2]			1/2" 4/5 PLY EXTERIOR PLYWOOD [3]		
	1971	1972	1973	1971	1972	1973	1971	1972	1973
January	$78	$114	$172	$82	$121	$160	$81	$107	$163
February	89	117	182	95	122	181	91	110	184
March	91	115		98	122		91	111	
April	91	114		97	122		87	111	
May	89	114		96	123		84	118	
June	97	116		109	129		89	136	
July	103	121		118	140		101	156	
August	108	124		119	146		101	156	
September	102	136		113	151		96	156	
October	99	156		106	155		90	156	
November	105	160		108	155		95	156	
December	108	153		110	155		98	156	

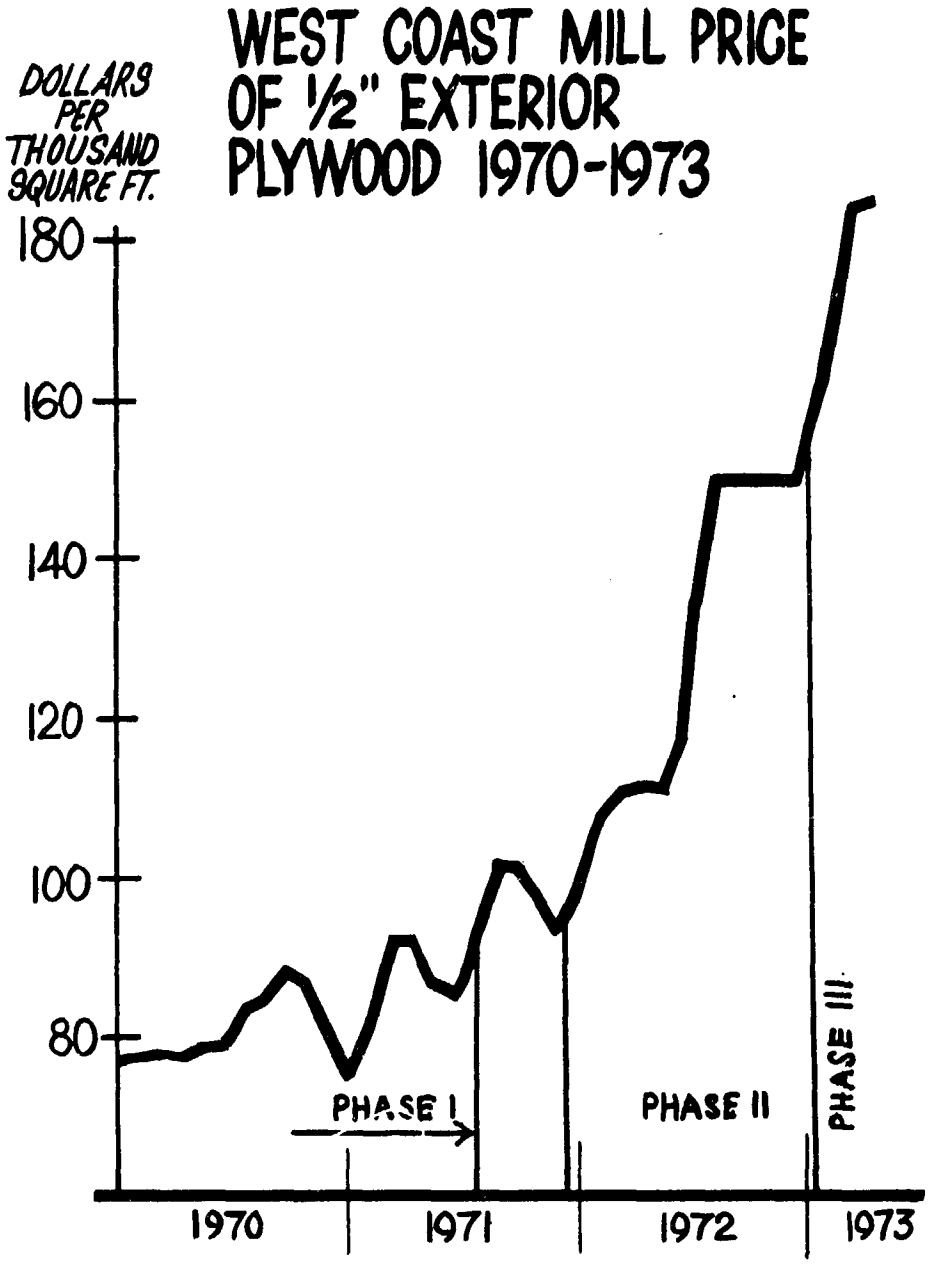
[1] Douglas Fir, unseasoned, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[2] Hem-Fir, (inland), Kiln Dried, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[3] Douglas Fir, Plywood, 1/2", standard exterior (4/5 Ply). Price per thousand square feet.

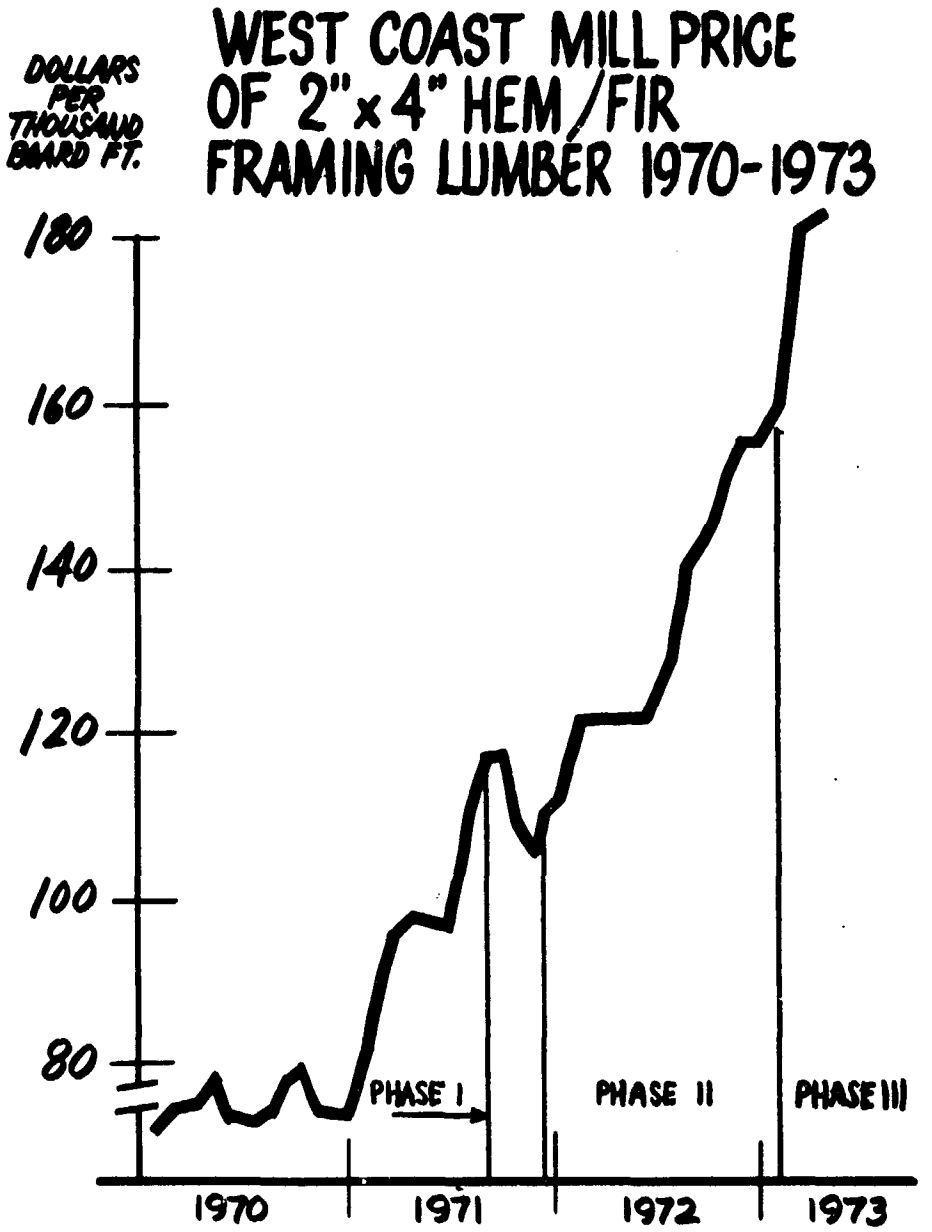
SOURCE: Random Lengths, Yearbook 1971
Weekly Price Guide, various issues

Chart to Accompany
ATTACHMENT D



SOURCE: RANDOM LENGTHS, WEEKLY PRICE GUIDE, VARIOUS ISSUES.

Chart to Accompany
ATTACHMENT D



SOURCE: RANDOM LENGTHS, WEEKLY PRICE GUIDE, VARIOUS ISSUES.

AVERAGE WEEKLY PRICES
OF FRAMING LUMBER AND PLYWOOD
(FOB Mill, West Coast)
December 1972 - March 1973

Week Ending	Green Douglas Fir 2 x 4's [1]	Kiln Dried Hem-Fir 2 x 4's [2]	1/2" 4/5 Ply Exterior Plywood [3]	1/4" Sanded Interior Plywood [4]
12/1	$144	$155	$156	$102
12/8	150	155	156	102
12/15	154	155	156	102
12/22	157	155	156	102
12/29	158	155	156	102
1973:				
1/5	$162	$155	$156	$102
1/12	166	155	156	102
1/19	178	162	170	116
1/26	180	168	170	118
2/2	180	175	180	128
2/9	185	182	190	150
2/16	182	184	182	150
2/23	181	184	182	160
3/2	181	185	175	170
3/9	182	188	175	170
3/16	183	192	182	170
3/23	185	192	185	170

[1] Douglas Fir, unseasoned, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[2] Hem-Fir, (inland), Kiln Dried, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[3] Douglas Fir, Plywood, 1/2", standard exterior (4/5 Ply). Price per thousand square feet.

[4] Sanded Plywood, 1/4", AD interior. Price per thousand square feet.

SOURCE: Random Lengths, Yearbook 1971
Weekly Price Guide, various issues

LUMBER PRICE INCREASES DURING PHASES I, II, and III

FOR ESSENTIAL HOMEBUILDING MATERIALS

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Little Rock, Arkansas	2x4 Studs Precut	160	193	200	20.6	3.6
		155	200	205	29.0	2.5
	½" CD	130	160	160	23.0	0
Redwood City, California	2x4 Studs KD H/F	123	168	195	36.6	16.1
	2x10 DF #2545	168	190	220	13.1	15.8
	½" CDX	97	169	200	74.2	18.3
Ventura	2x4 #1&2 DF 545	158	195	217	37.3	11.3
	2x10 " " "	168	210	245	25.0	16.7
	½" CDX	109	185	212	69.7	14.6
Englewood, Colorado	2x4 Studs (WW Cut)	160	173	185	8.1	6.9
	2x10 - 8	185	210	223	13.5	6.2
	½" CD Plywood	135	169	177	25.2	4.7
Wilmington, Delaware	2x4 Studs	140	205	215	46.4	4.9
	R/L up to 2x8	135	185	205	37.0	10.8
	½" CED, Ext.	150	230	215	53.3	6.5-
	2x4 -8	160	205	225	28.1	9.8
Clearwater, Florida	2x4 #2 YLP (Pres. TR.)	177	230	245	29.9	6.5
	2x4 Spruce	163	260	260	59.5	0
	2x4 Hem	155	205	260	32.3	26.8
Lehigh	2x4 Pt	192	245	245	27.6	0
	2x4 Const. Fir	170	210	210	23.5	0
	2x4 Spruce (10-20)	155	240	245	54.8	2.0
Savannah, Georgia	2x4	130	165	180	26.9	9.1
	2x6	125	165	180	32.0	9.1
Glenwood (Chicago) Illinois	2x4 Studs, Pine	148	183	203	23.7	10.9
	2x4 " WF Precut	134	182	201	35.8	10.4
	2x10 KD Spruce	148	187	203	26.4	8.6
	2x10 KD "	110	187	184	70.0	1.6-
	½" STD Ext	124	153	195	23.4	29.5
	½" CDX SP	99	178	194	79.8	9.0
Fort Wayne, Indiana	2x4 Studs, Hem, Fir	151	185		22.5	----
	½" CDX	130	185		42.3	----
Baton Rouge, Louisiana	3/8"4x8 CD	110	135	140	22.7	3.7
	2x4 Studs, Precut	165	180	180	9.1	0
Shreveport	Studs #2 Fir Precut	169	214	204	26.6	4.7-
	½" CD	123	176	168	43.1	4.6-

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Baltimore, Maryland	2x4 Precut Studs	144	140	190	18.1	11.8
		195	215	240	10.3	11.6
		147	196	217	33.3	10.7
	2x4-8 Hem	125	177	210	41.6	18.6
		160	185	225	15.6	21.6
		140	155	225	10.7	45.2
		135	220	228	62.7	3.6
		150	190	215	26.7	13.2
	2x4-8	163	200	206	22.7	3.
	3/8" CD Ext	94	155	195	64.9	25.8
		110	205	230	86.4	12.2
	½" CD	150	235	240	56.7	2.1
		132	200	203	51.5	1.5
		125	159	217	27.2	36.5
		135	210	240	55.6	14.3
	½" CDX	133	226	112	69.9	?
		155	190	215	22.6	13.2
	½" CD Ext	137	240	247	75.2	2.9
		137		219		
Hyannis, Massachusetts	2x4 Hem	140	202	235	44.3	16.3
	2x6 "	140	193	215	37.7	11.4
	½" CDX	145	235	230	62.1	2.1-
Bloomfield Hills, (Detroit) Michigan	2x6 - 14 Fir	211	---	284	----	----
	3/8" Ext	202	---	279	----	----
Kalamazoo	2x4 Const. Spruce	174	225	245	29.3	8.9
	2x6 " "	194	199	236	2.6	18.6
Troy	2x4-8 Std & Btr Fir	174	225	213	29.3	5.3-
	½" CD	153	209	204	36.6	2.4-
St. Louis, Missouri	2x4 Studs	154	210	213	36.4	1.4
	2x6 8-10	143	168	175	17.5	4.2
	½" CD	132	179	189	35.6	5.6
Las Vegas, Nevada	2x4 Studs	135	175	202	29.6	15.4
		155	215	247	38.7	14.9
	CDX Ext	125	220	215	76.0	2.3-
		150	245	240	63.3	2.0-
Freehold, New Jersey	2x4 Studs Fir	170	230	230	35.3	0
	2x8 - 20	148	205	215	38.5	4.9
	½" Ext. Glue	133	230	220	72.9	4.4-

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Cleveland, Ohio	2x4 - 16	165	238	203	44.2	14.7-
	2x4 Studs Hem	190	223	240	17.4	7.6
	½" CD	158	240	210	51.9	12.5-
		155	229	253	47.7	10.5
Eugene, Oregon	2x4 Studs	134	155	189	15.7	21.9
	2x10 Joists	157	183	211	16.6	15.3
	3/8 " Plywood	98	109	169	39.7	55.1
Portland	2x4 Studs	97	140	175	44.3	25.0
	2x10	117	185	230	58.1	24.3
	½" CDX	86	210	250	144.2	19.1
Lancaster, Pennsylvania	2x4-8 Spruce	150	210	230	40.0	9.5
	2x10-12 Fir	185	250	270	35.0	8.0
	½" CD Ext	135	---	205	----	----
Pittsburg	2x4 WF	184	236	236	28.3	0
	2x10 W Spruce	175	242	242	38.3	0
Houston, Texas	2x4 Studs Util	152	167	175	9.9	4.8
	2x10, 12 RL #3 YLP	145	175	160	20.7	8.6-
	#2 YLP Studs	121	150	150	24.0	0
	½" CDX	101	148	170	46.5	14.9
Newport News, Virginia	2x4 Pet Studs	125	195	---	56.	----
	2x6 - 16	120	155	---	29.2	----
South Jordan, Utah	2x4 Studs	155	165	189	6.5	14.6
	2x10 - 20	149	208	229	39.6	10.1
	½" Plywood	127	197	189	55.1	4.1-
Everett, Washington	2x4 Gr. Cedar	135	210	225	55.6	7.1
	2x4 Studs KD Std & BTR	125	150	155	20.0	3.3
	½" CDX	119	158	158	32.8	0
Redmond	Studs KD STD & BTR	135	160	160	18.5	0
	½" CDX	150	220	---	46.7	----

1 - 3rd Quarter
2 - 4th Quarter
3 - 1st Quarter

ATTACHMENT G

NEW PRIVATE AND PUBLIC HOUSING STARTS 1960-1972

(In Thousands of Units)

Period	Single Family	Multi-Family	Total	% Single Family	Seasonally Adjusted Annual Rate	Mobile Home Shipments
1960	1008.7	287.3	1296.0	77.8		103.7
1961	988.9	376.1	1365.0	72.5		90.2
1962	996.0	496.4	1492.4	66.7		118.0
1963	1021.6	620.4	1642.0	62.2		150.8
1964	971.9	589.1	1561.0	62.3		191.3
1965	965.0	544.6	1509.6	63.9		216.5
1966	779.5	416.4	1195.9	65.2		217.3
1967	844.9	477.0	1321.9	63.9		240.4
1968	900.5	746.0	1545.5	58.3		318.0
1969	811.2	688.4	1499.6	54.1		412.7
1970	815.1	653.9	1469.0	55.5		401.2
1971	1152.9	931.6	2084.5	55.3		496.6
1972						
Jan.	76.4	74.5	150.9		2487	33.3
Feb.	76.4	77.2	153.6		2682	39.7
Mar.	111.5	94.3	205.8		2369	48.8
Apr.	120.1	93.1	213.2		2109	53.4
May	135.4	92.5	227.9		2350	51.5
June	131.9	94.3	226.2		2330	54.7
July	117.7	87.3	205.0		2218	48.2
Aug.	131.3	97.4	230.9		2484	51.7
Sept.	119.5	80.9	201.8		2366	48.8
Oct.	117.0	101.2	218.2		2462	54.1
Nov.	97.4	89.7	187.1		2395	50.4
Dec.	73.2	79.4	152.6		2369	37.7
Total	1309.2	1069.2	2378.5	55.1		572.4
1973						
Jan.	76.9	70.3	147.2		2496	40.7
Feb.	73.1	65.6	138.8		2444	NA

Source: U.S. Department of Commerce, Bureau of Census

ATTACHMENT II

IMPORTS OF SOFTWOOD LUMBER
(Billions of Board Feet)

Year	Imports	Apparent Consumption 1/	Percent of Consumption Supplied by Imports
1960	3.6	29.6	12%
1961	4.0	29.5	14%
1962	4.6	30.8	15%
1963	5.0	31.8	16%
1964	4.9	33.4	15%
1965	4.9	33.4	15%
1966	4.8	32.8	15%
1967	4.8	31.1	15%
1968	5.8	34.0	17%
1969	5.9	33.2	18%
1970	5.8	31.9	18%
1971	7.2	37.2	19%
1972	8.9	40.9	22%

1/ Derived by adding domestic production and net imports.

SOURCE: U.S. Department of Agriculture Forest Service, The Demand and Price Situation for Forest Products, 1971-72.

ATTACHMENT I

U.S. EXPORTS OF SOFTWOOD LOGS, 1962-73
(In Million Board Feet, Log Scale)

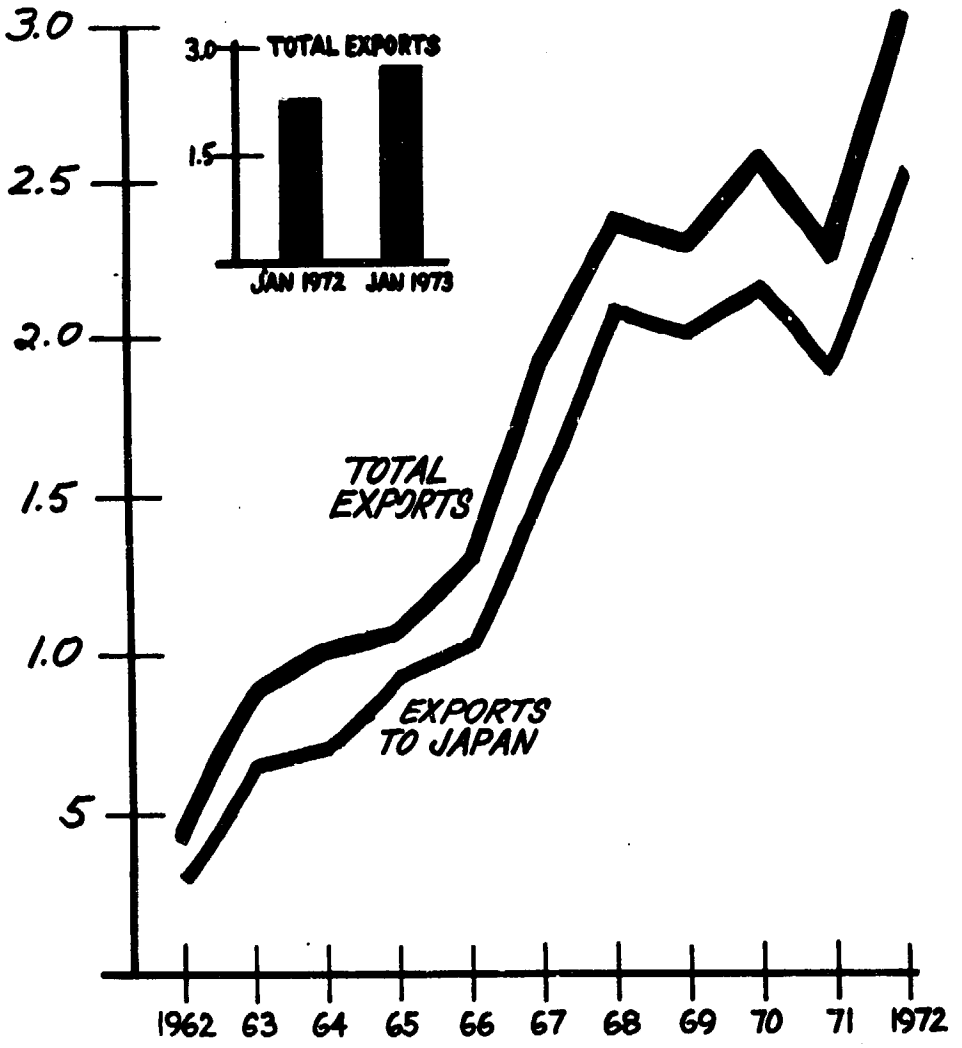
Year	Total Exports	Exports to Japan	Japan Exports as a Percent of Total
1962	452.7	326.0	72.0%
1963	879.6	689.0	78.3
1964	1022.6	752.0	73.5
1965	1111.4	800.0	72.0
1966	1317.5	1080.0	82.0
1967	1873.6	1580.0	84.3
1968	2473.2	2112.0	85.4
1969	2316.8	1996.0	86.2
1970	2684.1	2372.0	88.4
1971	2233.4	1844.0	82.6
1972	3048.0	2523.0	82.8
Jan 1972	205.9	143.8	69.8
Jan 1973	260.5	210.5	81.0

Source: U.S. Forest Service, The Demand and Price Situation For Forest Products, 1971-72, Table 13. 1972 Data: U.S. Bureau of Census 1973 Data: U.S. Department of Commerce.

Chart to Accompany
ATTACHMENT I

U.S. EXPORTS OF SOFTWOOD LOGS, 1962-73

(IN MILLION BOARD FEET, LOG SCALE)



SOURCE: U.S. FOREST SERVICE, THE DEMAND AND PRICE SITUATION FOR FOREST PRODUCTS, 1971-72, TABLE 13.

ATTACHMENT J

EXPORTS OF SOFTWOOD LUMBER
(Billions of Board Feet)

Year	Exports
1960	0.7
1961	0.6
1962	0.6
1963	0.7
1964	0.8
1965	0.8
1966	0.9
1967	1.0
1968	1.0
1969	1.0
1970	1.2
1971	0.9
1972	1.2

Source: U.S. Department of Agriculture Forest Service, The Demand and Price Situation for Forest Products, 1971-72.

ATTACHMENT K

INCREASE IN LUMBER COSTS IN AVERAGE NEW SINGLE FAMILY HOME[1]

	June, 1972		March, 1973		Change	
	Unit Price or Index	Total Cost	Unit Price or Index	Total Cost	%	$
Lumber[2]	$116	$2,193	$183	$3,461	+57.8	$1,268
Plywood[3]	$136	$439	$182	$587	+33.8	$148
Millwork[4]	1284	$1,455	134.0	$1,519	+4.4	$64
TOTAL		$4,087		$5,567		$1,480

[1] Total Construction Cost - $14,083

[2] Green Douglas Fir 2" x 4" Random Lenghts west coast mill price for the month of June, 1972 and the week of March 9-16, 1973

[3] 1/2" 4 or 5 ply western exterior sheathing west coast mill price for the month of June, 1972 and the week of March 9-16, 1973.

[4] U.S. Bureau of Labor Statistics' Wholesale Price Index for Millwork for the month of June, 1972 and NAHB's estimate for March, 1973.

Source: NAHB's component cost data for 70 cities, January-June, 1972. U.S. Bureau of Labor Statistics, Wholesale Price and Price Indexes, Table 6, various issues. Random Lengths, Weekly Price Guide, various issues.

ATTACHMENT L-1

CHANGE IN THE TOTAL PRICE OF ROUGH LUMBER
AND PLYWOOD IN A NEW SINGLE FAMILY HOME
BUILT BY LEON N. WEINER ASSOC., INC.
OF WILMINGTON, DELAWARE
FEB 1972 - MAR 1973

MONTH	TYPE OF UNIT "ALDEN"	"BEDFORD"	"CARLTON"
FEB 1972	$2519	$2668	$2871
NOV 1972	3763	3308	3576
MAR 1973	3711	3810	4289
$ INCREASE			
FEB 1972 - MAR 1973	$1192	$1142	$1418
% INCREASE			
FEB 1972 - MAR 1973	47.3%	42.8%	49.4%

SOURCE: Leon N. Weiner & Assoc., Inc., Wilmington, Delaware

ATTACHMENT L-2

CHANGES IN THE TOTAL PRICE OF ROUGH LUMBER
AND PLYWOOD IN A NEW TOWNHOUSE BUILT BY
LEON N. WEINER & ASSOC., INC.
OF WILMINGTON, DELAWARE
FEB 1972 - MAR 1973

MONTH	TYPE OF UNIT 3 BEDROOM	4 BEDROOM
FEB 1972	$1097	$1496
SEP 1972	1346	1796
MAR 1973	1685	2257
$ INCREASE		
FEB 1972 - MAR 1973	$588	$761
% INCREASE		
FEB 1972 - MAR 1973	53.7%	50.8%

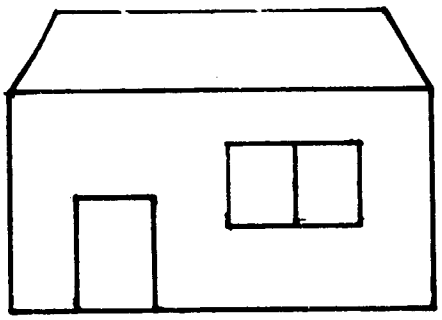
SOURCE: Leon N. Weiner & Assoc., Inc. Wilmington, Delaware

94-218 O - 73 - 16

Chart to Accompany
ATTACHMENT L

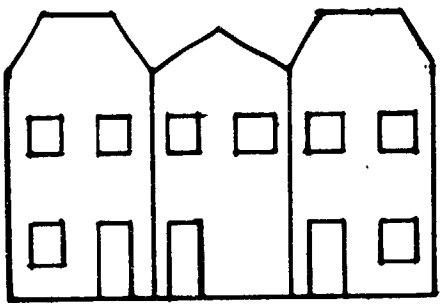
CHANGE IN THE TOTAL PRICE OF ROUGH LUMBER AND PLYWOOD IN NEW HOMES BUILT BY LEON N. WEINER & ASSOCIATES, INC., WILMINGTON, DEL. FEB. 1972-MAR. 1973.

SINGLE FAMILY DETACHED



UP $1418

TOWN-HOUSES



UP $761

WHOLESALE PRICE INDEXES
ALL CONSTRUCTION MATERIALS AND WOOD PRODUCTS
(1967 = 100)

MONTH	ALL CONSTRUCTION MATERIALS			LUMBER*			MILLWORK*			PLYWOOD*		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
JAN	113.4	123.2	129.4	113.0	146.9	169.0	114.2	124.9	131.4	104.9	120.2	134.1
FEB	114.9	124.2	NA	120.3	150.4	182.3	115.2	125.5	133.4	112.8	125.1	149.4
MAR	117.2	124.9		129.0	152.4		116.2	125.8		120.2	128.9	
APR	118.0	125.7		131.5	155.1		118.6	126.6		115.6	128.9	
MAY	118.5	126.2		132.8	157.0		120.3	127.6		111.0	130.3	
JUN	119.0	126.6		134.4	159.0		122.2	128.4		110.2	131.7	
JUL	120.9	127.2		142.5	161.6		122.8	129.6		111.7	132.9	
AUG	122.9	127.8		146.7	164.1		123.8	130.0		120.5	135.9	
SEP	123.0	128.0		146.8	165.1		123.7	130.2		119.1	134.6	
OCT	122.2	128.3		142.7	166.1		123.7	130.7		116.2	134.6	
NOV	122.0	128.4		141.9	166.8		123.7	130.9		115.9	133.3	
DEC	122.4	128.5		143.8	167.9		124.3	130.7		117.8	132.2	

*Includes softwood and hardwood

SOURCE: U.S. Department of Commerce, Construction Review, Table E-2
U.S. Department of Labor, Monthly Labor Review, Table 27

WHOLESALE PRICE INDEXES
ALL INDUSTRIAL COMMODITIES VS. WOOD PRODUCTS
1971 - 1973
(1967 = 100)

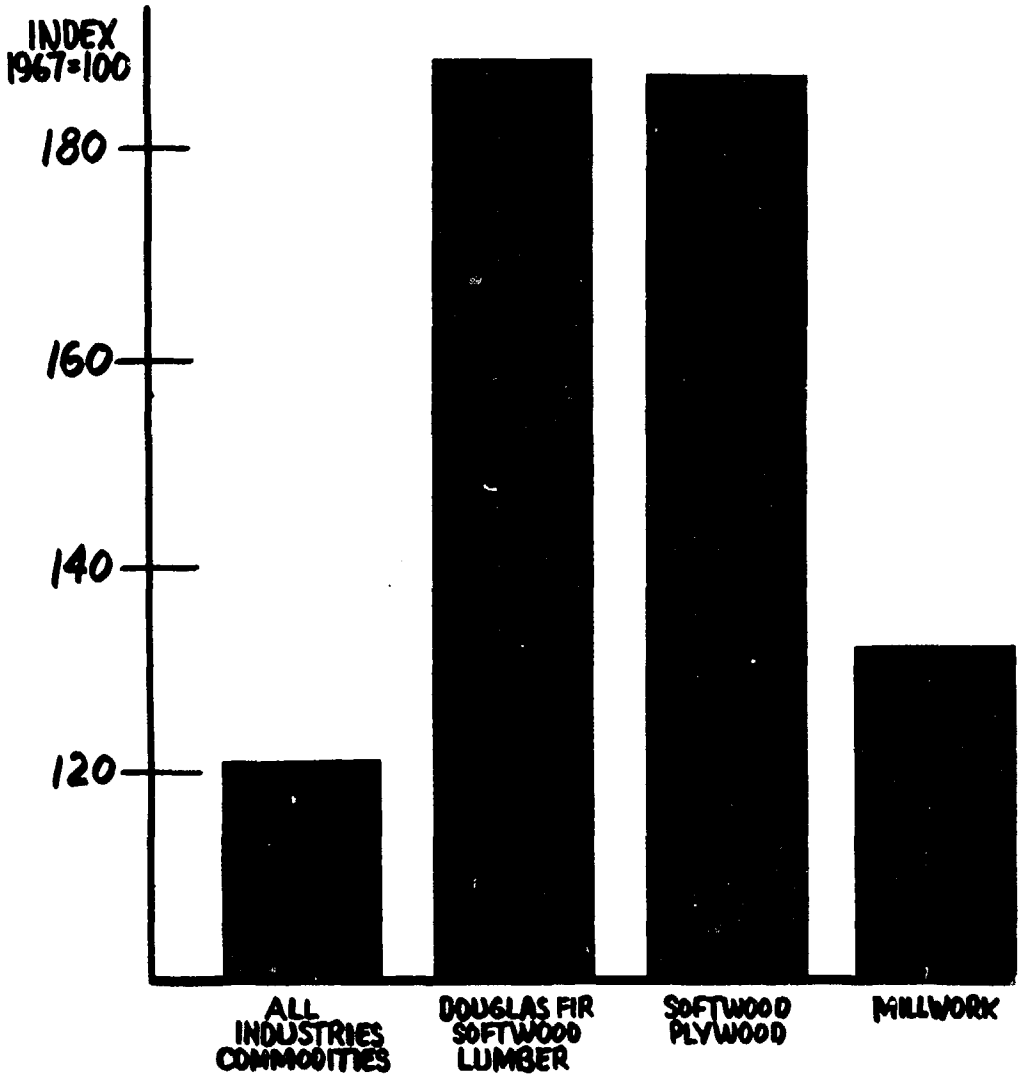
Month	All Industrial Commodities 1971	All Industrial Commodities 1972	All Industrial Commodities 1973	Douglas Fir Softwood Lumber 1971	Douglas Fir Softwood Lumber 1972	Douglas Fir Softwood Lumber 1973	Softwood Plywood 1971	Softwood Plywood 1972	Softwood Plywood 1973	Millwork 1/ 1971	Millwork 1/ 1972	Millwork 1/ 1973
January	112.2	115.9	120.0	108.0	148.2	169.5	108.7	137.9	160.5	114.2	124.9	131.4
February	112.5	116.5	121.3	122.0	151.4	188.3	123.6	145.3	186.1	115.2	125.5	133.4
March	112.8	116.8		135.6	153.6		136.1	153.5		116.2	125.8	
April	113.3	117.3		135.9	156.3		127.4	153.3		118.6	126.6	
May	113.7	117.6		135.7	159.1		118.6	155.6		120.3	127.6	
June	113.9	117.9		139.0	160.8		118.7	157.9		122.2	128.4	
July	114.5	118.1		147.3	165.4		122.5	160.5		122.8	129.6	
August	115.1	118.5		150.9	166.8		138.7	162.1		123.8	130.0	
September	115.0	118.7		149.6	167.3		136.5	159.7		123.7	130.2	
October	115.0	118.8		142.4	167.9		131.1	159.7		123.7	130.7	
November	114.9	119.1		141.5	168.1		130.5	157.4		123.7	130.9	
December	115.3	119.4		143.5	168.3		134.1	155.2		124.3	130.7	

SOURCE: U. S. Bureau of Labor Statistics, Wholesale Prices and Price Indexes, various issues. Table 6 - Code #08.

1/ Includes such items as kitchen cabinets, doors, window frames and roof trusses.

Chart to Accompany
ATTACHMENT N

WHOLESALE PRICE INDEXES ALL INDUSTRIAL COMMODITIES VS. WOOD PRODUCTS FEB. 1973.



SOURCE: U.S. BUREAU OF LABOR STATISTICS.

SURVEY OF OPERATING CAPACITY

AT

WEST COAST LUMBER & PLYWOOD PLANTS

MARCH 1973

Sponsored by: Home Builders Association of Metropolitan Portland
3140 N.E.Broadway, Portland, Oregon

Analysis by: Hal Mayhew, Forest Products Analyst
Herron Northwest, Inc.
1900 Georgia-Pacific Building
Portland, Oregon

SUMMARY

A survey of lumber and plywood plants in Oregon, Washington and California in late February and early March 1973 revealed that production could be increased by a substantial margin if sufficient logs were available.

Returns from 102 sawmills had been received by March 16 out of a total of 347 mills surveyed. Out of this total, 54 plants indicated that they were running one shift, or not operating at all. Close to 75 percent of the mills surveyed indicated that they could increase production by means of 9-hour shifts or 6-day weeks if logs were available. The 54 plants running at less than two shifts indicated that sufficient labor was available in their areas to add shifts if raw materials were available.

The sawmills replying to the survey indicated they could increase their production by about 40 percent, or close to 148 million board feet per month, with an adequate log supply. The mills reporting had a current production of slightly over 367 million board feet per month. By combinations of extra shifts and longer work days and work weeks, the mills indicated they could produce 515 million board feet per month.

Translated to a yearly basis, the reporting mills were producing at a yearly rate of 4.39 billion board feet. With an adequate supply of logs they could increase this total to approximately 6.18 billion board feet per year. The gain of an estimated 1.7 billion board feet per year would significantly relieve shortages of lumber in the area.

Plywood mills reporting to the survey were operating at closer to rated capacity, or a three shift-five day basis. The 30 mills replying, however, indicated that they could increase production by about 15 percent by combinations of 6-day weeks, 9-hour days and additional shifts. The reporting mills had monthly production of close to 288 million square feet, 3/8-inch basis. With an adequate log supply they could increase production by 45 million square feet, bringing total monthly production to 333 million square feet per month.

On a yearly basis, the reporting plywood mills could add production of approximately 535 million square feet, 3/8-inch basis, if sufficient logs were available.

PURPOSE

The survey was conducted to determine whether log exports from the West Coast were causing domestic mills to operate at less than peak capacity. An estimated 2.78 billion board feet of logs were exported from the Pacific Coast in 1972, mostly to Japan. These exports originated largely in Washington, Oregon and California. Existing state laws in Alaska prohibit log exports except for minor species such as Alaska Cedar.

There are no industry statistics available to our knowledge to indicate the operating capacity of West Coast sawmills on a weekly, monthly or even a yearly basis. In the case of plywood, however, the American Plywood Association publishes weekly statistics indicating the operating capacity of the plywood industry, and the ratio of production. The American Plywood Association defines capacity as three shifts, five days per week.

The purpose of the survey, then, was to determine facts on lumber operations not available from any source, and to determine whether plywood production could be increased beyond the capacity figures reported by American Plywood Association.

SCOPE OF SURVEY

The mill capacity survey was mailed to 347 lumber operations and 107 plywood operations in the three-state area, using as a source the directory "CROW'S BUYERS AND SELLERS GUIDE". This publication has been in existence for close to 50 years and is regarded as a reliable directory in its field.

The questionnaires were mailed to operations in the areas most likely to be affected by the sale of export logs. This included the manufacturers of lumber and plywood in the areas West of the Cascades, and to certain areas on the east slope of the Cascades where there was a proximity to ports where logs were being exported. The questionnaires were not sent to manufacturers of Cedar shingles and shakes, or to veneer manufacturers.

The first questionnaire was mailed to mills on February 12, and a follow-up was mailed on March 5th.

QUESTIONNAIRE

The questionnaire was worded to determine present production rate in terms of operating days, weeks and shifts; to determine actual monthly production at this time; and to determine what could be produced if an adequate supply of logs were available at prices compatible with the domestic market.

The mills were also asked whether they could continue to operate under present log supply conditions.

The questionnaire was worded to determine if production could be increased with the present work force by additional hours of production, or additional work days. The question was also asked whether there was sufficient labor available to add production shifts where mills were not operating at full capacity.

It was recognized that the price of logs was as much a determining factor as their availability in some areas. Prices paid by log exporters in recent months have in many areas been well above the levels which domestic sawmills and plywood plants could pay and still operate at a profit. Hence the questionnaire was worded to determine what the operations could produce if logs were available at prices compatible with the domestic market for their finished products.

TYPE OF RESPONSE

Replies from lumber operations were received from companies with monthly production ranging from 400,000 board feet to 12.6 million board feet. Plywood plants replying to the survey had production from two million feet per month to 17 million feet, and included some of the largest integrated operations.

RESULTS: LUMBER

Replies from lumber operations indicated that production could be increased substantially by additional shifts as well as added work days and hours. Less than half of the respondents were operating at capacity, which is generally regarded as two shifts, five days per week, in the lumber segment.

Working shifts. Out of the 102 replies in the lumber category, 54 plants were running one shift or less. All 54 of these companies said they could add production by additional shifts if logs were available. The balance of the respondents were running mostly on a two-shift, five day basis.

Additional days and hours. On the subject of additional production by 9-hour days and 6-day work weeks, about three-fourths of the companies replied that production could be increased in this manner. Out of the 102 returns, 73 said they could increase production by a 6-day week, and 74 indicated they could operate on a 9-hour work day if logs were available. The gain in production by added days and work hours was not as

pronounced as the gain from additional shifts, but a gain of about 15 percent was attainable in this manner.

Footage. The 102 mills replying had monthly production of 366.5 million board feet at the present time. By all methods of increased production, including additional shifts and work schedules, the mills indicated they could produce an additional 147.4 million board feet per month. This amounts to a net gain of 40.2 percent for the mills replying to the survey.

It is recognized that this 40.2 percent gain could not be applied to mills not replying to the survey, hence no effort has been made to expand these results to an industry-wide basis. The footage gain from the 102 mills replying is substantial, however, and indicates a substantial degree of unused capacity. Out of the 54 plants not running two shifts, 30 were in Oregon, 15 in Washington and 9 in California. One of the plants, Seattle Cedar Lumber Manufacturing Co., revealed through the survey that it was closing indefinitely for lack of logs.

RESULTS: PLYWOOD

Plywood plants replying to the survey were running at close to capacity, but through a combination of methods the 30 mills could increase production by 15.5 percent if sufficient logs were available.

Added shifts. Because some departments in any given plywood operation may be operating two shifts while others operate three shifts, the results of this part of the survey are not as easily defined. Most of the 30 plants were running three shifts in at least a part of their operations, but a total of 6 shifts could be added with available logs. A gain in production of 5 percent could be achieved in this method.

Additional days and hours. On the question of the six-day work week, 17 of the 30 plywood plants said they could add production in this method if logs were available. Only 4 indicated that they could add production by a 9-hour day.

The survey, as it applies to plywood, appears to substantiate the American Plywood Association statistics which show production at close to 100 percent of the rated capacity on a three-shift, five-day basis. If production is to be substantially increased, the six-day work week would be required, and at least 17 plants indicate that this could be done.

CONCLUSION

The survey indicates that there is a substantial amount of capacity in the lumber industry on the West Coast not being utilized because of log shortages. In plywood, the survey shows that a substantial gain in production could be achieved only through the six-day work week.

The respondents have indicated that they could produce an additional 147 million board feet of lumber and 44 million square feet of plywood on a monthly basis if the logs were available. Expanded to a yearly basis, this amounts to some 1.7 billion board feet of lumber and 535 million square feet of plywood.

The total volume of logs being exported, or approximately 2.78 billion board per year, could not immediately be utilized by the lumber and plywood plants replying to this survey. Allowing for conversion of log scale to lumber and plywood footage, it appears that approximately one-half of the total exports could be utilized by existing operations. Assuming that mills not replying to the survey are operating at close to rated capacity, some additional capacity would need to be built to completely utilize logs now being exported.

The approximate total of 1.7 billion board feet of lumber which could be processed by the mills replying to this survey is substantial, however, in terms of production in the area. Western Wood Products Association has estimated 1973 production for the Coast region as 8.6 billion board feet. A gain of 1.7 billion board feet, if it could be achieved by increased log supply, would represent better than a 20 percent increase in the supply from this area.

MILL CAPACITY SURVEY: LUMBER

	Washington	Oregon	California	Total
Mills reporting:	28	45	29	102
Mills operating one shift or less:	15	30	9	54
Current monthly production:	75.8MM	161.2MM	129.5MM	366.5MM
Could work 6-day week:	20	32	21	73
Could work 9-hour shifts:	19	31	24	74
Monthly production which could be added by above means:	10.4MM	24.5MM	21.8MM	56.7MM
Percent increase:	13.7%	15.2%	16.8%	15.4%
Could add another shift:	14	28	12	54
Production which could be added by additional shifts:	16.9MM	52.6MM	26.6MM	96.1MM
Percent increase:	22.3%	32.6%	20.5%	26.2%
Production which could be added by all available methods:	27.0MM	73.4MM	47.0MM	147.4MM
Percent increase:	35.6%	45.5%	36.3%	40.2%

Approximate gain possible per year: 147.4 x 12 - 1,769,000,000

MILL CAPACITY SURVEY: PLYWOOD

	Washington	Oregon	Calif.	Total
No. of mills reporting:	8	17	5	30
Current monthly production:	71.0MM	191.2MM	25.3MM	287.5MM
Could work 6-day week:	5	8	4	17
Could work 9-hour day:	[illegible]	2	0	4
Monthly production which could be added by above means:	10.9MM	18.0MM	3.1MM	32.0MM
Percent increase:	15.4%	9.4%	12.3%	11.1%
Monthly production which could be added by extra shifts:	3.5MM	3.3MM	8.8MM	15.6MM
Percent increase:	4.9%	1.7%	3.5%	5.4%
Production which could be added by all available methods:	11.4MM	21.3MM	11.9MM	44.6MM
Percent increase:	16.1%	11.1%	47.0%	15.5%

Approximate yearly gain possible:

44.6MM x 12 - 535,200,000 square feet

Mill capacity survey: plywood

This survey is being made to determine if there is a substantial amount of plywood capacity not being utilized at this time because of the log supply situation. We urge your cooperation in filling out this questionnaire to determine what is now being produced, and what could be produced if sufficient logs were made available.

What is your present production, 3/8-basis, per month? _____

Please define your present rate of production:

No. of shifts _____ Days per week _____ Hours per shift _____

Under present log supply conditions, how long do you feel you can produce at the present rate?

_____

This portion of the survey is to determine how much you could increase production over the short term, assuming an adequate supply of logs at prices compatible with the domestic market, and assuming a continued high rate of demand.

With your present labor force, could you add production by one or more of the following methods:

Six-day week: Yes ____ No ____ Nine-hour day: Yes ____ No ____

About how much production per month could you add?

If you are not running at capacity, do you feel there is a sufficient labor supply in your area to add another shift? Yes _____ No _____

If your answer is yes, approximately how much production per month could be added by the additional shift: _____

Through all combinations of extra work days or hours, and additional shifts, how much do you feel you could produce per month: _____

Name and address of your company _____

_____

Plant location: _____

Signed _____ Title _____ Date _____

Your cooperation is very much appreciated. Please return this questionnaire immediately to:

Home Builders Association of Metropolitan Portland
3140 N.E. Broadway
Portland, Oregon 97232

ATTACHMENT O
PAGE 10

Mill capacity survey: lumber

This survey is being made to determine if there is a substantial amount of sawmill capacity not being utilized at this time because of the log supply situation. We urge your cooperation in filling out this questionnaire to determine what is now being produced, and what could be produced if sufficient logs were made available.

What is your present 8-hour capacity? _____

What is your approximate monthly production now? _____

Please define your present rate of production:

No. of shifts _____ Days per week _____ Hours per shift _____

Under present conditions, how long can you produce at this rate?

_____

Do you have any production units which are now idle because of log supply problems? If so, what is their 8-hour production capacity?

_____

This portion of the survey is to determine how much you could increase production over the short term, assuming an adequate supply of logs at prices compatible with the domestic market, and assuming a continued high rate of demand.

With your present work force, could you add production by one or more of the following methods?

Six-day week: Yes ____ No ____ Nine-hour day: Yes ____ No ____

How much production per month could you add in this manner? _____

If you are not running at capacity, do you feel there is a sufficient labor supply in your area to add another shift? Yes _____ No _____

If your answer is yes, about how much production per month could be added by the additional shift?

_____

Through all combinations of extra work days or hours, and additional shifts, how much do you feel you could produce per month? _____

Name and address of your company _____

_____

Signed _____ Title _____ Date _____

Your cooperation is very much appreciated. Please return this questionnaire immediately to:

Home Builders Association of Metropolitan Portland
3140 N.E. Broadway
Portland, Oregon 97232

NATIONAL FOREST TIMBER SALES AND CUTS, SAWTIMBER (ONLY)

FISCAL YEARS 1965 THROUGH 1973

Fiscal Year	Allowable Cut As of Jan. 1	Volume of Timber Sold			Volume of Timber Cut		
		Planned	Actual	Per Cent Accom-plishment	Planned	Actual	Per Cent Accom-plishment
		(millions of board feet) 2/			(millions of board feet) 2/		
1965	11,094	10,934	10,695	98	10,722	10,563	98
1966	11,292	10,683	10,518	98	11,002	11,374	103
1967	11,331	11,087	10,626	96	11,096	10,002	90
1968	11,429	10,773	10,818	100	11,718	11,316	97
1969	11,532	11,031	9,152 1/	83	11,926	10,918	92
1970	11,545	12,754	12,331	97	12,705	10,534	83
1971	11,544	11,510	9,673	85	12,787	9,373	73
1972	11,568	(11,400) 3/	8,817	(77)	(12,600)	10,290	(82)
1973	N/A	(10,800)	(9,000)	(73)	(12,600)	(11,000)	(87)

Source:
Forest Service Timber Sale Accomplishment Reports FY 1965 through FY 1970
Direct inquiries to Forest Service for FY 1971 and 1972. FY 1973 performance is estimated

1/ After deduction of 8.75 billion board feet of Juneau Unit Sale in Alaska
2/ Local Scale
3/ Figures in parentheses are estimates

Prepared by the National Forest Products Association

NATIONAL ASSOCIATION OF HOME BUILDERS 179

1625 L STREET, N.W., WASHINGTON, D. C. 20036

GEORGE C. MARTIN
PRESIDENT

TELEX 89-2600 TELEPHONE (202) 737-7435

March 21, 1973

The Honorable Frederick B. Dent
Secretary
Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

In my letter of January 26, 1973, I urged that you utilize the powers granted to you by the President under Executive Order 11533 to impose controls on the exports of soft wood logs and lumber pursuant to the Export Administration Act of 1969. As I stated to you at that time and in my meeting with you two days before, the ever rising exports of these essential materials have been causing severe shortages and escalating prices to the detriment of our domestic needs and economy. If anything the situation since that time has become more acute.

We still believe that it is essential that you use your powers under the Export Administration Act to return some stability to the domestic supply and price situation for soft wood logs and other wood products. We are now entering the Spring building season when the demand for wood products to sustain the normal sharp spurt in home starts begins. If nothing is done to curtail the extraordinary foreign depletion of our forest and wood resources, the housing needs of the American people will be much more difficult to meet and the nation as a whole will suffer.

To further back up our earlier request to you, I am enclosing a detailed paper dealing with the present situation in soft wood logs, lumber and plywood prices and supply. This paper shows how serious the situation is and demonstrates how important it is that you act immediately in accordance with the Export Administration Act to alleviate the situation.

If we can supply you with any further information in this matter, please inform us.

Sincerely,

George C. Martin

George Martin
President

Enclosure

REQUEST BY THE NATIONAL ASSOCIATION OF HOME BUILDERS

FOR CURTAILMENT OF EXPORTS OF SOFTWOOD LOGS, LUMBER AND PLYWOOD

The Export Administration Act of 1969, 83 Stat. 841 (as amended by the Equal Export Opportunity Act, 86 Stat. 644) declares that: "It is the policy of the United States to use export controls...to the extent necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of abnormal foreign demand..." We believe that the current high level of softwood log and lumber exports is contributing to a crisis of major proportions in the cost and supply of lumber and other wood products for domestic use.

The National Association of Home Builders is the trade association representing the home building industry in the United States. It has a membership of over 67,000, affiliated in 546 associations throughout the 50 states, Puerto Rico and the Virgin Islands. Because housing producers use such a large share of lumber, plywood and other wood products, our industry has been heavily hit by the recent severe shortages in the supply of lumber and plywood and the rapidly rising prices of these items. Our industry is deeply concerned over the inflationary impact these rising lumber and plywood prices are having on the cost of providing shelter, and we believe that every reasonable step must be taken to preserve this important natural resource in order that these materials may be obtained at reasonable prices to meet the housing needs of the American people.

Accordingly, the National Association of Home Builders requests that the Secretary of Commerce, acting under the authority delegated to him by Executive Order 11533, impose temporary limits on the exportation of all softwood logs cut from public and private lands and also on the exportation of all softwood lumber and plywood for the following reasons:

I. The nation faces a severe shortage of lumber and plywood to meet domestic demand. Our country is currently experiencing a high rate of construction activity, especially residential construction. New housing starts have been reaching record levels in recent years. Exhibit I-A-1 shows that about 2.1 million housing units were begun in 1971 and about 2.4 million in 1972. In 1973, almost all estimates, including those of the Department of Commerce, are that housing starts will again exceed 2 million units. Even at these high rates of residential construction, projections comparing housing starts with housing demand indicate that an accumulated deficit in housing supply is expected to continue at least through 1979 (see Exhibit I-A-2).

As shown by Exhibit I-B, a substantial amount, 43% of the softwood lumber, and 49% of the softwood plywood, consumed in the United States is used in residential construction. The extremely high need for housing that exists today is placing a heavy demand on the supply of these materials. Furthermore, as projections of housing needs, housing starts and accumulated deficits all indicate, the domestic supply of these materials will be subject to heavy demands for many years to come, as efforts to meet the nation's housing goals continue.

Unlike many other products where the cost of manufacture is the principal determinant of price, the price of lumber and plywood is heavily affected by supply and demand. Thus, the shortage in the supply of logs, lumber and plywood is vividly reflected in the skyrocketing prices of these items over the past two years.

Mill Prices

One excellent indicator of heavy demand for lumber and plywood is the spiralling mill price of framing lumber and plywood at West Coast mills. Exhibit I-C shows a 104% increase in Green Douglas Fir 2 x 4's in the two years between February 1971 and February 1973; a 90.2% increase in kiln dried Hemlock and Fir 2 x 4's during this period; and a 102% increase in 1/2" exterior plywood. This rise has become even more severe as inventories of these materials virtually disappear and we enter a third year of high demand. Exhibit I-D lists average weekly mill prices in January, February and early March of this year. In these eleven weeks alone, kiln dried Hemlock and Fir 2 x 4 prices have increased 24%, 1/2" plywood, 17% and 1/4" sanded plywood 66%.

Retail Prices

Similar, if not steeper, increases have occurred at the retail level where most home builders acquire their lumber and plywood. Our Association members from all over the United States are reporting price increases of tremendous proportions on essential wood materials for housing construction. In an effort to identify the extent of the problem, our Association surveyed its membership to identify the extent of these increases in the past two years. Exhibit I-E provides selected data from this survey and details substantial price increases throughout the United States, including one report from Portland, Oregon, that 1/2" plywood increased in price by 190.7% between mid-August 1971 and mid-January 1973.

Stumpage Prices

According to 1970 figures published by the National Forest Products Association, about 31% of the total volume of softwood timber harvested is cut from land owned by the United States Government. It is sold to buyers by auction. Heavy demand for lumber and plywood and shortages of supply affect the prices bid and paid for Federal timber. These stumpage prices provide an excellent barometer of rapidly rising prices for all timber cut from both public and private lands. As with wholesale and retail prices of lumber and plywood, there have been marked jumps in stumpage prices paid for timber on Federal forest lands.

Not only do these soaring prices reflect a severe shortage of supply for all domestic uses from both public and private lands, but rapidly rising timber, finished lumber and plywood prices have the psychological effect of encouraging keen competition and abnormally high bids at Federal auctions and, as well, high offers for nonfederally owned timber. Additionally, with respect to privately owned timber, accelerating price increases encourage the withholding of timber from sale in anticipation of even higner prices in times to come.

According to the latest figures available (through the third quarter of 1972), stumpage prices, as shown in Exhibit I-F-1, jumped by 87% between 1971 and 1972. Monthly stumpage prices for 1972 in the Douglas Fir Region of our Federal forests, shown in Exhibit I-F-2, provide a better view of the increasing competition for a limited supply of logs which has, in recent months, driven stumpage prices to an all-time high. In one month, between November and December of 1972, the price jumped by 40%. Whereas the top bid had been $40 to $50 per thousand board feet in the first three quarters of 1972, it began to rise in the fourth quarter, reaching a level of $84.25 in December. Competition for these logs was so keen that in November, buyers were willing to pay $16.20 above the advertised price, and in December they paid $33.43 above this price. In earlier months, the range was only $4 to $9 above the advertised price. It was late in 1972 that purchasing activity for export purposes began to accelerate, driving the price of timber from public and private sources skyward.

Supply Projections

Work by the Department of Agriculture in preparing its report on the "Outlook for Timber in the United States, a Report of the Findings of the 1970 Timber Review" (Review Draft, issued December 1972), further verifies the proportions of the supply shortage, and shows that our nation

can look forward only to further problems in meeting domestic demand. Highlights of the Report are summarized in Exhibit I-G. The Report characterizes the softwood sawtimber supply problem "as the most serious and immediate." Its projections of future supply indicate substantial shortfalls in timber supplies in the forthcoming years, and increasingly heavy reliance on imports of lumber.

Adding to the shortness of supply resulting from present heavy demand and the prospects for even greater demands in the years to come is the fact that, because of various pressures for other uses of forest lands, the future timber growing base in this country has begun to dwindle. The Report projects a continuation of this trend, and shows that our nation is increasingly becoming unable to supply timber to fulfill its own needs.

Imports

Because of the severe shortage of supply of lumber and plywood from domestic sources, our imports of these materials have shown a marked increase. Exhibit I-H illustrates the rise in imports of softwood lumber in recent years and the increasing reliance our nation is placing on lumber imports. Whereas we had been importing 4 to 5 billion board feet of softwood lumber in the 1960's which represented about 15% of our consumption, we imported 7.2 billion in 1971 and nearly 9 billion in 1972. This 9 billion board feet represents about 22% of United States lumber consumption.

II. Current exports of softwood logs and lumber are abnormally high and are causing an excessive drain on the nation's supply of these materials. Despite increasingly heavy demands for lumber and plywood at home to supply the high rate of construction activity, exports of softwood lumber and logs have not decreased to compensate. In fact, they are increasing substantially and have heightened the critical problem posed by a lumber and plywood shortage. Softwood log exports, for instance, averaged 2.42 billion board feet in 1968 through 1971. They increased by 26%, to 3.05 billion board feet in 1972, a year of record housing production (see Exhibit II-A). Exports have continued to rise, as exemplified by the most recently available figures, which indicate that January, 1973, exports were 26% above January, 1972, exports. Prior to 1968 exports were considerably lower. They were only 453 million board feet ten years ago in 1962.

Our estimate of total lumber consumption in the United States for 1972, based on figures supplied by the United States Forest Service, is

40.9 billion board feet. The logs sent abroad could have produced about 3.8 billion board feet of lumber. Thus, had these logs not been exported, our country could have increased its domestically-produced supply of lumber by about 11.4%.

Also with softwood lumber, there have been substantial rises in exports, despite heavy demand for lumber in the United States and with this heavy demand, accelerating prices. Average annual exports of softwood lumber were 1.0 billion board feet between 1968 and 1971, but they jumped to 1.2 billion board feet in 1972. This was an increase of 20% above the 1968 to 1971 average (see Exhibit II-B).

Recent Activity

Of particular significance is the stepped-up purchasing activity of Japanese log buyers in late 1972 and early 1973. Spurred by a building boom and lumber shortage in Japan, Japanese buyers are frantically vying for American logs. In so doing, they are paying exhorbitant prices, making competition for logs for domestic use even more keen, and impairing the wood products industry's present and future ability to supply lumber, plywood, and other wood products for domestic housing needs at reasonable prices. In 1972 exports to Japan represented 83% of all log exports, with the remainder spread thinly throughout the world (see Exhibit II-C-1).

Exhibit II-C-2, showing monthly exports to Japan, indicates that January 1973 exports were nearly 67 million board feet, or 46% above those for January, 1972. Accelerated foreign buying, particularly by the Japanese, is so recent that it is not fully reflected in export figures. Furthermore, the volume cannot be precisely calculated because, in many cases, it will be some time before many of these purchases clear United States customs houses and are counted.

However, an examination of what is happening at auctions for timber to be cut off of Federal lands sheds some light on the extent and serious impact on prices of foreign buying pressures. Total timber sales to foreign purchasers from Federal lands is restricted by law, however, all sales are open to purchasers buying for export purposes. Thus, reports of bidding activity and the ever increasing top bids for Federal timber provides a valid indication of the impact on price and supply of abnormally high foreign demand both for Federally owned timber and all other timber.

In the auctions the bidding starts at a minimum, or appraised, price and rises according to the individual needs and appraisals of prospective buyers. Although each sale involves separate circumstances, assuming

that the appraised price reflects the value on the stump of the end products which can be manufactured from the logs, the ratio of the winning bid to the appraised price provides an excellent index of keen competition and heavy demand. As Exhibit II-D illustrates, and Random Lengths of February 16, 1973 explains, in November and December of 1971 more than half, or 61%, of the timber actually sold was bid at no more than 10% over this appraisal. Only 15% of the volume was bid to more than 51% of the appraisal. During these two months of last year, however, this pattern was almost reversed. Only 20% of the 1972 volume was bid at less than 10% over the appraisal, while 48% was sold at an increase of more than 50% over the appraisal price. Because of the time lag between the actual purchase of timber and its manufacture into products for construction, we probably have not yet begun to feel the price impact of this excessive foreign buying activity.

As previously noted, total annual exports of timber cut from Federal lands is restricted to 350 million board feet. This is only about 11% of total United States exports of logs and only roughly 8% of our total annual consumption. Heavy competition for Federal timber is thus only a small part of the entire problem of the adverse impact of high exports on the supply and price of this vital raw material.

Fierce foreign competition for domestic timber is also illustrated by a comparison, shown in Exhibit II-E, of stumpage prices paid for timber cut from Washington lands, all of which is eligible for export, and prices paid for Federally owned stumpage, only a part of which is eligible for export. Consistently higher prices paid for Washington stumpage further indicates the price impact of excessive foreign buying activity.

Federal Timber Supply

The Agriculture Department's "Report of the Findings of the 1970 Timber Review" states that demand for softwood timber is projected to rise above sustainable softwood log harvests by a wide margin under current levels of forest management. Softwoods needed for lumber and plywood for housing, other construction and various other markets is, according to the Report, our most serious timber supply problem.

The shortage of supply is heightened by the fact that the actual harvest from Federal forest lands, representing about one-third of the supply of softwood sawtimber, falls substantially below the allowable cut each year. As Exhibit II-F demonstrates, the allowable cut has remained fairly constant through the years, but the shortfall has recently

been increasing. Several reasons are given for the widening disparity between the allowable cut and actual sales, including resistance by environmentally oriented organizations to the use of our forest lands for lumber production and insufficient funds for forest management. Perhaps these and other impediments to a fuller use of our forests will be reconciled in the future, but as things now stand, our nation faces a dwindling supply base of this raw material and vital natural resource.

III. Curtailment of log, lumber and plywood exports would reduce the inflationary impact on the economy of high lumber and lumber products prices. Spiralling lumber and plywood prices have already been discussed and demonstrated in detail. These increases, which are far above our nation's anti-inflationary goals and guidelines, have taken place during a period in which our economy has been subject to strict wage and price controls under the Economic Stabilization Act of 1970. For many reasons lumber and plywood prices have not responded to Federal guidelines as did the price of many other goods and services. On top of this failure of lumber and plywood prices to adhere to restraints, various changes in regulations issued under Phase III of the President's efforts to control the economy, which began in January, and their interpretation have permitted lumber and plywood prices to undergo even sharper increases.

The inflationary impact on housing prices of these increases has been very severe. Because it constitutes so large a percentage of the cost of building a new home, about 16% of the total cost of the average house, significant increases in lumber and plywood prices have a direct, immediate impact on the cost of housing. The cost components of a typical single family home in 1972 are detailed in Exhibit III-A.

Lumber and plywood price increases have soared far above price increases of other commodities. This is illustrated by Exhibit III-B which compares wholesale price indexes for all industrial commodities versus those for softwood lumber and softwood plywood. In January, 1971 the index for lumber and plywood was below that for all industrial commodities, including these products. By February of 1973, the index for lumber and plywood was considerably above the index for all industrial commodities.

In addition, the price increase in lumber and lumber products is far in excess of that for other materials which go into the structure of a home or apartment. Exhibit III-C vividly illustrates the disproportionate increase of lumber and plywood with that for all construction materials, including lumber and plywood. In January, 1971, the indexes for all construction materials for lumber alone were almost identical. In

January, however, whereas the price over a two-year period for all construction materials has increased about 14%, during this two-year period, lumber prices have increased by 49.5%. Plywood, which was considerably lower on the price index than all construction materials in January, 1971, is now higher having increased by 27%.

As previously shown, we exported 3.05 billion board feet of logs in 1972 and 1.2 billion board feet of lumber. Had these logs not been exported but, instead, made available to fulfill domestic needs, they could have been converted into approximately 3.8 billion board feet of lumber. Thus in 1972, as a result of exports of these items, about 5.0 billion board feet of lumber never reached the domestic market. This represents 14.7% of total domestic production in 1972, estimated at 33.2 billion board feet, and 12% of all lumber consumed in the United States in 1972, which is estimated at 40.9 billion board feet.

IV. Stabilization of lumber prices, holding the line on housing costs, and achieving our housing goals are of primary importance to our nation. As a nation, we are firmly committed to decent, safe and sanitary housing and a suitable living environment for all Americans. The history of Federal housing legislation amply demonstrates the high priority we have placed on meeting that commitment. It also shows a particularly strong concern for and attention to the housing needs of those of low and moderate income through the establishment of various assistance programs to bring housing costs within the reach of more American families.

Our national housing goals relate to both quality and quantity of shelter needed by American families. In 1949 Congress established the policy that there should be a decent home and a suitable living environment for all Americans. This goal was re-emphasized and quantified in 1968 when Congress established a 10-year goal for achieving the policy stated in 1949: 26 million units were to be built or rehabilitated, 6 million of these for low and moderate income families. The average production to date has been far short of the average of 2.6 million units a year needed to meet the 1968 goals.

These goals have been placed in severe jeopardy by substantial increases in housing costs brought about to a significant extent by rising lumber prices. Thus, permitting a limited natural resource, timber, to be siphoned away by exports to meet the housing and other needs of foreign nations operates in direct conflict with the achievement of our own national housing goals. There is no question but that priority in allocating this resource must be given to meeting the housing needs of the American people.

The rise in the median price of single family homes accelerated toward the end of 1972. As shown in Exhibit IV-A, in the first half of 1972 the median sales price ranged from $24,700 to $27,000, and it began to increase considerably in mid-year, reaching $29,500 in December 1972. Because lumber and plywood constitutes such a large component of construction cost and because the prices of these materials have risen so far out of proportion to that of other components, we believe that this considerable rise in the median price of single-family housing can, to a great extent, be attributed to the cost of lumber and plywood.

Early in 1973, we estimated that the construction cost of an average house had increased by at least $1,200 as a result of lumber and plywood price increases during the preceding six months. Since that time, lumber and plywood prices have continued to increase, and this increased cost has now gone up another $280 to $1,480. This represents an over 10% increase in the total construction cost in less than nine months.

Increases of this magnitude can quickly destroy the prospects for home ownership for many American families, particularly those of low or modest income. For each dollar increase in the monthly mortgage payment, the home buyer normally has to earn four times that amount, or $4 more, to qualify for a loan. The increased purchase price of housing results in the home buyer having to pay additional sums toward principal on a mortgage, interest, increased taxes and increased insurance.

Conclusion

Eliminating the drain on our nation's supply of timber, lumber and plywood caused by rising exports does not provide the only answer to meeting the nation's demand for wood products at reasonable prices. Much more needs to be done to increase the supply of these products and thus, reduce their price. Many of these steps involve long range activities such as improvement of the yield from our forests, providing access to timber stands and conducting research for technical breakthroughs. These steps take time and should be pursued diligently, but a significant measure to aid in reversing the current serious situation can be taken now and should not be ignored or postponed.

A temporary curtailment of log and lumber exports can produce a substantial improvement in our supply and ward off increasing housing prices. The high rate of exports of timber and lumber has had a tremendously disruptive influence on the price and supply of these materials. The problem has reached such immense proportions that it should not be

permitted to continue in the hope that long-range solutions will ultimately be found. Immediate and decisive action must be taken. Curtailing exports will not only permit substantially greater quantities of lumber to reach domestic purchasers whose needs are now at record high levels, but it will quell the severe price competition brought on by the prospects of selling these materials to foreign purchasers at inflated prices and it will alleviate the tendency to withhold this material from the market in the hope of even further price inflation.

One of the most frequent objections heard to imposing controls on the export of softwood logs and lumber is that our balance of trade would be adversely affected. Although this certainly is a valid consideration in determining whether to take such a drastic action, we believe that it fails for two reasons in this situation. First, and most importantly, the high importance given to housing of our nation's citizens in adequate accommodations cannot be allowed to be subordinated to the mere consideration of balance of trade. The overwhelming impact on the nation's economy and general well being, by permitting the present level of softwood log and lumber exports to continue, far outweighs any consideration of impact on our balance of trade.

Secondly, however, all evidence points to the fact that a complete cessation of the export of softwood logs and lumber during 1972 would have resulted in a positive effect on the nation's balance of trade deficit. This conclusion is based on figures supplied us by the Department of Commerce. In 1972 we exported 3.05 billion board feet of softwood logs for which we received approximately $392 million. We also exported about 1.2 billion board feet of lumber for which we earned approximately $94 million.

If we had not exported any softwood logs, the 3.05 billion board feet exported would have yielded approximately 3.8 billion board feet of lumber (using a conversion factor of 1.25). This amount of lumber, added to the 1.2 billion board feet of lumber exported, would have increased the amount of lumber available for domestic purposes by five billion board feet. Since we imported approximately 8.9 billion board feet of lumber, our need to import lumber would have declined by approximately the same amount and we would have needed to import only 3.9 billion board feet.

The 8.9 billion board feet of lumber imported in 1972 cost approximately $1 billion. If this import level had been decreased to approximately 3.9 billion board feet, our payment for imports would be reduced accordingly by approximately $561 million.

Adding to the $94 million earned on the export of lumber the approximately $392 million earned on the export of logs, it is apparent that the United States earned approximately $486 million during 1972 on all softwood log and lumber exports. When this is compared with the approximately $561 million paid for the import of the same amount of lumber that would have been available domestically if we had had no such exports, it is obvious that there would be a positive effect on our balance of trade to the extent of $75 million.

We have shown that the high rate of exports of softwood logs and lumber has posed a severe drain on our scarce supply of timber required to fulfill the housing needs of this nation and that the resulting shortage of supply has seriously inflated the cost of these materials and thus, the cost of housing for all American families. Furthermore, we have demonstrated that control of such exports would be beneficial to both the nation's housing needs and its balance of trade. Accordingly, the National Association of Home Builders requests that the exportation of logs, lumber and plywood be curtailed until such time as there is a sufficient supply to meet domestic needs for these materials at reasonable prices.

March 21, 1973

Exhibit I-A-1

NEW PRIVATE AND PUBLIC HOUSING STARTS 1960-1972

(In Thousands of Units)

Period	Single Family	Multi-Family	Total	% Single Family	Seasonally Adjusted Annual Rate	Mobile Home Shipments
1960	1008.7	287.3	1296.0	77.8		103.7
1961	988.9	376.1	1365.0	72.5		90.2
1962	996.0	496.4	1492.4	66.7		118.0
1963	1021.6	620.4	1642.0	62.2		150.3
1964	971.9	589.1	1561.0	62.2		191.3
1965	965.0	544.6	1509.6	63.9		216.5
1966	779.5	416.4	1195.9	65.2		217.3
1967	844.9	477.0	1321.9	63.9		240.4
1968	900.5	746.0	1545.5	58.3		318.0
1969	811.2	688.4	1499.6	54.1		412.7
1970	815.1	653.9	1469.0	55.5		401.2
1971	1152.9	931.6	2084.5	55.3		496.6
1972						
Jan.	76.4	74.5	150.9		2487	33.3
Feb.	76.4	77.2	153.6		2682	39.7
Mar.	111.5	94.3	205.8		2369	48.8
Apr.	120.1	93.1	213.2		2109	53.4
May	135.4	92.5	227.9		2350	51.5
June	131.9	94.3	226.2		2330	54.7
July	117.7	87.3	205.0		2218	48.2
Aug.	131.3	97.4	230.9		2484	51.7
Sept.	119.5	80.9	201.8		2366	48.8
Oct.	117.0	101.2	218.2		2462	54.1
Nov.	97.4	89.7	187.1		2395	50.4
Dec.	73.2	79.4	152.6		2369	37.7
Total	1309.2	1069.2	2378.5	55.1		572.4
1973						
Jan.	76.9	70.3	147.2		2496	40.7
Feb.	73.1	65.6	138.8		2444	NA

Source: U.S. Department of Commerce, Bureau of Census

EXHIBIT I-A-2

ESTIMATE OF HOUSING REQUIREMENTS FOR THE 1970s

(Thousands of Units)

Year	DEMAND (1) Net Increase in Households	(2) Net Removals	(3) Net Removal of Mobile Homes	(4) Change in Vacancy	(5) Demand for Second Homes	(6) Total Annual Housing Demand	(7) Three Year Moving Average	SUPPLY (8) Housing Starts	(9) Mobile Home Shipments	(10) Total New Units	(11) Three Year Moving Average	SURPLUS OR DEFICIT (12) Annual	(13) Accumulation
1959	1,364	490	60	30	35	1,979		1,554	120	1,674		-305	-305
1960	865	510	63	30	40	1,308	1,722	1,296	104	1,400	1,510	+92	-213
1961	1,188	530	66	51	45	1,880	1,480	1,365	90	1,455	1,488	-425	-638
1962	537	550	66	49	50	1,252	1,563	1,492	118	1,610	1,619	+358	-280
1963	807	570	67	58	55	1,557	1,739	1,642	150	1,792	1,718	+235	-45
1964	1,255	590	67	56	60	2,028	1,739	1,562	191	1,753	1,757	-275	-320
1965	841	610	70	51	65	1,637	1,745	1,510	217	1,727	1,631	+90	-230
1966	753	630	80	36	70	1,569	1,883	1,196	217	1,413	1,567	-156	-386
1967	1,599	650	85	34	75	2,443	2,033	1,322	240	1,562	1,614	-881	-1,267
1968	1,206	670	92	39	80	2,087	2,230	1,548	318	1,866	1,769	-221	-1,488
1969	1,250	680	105	41	85	2,161	2,136	1,500	380	1,880	1,870	-281	-1,769
1970	1,222	690	120	38	90	2,160	2,110	1,464	400	1,864	2,105	-296	-2,065
1971	1,041	700	130	43	95	2,009	2,225	2,080	490	2,570	2,390	+561	-1,504
1972	1,505	718	142	50	100	2,507	2,298	2,225	545	2,770	2,615	+263	-1,241
1973	1,338	720	155	54	110	2,377	2,451	2,000	535	2,535	2,661	+158	-1,083
1974	1,383	740	165	60	120	2,468	2,465	2,150	530	2,680	2,663	+212	-871
1975	1,430	750	180	61	130	2,551	2,553	2,200	525	2,725	2,727	+174	-697
1976	1,478	770	190	62	140	2,640	2,637	2,250	525	2,775	2,776	+135	-562
1977	1,530	780	200	60	150	2,720	2,684	2,300	525	2,825	2,825	+105	-457
1978	1,480	790	200	61	160	2,691	2,669	2,350	525	2,875	2,873	+184	-273
1979	1,450	810	205	62	170	2,697	2,655	2,400	520	2,920	2,915	+223	- 50
1980	1,413	820	210	64	180	2,687		2,430	520	2,950		+263	+213

Sources:

(1) Derived by using persons per household from the Current Population Reports, P-25-394, page 18, Series D-1, 1976-1980, estimated by NAHB Economics Department and population projections as reported in the Current Population Reports, Series P-25, No. 448, pp. 28-29, Series D.
(2) Annual estimates based on Demolitions and Other Factors in Housing Replacement Demand, M. Sumichrast & M. Farquhar, Homebuilding Press, 1967.
(3) Based upon an unpublished "scrap-out ratio" developed by Mr. Richard A. Drickey, Marketing Research Manager, Research and Engineering Center, Whirlpool Corporation; 1970 and 1980 estimated by NAHB Economics Department.
(4) Estimated by NAHB Economics Department based upon continuation of current vacancy levels throughout the 1970s as reported in the Current Housing Reports, Series H-111 Quarterly.
(5) Based upon current estimate of Bureau of Census and Forest Service in "Second Homes in the United States," Current Housing Reports, H-121, No. 16; 1968 to 1980 estimated by NAHB Economics Department.
(6) Sum of Columns (1) through (5).
(7) Three year moving average of column (6) centered on second year.
(8) 1959-1969, Bureau of Census, C-20, Housing Starts Report; 1970-1980, NAHB Economics Department Estimate.
(9) 1959-1969, Mobile Home Manufacturers Association; 1970-1980, NAHB Economics Department estimate.
(10) Sum of columns (8) and (9).
(11) Three year moving average of column (10) centered on the second year.
(12) Column (10) minus column (6).
(13) Accumulation of the differences shown in column (12).

Prepared by: NAHB Economics Department,
Summer of 1971

EXHIBIT I-B

Estimated Lumber & Plywood Uses in an Average Year

	Residential	Other Const.	Manufacturing & Others
Lumber	43%	43%	14%
Plywood	49%	12%	39%

Source: National Forest Products Association, Washington, D.C.

EXHIBIT I-C

PRICES OF FRAMING LUMBER AND PLYWOOD
1971 - 1973
(FOB Mill, West Coast)

	GREEN DOUGLAS FIR 2 x 4's [1]			KILN DRIED HEM-FIR 2 x 4's [2]			1/2" 4/5 PLY EXTERIOR PLYWOOD [3]		
MONTH	1971	1972	1973	1971	1972	1973	1971	1972	1973
January	$78	$114	$172	$82	$121	$160	$81	$107	$163
February	89	117	182	95	122	181	91	110	184
March	91	115		98	122		91	111	
April	91	114		97	122		87	111	
May	89	114		96	123		84	118	
June	97	116		109	129		89	136	
July	103	121		118	140		101	156	
August	108	124		119	146		101	156	
September	102	136		113	151		96	156	
October	99	156		106	155		90	156	
November	105	160		108	155		95	156	
December	108	153		110	155		98	156	

[1] Douglas Fir, unseasoned, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[2] Hem-Fir, (inland), Kiln Dried, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[3] Douglas Fir, Plywood, 1/2", standard exterior (4/5 Ply). Price per thousand square feet.

SOURCE: Random Lengths, Yearbook 1971
Weekly Price Guide, various issues

EXHIBIT I-D

AVERAGE WEEKLY PRICES
OF FRAMING LUMBER AND PLYWOOD
(FOB Mill, West Coast)
December 1972 - March 1973

Week Ending	Green Douglas Fir 2 x 4's [1]	Kiln Dried Hem-Fir 2 x 4's [2]	1/2" 4/5 Ply Exterior Plywood [3]	1/4" Sanded Interior Plywood [4]
12/1	$144	$155	$156	$102
12/8	150	155	156	102
12/15	154	155	156	102
12/22	157	155	156	102
12/29	158	155	156	102
1973:				
1/5	$162	$155	$156	$102
1/12	166	155	156	102
1/19	178	162	170	116
1/26	180	168	170	118
2/2	180	175	180	128
2/9	185	182	190	150
2/16	182	184	182	150
2/23	181	184	182	160
3/2	181	185	175	170
3/9	182	188	175	170
3/16	183	192	182	170

[1] Douglas Fir, unseasoned, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[2] Hem-Fir, (inland), Kiln Dried, 2 x 4, std and btr, random 8/20' lengths. Price per thousand board feet.

[3] Douglas Fir, Plywood, 1/2", standard exterior (4/5 Ply). Price per thousand square feet.

[4] Sanded Plywood, 1/4", AD interior. Price per thousand square feet.

SOURCE: Random Lengths, Yearbook 1972
Weekly Price Guide, various issues

EXHIBIT I-E

LUMBER PRICE INCREASES DURING PHASES I, II, and III

FOR ESSENTIAL HOMEBUILDING MATERIALS

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Little Rock, Arkansas	2x4 Studs Precut	160	193	200	20.6	3.6
		155	200	205	29.0	2.5
	½" CD	130	160	160	23.0	0
Redwood City, California	2x4 Studs KD H/F	123	168	195	36.6	16.1
	2x10 DF #2545	168	190	220	13.1	15.8
	½" CDX	97	169	200	74.2	18.3
Ventura	2x4 #1&2 DF 545	158	195	217	37.3	11.3
	2x10 " " "	168	210	245	25.0	16.7
	½" CDX	109	185	212	69.7	14.6
Englewood, Colorado	2x4 Studs (WW Cut)	160	173	185	8.1	6.9
	2x10 - 8	185	210	223	13.5	6.2
	½" CD Plywood	135	169	177	25.2	4.7
Wilmington, Delaware	2x4 Studs	140	205	215	46.4	4.9
	R/L up to 2x8	135	185	205	37.0	10.8
	½" CED, Ext.	150	230	215	53.3	6.5-
	2x4 -8	160	205	225	28.1	9.8
Clearwater, Florida	2x4 #2 YLP (Pres. TR.)	177	230	245	29.9	6.5
	2x4 Spruce	163	260	260	59.5	0
	2x4 Hem	155	205	260	32.3	26.8
Lehigh	2x4 Pt	192	245	245	27.6	0
	2x4 Const. Fir	170	210	210	23.5	0
	2x4 Spruce (10-20)	155	240	245	54.8	2.0
Savannah, Georgia	2x4	130	165	180	26.9	9.1
	2x6	125	165	180	32.0	9.1
Glenwood (Chicago) Illinois	2x4 Studs, Pine	148	183	203	23.7	10.9
	2x4 " WF Precut	134	182	201	35.8	10.4
	2x10 KD Spruce	148	187	203	26.4	8.6
	2x10 KD "	110	187	184	70.0	1.6-
	½" STD Ext	124	153	195	23.4	29.5
	½" CDX SP	99	178	194	79.8	9.0
Fort Wayne, Indiana	2x4 Studs, Hem, Fir	151	185		22.5	----
	½" CDX	130	185		42.3	----
Baton Rouge, Louisiana	3/8" 4x8 CD	110	135	140	22.7	3.7
	2x4 Studs, Precut	165	180	180	9.1	0
Shreveport	Studs #2 Fir Precut	169	214	204	26.6	4.7-
	½" CD	123	176	168	43.1	4.6-

94-218 O - 73 - 16

EXHIBIT I-E

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Baltimore, Maryland	2x4 Precut Studs	144	140	190	18.1	11.8
		195	215	240	10.3	11.6
		147	196	217	33.3	10.7
	2x4-8 Hem	125	177	210	41.6	18.6
		160	185	225	15.6	21.6
		140	155	225	10.7	45.2
		135	220	228	62.7	3.6
		150	190	215	26.7	13.2
	2x4-8	163	200	206	22.7	3.
	3/8" CD Ext	94	155	195	64.9	25.8
		110	205	230	86.4	12.2
	½" CD	150	235	240	56.7	2.1
		132	200	203	51.5	1.5
		125	159	217	27.2	36.5
		135	210	240	55.6	14.3
	½" CDX	133	226	112	69.9	?
		155	190	215	22.6	13.2
	½" CD Ext	137	24C	247	75.2	2.9
		137		219		
Hyannis, Massachusetts	2x4 Hem	140	202	235	443	16.3
	2x6 "	140	193	215	37.7	11.4
	½" CDX	145	235	230	62.1	2.1-
Bloomfield Hills, (Detroit) Michigan	2x6 - 14 Fir	211	---	284	----	----
	3/8" Ext	202	---	279	----	----
Kalamazoo	2x4 Const. Spruce	174	225	245	29.3	8.9
	2x6 " "	194	199	236	2.6	18.6
Troy	2x4-8 Std & Btr Fir	174	225	213	29.3	5.3-
	½" CD	153	209	204	36.6	2.4-
St. Louis, Missouri	2x4 Studs	154	210	213	36.4	1.4
	2x6 8-10	143	168	175	17.5	4.2
	½" CD	132	179	189	35.6	5.6
Las Vegas, Nevada	2x4 Studs	135	175	202	29.6	15.4
		155	215	247	38.7	14.9
	CDX Ext	125	220	215	76.0	2.3-
		150	245	240	63.3	2.0-
Freehold, New Jersey	2x4 Studs Fir	170	230	230	35.3	0
	2x8 - 20	148	205	215	38.5	4.9
	½" Ext. Glue	133	230	220	72.9	4.4-

EXHIBIT I-E

- 3 -

	ITEM	1971[1]	1972[2]	1973[3]	% CHANGE 71/72	% CHANGE 72/73
Cleveland, Ohio	2x4 - 16	165	238	203	44.2	14.7-
	2x4 Studs Hem	190	223	240	17.4	7.6
	½" CD	158	240	210	51.9	12.5-
		155	229	253	47.7	10.5
Eugene, Oregon	2x4 Studs	134	155	189	15.7	21.9
	2x10 Joists	157	183	211	16.6	15.3
	3/8 " Plywood	98	109	169	39.7	55.1
Portland	2x4 Studs	97	140	175	44.3	25.0
	2x10	117	185	230	58.1	24.3
	½" CDX	86	210	250	144.2	19.1
Lancaster, Pennsylvania	2x4-8 Spruce	150	210	230	40.0	9.5
	2x10-12 Fir	185	250	270	35.0	8.0
	½" CD Ext	135	---	205	----	----
Pittsburg	2x4 WF	184	236	236	28.3	0
	2x10 W Spruce	175	242	242	38.3	0
Houston, Texas	2x4 Studs Util	152	167	175	9.9	4.8
	2x10, 12 RL #3 YLP	145	175	160	20.7	8.6-
	#2 YLP Studs	121	150	150	24.0	0
	½" CDX	101	148	170	46.5	14.9
Newport News, Virginia	2x4 Pet Studs	125	195	---	56.	----
	2x6 - 16	120	155	---	29.2	----
South Jordan, Utah	2x4 Studs	155	165	189	6.5	14.6
	2x10 - 20	149	208	229	39.6	10.1
	½" Plywood	127	197	189	55.1	4.1-
Everett, Washington	2x4 Gr. Cedar	135	210	225	55.6	7.1
	2x4 Studs KD Std & BTR	125	150	155	20.0	3.3
	½" CDX	119	158	158	32.8	0
Redmond	Studs KD STD & BTR	135	160	160	18.5	0
	½" CDX	150	220	---	46.7	----

1 - 3rd Quarter
2 - 4th Quarter
3 - 1st Quarter

EXHIBIT I-F-1

AVERAGE STUMPAGE PRICES FOR ALL SPECIES OF SAWTIMBER SOLD ON NATIONAL FORESTS IN OREGON AND WASHINGTON,[1] 1960-72
(In Dollars Per Thousand Board Feet)

YEAR	PRICE
1960	$22.10
1961	18.50
1962	16.60
1963	18.50
1964	24.20
1965	27.50
1966	31.50
1967	28.00
1968	42.40
1969	58.80
1970	26.70
1971	30.10
1972[2]	56.67

[1] Excludes Northeast corner of the state

[2] Price for the third quarter of 1972

SOURCE: U.S. Forest Service, Production, Prices, Employment, And Trade in NW Forest Industries. 3rd Quarter 1972

EXHIBIT I-F-2

MONTHLY STUMPAGE PRICES
Douglas Fir Region
1972

Month	Volume (million board feet)	Advertised (per thousand board feet)	Bid (per thousand board feet)	Differential Between Advertised and Bid (per thousand board feet)
January	57.3	$37.42	$43.99	$ 6.57
February	116.1	33.90	40.36	6.46
March	331.6	37.32	40.98	3.66
April	146.4	33.80	38.01	4.21
May	328.8	33.99	40.53	6.54
June	956.1	39.94	47.29	7.32
July	85.6	44.68	50.59	5.91
August	197.4	52.10	59.72	7.62
September	193.7	54.71	61.11	6.40
October	186.6	53.12	61.98 *	8.86
November	271.5	44.04	60.24	16.20
December	790.2	50.82	84.25	33.43

* Excludes sale on Siskiyou National Forest of 5.6 Million board feet of Port Orford Cedar at $1,000 per thousand board feet.

SOURCE: U.S. Forest Service

EXHIBIT I-G

MAJOR TIMBER SUPPLY-DEMAND FINDINGS

1. Demands for wood products have increased 70 percent in the last three decades and similar substantial increases are expected through the end of this century.

2. During the past three decades, lumber consumption rose 49 percent. Use of pulp products climbed 235 percent. Consumption of veneer and plywood increased 475 percent.

3. Net growth of softwood increased about one-third between 1950 and 1970. This included about 40 billion board feet of softwood sawtimber suitable for lumber and pulpwood. Net growth of hardwoods increased nearly as much, with growth of the hardwood sawtimber portion of the total amounting to 20 billion board feet.

4. With current levels of forest management for timber production, only modest increases in timber harvests will be available in the next few decades. Inadequate supplies of timber to meet rising demands will lead to consequent increases in prices of timber and timber products.

5. Increasing pressures for transferring land from commercial forests to recreation and other non-timber uses, as well as increased environmental considerations, have a direct effect on timber supplies.

6. Rising imports of wood products will provide some increases in supply but may be largely offset by increases in exports.

7. Greater use of non-wood materials as substitutes can be a partial solution to future wood supply problems, but could have undesirable environmental and economic effects.

8. The two most promising methods for increasing supplies and holding down prices are (1) intensifying growth rates of timber in domestic forests, especially on the 296 million acres of non-industrial private lands which make up three-fifths of the commercial forest land base, and (2) improving product yields from available raw materials.

9. Increased research and application efforts could increase supplies of timber and wood products substantially through solution of protection, harvesting, processing, and utilization problems.

10. Due to the long term nature of forestry, decisions must be considered promptly as to how we are to meet future demands for timber products while simultaneously providing for non-timber uses of forests and environmental protection.

SOURCE: "Outlook for Timber in the U. S., a Report of the Findings of the 1970 Timber Review"
(Review Draft, issued December 1972)

EXHIBIT I-H

IMPORTS OF SOFTWOOD LUMBER
(Billions of Board Feet)

Year	Imports	Apparent Consumption 1/	Percent of Consumption Supplied by Imports
1960	3.6	29.6	12%
1961	4.0	29.5	14%
1962	4.6	30.8	15%
1963	5.0	31.8	16%
1964	4.9	33.4	15%
1965	4.9	33.4	15%
1966	4.8	32.8	15%
1967	4.8	31.1	15%
1968	5.8	34.0	17%
1969	5.9	33.2	18%
1970	5.8	31.9	18%
1971	7.2	37.2	19%
1972	8.9	40.9	22%

1/ Derived by adding domestic production and net imports.

SOURCE: U.S. Department of Agriculture Forest Service, The Demand and Price Situation for Forest Products, 1971-72.

EXHIBIT II-A

U.S. EXPORTS OF SOFTWOOD LOGS, 1962-73
(In Million Board Feet, Log Scale)

Year	Total Exports	Exports to Japan	Japan Exports as a Percent of Total
1962	452.7	326.0	72.0%
1963	879.6	689.0	78.3
1964	1022.6	752.0	73.5
1965	1111.4	800.0	72.0
1966	1317.5	1080.0	82.0
1967	1873.6	1580.0	84.3
1968	2473.2	2112.0	85.4
1969	2316.8	1996.0	86.2
1970	2684.1	2372.0	88.4
1971	2233.4	1844.0	82.6
1972	3048.0	2523.0	82.8
Jan 1972	205.9	143.8	69.8
Jan 1973	260.5	210.5	81.0

Source: U.S. Forest Service, The Demand and Price Situation For Forest Products, 1971-72, Table 13. 1972 Data: U.S. Bureau of Census 1973 Data: U.S. Department of Commerce.

EXHIBIT II-B

EXPORTS OF SOFTWOOD LUMBER
(Billions of Board Feet)

Year	Exports
1960	0.7
1961	0.6
1962	0.6
1963	0.7
1964	0.8
1965	0.8
1966	0.9
1967	1.0
1968	1.0
1969	1.0
1970	1.2
1971	0.9
1972	1.2

Source: U.S. Department of Agriculture Forest Service, The Demand and Price Situation for Forest Products, 1971-72.

EXHIBIT II-C-1

Softwood Logs Exports 1972

Country	Quantity (thousand BF)
Canada	481,700
Mexico	453
Bahamas	156
LW WW I.	13
N. Antil	48
Peru	2,264
Brazil	96
Sweden	11
Nethl.	56
W. Germ	1,579
Switz	67
Portgl	15
Greece	41
S.Arab	13
Kor Rep	[illegible]
Japan	[illegible]
T. Pac Is	[illegible]
Miquel	[illegible]
Bermuda	[illegible]
Jamaica	[illegible]
Trinidad	[illegible]
FW Ind	[illegible]
Chile	9
Argent.	[illegible]
Finland	10
France	616
Austria	[illegible]
Spain	1,596
Italy	1,276
Iran	3
Bahrain	20
Hg Kong	20
Austral	170
Rep Saf	14
Total	3,048,120

Source: United States Commerce Department

EXHIBIT II-C-2

SOFTWOOD LOGS EXPORTED TO JAPAN, 1972

MONTH	QUANTITY (in thousand board feet)
January	143,784
February	80,074
March	307,701
April	246,496
May	239,798
June	163,868
July	184,116
August	297,652
September	200,135
October	261,627
November	216,958
December	180,460
Total 1972	2,522,669
January, 1973	210,527

SOURCE: U. S. Department of Commerce

EXHIBIT II-D

Comparison of Timber Sale Bid Ratios
November and December

Year	Approx. Volume Sold (million board feet)	Percent of Volume Bid 0-10% over Appraisal	Percent of Volume Bid 11-50% over Appraisal	Percent of Volume Bid 51-100% over Appraisal	Percent of Volume Bid more than 100% over Appraisal
		Four Washington Forests			
1971	215	61%	24%	12%	3%
1972	342	20	31	17	31
		Williamette National Forest			
1971	330	89%	10%		*
1972	290	33	21	33	12

*There was a small cedar sale at 6 x appraisal price.

Source: Random Lengths, February 16, 1973

EXHIBIT II-E

Comparison of Stumpage Prices in Washington and Oregon

Year	Private Harvest	National Forest Harvest	National Forest Stumpage	BLM Harvest	BLM Stumpage	State Harvest	State Stumpage
			STATE OF OREGON				
1967	3,833	3,181	$36.92	1,092	$36.97	127	$32.10
1968	4,354	3,642	44.23	1,470	47.33	161	55.75
1969	4,165	3,464	68.64	1,206	70.33	200	48.78
1970	3,874	2,832	30.12	1,037	42.02	150	35.52
1971	4,230	3,197	35.30	1,340	47.06	158	36.76
3rd Qtr 1972			(60.30)		(74.44)		(55.53)
			STATE OF WASHINGTON				
1967	3,311	1,599	$27.63	3	$30.78	167	$34.38
1968	3,856	1,795	39.68	4	39.38	681	55.88
1969	4,230	1,519	48.36	3	44.03	744	74.66
1970	4,045	1,378	30.06	2	-	602	52.15
1971	3,946	1,261	[illegible].53	4	33.63	722	46.42
3rd Qtr 1972			(48.35)		(50.42)		(86.79)

NOTES: Harvest figures are in MMbf for the entire State.
Stumpage figures are in dollars per Mbf for the Western half of each State (that portion of the State prone to entry into the export market).

One will readily note the extent to which the stumpage values of State of Washington timber is consistently much more than that on other public timber sales. This is [illegible]y attributable to the fact that State of Washington timber can freely enter the export flow; while there are restrictions on all other public sales.

SOURCE: Production Prices Employment and Trade, North West Forest Industries, Pacific North West Forest Ranger Experiment Station, U.S. Forest Service Tables 8 and 34.

EXHIBIT II-F

TIMBER SUPPLY, NATIONAL FORESTS

FY YEAR	ACTUAL VOLUME SOLD mmbf	ALLOWABLE HARVEST mmbf
65	11,511	12,725
66	11,383	12,993
67	11,655	13,080
68	11,652	12,980
69	18,931*	13,552
70	13,382	13,538
71	10,636	13,674
72	10,340	13,631

* - 8.75 Alaska

SOURCE: National Forest Products Association

EXHIBIT III-A

AVERAGE MATERIAL 1/ COSTS IN A SINGLE FAMILY HOME* 1972

Cost Item	Cost	Percent of Total
Excavation	$ 243.30	1.7%
Masonry	948.30	6.7
Concrete	1,123.47	8.0
Lumber	2,193.23	15.6
Wood Flooring	438.78	3.1
Millwork	1,455.41	10.3
Carpentry Labor	1,686.75	12.0
Roofing	337.12	2.4
Gutters	104.54	0.7
Lath and Plaster	829.38	5.9
Tile Work	277.00	2.0
Linoleum	288.94	2.1
Electric Wiring	517.54	3.7
Lighting	109.41	0.8
Plumbing	1,314.98	9.3
Heating	650.37	4.6
Painting	678.30	4.8
Insulation	132.38	0.9
Finish Hardware	112.97	0.8
Rough Hardware	127.64	0.9
Incidental Cost	280.41	2.0
Appliances	232.92	1.7
Total Cost:	$14,083.14	100.0%

*Approximate sales price: $25,000

Source: Based on cost data covering 70 cities compiled by NAHB Economics Department.

1/ This excludes all hard costs i.e. cost of land, financing cost, overhead, and profit.

EXHIBIT III-B

WHOLESALE PRICE INDEXES
ALL INDUSTRIAL COMMODITIES VS. WOOD PRODUCTS
1971 - 1973
(1967 = 100)

Month	All Industrial Commodities 1971	All Industrial Commodities 1972	All Industrial Commodities 1973	Douglas Fir Softwood Lumber 1971	Douglas Fir Softwood Lumber 1972	Douglas Fir Softwood Lumber 1973	Softwood Plywood 1971	Softwood Plywood 1972	Softwood Plywood 1973	Millwork 1 1971	Millwork 1 1972	Millwork 1 1973
January	112.2	115.9	120.0	108.0	148.2	169.5	108.7	137.9	160.5	114.2	124.9	131.4
February	112.5	116.5	121.3	122.0	151.4	188.3	123.6	145.8	186.1	115.2	125.5	133.4
March	112.8	116.8		135.6	153.6		136.1	153.5		116.2	125.8	
April	113.3	117.3		135.9	156.3		127.4	153.3		118.6	126.6	
May	113.7	117.6		135.7	159.1		118.6	155.6		120.3	127.6	
June	113.9	117.9		139.0	160.8		118.7	157.9		122.2	128.4	
July	114.5	118.1		147.3	165.4		122.5	160.5		122.8	129.6	
August	115.1	118.5		150.9	166.8		138.7	162.1		123.8	130.0	
September	115.0	118.7		149.6	167.3		136.5	159.7		123.7	130.2	
October	115.0	118.8		142.4	167.9		131.1	159.7		123.7	130.7	
November	114.9	119.1		141.5	168.1		130.5	157.4		123.7	130.9	
December	115.3	119.4		143.5	168.3		134.1	155.2		124.3	130.7	

SOURCE: U. S. Bureau of Labor Statistics, Wholesale Prices and Price Indexes, various issues. Table 6 - Code #08.

1/ Includes such items as kitchen cabinets, doors, window frames and roof trusses.

EXHIBIT III-C

WHOLESALE PRICE INDEXES
ALL CONSTRUCTION MATERIALS AND WOOD PRODUCTS
(1967 = 100)

MONTH	ALL CONSTRUCTION MATERIALS			LUMBER*			MILLWORK*			PLYWOOD*		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
JAN	113.4	123.2	129.4	113.0	146.9	169.0	114.2	124.9	131.4	104.9	120.2	134.1
FEB	114.9	124.2	NA	120.3	150.4	182.3	115.2	125.5	133.4	112.8	125.1	149.4
MAR	117.2	124.9		129.0	152.4		116.2	125.8		120.2	128.9	
APR	118.0	125.7		131.5	155.1		118.6	126.6		115.6	128.9	
MAY	118.5	126.2		132.8	157.0		120.3	127.6		111.0	130.3	
JUN	119.0	126.6		134.4	159.0		122.2	128.4		110.2	131.7	
JUL	120.9	127.2		142.5	161.6		122.8	129.6		111.7	132.9	
AUG	122.9	127.8		146.7	164.1		123.8	130.0		120.5	135.9	
SEP	123.0	128.0		146.8	165.1		123.7	130.2		119.1	134.6	
OCT	122.2	128.3		142.7	166.1		123.7	130.7		116.2	134.6	
NOV	122.0	128.4		141.9	166.8		123.7	130.9		115.9	133.3	
DEC	122.4	128.5		143.8	167.9		124.3	130.7		117.8	132.2	

*Includes softwood and hardwood

SOURCE: U.S. Department of Commerce, Construction Review, Table E-2
U.S. Department of Labor, Monthly Labor Review, Table 27

94-218 O - 73 - 19

EXHIBIT IV-A

New One-Family Homes Sold, by Sales Price-
Not Seasonally Adjusted

Period	Median Sales Price (dollars)
1963	18,000
1964	18,900
1965	20,000
1966	21,400
1967	22,700
1968	24,700
1969	25,600
1970	23,400
1971	
January	23,900
February	24,500
March	24,300
April	25,800
May	25,500
June	26,100
July	25,200
August	25,300
September	25,400
October	25,600
November	25,700
December	25,300
1972	
January	24,700
February	26,500
March	27,400
April	26,700
May	27,000
June	26,800
July	27,700
August	28,100
September	28,000
October	28,900
November	28,900
December	29,700

Note: September through December figures preliminary
Source: United States Census Bureau Construction report C25-72-11 Table 5

The CHAIRMAN. Before we continue, Senator Cranston has a statement which we will include in the record at this point.

[The statement and attachments follow:]

STATEMENT OF SENATOR ALAN CRANSTON

We are here today because a critical housing problem exists in the Nation. Housing costs are skyrocketing, largely because of the runaway inflation that has hit the lumber industry. Many homes—and many jobs and businesses—are at stake.

I want to say right at the outset that I don't think an embargo on log exports will solve all our problems in the areas of housing and employment. But in my opinion, we need a log embargo now. We cannot wait for months and years of talks. We can't toss this problem onto the already overloaded agenda of trade and currency negotiations with other nations.

Senator Packwood and I have introduced a bill, S. 1033, which would phase out all log exports by January 1, 1977. Senator Sparkman, the chairman of this committee, has announced that these hearings will include consideration of this bill. I am pleased by his decision.

In 1969, the Housing Subcommittee of the Senate Banking Committee heard testimony on the same problem that confronts us today—escalating lumber prices and serious lumber shortages. I believe this committee should try to develop some long-term legislative antidotes so that 4 years from now, we will not be convening again to ask the same questions.

On February 8, 1973, Senator Packwood and I wrote President Nixon and Secretary Butz urging the administration to declare logs and lumber in short supply and use of the authority under the Export Administration Act of 1969 to impose on them both an immediate embargo. On March 10, 1973, I received a reply from Peter M. Flanigan, Assistant to the President for International Economic Affairs, assuring me that lumber prices were being given priority attention by the Commerce Department, the Cost of Living Council, the Council of Economic Advisers, and the White House. On March 13, I heard from Secretary Butz also indicating that the issue of lumber prices was under active review.

Today's hearings testify to the urgency of the lumber price situation. I certainly hope that witnesses from the administration will elaborate the responses of Mr. Flanigan and Secretary Butz. I would like to supply copies of this correspondence for the record. [Attached to statement.]

A recent Gallup poll, taken in January 1973, listed the cost of living as the No. 1 concern of American families. No wonder. Despite the administration's promise to keep prices down—the cost of food and shelter; the basic necessities of living; keep on rising.

New housing prices are a good index. The average price of a new single-family house in the Washington suburbs sells for $42,000. A family earning $16,000 could afford that house today, but in a few months—due to the continuing rise in the cost of construction—that house may be out of reach. To take another example, homebuilders in Cleveland fear that in the next 90 days construction costs may go up as high as $1,000. The main reason: runaway lumber prices.

The National Association of Homebuilders estimates that within the last 6 months, lumber costs have added $1,200 to the price of an average $24,000. And each $1,000 added to the price of an average house pushes an estimated 1.5 million people out of the market. Under normal circumstances, these families, squeezed out by the high cost of conventional housing, could turn to subsidized units. But the President's January 5 moratorium on new commitments for subsidized units will curtail this supply, cutting these families off from alternative housing.

Beginning in mid-year 1971, lumber prices have risen steadily right through phase II. Comparing February 1972, with February 1973, brings these prices into focus. In February 1972, the mill price of green Douglas-fir 2 by 4 was $117 per thousand board feet. Last month, the price was $182—an increase of 55 percent. Kiln dried hemlock fir 2 by 4 cost $122 per thousand board feet in February of last year. This February, the cost was $181—an increase of 48 percent. Exterior plywood, showing the greatest increase, rose from $110 per thousand board feet in February 1972, to $184; in February 1973, an increase of more than 66 percent.

But prices have not merely climbed over the past year and a half. Since January, when phase III began, they have shot straight up. As a typical example, a homebuilder in Oakland, Calif., wrote me that for the last 3 months of 1972, the price of a package of various kinds of lumber was held constant at $147 per thousand board feet. By February 1973, he wrote that the price had risen to $180.20 per thousand board feet—an increase of 23 percent in 1 month.

No one knows where prices will go from here, or how rapidly they will change. This uncertainty is especially disturbing to homebuilders who approach the spring building season and are unable to estimate their costs.

The uncertainty facing the homebuilders is shared by small, independent sawmills who are being outbid by Japanese companies willing and able to pay sky-high prices for logs. In a recent timber sale in Darrington, Wash., for example, the best domestic bid was $166; a company bidding for the Japanese offered $303 and won. In northern California, where I recently visited and where unemployment is already 12 percent, 17 sawmills, employing 1,700 workers, face going out of business because their supply of logs is being bought out by Japanese exporters. Their plight is serious and immediate, but it is also symptomatic of the larger problem: the disparity between supply and demand both here and abroad.

Both Japan and the United States have set ambitious housing goals. By 1977, Japan intends to build 9.7 million housing units. By 1978, we are aiming at 26 million new and rehabilitated units. Testimony at last summer's log export control hearings revealed that to achieve our housing goal, we will need an additional 2 billion board feet of lumber and 1 billion square feet of plywood annually through 1978. For a variety of reasons, namely poor forest management and cuts in funding for Federal forest programs, timber sales from Federal lands have dropped. Witnesses at last summer's hearings predicted that our supply of softwood timber in the 1970's will fall short of demand by between 6 and 15 billion board feet. We must try and make up for this shortfall in supply.

The Federal Government, owning more than 50 percent of the softwood lumber supply, accounts for about 30 percent of the softwood harvested. By contrast, forest industry-owned lands with 17 percent of the softwood inventory, account for 33 percent of the softwood harvest. The Federal Government should be able to do as well as private industry in managing its lands. I hope these hearings will reveal why we have not done so well up to now and how we can get our Federal forest programs on the right track.

Last year, our log exports amounted to almost 3 billion board feet—and unless further controls are enacted, more may be exported in 1973. In view of the serious and long-term gap between supply and demand, I do not believe we can afford to continue exporting logs. Nor can we afford to lose the jobs required to process these logs into lumber.

In addition to jobs and housing, the legislation which Senator Packwood and I are proposing has serious implication for both our relations with Japan and our overall balance of trade. I want to comment briefly on both of these areas.

Our relationship with Japan is critically important. The dimensions of Japanese-American trade are enormous. Trade between the two countries now adds up to more than $12 billion a year—a fourfold increase in 10 years. Roughly three-quarters of those exports and imports passed through ports in my home State of California.

A log export embargo is admittedly a move that restricts free trade. At a time when we are asking Japan and other nations to liberalize trading policies, banning logs from export sale may seem hypocritical.

But I think there is a real difference between an export restriction and an import restriction. Protecting a scarce natural resource from sale abroad is a well established practice already shared by both Alaska and Canada. If properly administered and understood, an export restriction—if justified by a severe domestic crisis—need not interfere with relaxing restrictions on world trade.

With respect to our balance of trade, an argument can be made that it is irrational for the United States to export raw materials—logs—and import finished lumber products from Canada. Many American jobs are lost to Canadian workers largely because Canadian regulations effectively ban the export of logs. British Columbia, for example, enjoys a forest products manufacturing industry which employs 75,000 people with an annual payroll of $700 million.

Last but by no means least, the question of log exports raises the whole question of preserving American's wilderness and protecting our environment.

Our forests are a cherished natural resource. Their value is not limited to dollars and cents. The wildlife, waterways, and natural beauty of our forested lands deserve careful management. We must do our best to minimize the environmental damage caused by road construction, logging debris and slash, soil erosion, and other harmful side-effects of timber harvesting.

Fortunately, sustained-yield forestry techniques have been developed which make it possible to harvest the same amount of timber on less land. But partly because of inadequate funding, the Forest Service has not fully applied these techniques to Federal lands.

To increase the allowable cut of logs from Federal lands without permanent damage to the environment would require both a larger

professional staff and a series of improved forestry practices, including salvaging old and dying timber, thinning young growth, and reforesting non-stocked land. It will take time to put these measures into effect. But the commitment is well worth the effort.

I believe that improved forestry techniques, combined with a ban on log exports, will permit us to meet domestic demand at reasonable prices—without mutilating America's natural beauty.

I have outlined some of the issues as I see them, and I certainly hope that other members of the committee will raise these and other questions as the hearings proceed. Lumber prices reflect a complex interlocking of public policies and private actions. I hope that these hearings and those scheduled for Portland on April 11, and San Francisco on April 13, will help clarify this relationship and suggest long term remedies.

I look forward to a full and fair discussion.

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
Washington, D.C., February 8, 1973.

President RICHARD M. NIXON,
THE WHITE HOUSE,
Washington, D.C.

DEAR MR. PRESIDENT: We would like to bring to your attention a matter of considerable and growing concern to us all.

Due in large part to the volume of exports of softwood logs and lumber to Japan, lumber prices have soared over the past year. Since January 1, 1972, the cost of lumber on an average house has increased by $1,200—$700 of that increase during the past month.

The great increase in lumber prices over the past year, and particularly in recent months, threatens the homebuilding industry and the homebuying public.

Last year foreign firms purchased a significant and rapidly increasing portion of our total supply of wood products—3.0 billion board feet of uncut logs. Ninety percent of this total was purchased by Japanese industry. In January, Japanese purchasers, shifting emphasis, began to indicate a significant interest in the purchase of processed lumber and were sending buying teams to the United States to purchase such products in order to feed Japan's continuing housing boom. Such action portends more dire consequences for America's economy and homebuilding industry.

An increase of $1,000 in the price of an average single-family house eliminates 2,000,000 Americans from the housing market. If log exports continue unchecked, lumber prices will continue to rise and thousands more will find it impossible to secure housing within their means. We will also stand to lose tens of thousands of jobs in the construction trades and wood products industry.

We, therefore, urge you to use your authority under the Export Administration Act of 1969, specifically section 3(2) (A) of that Act, to declare immediately a 6 month embargo on overseas shipments of softwood logs and such lesser period as may be necessary on lumber and plywood.

We would like to advise you that the Subcommittee on International Finance of the Senate Committee on Banking, Housing and Urban Affairs, will be conducting an inquiry into the log and lumber supply problem. We believe an embargo would calm the crisis atmosphere and give everyone concerned an opportunity to assess the situation under conditions more conducive to objectivity.

Thanking you for your consideration of our intense interest in this regard, we remain,

Sincerely,

ALAN CRANSTON.
BOB PACKWOOD.

UNITED STATES SENATE,
Washington, D.C., February 8, 1973.

EARL L. BUTZ,
Secretary of Agriculture, Department of Agriculture,
Washington, D.C.

DEAR EARL: Under the terms of the Export Administration Act of 1969, as amended in 1972 by the Curtis Amendment, you are entrusted with the respon-

sibility to make the determination that certain agricultural products are in short supply relative to the needs of domestic users.

We hereby recommend that you take the steps necessary in order to declare that timber from America's forests is in short supply and that you so advise the Secretary of Commerce in order that he might act to institute an immediate embargo on the export of logs and lumber as we are recommending the President direct him to do.

The facts provide incontrovertible evidence that we are in a situation of short supply of timber that would empower you to take the action we are recommending. In 1972, the United States exported three billion board feet of timber (unprocessed logs). At the same time, we were importing nine billion board feet of finished lumber to meet our domestic needs. After the appropriate conversion between the data, we find that, in 1972, we were a net importer of more than five billion board feet of finished lumber.

These data provide proof that we are facing a situation of critical supply—an absolute inability to meet domestic demand for wood products with the domestic supply of timber.

Thanking you for your prompt attention to our recommendation, we remain,

Cordially yours,

ALAN CRANSTON.
BOB PACKWOOD.

THE WHITE HOUSE,
Washington, March 10, 1973.

Senator ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: Tom Korologos has passed along to me your recent letter to the President in which you joined with Senator Bob Packwood in urging that action be taken to curtail the export or uncut logs and wood products because of the impact on the domestic industry.

I want to assure you that this matter is receiving priority attention within the Commerce Department, the Cost of Living Council, the Council of Economic Advisers and my office. The rise in wood products prices is a matter under active review in the White House, and we are considering what action may be necessary.

With warm regards,

Sincerely,

PETER M. FLANIGAN,
Assistant to the President
for International Economic Affairs.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 13, 1973.

Senator ALAN CRANSTON,
U.S. Senate

DEAR SENATOR CRANSTON: This is in reply to the letter you jointly submitted with Senator Packwood, relative to control of exports of forest products.

I am aware of recent trends in softwood supply and high prices of lumber and plywood, and am concerned over the effects this may have on homebuilding costs.

There are differing views as to the causes of high prices. Record-setting numbers of housing starts, restrictions on lumbering for purposes of environmental protection, and exports of logs and lumber to Japan are among the several factors influencing lumber and plywood supplies.

We are currently working with both the President's Council of Economic Advisors and the Cost of Living Council studying the problem and expect to reach a conclusion shortly. The questions involved are quite complex, involving such matters as balances of payments, international trade restrictions, freedom of action by forest owners, and employment in dependent mills as well as dock and maritime workers. It is premature for me to act on your proposal before the two Councils have made their recommendations.

I can assure you that we are following developments closely and I appreciate having your views on this matter.

Sincerely,

EARL L. BUTZ,
Secretary.

The CHAIRMAN. Mr. Ralph Hodges.

STATEMENTS OF JOHN B. CROWELL, CHAIRMAN, FOREST AFFAIRS COMMITTEE, NATIONAL FOREST PRODUCTS ASSOCIATION; BRONSON J. LEWIS, EXECUTIVE VICE PRESIDENT, AMERICAN PLYWOOD ASSOCIATION; ROBERT F. HIGGINS, PRESIDENT, WESTERN WOOD PRODUCTS ASSOCIATION; JOSEPH M. TOLLESON, JR., DIRECTOR, SOUTHERN FOREST PRODUCTS ASSOCIATION; RALPH D. HODGES, JR., EXECUTIVE VICE PRESIDENT, NATIONAL FOREST PRODUCTS ASSOCIATION; AND JOSEPH B. McGRATH, VICE PRESIDENT FOR GOVERNMENT AFFAIRS, NATIONAL FOREST PRODUCTS ASSOCIATION

Mr. HODGES. Thank you, Mr. Chairman.

I am Ralph Hodges, executive vice president of National Forest Products Association here in Washington, D.C. Here with us is Joseph B. McGrath, vice president for Government affairs.

Senator CRANSTON. Which is Mr. McGrath?

Mr. HODGES. On the end.

As our chief spokesman here today for our association is Mr. John B. Crowell. Mr. Crowell is chairman of our committee on forestry affairs and general counsel of the Louisiana Pacific Corp., in Portland, Oreg. Mr. Crowell will introduce our other members of the panel representing the forest products industry.

The CHAIRMAN. All right, Mr. Crowell?

Mr. CROWELL. Mr. Chairman, I am Mr. Crowell. In order to make best use of the committee's time this morning, we have attempted to put together a panel of four experts who can testify from their expertise concerning the lumber and plywood price supply problem. We have representatives from various areas of the country, and from various segments of the wood-producing industry.

The CHAIRMAN. Which two of you are not experts? You've got six at the table.

Mr. CROWELL. Mr. Hodges and Mr. McGrath are our generalists this morning, Mr. Chairman.

In order to facilitate the time we have, we would propose to call upon each one of these four experts in turn who will briefly refer to certain parts of the statement which has been filed by the National Forest Products Association.

That statement was presented to the committee's staff yesterday, and is an attempt to make a comprehensive review of the various factors in the supply price problem, as we see them.

The CHAIRMAN. May I say: You said that was presented to the staff yesterday. They were delivered to my office yesterday. It is quite a load.

Mr. CROWELL. I'm sure it was. It's a big statement. We would ask it be printed in full in the record, because we are not going to make any presentation of that paper this morning (see p. 308).

In order to start this presentation, I would call first upon Mr. Bronson Lewis, who is the executive vice president for the American Plywood Association in Tacoma, Wash.

Mr. LEWIS. Thank you.

The CHAIRMAN. Hold it right there. The vote is coming at 10:30. And it may be that we will have one vote for all five.

That's possible.

So I think probably we should take a recess right now for 10 minutes.

If we are not back in 10 minutes, you know we have to stay for more than 10 minutes.

I think we will be back.

The committee will stand in recess for 10 minutes.

[Recess.]

Senator CRANSTON. The hearing will please come to order.

Senator Sparkman will return shortly. Meanwhile, Senator Packwood and I will continue.

So would you please proceed with your presentation?

Mr. CROWELL. Thank you, Mr. Chairman. I had just introduced Mr. Bronson Lewis of the American Plywood Association. I had meant to add that the form of our presentation will call for each one of the four of us to make our presentation first, and then we would be more than happy to answer questions which might be presented by the chairman or by other members of the subcommittee.

Senator CRANSTON. That's fine.

Mr. LEWIS. Thank you, John.

Senator Cranston, Senator Packwood, I am Bronson Lewis, executive vice president of the American Plywood Association, Tacoma, Wash. Our members own 150 plywood plants, under 86 company ownerships, located in 18 States in the West and South.

Our association members produced about 80 percent of the record 18.3 billion square feet, 3/8-inch basis, produced in 1972.

The nature of the plywood industry is unique in that we have 17 worker-owned co-op plywood plants, a great number of small and medium size independent ownerships, and a dozen or so large corporate ownerships.

Due to the diversity of products and markets, the physical distribution of softwood plywood is a large and dynamic system. Some 86 percent of all plywood moves through the wholesalers, and 75 percent goes through the retail dealers on its way to market.

Cause of price/supply problem. The overriding reason is simply that demand has exceeded the supply. And primarily the demand is the result of the record rate in housing construction in 1971, 2.1 million starts, and 1972, 2.4 million units. The latter is 1 million more units than the yearly average of 1.4 million built during the 1960's.

In normal times, about 50 percent of all plywood goes into the housing market. However, in 1972, 58 percent of all plywood produced was consumed in this housing boom.

Historically, plywood and lumber prices fluctuate with the ups and downs of the housing market. As you know, Federal Government manipulation of the mortgage funds contributes to the peaks and valleys of house construction.

Although our industry produced a new record volume of plywood in 1972, phase II, economic controls were largely ineffective and particularly toward the end of the year, the profit margin limitations actually were a disincentive to production. Price controls are effective in a cost-push inflationary situation, but they cannot work under demand-pull pressure, and result in distortions of markets, changes of product mix and reduced supply. And lumber and plywood have

been under demand-pull pressures during the current supply/price problem.

This strong demand has worked against a relatively inelastic supply situation which I'll elaborate on in a few minutes.

Plywood industry effort to meet demand. The plywood industry performed extremely well in trying to meet demand last year under very trying conditions of price controls, heavy environmentalist pressure to tie up timberlands, and very substantial export of logs primarily to Japan.

Our industry's 1972 production was 12.8 percent above the record 1971 level, which in turn was 14 percent over the 1970 volume. In fact, the plywood industry has recorded a phenomenal annual growth rate of 10 percent since 1950 in its efforts to meet the Nation's demand for plywood in housing.

Industry capacity is limited. The plywood industry operated at 97 percent of capacity during all of 1972. Capacity is defined as three shifts a day, 5 days per week.

Since phase III economic controls went on, we've operated at close to 100 percent of capacity. Our mills normally require 2 years log supply ahead of the lathe. And the high production rate has depleted log inventories so that some of our mills heavily dependent on Federal timber are down to a 12-month or less log supply.

If more logs were made available immediately—either through emergency release of more timber from Forest Service lands or through immediate total restriction of log exports from Federal lands—we could increase our production. A recent survey of operating capacity at west coast plywood plants conducted by the Portland Home Builders Association indicates that the plywood plants responding could increase production by about 15 percent, by combinations of 6-day weeks and additional shifts.

Availability of more logs now would have a psychological effect on our mills as well as provide actual relief, to increase production.

On the long term, the only way plywood manufacturers can invest in additional equipment or build more plants is to have an assured continuing source of raw material. In the West, this must come from increased harvesting from Forest Service lands. Our Southern producers are primarily dependent on timber from the private lands, mostly small woodlot ownerships.

Timber supply is key to meeting national needs for wood. Virtually 80–90 percent of our members are dependent in whole or in part on purchase of "outside" timber and veneers to run their mills.

In the Western States the outside source is basically the U.S. Forest Service. Federal lands contain 58 percent of all of the Nation's plywood timber. In Oregon, Federal lands contain 78 percent of the sawtimber.

The industrial forest lands of the West by and large are already under intensive management and offer relatively slight hope for increased timber production. On the other hand, Chief of the Forest Service, John McGuire, has stated that Forest Service timber production could be increased by 50 percent if they had the funds and manpower to manage the timberlands effectively. And recreation, wildlife habitat, grazing and mineral benefits would result also under the multiple-use management concept.

Indeed, since the last plywood supply/price problem of 1969, the actual sell from Forest Service lands has decreased steadily except for 1970 when the full allowable cut was sold. A table is attached to our testimony for the record illustrating this trend.

Suffice it to say that out of an annual allowable cut of about 11.5 billion board feet, 9.1 and 8.8 billion board feet were offered in 1971 and 1972 respectively. And it's estimated that only 8.8 billion feet will be sold in 1973.

There is an accrued undersell of 563 million board feet in four counties of western Washington alone.

The Forest Service must be funded and directed to put the full allowable cut up for sale each year. They must be funded to reforest 4.5 million acres of now fallow Federal commercial forest land.

There must be a continuous program of sales of salvage timber and thinnings by the Forest Service. Currently, more than 6 billion board feet of timber on western National Forests is lost annually because of insects, disease, wind, old age and fire. At least half of this could be salvaged if the administration of these lands was adequately financed.

The need for Federal legislation to set up a separate national forest investment fund to be supported by receipts from sale or use of for est resources is clear. Adequate funding for timber management on the national forests should not be treated as a drain on the Treasury, but an investment, as every dollar so spent returns approximately $4 to the Government.

Forest Service spending should not depend on appropriations. Their 1974 fiscal year budget request has already been cut back by the executive branch in the areas of reforestation, fire control and road construction—three areas that are essential to timber growth and harvest.

In the South, the future timber supply or third forest and subsequent forests must come from the thousands of small private ownerships which contain 20 percent of the inventory of the Nation's softwood sawtimber—or timber that is used in making plywood.

These lands are undermanaged now, and it appears that Federal and State Governments and industry must together provide the incentives for growing trees as a crop.

Incentives already in effect such as capital gains tax treatment for timber should be continued. Others, like the REAP program, should be reinstated. Legislation such as that proposed last year by Senator John Stennis and Representative Robert Sikes to provide additional encouragement for the woodlot owner to grow trees is worthy of serious consideration by the Congress.

One further consideration on the west coast is the problem of softwood log exports. Log exports were a minor factor until 1964 when they first exceeded 1 billion feet, log scale. In 1972, log exports reached 3 billion board feet and about 93 percent originated on the west coast. Of the west coast logs, some 90 percent went to Japan. Japan is having a homebuilding boom that is equal to ours.

While log exports are only 5-6 percent of our total annual timber harvest, their effect is magnified by concentration. Fully 82 percent of log exports originate in the State of Washington and west of the Cascade Mountain Range.

Sources of export logs are the Federal Government, 360 million board feet presently limited by the Morse amendment to the Foreign

Assistance Act of 1968 as extended, industry and nonindustrial private owners, and the State of Washington.

The export of logs is a complicated issue because it involves right of private property, balance of payments, support of schools, port business, international trade and other considerations. The wood products industry is not in total agreement as to the effect or the solution of the problem.

Within the area of heavy log export, the export buyers are currently paying up to four and five times the appraised value of the timber at auction. Plywood producers who depend on purchase of that same timber cannot afford to pay these prices and use it in domestic production, so the sales are going to the exporters.

The plywood industry is supporting the intent of the Morse amendment, but with a limitation of zero log exports from Federal lands. We also support a reasonable and workable substitution regulation.

None of these export logs to Japan are returned to this country in the form of plywood or lumber. And export of U.S. plywood to other countries is an insignificant volume.

The result of the reduction of timber sales from Federal lands, the log export, and the domestic demand for wood, has been to drive the price of timber upward. While plywood prices are determined by supply-demand relationships at the consumer level, not by the price of timber directly, the shortage of timber does figure in the volume of plywood produced and contributes to upward price pressure.

Also, domestic buyers deciding whether to buy timber at high prices remember 1969 when product prices plunged and many timber buyers were left holding high-priced timber they could not profitably harvest.

Transportation problems dull industry efforts to catch up with demand. The current critical problems of price and supply of wood products are compounded by a severe shortage of railroad freight cars. About 78 percent of all lumber, plywood, and other wood products, and 86 percent of pulp and paper move to domestic markets by rail.

This year the shortage is caused by the unprecedented high demand for wood products, plus delayed movement of massive grain shipments to ports for export to the Soviet Union.

Although the shortage is more critical this year than ever, it is not unusual. The periodic unavailability of rail cars for movement of wood products cries for a solution, and it has for a long time. There just aren't enough rail cars for handling the Nation's commodities and products. Since 1956, car ownership has declined from 720,000 to 550,000 today—with an alarming prospect of only 460,000 cars by 1979.

Even though rail carriers have increased the carrying capacity of their equipment and fewer cars are needed to haul more tonnage, the decrease in car supply can't begin to cope with rising total U.S. production, and transport of increasing import volume.

Alternate forms of transportation to date have offered no solution. Trucks require higher loading and unloading costs, and units of adequate width to handle four-foot panel products are not permitted on the highways of some States.

In plywood mill surveys on the west coast during recent weeks, we have found that railcar shortages have ranged from 50 to 69 percent. When producers can't get the cars they need, they must either hold

shipments until cars become available, or shift from long-haul shipments to short-haul markets served mainly by trucks. This disrupts normal plywood markets and further restricts supply to some areas of the country. The East and the Midwest are suffering.

For many years the forest products industry has worked to help the railroads expand their freight car stock, and to try for faster movement of cars.

Last year, S. 1729 was introduced by Senator Magnuson to provide direct assistance for the expansion of railroad freight car fleets and more effective utilization. It was supported by our industry and unanimously passed by the Senate. However, a similar measure failed to win approval by the House of Representatives.

This year, bill S. 1149 has been introduced and we are working for its approval. Our industry has suggested other measures to encourage more trucking of wood products, and more ICC authority to expedite delivery and return of cars to the forest products producing areas.

We have recently suggested the possibility of an executive order temporarily relaxing the Jones Act to permit shipments between specific west coast ports to certain east coast ports in order to help solve the supply situation promptly.

I know you gentleman are looking for solutions. We think we have some. First of all, we applaud Dr. Dunlop's position, particularly in the area of timber supply and the export of logs. We urge Congress, we urge all the public, and certainly our own industry, to support his positive methods.

In the long term, give us an adequate supply of timber, and in the short term, give us a free flow to the marketplace, and particularly right now we need freight cars or some other transportation means, and we will give you plywood at reasonable prices.

Thank you very much, gentlemen.

Senator CRANSTON. Thank you.

Mr. CROWELL. Mr. Chairman, the next member of the panel is Mr. Joseph M. Tolleson, president of the Tolleson Lumber Co. in Perry, Ga. He also serves currently as the second vice president for Southern Forest Products Association, in New Orleans, La.

Senator CRANSTON. May I ask if you could try to summarize the statement in about 5 minutes. The full statement will go into the record. If you can summarize it, it will allow more time for questions.

Mr. TOLLESON. Mr. Cranston, it is supposed to be 5 minutes. I have timed it already.

I am Joseph M. Tolleson, Jr., president, Tolleson Lumber Co., Perry, Ga. I am also vice president of the Southern Forest Products Association, an organization representing producers of lumber throughout the 12 Southern States. I would like to summarize a statement I am submitting for the record.

Last year southern lumber manufacturers provided an estimated 9.1 billion board feet of softwood lumber to our markets. This was a 9-percent increase over the 1971 production of 8.4 billion board feet, and a 25-percent increase over the 1970 production of 7.3 billion board feet. While the lumber and plywood price-demand problem is acute, it is not new. It has occurred before and will occur again until lasting cures are found for the chronic causes.

The supply of lumber and plywood has not been flexible because of problems and deficiencies of raw material availability.

Only a few manufacturers of lumber and plywood are self-sufficient for their timber raw materials. Most must buy raw material from outside sources, principally the national forests in the western half of the United States and millions of nonindustrial private ownerships in the South and East.

From both of these sources, timber supply is limited. When house construction surged in 1968 and again in 1971 and 1972, frantic bidding for available raw material by lumber and plywood producers ensued. This forced sharp increases in raw material costs which while increasing the income of the timber grower, made the timber buyer vulnerable to a downturn in the market.

As long as the supply of timber is limited, there can be no stability in lumber and plywood pricing.

Where should we look for improvement in raw material supply?

Obviously, the short-term solution lies with the national forests, where higher levels of financing and management would permit the full allowable yield, presently not being realized. Further, investments to gain increases in the rate of timber growth would permit the allowable harvest to be increased by as much as 50 percent.

The long-term solution in the South and East lies with the nonindustrial ownerships.

The nonindustrial private ownerships embrace 296 million acres—or three-fifths of the 499 million acres of commercial forestland in the United States. While immense in aggregate, these holdings are individually small. There are 4.5 million individual owners.

Average rate of growth per acre is far less than half of the potential, because few of the owners have the money, the interest or the technical knowledge to practice prudent forest management.

The eastern area of greatest consequence, from the standpoint of softwood sawtimber supply, is the South. Seventy-two percent of the South's 192 million acres of commercial forestland belongs to small, private land owners.

The virgin forests of the South were liquidated in the 1930's. Then, stimulated by tax incentives, notably the capital gains treatment of timber taxation enacted by the Congress in 1944, extensive reforestation and forest management began on industrial holdings, which constitute 20 percent of the South's commercial forestland, and on a small fraction of the nonindustrial private ownerships.

The result was a 50 percent increase in the volume of softwood sawtimber standing on the commercial forestlands of the South between 1952 and 1970. This improvement in raw material supply—plus rising demand for lumber, plywood and other forest products—brought major increases in product output in the region.

The 1972 production of Southern Pine lumber was about 9.1 billion board feet—nearly 25 percent greater than in 1970 and nearly two-thirds greater than in 1960. Southern Pine plywood production—which did not begin until 1963—has rapidly increased to the point where it now constitutes 25 percent of the Nation's total plywood output.

The prospect of further increases in product demand point to an urgent need for more intensive levels of forest management on the nonindustrial private ownerships.

Current projections indicate that by the year 2000, the South will have to produce more than half of the Nation's lumber, plywood and other wood products in voloume twice as great as it produces today. This requires a corresponding increase in timber growth to meet demand without depleting inventory.

Aware of this need, the Southern Forest Products Association and other industry organizations have initiated a program called the South's "Third Forest," whose objective is to double timber growth on the nondustrial ownerships before the end of the century.

While tax incentives, such as capital gains, stimulated considerable progress in forest resource development in the South, stronger financial incentives are obviously needed in the case of the majority of small private owners.

A number of Congressmen, including Senator John Stennis and Representative Robert Sikes, have introduced forestry incentives legislation which would set up cost-sharing arrangements to help finance the initiation of forest management programs by small owners. We are pleased to note that the Chairman of this Committee, Senator Sparkman, cosponsored the bill introduced last year—S. 3105.

The need for such assistance is evident from the cost of investments in forest management and the deferred character of returns. It takes time for trees to grow to merchantable size and many years elapse before any appreciable earnings can be realized. Moreover, the risks involved are great and few people of modest financial means are willing to assume them.

That is why passage of forestry incentives legislation is imperative to the successful implementation of the Third Forest program.

If the South could be assured of an adequate supply of timber to meet anticipated product demand—there would be a far greater inclination to invest in new plant and equipment which would increase lumber and plywood production.

Senator CRANSTON. Thank you very much.

Mr. CROWELL. Mr. Chairman, Mr. Robert F. Higgins, vice president and general manager of Medford Corp. in Medford, Oreg., would be our next panelist. Mr. Higgins also serves at the present time as president of Western Wood Products Association, which is headquartered in Portland, Oreg.

Mr. HIGGINS. Members of the committee, I am Robert F. Higgins, vice president and general manager of Medford Corp., Medford, Oreg., a company which manufactures softwood lumber, plywood, and a variety of related products. I am here today as President of Western Wood Products Association, WWPA, with principal offices in Portland, Oreg., which provides services in 12 Western States on lumber volume totaling 12.5 billion feet.

Last year, western lumber manufacturers produced a record of 19.2 billion board feet of lumber. That was an increase of 5 percent over the 18.3 billion board feet produced in 1971 and a 15-percent increase over the 16.7 billion board feet produced in 1970.

Last year's production is even more remarkable in view of the fact that the phase II economic controls were generally counterproductive and, we believe, actually discouraged the production of lumber. This was especially true for those mills dependent on a decreasing supply of time from Federal forest lands. Rigid price controls coupled with

increasing raw material costs and a reduced raw material availability were certainly not factors encouraging production.

Over the past 2 years, shipments consistently ran ahead of production with the result that mill stocks of finished lumber have been steadily decreasing and are at the lowest level since the end of World War II.

The price for our products is set in a historically free market. Supply and demand are the controlling factors, since the largest producers of lumber supply only about 6 percent of the total. The 10 largest producers supply an estimated 20 percent of the Nation's entire lumber production.

While product prices are set in a free market, the raw material supply of the majority of Western Wood product mills is controlled by the Federal Government. The national forests and the forest lands administered by the Bureau of Land Management provide 53 percent of Western softwood sawlog supplies—the raw material from which softwood lumber and plywood are made. Decreasing offerings from national forest lands in the face of increasing demand lead to increased prices bid at auction for this timber.

The fact that lumber prices are set by supply and demand in the market, and not by costs, bringing up a dangerous situation regarding exports. Because mills are unable to pass their costs through to the market, many of them will become submarginal and must close down if the market price comes down. We saw this happen in 1969 when the market fell and timber operations were left with Forest Service timber sale contracts purchased at high prices before the products market fell. For reasons such as this, the Western Wood Products Association favors prohibiting the export of logs cut from Federal lands.

The whole export question would become moot, of course, if the Federal timberlands were managed to produce all they are capable of producing. It is clear to me that if the national forests were selling 50 percent more as Chief John Maguire says they are capable of doing with adequate financing, there would be enough timber for both domestic and export requirements. Increased production has always been the answer to an increased demand for other commodities whether they be corn, beef or steel. It strikes me as unusual that we have not yet realized that the same solution can be applied to timber product demands.

Under the current levels of timber offerings from the national forests, many companies exist on a hand-to-mouth basis. They lack the raw material security necessary to plan their operations long into the future. They also lack the raw material security necessary to secure financing and make investments in expanded capacity and more modern equipment. The recent downward trend of national forest timber sales while market demand escalated only increases the general uncertainty. It also makes these companies tend to ration their inventory of timber under contract so that they won't run out of timber by harvesting that timber faster than they can replace it by buying more Forest Service timber.

If there were confidence that the timber volume sold from the national forests was to be increased on a sustained basis—and I do not mean just a one-shot increase—there would likely be an immediate

increase in production just from the psychological impact of not having to ration current timber inventories. There would also be increases in production over the longer run resulting from new investments in more modern and expanded capacity.

Another problem of immediate interest concerns the availability of railcars. My own company now has about 100 carloads of lumber and plywood stacked up and awaiting shipments. Other mills having limited storage space for the finished products are approaching a point where they will have to curtail production or close down until they can get cars to move out some of their inventory. Once this productive capacity is lost through downtime it can never be recovered. Such a situation does no one any good. The producer is unable to get paid for what he manufactures and the consumer is unable to get what he needs. The present railcar shortage, I am certain, is tending to prop up artificially the prices on many products.

The railcar problem, of course, is a chronic one that the industry has faced from time to time. The present tight situation began late in January or early February. At the present time there is an estimated 68 million board feet of softwood lumber in the West awaiting the availability of railcars.

Senator CRANSTON. Thank you very much.

Mr. CROWELL. Mr. Chairman, if I might, I would like to briefly summarize the recommendations which the other panelists have made.

It doesn't take much comment to point out that many of the problems of the industry, both plywood and lumber, are traceable to the fluctuations in the demand for housing. This fluctuation, as has been pointed out by two of the panelists, basically stems from monetary and physical policies utilized by the Treasury and Federal Reserve Board.

As an industry, we are over our heads in trying to deal with that kind of a problem, but the full committee of which this subcommittee is a part, probably has more expertise on this particular subject than any other body that we know of. We think that some attention is going to have to be given in the years to come to the problem of damping down the ebbs and flows of demand for housing resulting from Federal monetary policy.

Several of the speakers, too, have referred to the railcar shortage problem, and have made suggestions as to how that might be alleviated. This, too, is a chronic problem which has confronted our industry and which the industry has lived with for some time.

The third basic recommendation, though, that all of the speakers have alluded to, is the problem of timber supply. The facts are that the national forests, which were set aside originally to contribute to the needs in perpetuity for timber for the people of the United States, have until very recently not been contributing proportionately to the timber needs of this country. The timber harvests have instead come primarily from private lands, both industrial and small ownerships.

The result has been that over 50 percent of the present standing softwood sawtimber inventory in the United States is on the national forests. The national forests make up, however, only approximately 19 percent of the commercial forest lands of the country. It is obvious that within the next 30 years, between now and the year 2000, that the

94-218 O - 73 - 20

national forests are going to have to contribute very significantly indeed to the softwood timber supply of this country.

They are going to have to do this at a time when the growing stocks on industrial forest lands and on the small private ownerships are coming to maturity and will be available for contributing significantly to the timber supply in greater degree than they can do in the next 30 years or so.

Now, the key to causing the contribution that is necessary for the national forest to make to the timber supply is investment in the national forest. Investment has got to be authorized by the Congress with the full understanding and backing of the administration, whether it is Democratic or Republican administration. It is a long-range need that is going to have to be met if indeed we are not going to run short of utilizable timber in this country in the next 30 years.

It is a matter of prudence to make these investments. The chief of the Forest Service yesterday, in response to questions by the members of the subcommittee, indicated that the needs of the Forest Service for financing are significantly greater in order to do the balanced management job that is required by law in achieving not only good timber management, but multiple-use benefits as well.

The Forest Service has been underfunded for years, and the situation is going to have to be corrected if timber supply questions in this country are not to reach critical proportions in the next three decades.

I would like also, if I might, to take another few minutes to comment on a couple of things which were raised yesterday by some of the speakers from the Government agencies.

Mr. Lewis has already said that the industry has approved and heartily commends Dr. Dunlop for taking the initiative in trying to get the Federal Government to move so that additional timber supplies will be put on the market promptly by the Forest Service.

I would like to make the point, however, that 11.8 billion board feet which Dr. Dunlop mentioned yesterday as being proposed for coming on the market in calendar year 1973 includes not only sawtimber, but other utilizable wood products and is still short of the 13.6 billion foot allowable cut which we now have on the national forest. We are still almost 2 billion feet short of what the national forests, under their present management program, can contribute to the present wood needs of the country.

We have a feeling of skepticism, frankly, about the proposal because just 1 year ago the administration announced with some fanfare that an additional 300 million feet of thinning was going to be put on the market from the national forest. The program was carried out, but it was carried out at the expense of putting even greater volumes of mature green timber on the market because the funds which were utilized in putting up the thinning and salvaging program were taken from the regular timber management funding program.

So we were taking from one pocket and putting in the other, and the net result was a reduction in timber volumes actually moving to market. The point is that the program which was announced yesterday will have no hope of making any significant contribution to the timber needs of the country, unless it is adequately funded, and that funding is going to have to come with the consent obviously of the

Office of Management and Budget, with the full permission of the administration and with the approval of the Congress.

Gentlemen, we thank you very much for your attention to include not only sawtimber, but other utilizable wood products, is still short of the 13.6-billion-foot allowable cut which we now have on the national forest. We are still almost 2 billion feet short of what the national forests, under their present management program, can contribute to the present wood needs of the country.

We have a feeling of skepticism, frankly, about the proposal because just 1 year ago the administration announced with some fanfare that an additional 300 million feet of thinning was going to be put on the market from the national forest. The program was carried out, but it was carried out at the expense of putting even greater volumes of mature green timber on the market because the funds which were utilized in putting up the thinning and salvaging program were taken from the regular timber management funding program.

So we were taking from one pocket and putting in the other, and the net result was a reduction in timber volumes actually moving to market. The point is that the program which was announced yesterday will have no hope of making any significant contribution to the timber needs of the country, unless it is adequately funded, and that funding is going to have to come with the consent obviously of the Office of Management and Budget, with the full permission of the administration and with the approval of the Congress.

Gentlemen, we thank you very much for your attention to the presentation we have made.

We are ready to answer questions to the best of our ability.

[Mr. Higgins' complete statement may be found at p. 361.]

Senator CRANSTON. Thank you very much.

Bob, I suggest we reverse it and you lead off.

Senator PACKWOOD. OK

Mr. Higgins, you talk about the necessity for a guaranteed production increase from the national forest. It isn't going to be enough to have just a one-shot 500 million board feet next year, because nobody is going to invest and build new capacity on the basis of a one-shot venture. I'm assuming here that the State of Washington and the private companies that now export logs, because they certainly wouldn't harvest them except on a sustained yield basis, would be willing to sell this timber to private companies. What would be the effect of an additional 3 billion board feet of timber being available? If you knew it was going to be available year after year.

Mr. HIGGINS. It would have a remarkably increased impact in the production capabilities of those mills. We have done some capacity studies on normal production rates as we are functioning now. Because of lack of confidence in the future timber supply, production is somewhat below what we feel is the actual capacities of those mills.

Senator PACKWOOD. Have you seen the study that was done for the homebuilders in Oregon?

Mr. HIGGINS. I have taken a cursory glance at it.

Senator PACKWOOD. They received replies from 102 mills. Those mills indicated that they could increase lumber production about 1.7 billion board feet. Mr. Hollenbeck, reporting on 200 of his mills, in the West Coast Lumber Inspection Bureau, estimates they could increase total

production about 3 billion board feet, from 5 billion to 8 billion given a guarantee of timber. Do those sound like reasonable figures to you?

Mr. HIGGINS. They do. We conducted a study in Western Wood Products Association. We surveyed our mills operating on a one-shift basis, and those mills that were operating on a two-shift basis. If all mills operated on a two-shift basis 6 days a week, 8-hour shifts, they could increase production by about 20 to 30 percent. This extended over 12 billion feet of present production and is close to that 3 billion figure.

Senator PACKWOOD. Mr. Lewis, you made reference to the possibility of an Executive order temporarily relaxing the Jones Act to permit shipments between specific west coast and east coast ports. Does the Executive have the power to set that?

Mr. LEWIS. I doubt that very much. The Jones Act could probably only be amended with legislative action.

Senator PACKWOOD. Then what is the executive order that you were referring to in your statement?

Mr. LEWIS. Well, when we spoke of executive order, I felt there might be some possibility from the administration's standpoint to give some amendment or relief under the Jones Act, and since I put that together, on the advice of counsel, it is probably only on a legislative action that you could get that.

Senator PACKWOOD. That's the same conclusion I had come to.

Mr. CROWELL. Senator, if I might add to that a little bit. I think the idea here was that there would have to be enabling legislation to permit such an executive order, but then the authority would have to be vested in the executive to make the determination at the times when it was necessary to lift the effect of the Jones Act to permit spot shipments to be made.

Senator PACKWOOD. I just want to be sure, Mr. Higgins—are we generally agreed that there is indeed the capacity in west coast mills to produce a 1 billion or 2 billion increase in lumber?

Mr. HIGGINS. That's lumber.

Senator PACKWOOD. Yes. I want to make sure, because I'm going to pursue this at length when we get into further hearings. I want to make sure that's a fairly well agreed-upon statement. And if somebody disagrees with it, why do they disagree?

Mr. HIGGINS. We are assuming an adequate log supply and an adequate labor supply to back that statement.

Senator PACKWOOD. Right. Is there anybody who quarrels with Mr. Hollenbeck's conclusions on productive capacity?

Mr. CROWELL. I don't believe anybody would quarrel with that. I think we would point out that the result would be the same, whether the logs were to come from reduction in exports, or whether they were to come from an increase in harvest of Federal land.

Senator PACKWOOD. Right. The capacity is there.

Mr. CROWELL. Yes.

Mr. LEWIS. Senator Packwood, I would like to amend that point. It speaks to 15 percent as far as plywood is concerned, but 25 percent of the softwood supply comes from the South.

So we have downgraded that percentage, and we think it is a realistic position as far as the West is concerned. Nationally it is closer to about 10 percent.

Senator PACKWOOD. Now, in the general National Forest Products Association statement, you have indicated that you would like to go under the Morse amendment to zero exports from public lands.

That's correct?

Mr. CROWELL. That is a general industry position at the present time, Senator, yes.

Senator PACKWOOD. Why go from 350 million to zero? What's the reason for it?

Mr. CROWELL. Well, I think there are two reasons.

The first, of course, is that even 350 million feet would make some contribution to the present tight log supply in the Northwest.

The second reason is that it would remove from the present sales, which contain part of the 350-million-foot exemption, the competition for purchase of those sales from those who would consider exporting the allowable portion of them.

Senator PACKWOOD. Now, if the theory is good for Federal lands, why isn't the theory equally good for State lands or private lands?

Mr. CROWELL. The theory——

Senator PACKWOOD. Even as you said, this 350 million board feet, you said, if it were a small amount, it would be of some help. Why wouldn't it be of additional help to use domestically the logs from State and private lands?

Mr. CROWELL. Well, I think it obviously would be of help, except that there is considerable practical difficulty in reaching this, as you are aware.

Senator PACKWOOD. Tell me what the difficulty is.

Mr. CROWELL. I think there is considerable resistance to putting a ban on log exports on private lands, just because there are a great many forest land owners who feel very strongly they shouldn't be restricted in what they can do with the products from their lands.

On the other hand, logically, that same argument can be applied to the national forests, which after all are owned by all of the people, and the same argument then would justify fully the allowable cut to be exported from the national forests. So the argument can be turned around.

Senator PACKWOOD. Let me paraphrase your answer. Your support for the restriction on logs from Federal lands is a matter of theory, in practice, and it would be helpful if we could do it from public and State lands. But, as a matter of pragmatics, the opposition to the latter is such that it cannot be achieved even though it would be helpful?

Mr. CROWELL. I think that's an excellent summary of how the industry got to the position it is now in, Senator.

I might make one addition, too, and that is that so many of the mills in the Northwest and in California, too, and in the Rocky Mountain region are so heavily dependent on the purchase of Federal timber and have not, as a historical matter, bought much private timber, that they look to a restriction on Federal lands as holding the most immediate hope for relief for their particular problem.

Senator PACKWOOD. The answer is that it would be helpful if we could extend log export controls to private and State-owned lands?

Mr. CROWELL. It certainly would be helpful from the standpoint of meeting wood needs of the Nation.

Senator PACKWOOD. Thank you.

[The following letter was received for the record:]

NATIONAL FOREST PRODUCTS ASSOCIATION,
1619 Massachusetts Avenue NW.,
Washington, D.C., April 10, 1973.

Senator JOHN SPARKMAN,
Chairman, Subcommittee on Housing and Urban Affairs, Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In reviewing the transcript of my testimony before the Subcommittee on Housing and Urban Affairs of March 27, I believe that I should clarify the implications which apparently later were drawn from my response to one of Senator Packwood's questions.

On pages 373 and 374, Senator Packwood sought to determine if there was any disagreement with testimony entered earlier in the record to the effect that the current productive capacity of the western lumber industry could absorb several billion board feet of additional logs in a relatively short period. Both Mr. Higgins and I responded affirmatively. It became apparent from later questions that our answers were being interpreted as assuming that the available capacity could actually utilize the logs being exported. This is not the case because the logs going to export are coming not from all over the West, but predominantly from western Washington.

Looked at this way, I should have clarified the issue both in regard to (1) the relationship between the export volume and the mill capacity in the export area, and (2) the likelihood that the export volume could be made available to the domestic market. I have no firm figures on the volume that could be utilized by the mills in western Washington, however, I am certain that it is much less than the volume exported. On the second point, the export logs generally are going at a price much higher than can be absorbed in the domestic lumber and plywood market. I would assume that some of the timber owners would not find it advantageous to put the same volumes in the domestic market at a reduced price.

In summary, there certainly is lumber and plywood mill capacity within the western states that could absorb an increase in timber supply, but it isn't realistic to think that all or even a substantial portion of the non-federal timber now moving into export could be put through manufacturing facilities in the export areas.

The only source of timber available to the bulk of the industry's additional capacity is the National Forests. I am writing this letter to assure that mill capacity in relation to export of logs is not confusing the desperate need throughout the West for the National Forests to offer for sale the full allowable cut.

I would appreciate it if this further comment of mine could be inserted in the record of those hearings at or near page 374.

Sincerely,

JOHN B. CROWELL, Jr.

Senator PACKWOOD. Are you speaking in that answer for NFPA?

Mr. CROWELL. No, I can't say that I'm doing that, Senator. The NFPA policy is simply to support the extension of the Morse amendment with the reduction to zero of the exemption, to encourage our Government to carry on negotiations with the Japanese looking toward the reduction in the log buying pressure from that source, and also NFPA would support, to accompany the ban on exports from Federal lands, a regulation dealing with the substitution issue.

Senator PACKWOOD. That's the next thing I was going to ask about.

In your statement, you say, "We also support a reasonable and workable substitution regulation."

In the large NFPA statement, they in essence say the same thing. Will you explain to me what constitutes a reasonable and workable substitution provision.

Mr. CROWELL. I think the Senator's legal training is showing now.

Senator PACKWOOD. I've tried to work one out for 6 months. I've met with representatives from most of the lumber companies, and from all groups that are interested, and we frankly haven't been able to come up with a workable substitution rule.

Mr. CROWELL. That has been our experience, too, Senator, as you know. Industry has worked hard in trying to develop a substitution regulation which would be generally acceptable. It has been a very difficult task, and people differ on what would be reasonable and what would be workable as a substitution regulation, quite naturally depending on what their particular interests are.

Senator PACKWOOD. Let's separate workable from fair. Would a workable provision be that if you export any logs at all, you can't buy public timber?

Mr. CROWELL. That would be readily workable, because it is overly simplistic, I think, Senator.

Senator PACKWOOD. Would it be fair?

Mr. CROWELL. No.

Senator PACKWOOD. Why?

Mr. CROWELL. Because there are a great many owners of timber and of mills who do not have sufficient timber backing up those mills to support the operation of the mills from private timber solely. My own company, Louisiana Pacific, is a very good example of that, where they own timber in northwestern counties of California, but run numerous mills in the Rocky Mountain area, and eastern Washington, eastern Oregon, and other parts of California, where we are almost entirely dependent on buying Federal timber. Consequently, a rule like that would quite plainly prevent our company—and there are other companies like us—from doing any exporting from the areas where we are possibly timber rich in order to protect our position to be able to buy Federal timber to suport the investment we have in the other mills elsewhere.

Senator PACKWOOD. Again, let me paraphase your answer, and I will even preface it with a statement of my own. I haven't, you haven't and, to the best of your knowledge, nobody, in the industry has been able to come up with what most people would regard as both a workable and fair substitution provision.

Mr. CROWELL. I think that the argument over what is workable and fair tends to polarize between the suggestion you just made, which is a simple one, and which would be certainly workable, and the proposal which several of the industry associations, including the Western Wood Products Association, the American Plywood Association—I can't remember what the others were—but there was another one or two involved in this—Industrial Forestry Association was the third one—which tried to limit the geographic area in which a substitution rule would work to some radius around a mill, and to the people who worked out that proposal it seemed fair and workable at the time. It would have avoided some of the difficulties that I pointed out that some segments of the industry see with the other solution, which is espoused as being workable and reasonable.

Senator PACKWOOD. I think your answer is no, that there is no workable and fair provision yet arrived at on which most people can agree.

Mr. CROWELL. That can be agreed upon by the whole industry; and the answer is no, quite plainly.

Senator PACKWOOD. Alan, I have no more questions.

Let me thank you, gentlemen, very much. You have been more helpful than you realize, and I appreciate the answers very, very much.

Senator CRANSTON. Do you, or any of you, have any information which would shed any light on the question I asked earlier, about the rumors that some of our exported logs are returning in the form of plywood or other products?

Mr. LEWIS. As far as plywood is concerned, Senator Cranston, we have no record of any softwood plywood returning from Japan made of our logs. I think lumber is the same case.

Mr. CROWELL. That is true. We might add, also, Senator Cranston, that plywood does come in from the Far East. It is hardwood plywood manufactured from hardwoods that are grown in the Philippines and in Indonesia which are processed into plywood in mills in Taiwan, Korea, and Japan; and are then imported, and are used primarily for doors and cabinetwork—that kind of thing—and paneling in home construction.

Senator CRANSTON. Mr. Lewis, I respect the enthusiasm that leads you to applaud Mr. Dunlop's recommendation regarding controls, and particularly regarding increasing production from the national forest. But I wonder if you might withhold that applause until they take the other step of releasing impounded funds and adding to the budget which is obviously necessary if there is to be any increase in the production off the national forest. We have one administration policy going one way and another administration policy going the opposite direction.

Mr. LEWIS. I agree, but I would like to clarify the position. I endorsed the increase in Federal timber supply and the Japanese log issue, but I did not endorse their proposal on log controls, which I think are ineffective and not workable. I certainly agree with you that it takes funding, or it is academic.

Senator CRANSTON. In regard to the Jones Act—and Senator Packwood asked you about it—it is still not clear to me exactly what you are recommending. You are recommending a temporary or permanent change in the Jones Act?

Mr. LEWIS. I am recommending a temporary amendment, or a change in the Jones Act from a specific point to a specific point. Because the point that I am trying to relate is that right now, if we had the railcars, you wouldn't see the price supply problem you see now.

Now what is happening in California is that we are supplying more than they want in the way of plywood, simply because we can truck to it. We can't supply the East, we can't supply the Midwest, because we don't have the railcars. If we could supply on a temporary basis through water transportation from west coast to east coast ports, we could take the top off the pressure, and this thing would soon right itself.

Senator CRANSTON. What about the Alaskan aspect of this? The Jones Act affects what happens in regards to Alaska.

Mr. CROWELL. I think I might try to answer that question, Senator Cranston.

It is correct that as a result of the Jones Act, lumber produced in Alaska has historically not found its way to the lower 48 States, but instead has gone to Japan. It would be very possible that if the Jones Act were removed with its effect on Alaska, that some significant quantity of Alaskan lumber might find its way to the lower 48 States. It would be a little hard to predict just how much and when, because it would depend upon the relative prices for lumber that were obtainable in the United States against those which the Japanese were willing to pay for lumber for export from Alaska to Japan.

Senator CRANSTON. There is a discrepancy between the figures given us yesterday by Mr. Kelly of HUD, who said the total softwood consumption in 1972 was 57 billion board feet, and the figure that appears on page 15 of your prepared testimony, using the 41 billion board feet figure.

Can you explain that discrepancy?

Mr. CROWELL. I think the difference, Senator, is that one figure refers to total lumber consumption, whereas the larger figure also incorporates round wood or pulpwood consumption for board and paper production.

Senator CRANSTON. In the colloquy you attach at the very end of all of the exhibits attached to the prepared statement—this is a quote: "The Bureau of Land Management has a more rational policy of lumber production and disposal than the Forest Service."

I have two questions about that: (A) Is there any significant production, or could there be on those lands, and, (B) what was he talking about, if you know, in terms of what you consider a sounder approach?

Mr. CROWELL. I think we will ask Mr. Hodges to respond to that question, Senator.

Mr. HODGES. He was comparing the Bureau of Land Management's ability on forest lands in Oregon to use, in effect, a portion of the receipts for timber management, as compared to the Forest Service, which cannot, and must rely on appropriated funds.

Senator CRANSTON. Thank you very much.

Bob, do you have any more questions?

Mr. HODGES. Excuse me. The other thing I think he was referring to, which has been changed since he was chairman of the Council of Economic Advisers, and that was that the Bureau of Land Management did not have an extension policy for the time limit on timber sales, whereas the Forest Service did allow sales to be extended. Since that time, the Forest Service has changed the contractual requirements to put a tighter limit on the extension policy.

Senator CRANSTON. You didn't answer the other part of my question. Do you feel there is a possibility of any significant production that would improve the supply situation from lands under the Bureau of Land Management?

Mr. HODGES. The Bureau of Land Management sells about 10 percent, I think, of what the Forest Service does, and there may be a small amount of increase possible, but nothing to compare with the Forest Service.

Senator CRANSTON. Thank you very much.

Mr. MCGRATH. Mr. Chairman, in an effort to constrain time at the hearing, it was necessary to eliminate some organizations who would have liked to appear. They would like to submit statements following the hearing.

The Appalachian Hardwood Manufacturers, Inc., Mr. Howard Bennett is here, and will submit a statement, with your permission.

Also, the North American Wholesale Lumber Association, Mr. John Mulrooney is here. He is executive vice president and would like to submit a statement following the hearing.

Senator CRANSTON. Thank you very much. That will all go in the record.

Thank you. That will go into the record.

[The statements follow:]

NATIONAL FOREST PRODUCTS ASSOCIATION
1619 Massachusetts Avenue, N. W., Washington, D. C. 20036

March 27, 1973

STATEMENT OF

THE NATIONAL FOREST PRODUCTS ASSOCIATION

BEFORE THE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

HEARING ON LUMBER SHORTAGES AND PRICES

Mr. Chairman and Members of the Subcommittee:

I am Ralph D. Hodges, Jr., Executive Vice President of the National Forest Products Association, located in Washington, D. C. Appearing with me today is Joseph B. McGrath, our Vice President for Government Affairs.

We are pleased to present to you, as the chief spokesman for our association in this hearing, Mr. John B. Crowell, Jr. Mr. Crowell is Chairman of our Committee on Forestry Affairs and General Counsel of the Louisiana-Pacific Corporation in Portland, Oregon. Mr. Crowell will also introduce the other members of our panel of witnesses representing the forest products industry.

I am John B. Crowell, Jr. of Portland, Oregon. I am General Counsel of Louisiana-Pacific Corporation. I am appearing here today as Chairman of the Committee on Forestry Affairs of the National Forest Products Association. An overall background statement covering the points we will cover here today has been filed with the Committee. We will summarize those points this morning.

It is our belief that the current lumber-plywood price and supply problem is in large part due to past and present inadequacies in the industry's raw material supply situation. We recognize that there are numerous other factors, including economic controls, imports, exports, boxcar availability, and weather, that have an impact on the current price and supply situation. For that reason, we have come before you with a spokesman for the major producing segments and regions of our industry. These gentlemen will speak to the issues affecting production and availability of lumber and plywood from their regions and I will summarize with our recommendations on the raw material supply side of the question.

The other members of our panel are: Joseph M. Tolleson, Jr., President, Tolleson Lumber Company, Inc., Perry, Georgia, and 2nd Vice President, Southern Forest Products Association, New Orleans, Louisiana. SFPA is a spokesman for lumber manufacturers in the 12 southern states.

Robert Higgins, Vice President and General Manager, Medford Corporation, Medford, Oregon, and President of Western Wood Products Association, Portland, Oregon. WWPA is the spokesman for the bulk of the lumber manufacturers throughout the 12 western states.

Bronson Lewis, Executive Vice President, American Plywood Association, Tacoma, Washington. APA is the organization representing the producers of softwood plywood throughout the nation.

The National Forest Products Association

The National Forest Products Association is a federation of twenty-five regional and species wood products associations. We represent timber growers and manufacturers and wholesalers of wood products throughout the United States and Canada. Members of our federated associations include over 2,500 lumber and plywood mills of all sizes, small, medium and large. Some own and manage private, commercial forests; many others are wholly dependent upon the purchase of timber from Federal lands or from other public and private forest resources.

Economic Controls

Representing the forest products industry on the subject of economic controls, the National Forest Products Association appeared before the Committee on Banking, Housing and Urban Affairs on February 5, 1973, in support of the President's request for a one-year extension of authority under the Economic Stabilization Act of 1970, a bill (S. 398) which was passed by the Senate on March 20, 1973. We do not, however, subscribe to the view that a reimposition of the Phase II economic controls on lumber and plywood and other wood products would be an effective step in the current situation. The constraining effects of Phase II in many sectors of the economy, including the wood products industry, were evident during the past year and could

again impede full production if reimposed. We were pleased to hear the testimony during the hearing on February 5 of Dr. Arthur M. Okun and Dr. Hendrik S. Houthakker who agreed with this viewpoint. The colloquy before the Committee is reproduced in the Appendix to this statement for your further information.

We are convinced that in administering the Phase III program, the Cost of Living Council, before imposing price controls on an industry, should first determine to the fullest extent possible the effects on supply. In the case of wood products, we urge this Committee, as it did in 1969, to again encourage the Administration to make a much greater and more effective effort to increase the available timber supply.

A key series of conclusions and recommendations pertinent to this hearing, we believe, are those contained in the 86-page Report of the Subcommittee on Housing and Urban Affairs of this Committee published June 16, 1969.

That report resulted from extensive hearings in March 1969 on the "Effect of Lumber Prices and Shortages on the Nation's Housing Goals." (Senate Document No. 91-27) We hope this Committee will emphasize again the steps which should be taken to assure that the nation's Federal timber resources will be wisely managed and prudently utilized with the objective of meeting adequately the wood fiber needs of the country.

Structure of the Industry

In the lumber manufacturing industry there are more than 10,000 firms, according to the 1967 Census of Manufacturers. In 1971, the latest year for which data is available, the four largest firms produced about 14 percent of the nation's total lumber production. The twenty largest firms accounted for only 28 percent of the total production.

Although somewhat more concentrated than lumber, the softwood plywood industry is also a very competitive industry. In 1971, the four largest producers of softwood plywood accounted for only 41 percent of the total production by that industry. Attempts of the larger manufacturers to exert price leadership in the past by pegging a price in order to avoid rapid price increases for softwood plywood have met with failure.

The story that distills from this is that the wood products industry approaches the economist's classic model of an industry operating in pure competition. And in such a case, a simple supply-demand drawing can be used to explain why prices go up and down. In the present situation the explanation is that demand has increased faster than supply and prices have gone up. Short of taking steps to reduce demand, the only way to bring prices down is to expand supply.

Housing and Construction Demands

This Subcommittee, perhaps more than any other group in the Congress, is aware of the astonishing progress made by the housing industry in meeting the national housing goals first established in the Housing Act of 1968, in a bill first developed and approved by this Subcommittee.

Home building set new records in 1972 with a 15 percent gain over the previous record year of 1971, which until then had been the best year for new housing construction in over two decades. Furthermore, the rate of new housing starts continued to climb as we entered 1973.

In 1972, total housing starts exceeded the 1971 record housing production by over 300,000 units, for a total of 2,355,000 starts. This came on top of a 42 percent increase in starts from 1970-71, meaning that in the previous 3-year span total housing starts have risen in the United States by a factor of 60 percent.

Furthermore, in analyzing the data on new housing activities during the past 3 years it becomes quite clear that there has been a continued strong and increasing demand for single-family housing, especially during the past 2 years under economic controls. The total private one-family housing starts during 1969 and 1970 were respectively 810.6 and 812.9 thousands of units. Contrasted with these figures are the total private one-family starts for 1971 and 1972 which were respectively 1151.0 and 1308.6 thousands of units. In addition, there was an equally strong demand for FHA and VA family housing starts. The following illustrates this point (See also Table, Appendix):

Year	FHA Home Units Started*	VA Units Started*	FmHA Units Started*
1972	198.5	104.0	91.4
1971	300.9	94.3	74.7
1970	233.5	61.0	57.7
1969	153.6	52.2	43.6

* Thousands of Units

Since much more lumber and plywood and other wood products are used in single-family housing than in highrise multi-family housing, the strong single-family housing markets throughout the country unquestionably account for the rapid drain upon all inventories of wood products and for the heavy pressures on both price and supply in the distribution system of the forest products industry.

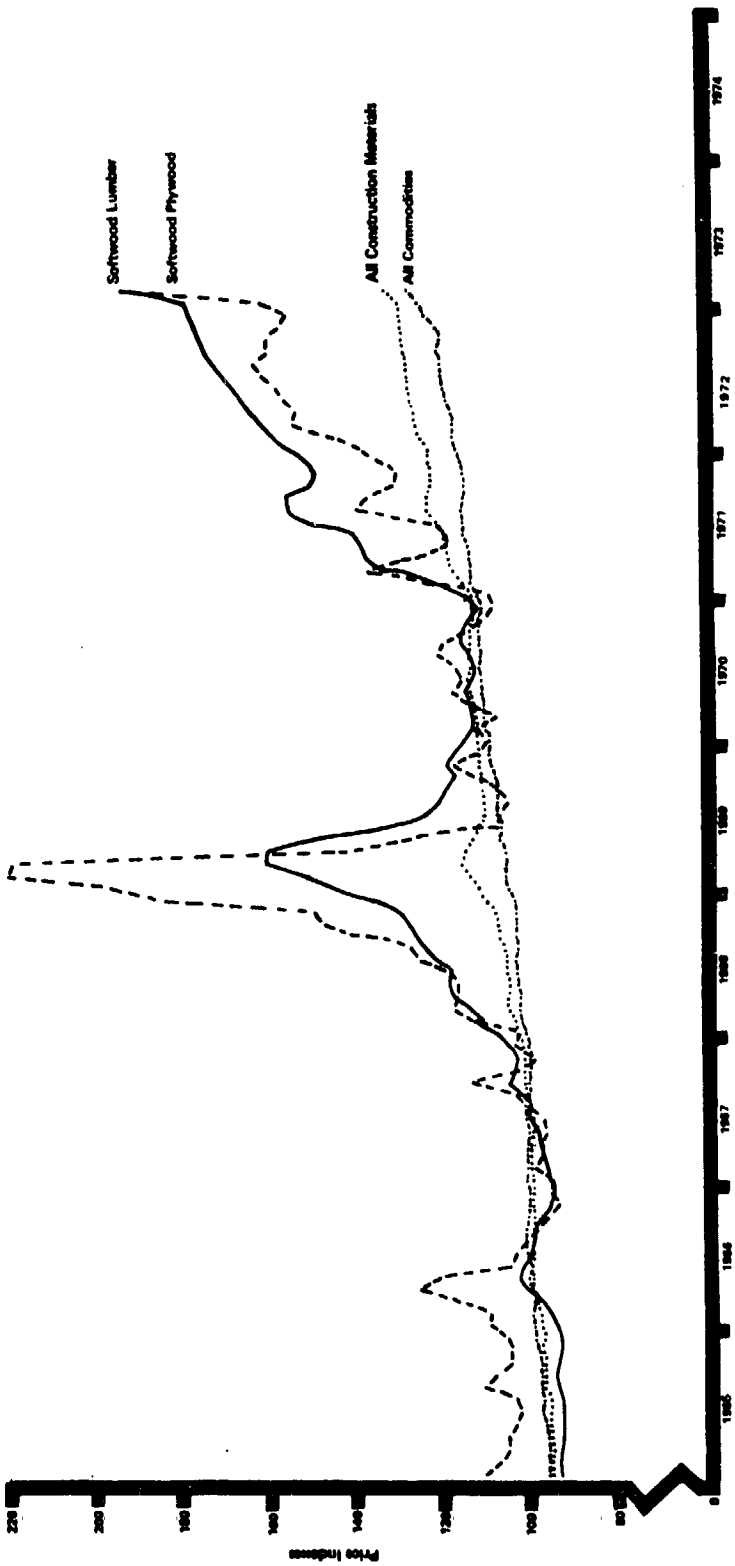
Prices of Softwood Lumber and Plywood

The tremendous increase in home construction which began early in 1971 placed heavy and sudden demands upon the wood products industry. It has furnished a prime example of the economic principle that an increase in demand unmatched by a corresponding increase in supply causes prices of the product in demand to go up to the point where demand is equaled by supply. No one in the industry needs to be reminded that prices for wood products have gone up rapidly from their relatively low levels of 1969 and 1970 to their present heights (Figure 1).

Between December 1970 and February 1973 the wholesale price index (1967=100) for softwood lumber rose from 111.7 to 192.4. The index for softwood plywood rose from 108.0 to 186.1 over the same period. The impacts of these increases upon home building costs are obvious, although the dollar amount will vary with the size of the house, the amount of wood used, the location of the building site relative to the wood products producing areas and other factors.

Figure 1

WHOLESALE PRICE INDEXES
(1967=100)



While the National Association of Home Builders has stated that the increased costs of wood products between June 1972 and January 1973 have increased the cost of an average house by $1200, our own investigations into the subject reveal that the wood products costs for a $30,000 house in the Midwest over the same period have increased $400 to $500.

Whatever the magnitude of the increase, if it means that some Americans are priced out of the market for decent housing, the increases can be regarded as having had adverse consequences. Also, the suddenness of the increase has undoubtedly hurt some homebuilders and contractors who committed themselves to deliver houses without anticipating the precipitate increase in lumber and plywood prices.

It should also be noted, of course, that increases in the prices of new homes are by no means solely attributable to increases in the prices for wood products. Rising land costs, increased labor costs, and higher prices for materials other than wood have also resulted from the jump in housing starts. Housing starts in 1969 were at 1.499 million, in 1970 were 1.469 million, in 1971 rose to over 2.084 million and by 1972 had increased to 2.377 million. (See Table, Appendix.)

Price Controls

The method for controlling prices adopted in the Economic Stabilization Program begun in August 1971 was aimed at the cost-push inflation which was generally prevalent in the economy. Rising prices in 1971 for wood products, however, were fueled not by cost-push, but by demand-pull from the developing home building boom.

The efforts of the Cost of Living Council to control inflation by resorting to relatively simplified regulations and a minimal bureaucracy did not, however, take cognizance of any difference between cost-push and demand-pull inflation. The consequence was that price control measures when applied to lumber and plywood producers tended to remove the normal economic encouragement of rising prices accompanying increased demand.

In the wood manufacturing segment of the economy, then, supply problems were aggravated by price controls. The continued presence of high demand for lumber and plywood guaranteed that to the extent price controls were flexible or were loosened there would be a rise in prices for wood products. Exactly that occurred with the advent of Phase III.

Where producers were unable or unwilling to innovate or change methods to comply with price control regulations in Phases I and II, their production, particularly of certain items, either remained static or declined. Some manufacturers ceased making items for which they had low price ceilings. This led to shortages of some items, regardless of how strong demand was for them.

For many manufacturers the profit margin limits were a constraint to production. If they continued to make and ship products at prices they were legally able to get in the market, their profits would be higher than allowed under the regulations. On the other hand, if they lowered their prices to bring their profits into line they would, in effect, be accepting much lower prices for their scarce timber inventories than the current and prospective market was willing to pay.

Considering that price controls were not expected to last indefinitely but that timber can be stored on the stump, many producers faced with profit margin limits must have rationally decided to limit production. In December 1972, as most companies approached the end of their fiscal year, the production of softwood lumber, for instance, fell 13.5 percent from November's rate and 8.5 percent from the production rate of December 1971.

Phase III of the Economic Stabilization Program, which began on January 11, has removed many of the constraints imposed by the regulations under Phases I and II. While the basic thrust of price controls remains the same, (placing emphasis on cost-justified increases in prices), interpretation of the regulations, to permit further price increases in free market situations where price increases will serve to allocate resources and increase supply, has been applied to lumber and plywood.

The results of this liberalized interpretation should be gratifying to those who require wood products. Production of both lumber and plywood has surged since the beginning of Phase III. In January, the production of softwood lumber increased 13.1 percent over the rate for December and was 5.9 percent over the rate for January 1972. Partial data for February and March also indicate very high levels of production. The production increases are quite simply and basically a result of the additional incentive supplied by higher prices.

Imports

In 1972, imported softwood lumber accounted for 22 percent of the softwood lumber consumed in the United States. Canada supplied almost all of the 9.0 billion board feet of softwood lumber imported into the U.S. in 1972 (Table 1). Since 1970 our imports of softwood lumber have increased 55 percent (Figure 2). Largely as the result of the Kennedy Round, tariffs on lumber are low or non-existent, depending on the particular commodity.

For softwood plywood, imports are negligible, the U.S. being by far the major world producer of that product. While there is a 20 percent ad valorem tariff on imported softwood plywood, the tariff is not judged to be of much practical value in keeping softwood plywood from the U.S. market because of the low production in other countries.

Canada is the only potential source for sizable increases in imports of softwood timber products.

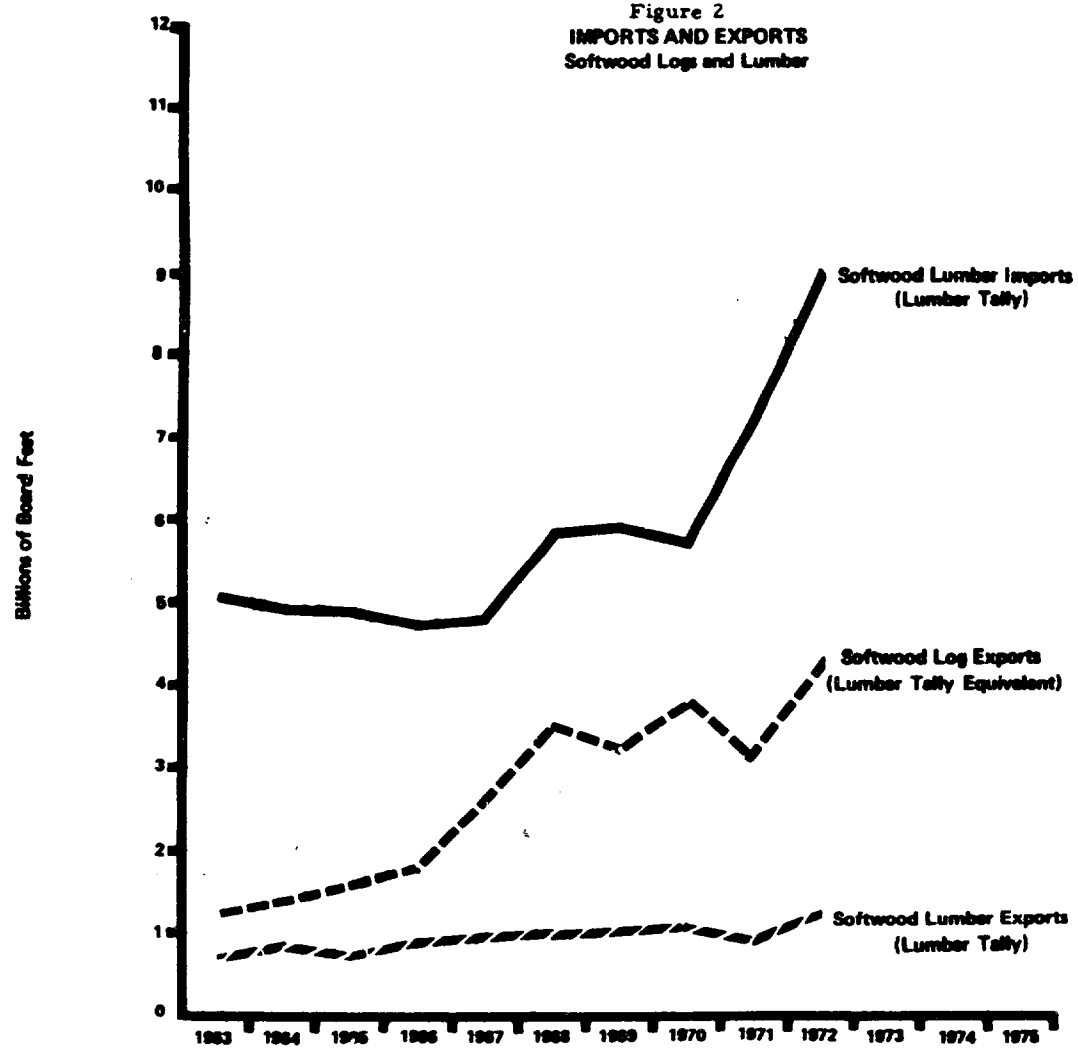
There are softwood timber reserves elsewhere in the world, particularly in the Soviet Union, but economic and political accessibility as well as shortcomings in the quality of that wood have made it, for practical purposes, unavailable for use in this country. The United States already takes about 60 percent of Canada's lumber production. It seems likely that as Canadian industry moves into previously undeveloped timberlands, U.S. imports of lumber from Canada will increase another 2-3 billion board feet by the end of this decade.

Table 1
IMPORTS & EXPORTS
Softwood Logs and Lumber
(Billions of board feet)

Year	Lumber Imports (lumber tally)	Lumber Exports (lumber tally)	Log Exports (log scale)	Log Exports (lbr. tally equiv.) 1/
1963	5.0	0.7	0.9	(1.2)
1964	4.9	0.8	1.0	(1.4)
1965	4.9	0.8	1.1	(1.6)
1966	4.8	0.9	1.3	(1.8)
1967	4.8	1.0	1.9	(2.6)
1968	5.8	1.0	2.5	(3.5)
1969	5.8	1.0	2.3	(3.2)
1970	5.8	1.2	2.7	(3.8)
1971	7.2	0.9	2.2	(3.1)
1972	9.0	1.2	3.0	(4.3)

1/ Lumber tally equivalent is estimated to be 1.4 times the log scale volume.

Figure 2
IMPORTS AND EXPORTS
Softwood Logs and Lumber



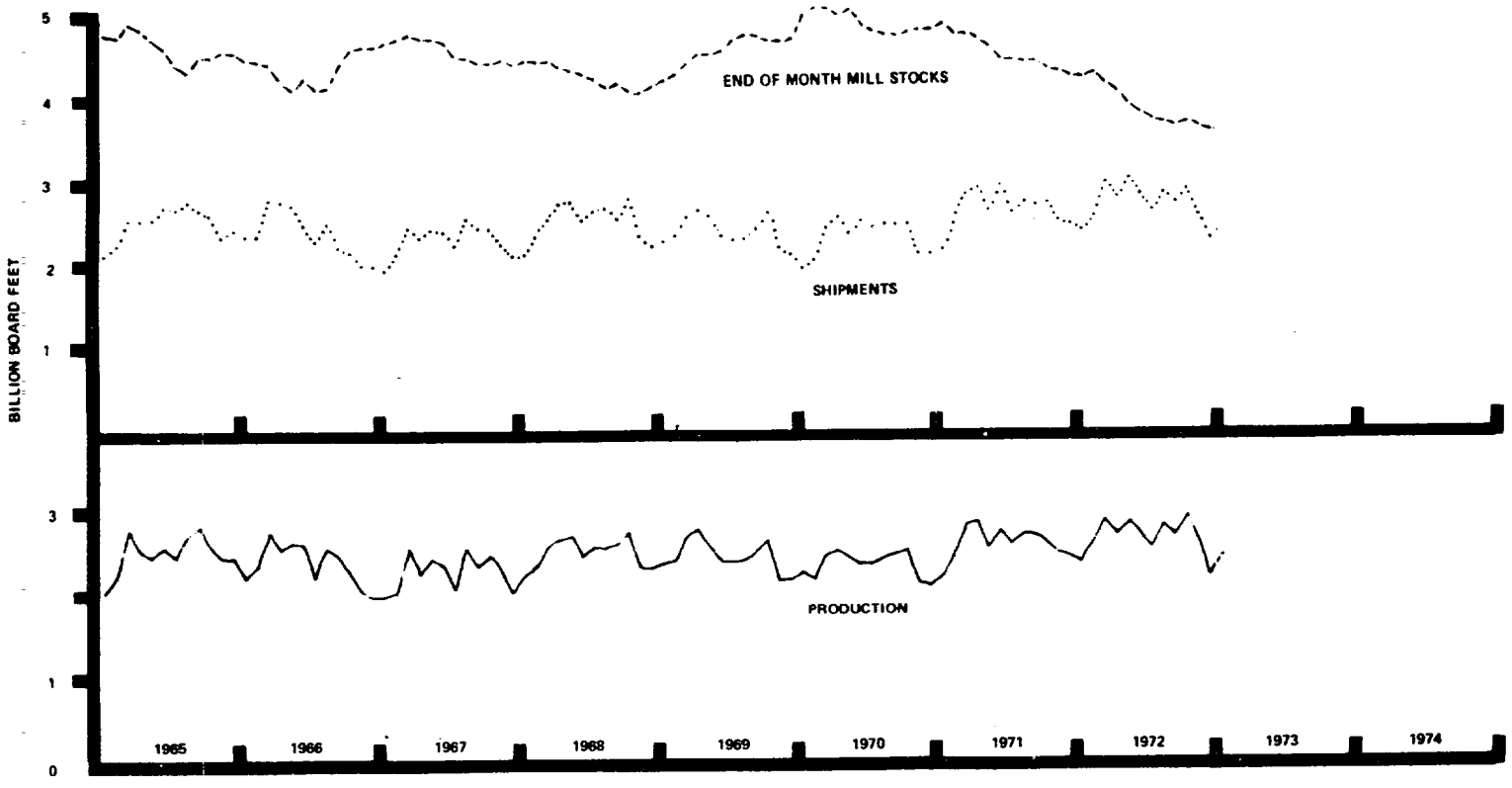
Production 1970-72

Domestic consumption of softwood lumber (shipments + net imports) reached a record high of 41 billion board feet in 1972. Along with record imports to meet U. S. housing needs, the domestic production in 1972 of softwood lumber and plywood both established records. From the recent years' low point in 1970, production of softwood lumber increased more than 18 percent by 1972 (Figure 3). Shipments, however, exceeded production so that by the end of 1972 mill inventories of softwood lumber stood at 3.6 billion board feet, the lowest level since World War II. These low levels of mill stocks set up a potentially volatile price situation because inventories serve to act as a buffer to reduce the impact upon price of surges in demand. With low inventory levels the buffer is thinner.

The Southern Pine region showed the greatest increase in softwood lumber production in 1972, reflecting the new additions to mill capacity supported by an expanded and privately owned timber base in that region. Since 1960 production of pine lumber in the South has increased by more than 50 percent, reaching 9.1 billion board feet in 1972.

In the Douglas Fir region of western Washington and Oregon production of softwood lumber in 1972 reached 8.8 billion board feet, surpassing the high mark of 8.6 billion feet reached in 1964.

Figure 3
SOFTWOOD LUMBER INVENTORIES
SHIPMENTS & PRODUCTION
per month



The Western Pine region of California and of the inland areas of othe. western states continues to be the largest softwood lumber producing region, with 10.4 billion board feet manufactured in 1972. This volume was only marginally above the production level achieved in 1968. The failure of the Western Pine region to increase production like the other major regions is attributable to Federal timber supply problems which have led to production curtailments in many mills and closures of a few mills in the region. This region's timber supply is largely Federally owned.

The production story for softwood plywood is similar. Between 1970 and 1972 the production of softwood plywood increased from 14.6 billion square feet (3/8" basis) to 18.3 billion square feet. This 25 percent increase is far above the phenomenal 10 percent average annual growth rate for the plywood industry which has prevailed for over 20 years. About 25 percent of the softwood plywood produced in 1972 came from the South, which has been producing softwood plywood only since 1963.

Freight Car Shortages

The supply of lumber and plywood at market outlets throughout the country is greatly affected by the availability of freight cars (or box cars) during the peak months of shipments from the producing mills in the West and in some other parts of the country. In the solid wood products industries, roughly 78 percent of all lumber, plywood and other wood products is shipped by railroad. It is of interest also to know that about 86 percent of the total mill volume of the paper industry goes by rail. The total forest industry is responsible for about 3 1/2 million carload shipments a year.

Wood products and paper together generate some $2 billion annually in rail freight revenue -- more than 15 percent of total rail freight revenues. Collectively, as shippers, the forest products industries represent the largest single source of revenue to the railroads in the United States. Moreover, with respect to lumber, plywood and other types of wood products, shipment by rail is almost a necessity because of the bulk nature and weight of the products and because of the great distances between many mills and the places where their products are eventually used.

The difficulties arising from shortages of freight cars affect production and distribution of all products in our industry. Currently, our producing mills and other installations are experiencing a severe and critical shortage of rolling stock caused by a combination of events, including the complications to the freight car distribution system brought about by the massive shipments of grain to Russia. Also involved, of course, is the continued and unprecedented high demand for wood products resulting from the 1972-1973 record levels of housing starts and general construction.

We are pleased that the Senate, in passing Senate Resolution 59 on February 19, 1973, adopted an amendment to assure that a representative from the Forest Industries Council will be appointed to the special Presidential committee proposed by that Resolution, should the President follow the request of the Senate. We are attaching a copy of the complete text of Senate Resolution 59 as it was printed in the Congressional Record on February 20, 1973, together with the remarks introduced into the Record on February 26, 1973 (Senators Jackson and Magnuson), outlining the interests of the Forest Industries Council in the Resolution. (See Appendix.)

On March 16, 1973, before the Special Subcommittee on Freight Car Shortage of the Senate Commerce Committee, we appeared as part of the Forest Industries Council in urging prompt enactment of S. 1149 which is now pending in the Commerce Committee. This bill is comparable to S. 1729, which passed the Senate by a vote of 81-0 on August 4, 1972, but failed to get action in the House prior to adjournment. We recommend that members of the Banking Committee support S. 1149 as a means of aiding the railroads in expanding and attaining greater utilization of the freight car fleets of the railroads.

The situation with respect to the availability of freight cars in the late winter of 1972-73 has worsened in considerable degree from the situation which existed a year ago.

In testimony to the Senate Commerce Committee on March 16, 1973, the Chairman of the Interstate Commerce Commission, Mr. George M. Stafford, stated that, "We are now in the midst of one of the most serious freight car shortages in this nation's history."

We support the fullest use of ICC service orders and other efforts to obtain more expeditious handling of cars by carriers and the prompt loading and unloading by shippers and receivers. Such service orders generally are issued to promote maximum car utilization and to maintain an equitable distribution of available cars. Violations of service orders are subject to civil and criminal sanctions and we fully support its orders by the Commission.

In addition, we have urged the ICC authorize on a temporary basis, if necessary, trucking firms not now in the business of transporting wood products to do so. In some parts of the country and for some types of wood products, this could provide temporary relief for some aspects of the rail car shortages.

There is little doubt that a greater availability of freight cars could bring to the distribution outlets a greater supply of lumber and plywood than is currently available. There are mills, especially in the West, where already sold lumber and plywood products, not technically inventory, are simply piling up on loading platforms awaiting the arrival of the necessary box cars. Furthermore, delivery of these products to the market could bring down the price in a measurable amount in some areas.

It is regrettable that the recommendations of this Subcommittee in 1969 that the President and Federal agencies should "develop closer regulations of box cars to meet the shipment needs for lumber" have not been followed.

Log Exports

One of the complicating factors of the domestic softwood timber supply situation is export of logs. It is frequently suggested that U.S. lumber and plywood supply can be increased by limiting or curtailing the export of logs and lumber from the U.S. to other countries.

The U.S. export-import situation is highly complex. Since 1951, the U.S. has exported annually between 0.5 and 1.2 billion board feet of softwood lumber. By comparison, imports of softwood lumber have climbed from 2.3 billion feet in 1951 to 9.0 billion feet in 1972, almost all from Canada. Exports of softwood logs were minor until 1964 when they first exceeded 1 billion feet (log scale). In 1972, log exports reached almost 3.0 billion board feet. All but 7 percent of these log exports originated from the West Coast states. The following table sets these volumes in perspective with domestic lumber production for the years 1970-72:

	1970	1971	1972
Softwood lumber production (billion BF)	27.4	30.3	32.1
Softwood lumber imports " "	5.8	7.2	9.0
Softwood lumber exports " "	1.2	0.9	1.2
Softwood log exports (log scale) "	2.7	2.2	3.0
Softwood log exports (lumber tally equivalent) "	(3.8)	(3.1)	(4.3)

Exports of softwood lumber are sent to a wide variety of countries, including Japan, Italy and Australia. About 90 percent of the lumber shipped to Japan is from Alaska and accounts for about 98 percent of that state's lumber production.

In 1972, 82 percent of U.S. log exports to Japan originated in the State of Washington. Oregon and California supplied 12 percent and 3 percent, respectively. Alaska is unique; most of its timber is on National Forests and must be domestically manufactured. Ninety-eight percent of Alaska's lumber production is now exported, mostly to Japan, because it is not economically available to markets in the other 49 states. This occurs because the Jones Act requires that maritime shipments between U.S. ports must move on vessels of U.S. registry. The freight rate structure on U.S. vessels is so high that water shipments from Alaska to the West Coast, Gulf Coast or East Coast cannot compete with rail rates. The result is that most of Alaska's lumber production is exported in foreign bottoms, accounting for one-third of all U.S. softwood lumber exports of 1.2 billion board feet in 1972. If an embargo were applied to export of Alaskan produced lumber without a corresponding change in the Jones Act, Alaska's lumber industry would experience economic chaos.

Export of logs from Federal lands in the West are limited to 350 million board feet annually by the Morse Amendment to the Foreign Assistance Act of 1968 as extended. However, it is estimated that only 250 million feet has originated from the Federal forests annually in the past few years. The sources of export logs are forest lands owned by industry, the State of Washington, Indians, and non-industrial private owners (farmers, etc.).

Since 1968, there have been several attempts to restrict log exports. In that year the voters of Washington defeated by 2 to 1 a referendum proposition which would have required domestic processing of timber sold from state-owned lands. Revenues from the sale of state timber are used to finance school operation in the State of Washington. Also in 1968, after ext sive hearings by Senator Morse's Small Business Committee, Congress adopted the Morse Amendment. In 1972, Senator Packwood, Senator Morse's successor from Oregon, conducted hearings on the log export issue and has recently proposed legislation that would prohibit log exports from Federal lands and eliminate log exports from private lands over a four year period.

This Committee will hear testimony on S. 1033 during these hearings. S. 1033 would amend the Export Administration Act of 1969 to curtail the export of logs from Federal lands beginning January 1, 1973, and would phase out export of logs from non-Federal lands until 1977 when no export would be allowed unless declared surplus to U.S. needs.

The opponents of log and lumber exports are a diverse group, ranging from the preservationists, opposed to timber cutting, manufacturers who must bid against export buyers for timber (but who would welcome the opportunity to sell increased amounts of lumber to export), sawmill and plywood plant workers who see lost job opportunities in log exports, and lumber and plywood users who feel that more wood products would be available at lower prices if the export demand for logs and lumber were eliminated.

The opponents of restrictions on exports are also a diverse group: landowners, including the State of Washington taxpayers, port authorities, dock-worker unions, loggers and truckers and those opposed to further restrictions of private property rights. Timber growers enjoy the consistently higher prices they obtain from the export market which justifies more intensive investments in timber growing.

The two major trade associations in the West, the Western Wood Products Association and the American Plywood Association, representing lumber manufacturers and plywood manufacturers, do not support an export embargo of non-Federal timber. They do support an embargo on Federal timber with a restriction against the substitution of Federal timber for exported private timber. Existing law will allow the Secretaries of Agriculture and Interior to issue such regulations and the organized industry has requested such action. It would have an immediate benefit in removing Japanese price pressure from the major source of timber supply for western manufacturers. Furthermore, this action is discretionary and can be modified if conditions change.

It should not be viewed as a solution to high domestic demand. The only real solution is for the Federal Government to increase its offerings on a long-term basis.

The effect on international relations and on the U.S. balance of payments problem cannot be overlooked in any consideration of the log export problem. The U.S. deficit of payments is bigger with Japan, from whom we are a large net importer, than with any other country.

94-218 O - 73 - 22

A ban on log exports would add significantly to this deficit, although if lumber exports were permitted, the deficit might eventually even be reduced, since higher valued products would be leaving the country. Without a restriction on lumber exports, however, there would be little or no long-term relief to lumber supply and price problems domestically.

Furthermore, the supply of wood to Japan is crucial to domestic programs of the Japanese government. Japan is currently in the midst of a government-encouraged housing boom designed to relieve an acute national housing shortage. Sudden shortages of building materials unilaterally imposed from the U. S. could have political repercussions in Japan which could lead to a realignment of international interests. The only alternative sources for softwood available to Japan are Canada and the U. S. S. R. Any move by Japan toward the Soviet sphere would cause alarm to China and might complicate the recent signs of U. S. entente with that nation.

The purpose of an embargo on log exports would be to increase the supply of logs available to domestic producers of lumber and plywood. Stated another way, an embargo on log exports would eliminate one segment of demand for logs, particularly in the Pacific Northwest, thereby bringing supply and demand more nearly into balance domestically. But with an elimination of one segment of present demand for logs, prices for timber on the stump would decline. Timber owners would lose the present monetary incentive to sell their timber and would have more reason to hold their timber stands, allowing them to add more volume through additional growth, unless the stands were already overmature, while the owners waited in anticipation of better prices, again some years hence.

Another effect of a decline in stumpage prices which would occur as a result of an embargo on log exports would be a reduction in opportunities for supplying forest improvement practices. Basically, the higher stumpage prices go, the more the landowner can afford to do in applying intensive management practices to improve yields from his timber stands. Unless the marketable wood realized from thinning and mortality salvage sells at a price sufficient to pay the costs of removal, the work won't be done and the wood will be lost from any potential contribution to alleviation of wood supply problems.

An embargo on log exports alone would predictably have little long-range effect on domestic lumber and plywood supplies. The Japanese would probably shift from the purchase of logs to the purchase of lumber to the extent they could not replace the logs by log purchases from the Soviet Union. Since log exports from Canada are already restricted, but lumber exports are not, it is likely that some portion of any increases in lumber purchases by Japan would be made in Canada, while the rest would be made in the U.S. It is possible that some strain on Pacific Coast lumber-producing capacities in both Canada and the U.S. would be felt until adjustments for increased Japanese demand for lumber could be made. It is therefore probable that to the extent lumber exports from Canada to Japan increased, lumber exports from Canada to the U.S. would decrease, at least until additional production facilities came into existence. The short-term net result would be a reduced supply of lumber from Canada to the U.S. and correspondingly higher prices for lumber in the U.S. unless U.S. production facilities made up the difference by higher domestic production, presumably from logs which would otherwise have gone to export.

A ban on log exports, then, probably would have little effect on prices of domestic lumber; it would, however, undoubtedly do something to relieve timber supply problems for many Pacific Coast mills who are now experiencing or anticipate soon experiencing log supply problems.

There is, however, another way -- short of a total ban on all log exports -- to relieve in part the log supply problem being experienced by those Pacific Coast mills. Some benefit would be realized from prohibiting any export of logs from Federal lands, at least until such time as the Forest Service is able to offer for sale the full allowable cut from Pacific Coast National Forests.

The log export issue is regional. It is a highly emotional issue. Export pressures have created very real problems for mills in the area feeling most of the pressure from log exports. But stopping log exports will not solve the basic problem facing thousands of lumber and plywood mills in the West -- the problem of timber supply. Actions that will change the lumber and plywood supply and price situation are changes in Federal policies that (1) recognize the importance of the National Forests as the only source of timber supply that can be increased immediately, and (2) that give the Forest Service clear direction and funding to meet allowable cut levels and to initiate the intensive forestry programs that will permit a 50-60 percent increase in the timber available from the National Forests.

Softwood Timber Demand Outlook

The Forest Service is currently putting the finishing touches on its periodic study of the supply and demand outlook for timber products. While the full study is not yet available, last December the Forest Service made available an advance summary. It reveals that for softwood sawtimber products, the materials used in house construction, the supply problem is more serious and immediate than for other timber products. As both population and the national economy grow, the demand for softwood sawtimber products and the supply at present management levels are expected to be brought into balance only at higher prices. That is, unless steps are taken to improve the supply through better management of the nation's softwood sawtimber, consumers in the future must expect to pay more for softwood products and/or reduce their consumption of those products.

The following material from the Forest Service advance summary explains.

"Projected Supply and Demand on U.S. Forests for Softwood Sawtimber by the Year 2000.

	Billion Board Feet		
Relative Prices	Demand	Available Supplies*	Difference
---At 1970 prices	74.4	54	-20.4
---At 30 percent increase over 1970 prices	57.2	55.3	- 1.9
---At 1.5 percent annual increase	48.7	55.6	+ 6.9

* At 1970 levels in timber management

"The Softwood Sawtimber Supply Problem is the Most Serious and Immediate.

"In 1970, a total U.S. consumption of softwood sawtimber was 47.1 billion board feet, of which 45.1 billion board feet were harvested from U.S. forests. The remainder was made up by net imports.

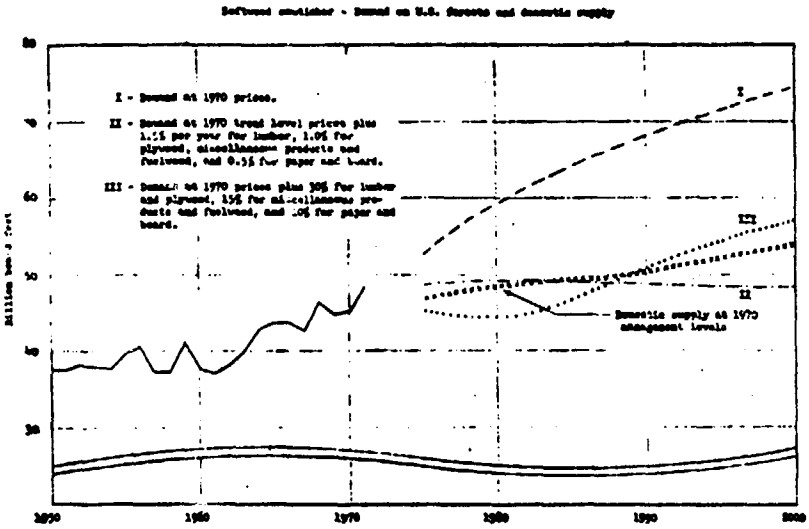
"At 1970 prices, available supplies with current management would fall short of projected demands in the year 2000 by an estimated 20 billion board feet. By 1980, the shortfall would already have reached 12 billion board feet.

"With a '30 percent price' increase, the projected shortfall by 2000 would be 2 billion board feet; with a 'one and one-half percent' a year price increase, supply would exceed demand by approximately 7 billion board feet.

"The considerable price increases needed to achieve a balance between future timber demands and supplies at present levels of forest management could have a serious impact on housing, living standards, and the urban environment.

"For all sizes and qualities of softwood timber, the projected supply-demand balance is essentially the same as the outlook for softwood sawtimber. Prospective increases in 'equilibrium' prices appear likely to be somewhat more modest, however, because of the inclusion of much larger volumes of material other than sawtimber in the supply base."

Figure 4


I - Demand at 1970 prices.
II - Demand at 1970 trend level prices plus 1.1% per year for lumber, 1.0% for plywood, miscellaneous products and fuelwood, and 0.5% for paper and board.
III - Demand at 1970 prices plus 30% for lumber and plywood, 15% for miscellaneous products and fuelwood, and .0% for paper and board.
I
II
III
Domestic supply at 1970 management levels
1950
1960
1970
1980
1990
2000

Timber Supply

The anticipated demands for softwood lumber and plywood shown in Figure 4 require full production from our nation's forest lands. There is a strong national and worldwide demand for all products from softwood timber -- market pulp, newsprint, linerboard and all solid wood and wood fiber products.

The current price and supply problem for wood building materials is largely artificial and unnecessary -- an artificial and unnecessary problem that would not exist if the recommendations of this Committee in its June 16, 1969 report on the "Effect of Lumber Prices and Shortages on the Nation's Housing Goals" had been heeded. There is very little presented here that was not covered in the March 1969 hearings of this Committee on "Problems in Lumber Pricing and Production." What is new is that those recommendations went unheeded and as a result we are back where we were in 1969. We will be back here repeatedly with increasing frequency and increasing severity unless these basic problems are resolved.

1969 Recommendations of the Senate Committee on Banking and Currency

In 1969, this Committee recommended as a solution to the temporary problem the following actions concerning resources:

1. Offer for sale the full allowable timber cut on Federal lands, and
2. Loosen the personnel restriction on timber-management agencies.

To address the long-range aspects of the timber supply situation, this Committee in 1969 recommended that the President and the Federal agencies:

1. Offer for sale all accessible salvageable dead and damaged timber.
2. Concentrate road building where it will generate the maximum harvestable timber.
3. Offer for sale the full allowable cut on National Forests.

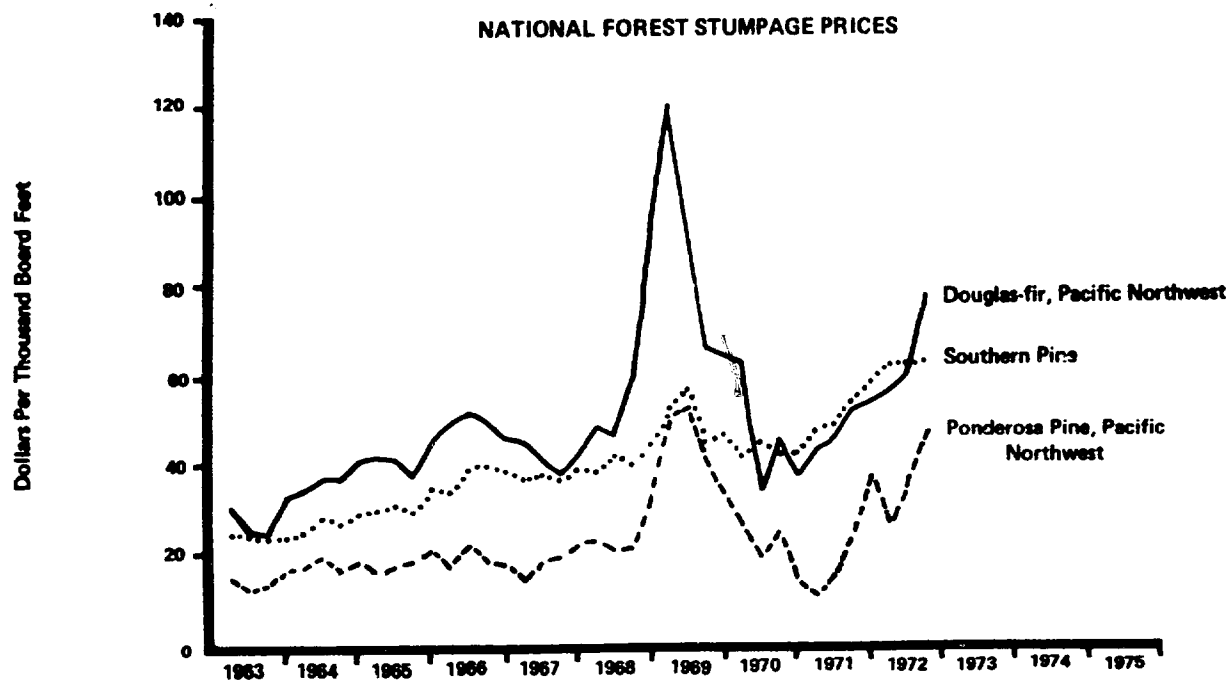
4. Implement the Morse amendment to prevent substitution of public timber for exported non-Federal timber.
5. Aggressively pursue intensive forest management practices to increase timber yield, including the salvaging of dead and decaying timber.
6. Reexamine present methods of selling and pricing Federal timber to prevent instability and upward pressure on lumber prices resulting from Federal dominance of the market.

The Committee also urged the Congress to:

1. Approve legislation providing for the application of high-yield forestry techniques to Federal commercial timberlands similar to the bill then before the Committee on Agriculture and Forestry.
2. Approve legislation then pending before the Committee on Agriculture and Forestry to fund such a program with income from the sale of timber.
3. Review the timber-selling practices of the Federal agencies.
4. Approve emergency funds and personnel for National Forest management legislation then pending before the Committee on Appropriations.

With the exception of a revision in the price escalation clause for National Forest timber sale contracts, in partial response to recommendation (6) to the President and the Federal agencies, there has been no response to the 1969 recommendations of this Committee. This almost total lack of response, particularly in the areas of financing National Forest timber management, is in large part responsible for the current raw material supply problem which has grossly aggravated the lumber-plywood price and supply situation. The effect of the short supply of timber on stumpage rates for National Forest timber is shown in Figure 5.

Figure 5


NATIONAL FOREST STUMPAGE PRICES
Dollars Per Thousand Board Feet
140
120
100
80
60
40
20
0
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
Douglas-fir, Pacific Northwest
Southern Pine
Ponderosa Pine, Pacific Northwest

Non-Federal Lands

The supply of softwood timber from the lands owned by non-industrial private owners must also increase if we are to satisfy our wood products needs 20 years from now. In general, these lands, which represent over two-fifths of the nation's softwood commercial forest land, are understocked. They are, however, currently meeting the nation's softwood timber demand in a more decisive manner than are National Forest timberlands. While National Forest lands are being harvested at a rate of 1.3 percent compared to inventory, private non-industrial lands are being harvested at a rate of 3.8 percent relative to inventory. These non-industrial private lands are also providing 44 percent of the growth of softwood sawtimber. The National Forests are providing only 21 percent of the nation's softwood sawtimber growth, well below their proportion of either acreage or inventory. The basic reason for this surprising discrepancy is that the National Forests contain large volumes of overmature timber no longer capable of vigorous growth.

In order that these non-industrial private landowners -- some 4 million individuals -- may be encouraged to maintain and increase the management level on their lands, it is imperative that a reliable and workable incentives program be developed. This is a joint forest-industry and Federal and State government responsibility. Industry is meeting some of its responsibilities through making seedlings, management advice, and markets available to private landowners. Some states are meeting their responsibilities through tax incentives for lands in timber production, special severance taxes designed to provide forest management funds, and with some Federally funded assistance cooperative programs for protecting forest lands, rendering management assistance and providing low-cost seedlings to private landowners. By and large, these Federal-State cooperative programs have been of limited effectiveness because they are underfunded.

There has also been a Federal program, the Rural Environmental Assistance Program (REAP) which rendered cost-sharing assistance to the landowner for forestry and other conservation practices.

Legislation designed to improve the current Federal programs was passed by the Senate last year but did not emerge from the House Agriculture Committee, largely as a result of Administration opposition. The elimination of the REAP program and the cutback in Cooperative Forest Fire Protection Funds will not help provide the additional timber we must expect from these private lands.

Federal Forest Lands

The significance of Federal timber to our building materials supply problems is suggested by the relationship of inventories of such timber to the locations of production facilities for lumber and plywood. Forest Service data for 1970 show that more than 70 percent of the output from sawtimber came from the West. The Pacific Northwest, exclusive of Alaska, is by far the largest producer with 43.4 percent. California's production is 14.6 percent and the Rocky Mountain States 13.6 percent. In these three regions, the National Forests contain 785 billion board feet or 57 percent of the total volume of softwood sawtimber on commercial forest land in these regions. In the Pacific Northwest, exclusive of Alaska, the National Forests' share is 52 percent in California 59 percent and in the Rocky Mountain States 66 percent.

The National Forests were established in part to provide a continuous supply of timber to meet the needs of the citizens. (16 U.S.C. 473)

The harvest levels on the National Forests are developed within the constraints of the sustained yield principle. (16 U.S.C. 528-531) The Forest Service sets the cut limits according to management plans that are based on growing periods that will include the culmination of the average annual growth of wood in the forest. These plans set the cut limits by 10-year periods, and accounting of harvest is made on the 10-year base. Under this arrangement, the Forest Service slowly metes out old growth timber. If there are deficits in the cut program, they are supposed to be picked up by increased harvests later in the period. Such deficits are designated as accrued undercuts. At the end of Fiscal Year 1971, the accrued undercut in the National Forests of the West, exclusive of Alaska, was 9.5 billion board feet. This large volume could be added to the present cut without violating the sustained yield principle.

The sale of National Forest timber continues to fall far short of allowable cut levels. For the 10-year period 1965-74, the average allowable annual cut of sawtimber for the entire National Forest System approximates 11.38 billion board feet. The annual volume sold will be about 9.84 billion board feet or 86 percent of the planned amount. These data are shown in more detail in Table 2 and Figure 6. It is evident that another 2.5 billion board feet of sawtimber should have been offered for sale recently over and above the accrued undercut of 9.5 billion board feet in the West. In terms of lumber tally, such an increase of 12 billion feet log scale would approximate 15.5 billion board feet lumber tally.

Table 3

NATIONAL FOREST TIMBER SALE PROGRAM

Sell and Harvest Accomplishments - Sawtimber (only)

FISCAL YEAR 1965 - 1974

Fiscal Year	Allowable Harvest As of Jan. 1	Volume of Timber Sold: Planned 1/ (million board feet)	Volume of Timber Sold: Actual (million board feet) 2/	Volume of Timber Sold: Per Cent Accomplishment	Volume of Timber Harvest: Planned 1/ (million board feet)	Volume of Timber Harvest: Actual (million board feet) 2/	Volume of Timber Harvest: Per Cent Accomplishment
1965	11,094	10,934	10,454	96	10,722	10,045	94
1966	11,292	10,683	10,382	97	11,002	10,902	99
1967	11,331	11,087	10,508	95	11,096	9,668	87
1968	11,429	10,773	10,681	99	11,718	10,808	92
1969	11,466	11,031	8,901 3/	81	11,926	10,393	87
1970	11,545	12,754	11,667	91	12,706	9,818	77
1971	11,544	11,509	9,175	80	12,787	8,823	69
1972	11,568	10,470	8,817	84	13,125	10,181	78
1973	11,512	(9,600) 4/	(8,800)	(92)	(12,800)	(11,000)	(86)
1974	(11,000)	(9,800)	(9,000)	(92)	(11,000)	(10,800)	(98)

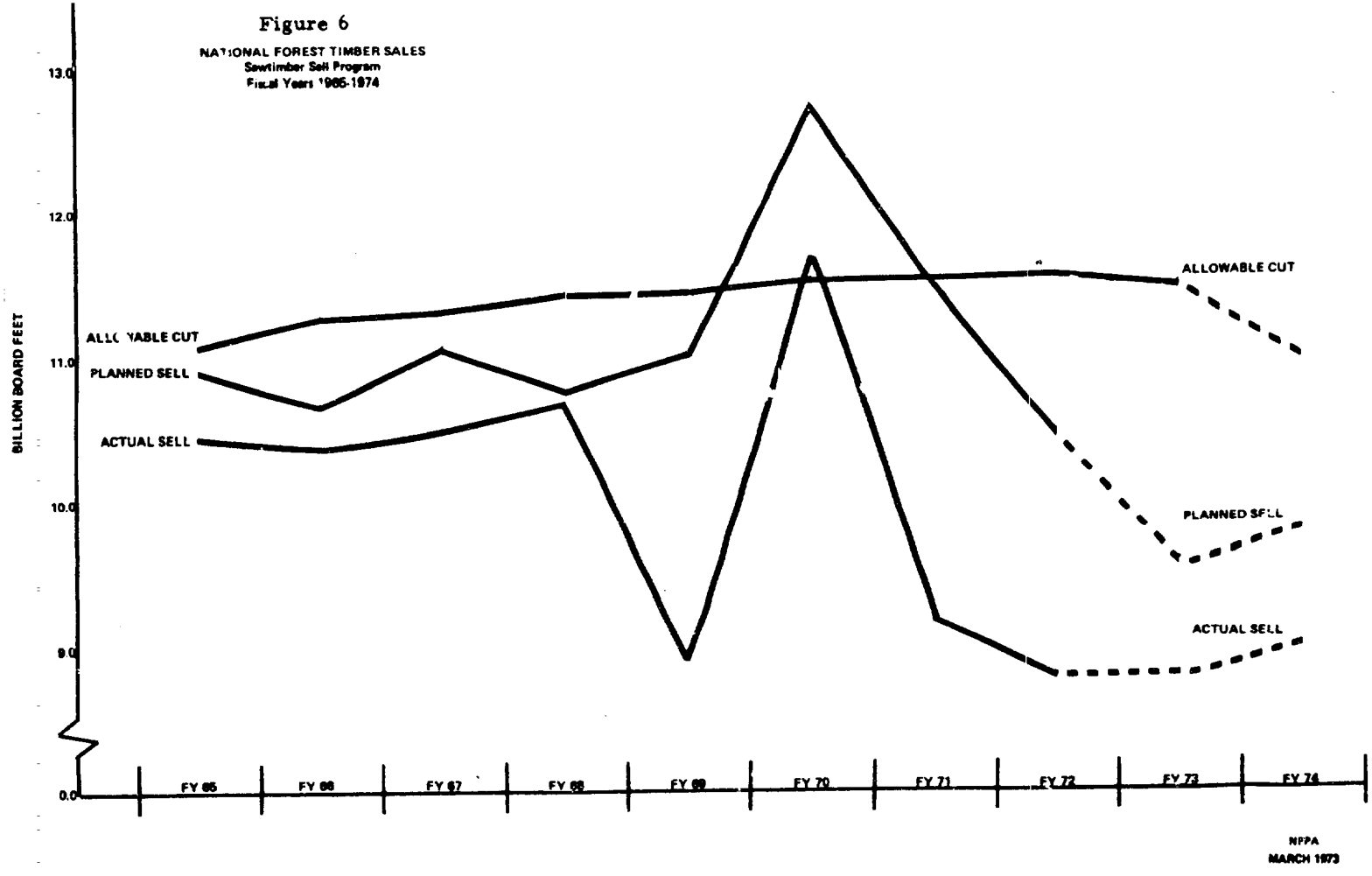
Source:
Forest Service Timber Sale Accomplishment Reports FY 1965 through FY 1972
FY 1973 and 1974 performance is estimated

1/ Planned Sold and Harvest volumes include some convertible products.
2/ Local Scale
3/ After deduction of 8.75 billion board feet of Juneau Unit Pulp Sale in Alaska
4/ Figures in parentheses are estimates

NFPA
March 1973

Figure 6

NATIONAL FOREST TIMBER SALES
Sawtimber Sell Program
Fiscal Years 1965-1974



Another opportunity to increase yields from the National Forests lies in the recovery of the annual mortality of nearly 6 billion board feet of softwood sawtimber from the commercial portions of these forests. More than 5 billion feet of this mortality occurs in the West, outside of Alaska. Relatively little of it is salvaged.

The allowable cut levels re overly conservative because of technical reasons, such as the use of board foot measure rather than cubic foot measure. The board foot log rule has the effect of slighting the true volume of smaller trees and logs. As a consequence, less large old growth timber is made available than is justified by the growth achieved in small trees.

The allowable cut levels could be substantially increased by investments in reforestation, timber stand improvement and other work on the National Forests. In 1970, the Forest Service developed an Environmental Program for the 1970's which included the reforestation of 3.8 million acres and thinning and other cultural measures on 7.0 million acres. With the accomplishment of this work and other anticipated progress in utilization, the sustained yield target would be increased by about 6.5 billion board feet local log scale or about 8.5 billion lumber tally. This was reinforced by Chief McGuire's December 1972 statement that timber growth and harvest could be increased by 50 percent with an adequate investment program.

The Environmental Program for the 1970's would also provide for the improvement of 2.7 million acres of game habitat, the provision of recreation facilities to increase visitor days by 138 million per year by 1980, the increase of livestock forage by 1.6 million animal-unit-months annually by 1980, etc.

A major part of the program would be the construction or reconstruction of 104,000 miles of roads to provide access needed for protection, administration and use of the resources of the National Forests.

The cost of such a program in the first year would approximate $552 million and would rise to one billion dollars by the tenth year. Representatives of major conservation groups, such as the National Wildlife Federation, the American Forestry Association and the Wildlife Management Institute have joined representatives of the forest products industry in each of the past two years in asking appropriations to fund the program.

Long-Range Funding

Inevitably every responsible group that has looked at the tremendous potential of the National Forests has come to the conclusion that continuous, reliable and substantially increased funding is imperative for the management of these lands. Timber values will be increased as will the production and availability of all other multiple use goods and services.

Current budgetary restrictions are compounding a problem that incumbent Administrations have refused to address for over a decade. The "Development Program for the National Forests" submitted to the Congress by President Kennedy in 1961 has been ignored by three Administrations. Congress has recognized the necessity of increasing National Forest management funds above those requested by successive administrations. Congress must again act to assure the long-range funding of this vital management program.

94-218 O - 73 - 23

A special fund to finance the much needed investment portion of National Forest management should be established from National Forest resource receipts. Current operating needs should be met by regular appropriations with long-range investments made from the special fund.

Short-term Outlook for Softwood Products Supplies

The outlook for 1973, according to most informed experts, calls for some reduction from the 2.377 million housing starts reached in 1972. The more conservative estimates look to housing starts in the range of 1.9 to 2.0 million for 1973 -- which are still very high in comparison to the average for the 1960's. Assuming housing starts will be at this level, consumption of softwood lumber can be expected to be about 39 billion board feet and consumption of softwood plywood can be anticipated to be about 18 billion square feet. These figures compare with 41 billion board feet and 18.3 billion square feet in 1972.

From what has been said earlier in this statement, it is apparent that there is little reasonable expectation for increased supplies of timber to be available to meet these anticipated demands except from the store house of tremendous volumes of softwood timber on the western National Forests.

Prompt action must be initiated to bring the 1973 and 1974 calendar year sales of National Forest timber up much closer to the conservatively calculated allowable cut figures for the National Forests. If this does not happen, continuing high price levels for both lumber and plywood can be predicted. The 1973 and 1974 calendar year National Forest timber sales cannot be allowed to stay at the 1972 levels, which were 2.8 billion board feet, or 22 percent below the allowable cut. If they do, prices for lumber and plywood will not only remain high, but will be subject to volatile movements from small demand surges, from distribution bottlenecks, such as rail car shortages, and from the results of the low level of mill and warehouse inventories.

Hardwoods

It is a common mistake for those outside the industry to lump the softwood and hardwood timber products industries into one. The hardwood industry, however, is distinctly different and deserves discussion here if for no other reason than to point out its differences. The two industries differ in their geographic centers of operation, their raw material and its sources, and their markets. The softwood industry centers in the West and to a lesser extent in the South; the western segment is heavily dependent upon government timber lands and the southern segment on private lands for timber supplies. Both sell mostly to construction markets. The hardwood industry on the other hand is found almost entirely in the East, relies on private land owners for its raw material, and finds its markets in the furniture industry and with other manufacturers of wood-based products. The economic cycles of the two industries differ, the housing market being largely countercyclical, while the markets for products using hardwood move more in rhythm with the general economy.

Prices for hardwood lumber were at very low levels at the time price controls were established in 1971. The low price ceilings established at that time tended to dampen production in spite of the recovery of hardwood lumber markets in 1972. This, in combination with bad weather in the producing areas of the East which have affected log supplies, is blamed for the severe shortages of hardwood lumber at the present time. Mill inventories at the end of January 1973 were 53 percent below the levels of January 1972. Between February 1972 and February 1973 the wholesale price index (1967 = 100) for hardwood lumber moved from 119.8 to 142.4.

Except for localized situations, especially in the Appalachian area, the Federal government is not a significant element in the supply of hardwood sawtimber. In those areas, however, there are substantial opportunities for expansion of the Federal hardwood timber supply.

APPENDIX

1. Monthly Comparison of Actual Housing Starts - January 1964-1973

2. Text of Senate Resolution 59

3. Excerpts from Hearings before the Committee on Banking, Housing and Urban Affairs, United States Senate, on S. 398

*MONTHLY COMPARISON OF ACTUAL HOUSING STARTS–JANUARY 1964–1973

New Housing Activity (Thousands of Units)

Jan. 1964–1973	Total Private & Public Housing Starts	Total Private Housing Starts	Private One Family Housing Starts	Private Multi-Family Housing Starts	Government Programs: FHA Home Units Started[1]	FHA Project Units Started[2]	FmHA Housing Units Started[3]	VA Housing Units Started	Public Housing Units Started[4]	Seasonally Adjusted Annual Rate: Total Private Housing Starts	Total Building Permits Issued
1973	145.3	144.5	75.1	69.3	NA	NA	6.3	6.6	2.4	2468	2185
1972	150.9	149.1	76.2	72.9	24.1	11.5	5.1	7.5	2.5	2487	2105
1971	114.8	110.6	54.9	55.7	23.7	9.1	4.1	4.6	10.9	1725	1635
1970	89.2	86.4	33.4	33.0	10.3	5.9	2.0	3.4	7.1	1059	1050
1969	105.8	101.5	51.3	50.2	8.8	4.4	4.8	4.8	4.8	1705	1426
1968	82.7	80.5	45.2	35.3	9.7	3.9	--	3.4	--	1344	1148
1967	61.7	59.1	40.1	19.0	8.6	1.0	--	3.1	--	1111	942
1966	81.9	79.4	46.6	32.8	10.2	2.4	--	2.8	--	1433	1229
1965	85.8	81.7	52.1	29.6	9.0	3.9	--	3.6	--	1409	1100
1964	96.7	95.3	55.2	40.1	9.3	2.2	--	4.2	--	1647	1302

NEW HOUSING ACTIVITY

(In Thousands of Units)

Year	Total Private & Public Housing Starts	Total Private Housing Starts	Private One Family Housing Starts	Private Multi-Family Housing Starts	Total Building Permits Issued	FHA Home Units Started	FHA Project Units Started	VA Units Started	FmHA Units Started
1972	2376.8	2354.9	1308.6	1046.2	1955.3	198.5	168.7	104.0	91.4
1971	2084.5	2052.2	1151.0	901.2	1888.7	300.9	233.1	94.3	74.7
1970	1469.0	1433.6	812.9	620.7	1324.2	233.5	182.0	61.0	57.7
1969	1499.6	1466.8	810.6	656.2	1322.3	153.6	79.7	52.2	43.6
1968	1545.5	1507.7	899.5	608.2	1353.4	147.8	79.4	56.1	43.0
1967	1321.9	1291.6	843.9	447.7	1141.0	141.9	37.8	52.5	38.3
1966	1195.9	1165.0	778.5	386.5	971.9	129.1	29.3	36.8	25.2
1965	1509.6	1472.9	963.8	509.1	1239.8	159.9	36.7	49.4	12.5
1964	1561.0	1528.8	970.5	558.3	1285.8	154.0	50.7	59.2	11.4
1963	1642.0	1610.3	1020.7	589.6	1334.7	166.2	54.9	71.0	15.8
1962	1492.4	1462.7	991.3	471.4	1186.6	197.3	62.2	77.8	9.0
1961	1365.0	1313.0	974.4	338.6	1064.2	198.8	44.9	83.3	7.0
1960	1296.0	1252.1	994.7	257.4	998.0	225.7	35.2	74.6	4.2

MANUFACTURER'S SHIPMENT OF MOBILE HOMES MONTHLY 1963–1972

(ACTUAL SHIPMENTS IN THOUSANDS OF UNITS)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Jan.	8.5	10.9	12.8	11.6	12.2	19.0	27.1	23.9	24.7	33.3
Feb.	10.2	12.8	14.2	14.3	14.4	21.2	29.4	24.1	28.7	39.7
Mar.	11.7	16.1	18.7	20.1	18.4	24.0	37.5	29.5	36.0	48.8
Apr.	13.6	16.7	17.9	19.6	19.4	27.1	36.0	40.0	43.3	53.4
May	14.7	17.8	18.9	20.2	21.9	27.6	34.6	32.9	41.3	51.5
Jun.	13.7	18.9	21.0	21.7	22.6	26.5	36.4	35.7	47.8	54.7
Jul.	13.1	16.9	17.7	18.0	19.5	27.2	35.2	37.1	45.6	48.2
Aug.	13.7	17.9	21.1	22.4	24.7	30.5	38.1	38.4	50.0	51.7
Sep.	14.2	19.0	21.4	20.0	24.2	29.9	40.1	41.4	54.0	48.8
Oct.	15.6	18.2	20.5	19.3	24.3	33.5	43.4	40.8	50.8	54.1
Nov.	11.8	14.3	17.9	17.4	21.0	27.6	32.7	30.5	39.9	50.4
Dec.	10.0	11.6	13.8	12.9	17.9	24.0	27.2	27.0	34.4	37.7
Total	150.8	191.3	216.5	217.3	240.4	318.0	421.7	401.2	496.6	572.4

Source: U. S. Department of Commerce, B.D.C., *Construction Review*, Jan. 1972, Table B-7. Bureau of Census, C-20 Construction Reports

p–Preliminary; r–Revised.

1. FHA Home Starts include rehabilitated units.
2. FHA Project Starts exclude rehabilitated units.
3. Farmers Home Administration Starts for the last month reported have been revised downward 25% by the NAHB Economics Department to adjust for rehabilitated units and existing unit purchases. All other figures reflect actual starts.
4. Public Housing is as defined by the Department of Housing and Urban Development, and includes conventional, public, leased and turnkey. Effective January 1971, units are shown by month reported, not month started.

Source Bureau of the Census, Federal Housing Administration, Farmers Home Administration, Veterans Administration. FHA Home Starts include rehabilitated units; FHA Project Starts exclude rehabilitated units from January 1968.

*Taken from National Assn. of Home Builders Housing Starts Bulletin, Feb. 16, 1973.

* TEXT OF SENATE RESOLUTION 59

"Whereas a railroad transportation crisis currently exists in the United States; and

Whereas such crisis has occurred as the result of a number of factors including --

(1) a late and abundant harvest of agricultural commodities;

(2) favorable market conditions;

(3) the sale of large quantities of grain to the Soviet Union and the delay in concluding an agreement with the Soviet Union for the shipment of such grain;

(4) the policy of the Department of Agriculture regarding the disposal of commodities held in storage by the Commodity Credit Corporation;

(5) the decision of the Department of Agriculture not to extend the resale loans on commodities of certain crop years;

(6) bad weather conditions in certain areas of the Nation;

(7) the dependence of farmers in certain areas upon grain from other areas as the result of extensive crop damage caused by Hurricane Agnes;

(8) the loss of work days at seaports during the Christmas and New Year periods; and

(9) a shortage of railroad freight cars and the ineffective utilization of existing freight cars; and

Whereas immediate and appropriate action is required to alleviate such transportation crisis: Now, therefore, be it

RESOLVED, That it is hereby declared to be the sense of the Senate that --

(1) the option to reseal loans on farm-stored wheat and feed grain should be made available to farmers by the Commodity Credit Corporation with respect to the 1971 and 1972 crops; and

---

* As printed in the Congressional Record, February 20, 1973 (page S 2801).

(2) the President should, and is hereby urged and requested to, immediately appoint a special committee composed of one representative from the Department of Agriculture, one from the Department of Labor, one from the Interstate Commerce Commission, one from the Office of Emergency Preparedness, one from the National Grain and Feed Association, one from the Forest Industries Council, and one from the Association of American Railroads, and an appropriate representative of organized labor to conduct a study of the railroad freight car shortage problem and to submit to the President and to the Senate Agriculture and Forestry and Senate Commerce Committees, within thirty days after its appointment, the results of its study together with its recommendations for the most effective and practical means of (A) delivering adequate quantities of wheat to millers and feed grains to farmers and stockmen in the United States dependent upon such grain for feeding their livestock, and (B) alleviating the backup at those ports where numerous ships and railroad cars are waiting to be loaded and unloaded."

* * * * * *

EXCERPTS FROM HEARINGS BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE
ON
S. 398

TESTIMONY OF ARTHUR M. OKUN, SENIOR FELLOW, BROOKINGS INSTITUTION; BARRY P. BOSWORTH, RESEARCH ASSOCIATE, BROOKINGS INSTITUTION; AND HENDRIK S. HOUTHAKKER, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY.

"THE CHAIRMAN. You mentioned the lumber situation. We had a lumber panel a few days ago, and we are going to have some more testimony today from the wood products industry. As I recall, you said in your paper that you thought the price of lumber should not be controlled.

"I have been very much disturbed of late by the tremendous increase in the price of lumber. I noticed in the paper yesterday that just an ordinary single family home, the lumber involved in it cost $1,000 more now than it did just a short time ago.

"Of course, that means that people who are seeking to buy homes have got to pay that $1,000 on top of the other costs. I am not suggesting any control over lumber, but it seems to me something is going to have to be done.

"Maybe we will get the answer when the wood products people testify later.

"DR. OKUN. Mr. Chairman, I would only suggest that price controls are not a useful tool in this situation, because there are some major supply problems in the lumber industry. Obviously, it is lamentable that lumber prices have risen so sharply and have impaired, to a degree, our prospects for reaching our housing goals.

"At the same time, we certainly won't get another board foot of lumber with a control system, and indeed it is probable that less lumber will be produced under a set of controls. This is one place where I think the marketplace works pretty well, and I know of no evidence to suggest that there is a significant degree of monopoly power or major ignorance on the part of buyers that would account for the price rises. The prices are a symptom that tell us we have a problem here and that we ought to be doing something about it other than by price control.

"THE CHAIRMAN. In other words, it is a problem of supply?

"DR. OKUN. Yes.

"THE CHAIRMAN. You recognized the lumber market as being highly competitive, is that right?

"DR. OKUN. Without being an expert in this particular industry, that is my impression.

"THE CHAIRMAN. Do you agree, Dr. Bosworth?

"DR. BOSWORTH. I would agree to the extent that I don't think that major price controls are recommended for the lumber industry. The lumber industry presents a problem for which some Government action may be appropriate but it is not price controls.

"There were a couple of operational aspects of the phase II program that aggravated the situation. I am not an expert, either, in the subject of lumber; but my understanding is that regulations like maximum profit margins led companies to restrict operations in some cases.

"In addition, though, there are now people recommending even stronger fiscal and monetary policy measures than we now have, and I think it worthwhile to point out that some of the current problems in housing are a consequence of the fluctuating monetary policies followed in previous years. When an industry has difficulty forecasting what demand is likely to be, you will encounter these problems of shortages.

"But, I do believe that the Federal Government could, on at least a temporary basis, use its holdings of timber to alleviate the problem. If the lumber industry has a real shortage, it is not due to insufficient profits for reinvestment. You do not stimulate the supply of lumber significantly by allowing lumber prices to rise at an unrestricted rate. Therefore, I supported some of the measures of the price commission in phase II which restricted the price increases to cost pass throughs, and attempted to limit them in the middle phases of the distribution process.

"THE CHAIRMAN. Dr. Houthakker, do you have anything to add?

"DR. HOUTHAKKER. When I was a member of the council, I had occasion to look at this industry, although I am not an expert in it. The problem, of course, as my colleague here pointed out, is essentially one of supply, and especially of supply from the Federal lands, because that is where most of our potential is.

"As we all know, the prospect of increasing supply from the National Forests is limited because the environmentalists have strong feelings about this,

and these feelings, of course, have to be seriously taken into account.

"It was my impression at the time that more could be produced from Federal lands, particularly Forest Service lands, if different policies were followed. It seemed to me at the time that the policies of the Forest Service at times encouraged speculation in lumber, in that people who had bought logs for cutting were given extensions if the prices weren't right.

"In other words, they bought a lot and then were given a certain period of time to cut the lumber; if the lumber prices were not to their liking, they were too low, they would get an extension which would give them another chance to wait for higher prices.

"This was unnecessarily conducive to speculative actions by lumber operators.

"Now, I don't know how important economically this is, but it certainly existed. It was my impression at the time that the Bureau of Land Management had a more rational policy with respect to lumber disposal than the Forest Service did and that something could be done in this area.

"So again, any attempt to increase the lumber supply from the National forests on a large scale would meet with considerable environmental opposition, which is already being brought to bear against the present level of cutting. So it is not easy, I think, to foresee a large increase in the supply of lumber from those sources.

"This means that if we are going to be dependent on lumber, we just have to do research on more efficient utilization of lumber and on substitution of other materials, because essentially the supply of lumber is not capable of great expansion without doing sizable environmental harm.

"THE CHAIRMAN. Thank you."

STATEMENT OF JOHN B. CROWELL, JR., ON BEHALF OF NATIONAL FOREST PRODUCTS ASSOCIATION

I am John B. Crowell, Jr., General Counsel with Louisiana-Pacific Corporation in Portland, Oregon. I appear here today in my capacity as Chairman of the National Forest Products Association's Forestry Affairs Committee. With me are Bronson Lewis, Executive Vice President, American Plywood Association, Tacoma, Washintgon; Joseph M. Tolleson, Jr., President, Tolleson Lumber Company, Inc., Perry, Georgia, who is currently serving as 2nd Vice President, Southern Forest Products Association, New Orleans, Louisiana; and Robert Higgins, Vice President and General Manager, Medford Corporation, Medford, Oregon, who is the current President of Western Wood Products Association. These three gentlemen will be addressing specific aspects of the price-supply situation for lumber and plywood as it affects their geographic areas or product specialties. We have already filed with the Subcommittee a statement prepared by the National Forest Products Association which attempts to deal comprehensively with all pertinent ramifications of the wood products price and supply situation. We respectfully request that that statement be printed as part of the record in these hearings.

My role will be to present the National Forest Products Association's recommendations for improvement of the lumber and plywood supply-price situation from both a short-term and long-term viewpoint. I also will undertake to comment briefly upon some points raised by witnesses for the various government agencies who appeared yesterday.

FLUCTUATIONS IN MORTGAGE MONEY

For decades both the home building industry and the forest products industry have experienced fluctuations in demand for their products which are accentuated by fiscal and monetary policies pursued by the Treasury and by the Federal Reserve Board. Demand for home construction rises when mortgage money is readily available and falls when the sources for borrowed funds are restricted. Reductions in the rather extreme fluctuations in demand for homebuilding and consequently for forest products caused by alternate tightening and loosening of available funds would go a long way toward removing some of the instabilities which have come to be regarded as inherent in both industries. The Committee of which this Subcommittee is a part is undoubtedly the repository of more expertise on how best to deal with this issue than any other body. We submit that it is unreasonable to expect the lumber and plywood industries to meet very large changes in demand for its products several times in each ten years period without reflecting considerable stress.

RAIL CAR SHORTAGES

Contributing to the present lumber and plywood supply crisis and to the similar crisis which occurred in late 1968 and early 1969 was, in each case, a substantial shortage of railroad boxcars for movement of plywood and lumber from production points to points of consumption. In 1968 and 1969, the boxcar shortage was largely caused by extended dock strikes on the East and Gulf Coast. This time the box car shortage has been caused by a similar backup of cars loaded with grain destined for Russia at Gulf and, to a lesser extent, East Coast ports. These recurring box car shortages suggest that some means must be found to prevent preemption of large segments of the box car fleet for loading of products or commodities which, for one reason or another, subsequently cannot be moved promptly to the point of destination for off-loading. Such preemption results in converting the cars from transportation conveyances to temporary storage facilities. A series of measures might be resorted to when instances of this kind occur:

1. The issuance of appropriate orders by the Interstate Commerce Commission requiring either prompt unloading of cars or authorizing refusals by the railroads to load cars in the first place if it is expected that they cannot expeditiously be unloaded at points of destination.

2. Authorization by the Interstate Commerce Commission on a temporary basis for trucking firms to carry lumber and plywood which they may not ordinarily be authorized to transport.

3. Enactment of an exception to the Jones Act which would allow an appropriate Federal official or agency to permit spot shipments of lumber and plywood

products in foreign ship bottoms from specific West Coast to specific East Coast ports.

TIMBER SUPPLY

Softwood sawtimber harvested in the United States has historically come primarily from private industrial and small forest ownerships. The national forests established for the purpose of assuring a perpetual supply of timber for the needs of United States citizens have not, until about 1950, contributed in significant degree to the ntaion's timber needs. Since 1950, however, an increasing proportion of harvested timber has come from the Federal commercial forest lands. The aggregate result, however, of harvesting practices conducted for the last three-quarters of a century has left 52 percent of the standing softwood sawtimber in the United States on national forest lands which comprise only 19 percent of the total commercial forest lands within the United States. Even today, with their disproportionately large amounts of softwood sawtimber inventory, the national forests are contributing only 21 percent of the total softwood sawtimber harvest. The remainder of the harvest still comes primarily from private holdings. If the demands for softwood sawtimber reasonably anticipated between now and the year 2000 are to be met, it is obvious that the national forests must make a considerably greater contribution than they have to date.

In order to assure that the National Forests will be able to make the contribution which will be required of them while the present growing stocks on private lands are developing toward maturity, the timber management functions of the Forest Service must be much more greatly emphasized. In order safely to place that necessary emphasis on Forest Service activities while at the same time exercising the equally necessary and desirable concerns for soil protection, water quality, fish and wildlife habitat, grazing and recreational use, far greater investments will have to be made in the national forests. The direction and commitment for these investments can come only from a Congress and an Executive Branch which fully understand and appreciate the importance of the role the National Forests must play in contributing to the quality of life available to virtually every American in the next 30 years. Forest Service Chief McGuire testified yesterday respecting estimated funding which would be required to assure capabilities for increasing the allowable cut while at the same time assuring a quality management job on the national forests. He stated that the funds available to the Forest Service in fiscal year 1973 for national forest management were $95 million short of the amount needed for a full management program. He further stated in response to questioning from members of the subcommittee, that the Forest Service had recommended a budget of $845 million for fiscal year 1974; the Administration has seen fit to request only $457 million from the Congress. Although we do not know enough about the details of the original Forest Service request for 1974 to support it unreservedly, we are sure that the size of the difference is strongly indicative of the lack of understanding by the Administration concerning a need for very large investments in the National Forests in order to assure adequate timber supplies in decades to come. The longer we delay in making those investments, the more difficult it will be to meet the nation's wood needs within our lifetime.

The forest industry knows that there are many forestry practices which could be adopted by a fully funded Forest Service which would result in greatly increasing the timber producing capabilities of the National Forests. Many of these practices could result very quickly in raising allowable cut calculations. The reason for this is that trees planted today which will contribute to timber harvests in 60 to 80 years and which are backed by the large inventory of old growth timber on the national forests can be utilized in calculations of present allowable harvest rates. There are tremendous opportunities for tree planting on the national forests where between 4 and 5 million acres of commercial forest land are insufficiently stocked because of past ravages by fire and insects. It should be noted in passing that the Forest Service has done an excellent job of reforesting harvested lands because funds for that purpose have long been made available from timber purchaser payments by the Knutson-Vandenberg Act.

In addition to the great potential for increased timber production from the one-half of total national forest lands which are classified as commercial forest lands, there is a second large potential source from which future timber needs can be met. Almost 300 million acres of commercial forest land is held by over 4 million non-industrial owners. Although there have been and are programs

designed to encourage better forestry practices on these lands carried out under Federal, state and private efforts, great opportunities are still present for enhancing timber supply from this source. The opportunities are particularly abundant in the southern and eastern portions of our country where some form of Federal forestry incentive legislation could result in great public benefits. Such incentives legislation, however, will not contribute to the immediate needs of the next few decades because the lands upon which such a program would take effect do not contain any significant amounts of old-growth timber such as are available on the public lands.

COMMENTS ON STATEMENTS BY FEDERAL AGENCY REPRESENTATIVES

The forest products industry could not help but be gratified by the announcement contained in Dr. Dunlop's statement yesterday to the subcommittee in his capacity as Director of the Cost of Living Council. He has cogently recognized a number of problems contributing to the present supply-price situation. His announcement that the Administration would do its utmost to sell 11.8 billion board feet of timber from the National Forests in calendar 1973 is most welcome. It should be emphasized, however, that even this increase still leaves the anticipated annual harvest from the national forests sadly short of the 13.6 billion board foot allowable cut. Furthermore, nothing has been said about utilizing the accumulated undercut of almost 10 billion board feet which has accrued to date nor has anything been promised about doing something significant toward covering large portions of the annual mortality from insects and disease which occurs each year on the national forests and which goes to waste.

The industry's gratification can only be tempered by recollection of the way in which the 300 million board feet increase in salvage and thinning sales announced with great fanfare about a year ago was actually handled. The thinning and salvage was accomplished, but only with funds which otherwise would have been used for the sake of green and mature timber which otherwise would have resulted in considerably greater volumes sold for the money expended. The point here is that only if adequate funding is provided will the additional timber promised by Dr. Dunlop's program in excess of the previously planned sell volume be brought to market.

Dr. Dunlop's reference to the prospects of more stringent price controls is not, however, welcomed by the forest products industry. The industry has pointed out repeatedly, and we know the Cost of Living Council is fully aware of the fact, that price controls cannot serve any helpful purpose in dealing with the present price-supply crisis. We have demonstrated how controls have, as a matter of fact, resulted in reduced incentive to supply present market demands for forest products, thereby prolonging and aggravating the effects of high demand for which there is inadequate supply. Price controls would have a place only if a more than ample supply of timber were available to the great majority of producers. There is no practical hope this happy situation will develop very soon.

Chief McGuire yesterday, in response to a query from one of the Subcommittee members, indicated that the Forest Service proposed to make up the drastic reduction in appropriated funds for road construction by means of requirements to be imposed in connection with timber sale contracts upon the purchasers of timber. Such a statement by the Chief of the Forest Service completely overlooks the many difficulties and complications which attend that form of road construction. To begin with, mainline roads in order to be efficiently constructed must be designed to handle all potential traffic uses; under the law, timber in a particular sale can only be charged with the cost of road construction attributable to moving that particular timber to market. The additional costs necessarily incurred in constructing a so-called maximum economy road must, for the most part, by law, be met with appropriated funds. There are serious practical difficulties in having the bulk of National Forest road construction performed by timber purchasers. The sophisticated and expensive road-building equipment required for construction of mainline roads is often beyond the financial capabilities of a logging operator. Retention of a road-building contractor by the timber purchaser is frequently complicated by inadequate cost allowances made by Forest Service engineers. Even if road construction is performed by a contractor, such a procedure frequently results in undesirable delays in timber harvesting.

Chief McGuire also mentioned in his statement yesterday that 1.7 billion board feet, principally in the Rocky Mountain region, is not of sufficient value

to support the costs of road construction necessary for its harvest. Harvest of that timber, however, is necessary if the land upon which it stands is ever to realize its substantial capabilities for timber production. Timber purchaser construction of roads to any portion of that timber is economically impossible. Furthermore, there are situations in areas outside the Rocky Mountain region where road construction jobs required by the Forest Service frequently result in a less than normal profit opportunity to the purchaser who acquires that sale. All too frequently, the purchaser has no practical choice to forego acquisition of such a deficit sale because he needs the timber in order to keep his mill facility operating. The forest products industry, therefore, has been severely disappointed by the failure of the Administration and the Congress to fund needed National Forest road construction in the coming biennium to anywhere near the needed extent. We hope that this situation will be corrected.

We greatly appreciate the opportunity to appear before you and to present our views.

STATEMENT OF ROBERT F. HIGGINS, ON BEHALF OF WESTERN WOOD PRODUCTS ASSOCIATION

Mister Chairman and Members of the Committee: I am Robert F. Higgins, Vice President and General Manager of Medford Corporation, Medford, Oregon, a company which manufacturers softwood lumber, plywood and a variety of related products. I am here today as President of Western Wood Products Association, WWPA, with principal offices in Portland, Oregon, which provides services in 12 western states on lumber volume totalling 12.5 billion feet.

Last year, western lumber manufacturers produced a record of 19.2 billion board feet of lumber. That was an increase of 5 percent over the 18.3 billion board feet produced in 1971 and a 15 percent increase over the 16.7 billion board feet produced in 1970.

Last year's production is even more remarkable in view of the fact that the Phase II economic controls were generally counter productive and, we believe, actually discouraged the production of lumber. This was especially true for those mills dependent on a decreasing supply of timber from Federal forest lands. Rigid price controls coupled with increasing raw material costs and a reduced raw material availability were certainly not factors encouraging production.

Over the past two years, shipments consistently ran ahead of production with the result that mill stocks of finished lumber have been steadily decreasing and are at the lowest level since the end of World War II.

The price for our products is set in a historically free market. Supply and demands are the controlling factors, since the largest producers of lumber supply only about six percent of the total. The 10 largest producers supply an estimated 20 percent of the nation's entire lumber production.

While product prices are set in a free market, the raw material supply of the majority of western wood product mills is controlled by the Federal Government. The National Forests and the forest lands. administered by the Bureau of Land Management provide 53 percent of western softwood sawlog supplies—the raw material from which softwood lumber and plywood are made. Decreasing offerings from National Forest lands in the face of increasing demand lead to increased prices bid at auction for this timber.

The fact that lumber prices are set by supply and demand in the market, and not by costs, brings up a dangerous situation regarding exports. Because mills are unable to pass their costs through to the market, many of them will become submarginal and must close down if the market price comes down. We saw this happen in 1969 when the market fell and timber operations were left with Forest Service timber sale contracts purchased at high prices before the products market fell. For reasons such as this, the Western Wood Products Association favors the export of logs cut from Federal lands.

The whole export question would become moot, of course, if the Federal timber lands were managed to produce all they are capable of producing. It is clear to me that if the National Forests were selling 50 percent more as Chief John Maguire says they are capable of doing with adequate financing, there would be enough timber for both domestic and export requirements. Increased production has always been the answer to increased demand for other commodities whether they be corn, beef, or steel. It strikes me as unusual that we haven't yet realized that the same solution can be applied to timber product demands.

Under the current levels of timber offerings from the National Forests, many companies exist on a hand to mouth basis. They lack the raw material security necessary to plan their operations long into the future. They also lack the raw material security necessary to secure financing and make investments in expanded capacity and more modern equipment. The recent downward trend of National Forest timber sales while market demand escalated only increases the general uncertainty. It also makes these companies tend to ration their inventory of timber under contract so that they won't run out of timber by harvesting that timber faster than they can replace it by buying more Forest Service timber.

If there were confidence that the timber volume sold from the National Forests was to be increased on a sustained basis—and I do not mean just a one-shot increase—*there would likely be an immediate increase in production just from the psychological impact of not having to ration current timber inventories.* There would also be increases in production over the longer run resulting from new investments in more modern and expanded capacity.

Another problem of immediate interest concern the avaliability of rail cars. My own company now has about 100 carloads of lumber and plywood stacked up awaiting shipmnts. Other mills having limited storage space for the finished products are approaching a point where they will have to curtail production or close down until they can get cars to move out some of their inventory. Once their productive capacity is lost through down time it can never be recovered. Such a situation does no one any good. The producer is unable to get paid for what he manufacturers and the consumer is unable to get what he needs. The present rail car shortage, I am certain, is tending to prop up artificially the prices on many products.

The rail car problem, of course, is a chronic one that the industry has faced from time to time. The present tight situation began late in January or early February. At the present time there is an estimated 68 million board feet of softwood lumber in the West awaiting the availability of rail cars.

STATEMENT OF BRONSON J. LEWIS, EXECUTIVE VICE PRESIDENT, AMERICAN PLYWOOD ASSOCIATION

Mr. Chairman and Members of the Committee: I am Bronson J. Lewis, Executive President of American Plywood Association, Tacoma, Washington. Our members own 150 plywood plants, under 86 company ownerships, located in 18 states in the West and South.

Our association members produced about 80 percent of the record 18.3 billion square feet (⅜" basis) produced in 1972.

The nature of the plywood industry is unique in that we have 17 worker-owned co-op plywood plants, a great number of small and medium size independent ownerships, and a dozen or so large corporate ownerships.

Due to the diversity of products and markets the physical distribution of softwood plywood is a large and dynamic system. Some 86 percent of all plywood moves through wholesalers, and 75 percent goes through retail dealers on its way to market.

CAUSE OF PRICE/SUPPLY PROBLEM

The overriding reason is simply that demand has exceeded the supply. And primarily the demand is the result of the record rate in house construction in 1971 (2.1 million starts) and 1972 (2.4 million units). The latter is one million more units than the yearly average of 1.4 million built during the 1960's.

In normal times, about *50 percent* of all plywood goes into the housing market. However, in 1972, *58 percent* of all plywood produced was consumed in housing.

Historically, plywood and lumber prices fluctuate with the ups and downs of the housing market. As you know, federal government manipulation of the mortgage funds contributes to the peaks and valleys of house construction.

Although our industry produced a new record volume of plywood in 1972, Phase II economic controls were largely ineffective and particularly toward the end of the year, the profit margin limitations actually were a disincentive to production. Price controls are effective in a cost-push inflationary situation, but they cannot work under demand-pull pressures, and result in distortions of markets, changes of product mix and reduced supply. And lumber and ply-

wood have been under demand-pull pressures during the current supply/price problem.

This strong demand has worked against a relatively inelastic supply situation which I'll elaborate on in a few minutes.

PLYWOOD INDUSTRY EFFORT TO MEET DEMAND

The plywood industry performed extremely well in trying to meet demand last year under very trying conditions of price controls, heavy environmentalist pressure to tie up timberlands, and very substantial export of logs primarily to Japan.

Our industry's 1972 production was 12.8 percent above the record 1971 level, which in turn was 14 percent over the 1970 volume. In fact, the plywood industry has recorded a phenomenal annual growth rate of 10 percent since 1950 in its efforts to meet the Nation's demand for plywood.

INDUSTRY CAPACITY IS LIMITED

The plywood industry operated at 97 percent of capacity during all of 1972. Capacity is defined as three shifts a day, five days per week.

Since Phase III economic controls went on, we've operated at close to 100 percent of capacity. Our mills normally require two years log supply ahead of the lathe. And the high production rate has depleted log inventories so that some of our mills heavily dependent on Federal timber are down to a 12-month or less log supply.

If more logs were made available immediately—either through emergency release of more timber from Forest Service lands or through immediate total restriction of log exports from Federal lands—we could increase our production somewhat. A recent survey of operating capacity at West Coast plywood plants conducted by the Portland Home Builders Association indicates that the plywood plants responding could increase production by about 15 percent, by combinations of 6-day weeks and additional shifts.

Availability of more logs now would have a psychological effect on our mills as well as provide actual relief, to increase production.

On the long-term, the only way plywood manufacturers can invest in additional equipment or build more plants is to have an assured continuing source of raw material. In the West, this must come from increased harvesting from Forest Service lands. Our Southern producers are primarily dependent on timber from the private lands, mostly small woodlot ownerships.

TIMBER SUPPLY IS KEY TO MEETING NATIONAL NEEDS FOR WOOD

Virtually 80-90 percent of our members are dependent in whole or in part on purchase of "outside" timber to run their mills.

In the Western states, the outside source is basically the U.S. Forest Service. Federal lands contain 58 percent of all of the Nation's plywood timber. In Oregon, Federal lands contain 78 percent of the sawtimber.

The industrial forest lands of the West by and large are already under intensive management and offer relatively slight hope for increased timber production. On the other hand, Chief of the Forest Service John McGuire has stated that Forest Service timber production could be increased by 50 percent if they had the funds and manpower to manage the timber lands effectively. And recreation, wildlife habitat, grazing and mineral benefits would result also under the multiple-use management concept.

Indeed, since the last plywood supply/price problem of 1969, the actual sell from Forest Service lands has decreased steadily except for 1970 when the full allowable cut was sold. A table is attached to our testimony for the Record illustrating this trend. Suffice it to say that out of an annual allowable cut of about 11.5 billion board feet, 9.1 and 8.8 billion board feet were offered in 1971 and 1972 respectively. And it's estimated that only 8.8 billion feet will be sold in 1973.

There is an accrued undersell of 563 million board feet in four counties of Western Washington alone.

The Forest Service must be funded and directed to put the full allowable cut up for sale each year. They must be funded to reforest 4.5 million acres of now fallow Federal commercial forest land.

94-318 O - 73 - 24

There must be a continuous program of sales of salvage timber and thinnings by the Forest Service. Currently more than six billion board feet of timber on western National Forests is lost annually because of insects, disease, wind, old age and fire. At least half of this could be salvaged if the administration of these lands was adequately financed.

The need for Federal legislation to set up a separate National Forest Investment Fund to be supported by receipts from sale or use of forest resources is clear. Adequate funding for timber management on the National Forests should not be treated as a drain on the Treasury but an investment, as every dollar so spent returns approximately four dollars to the Government.

Forest Service spending should not depend on appropriations. Their 1974 FY budget request has already been cut back by the Executive Branch in the areas of reforestation, fire control and road construction—three areas that are essential to timber growth and harvest.

In the South, the future timber supply or Third Forest and subsequent forests must come from the thousands of small private ownerships which contain 20 percent of the inventory of the Nation's softwood sawtimber—or timber that is used in making plywood.

These lands are undermanaged now, and it appears that Federal and state governments and industry must together provide the incentives for growing trees as a crop.

Incentives already in effect such as capital gains tax treatment for timber should be continued. Others, like the REAP program should be reinstated. Legislation such as that proposed last year by Senator John Stennis and Representative Robert Sikes to provide additional encouragement for the woodlot owner to grow trees is worthy of serious consideration by the Congress.

One further consideration on the West Coast is the problem of softwood log exports. Log exports were a minor factor until 1964 when they first exceeded one billion feet (log scale). In 1972, log exports reached 3.0 billion board feet and about 93 percent originated on the West Coast. Of the West Coast logs, some 90 percent went to Japan. Japan is having a homebuilding boom that is equal to ours.

While log exports are only 5–6 percent of our total annual timber harvest, their effect is magnified by concentration. Fully 82 percent of log exports originate in the State of Washington and west of the Cascade Mountain Range.

Sources of export logs are the Federal Government (350 million board feet presently limited by the Morse Amendment to the Foreign Assistance Act of 1968 as extended), industry and non-industrial private owners, and the State of Washington.

The export of logs is a complicated issue because it involves right of private property, balance of payments, support of schools, port business, international trade and other considerations. The wood products industry is not in total agreement as to the effect or the solution of the problem.

Within the area of heavy log export, the export buyers are currently paying up to four and five times the appraised value of the timber at auction. Plywood producers who depend on purchase of that same timber cannot afford to pay these prices and use it in domestic production, so the sales are going to the exporters.

The plywood industry is supporting the intent of the Morse Amendment, but with a limitation of zero log exports from Federal lands. We also support a reasonable and workable substitution regulation.

None of these export logs to Japan are returned to this country in the form of plywood or lumber. And export of U.S. plywood to other countries is an insignificant volume.

The result of the reduction of timber sales from Federal lands, the log export, and the domestic demand for wood, has been to drive the price of timber upward. While plywood prices are determined by supply-demand relationships, at the consumer level, not by the price of timber directly, the shortage of timber does figure in the volume of plywood produced and contributes to upward price pressure. Also, domestic buyers deciding whether to buy timber at high prices remember 1969 when product prices plunged and many timber buyers were left holding high priced timber they could not profitably harvest.

TRANSPORTATION PROBLEMS DULL INDUSTRY EFFORTS TO CATCH UP WITH DEMAND

The current critical problems of price and supply of wood products are compounded by a severe shortage of railroad freight cars. About 78 percent of all

lumber, plywood and other wood products and 86 percent of pulp and paper move to domestic markets by rail.

This year the shortage is caused by the unprecedented high demand for wood products, plus delayed movement of massive grain shipments to ports for export to the Soviet Union.

Although the shortage is more critical this year than ever, it is not unusual. The periodic unavailability of rail cars for movement of wood products cries for a solution. There just aren't enough rail cars for handling the Nation's commodities and products. Since 1956, car ownership has declined from 720,000 to 550,000 today—with an alarming prospect of only 460,000 cars by 1979.

Even though rail carriers have increased the carrying capacity of their equipment and fewer cars are needed to haul more tonnage, the decrease in car supply can't cope with rising total U.S. production, and transport of increasing import volume.

Alternate forms of transportation to date have offered no solution. Trucks require higher loading and unloading costs, and units of adequate width to handle 4-foot panel products are not permitted on the highways of some states.

In plywood mill surveys on the West Coast during recent weeks, we have found that rail car shortages have ranged from 50 to 69 percent. When producers can't get the cars they need, they must either hold shipments until cars become available, or shift from long-haul shipments to short-haul markets served by trucks. This disrupts normal plywood markets and further restricts supply to some areas of the country.

For many years the forest products industry has worked to help the railroads expand their freight car stock, and to try for faster movement of cars.

Last year, S. 1729 was introduced by Senator Magnuson to provide direct assistance for the expansion of railroad freight car fleets and more effective utilization. It was supported by our industry and unanimously passed by the Senate. However, a similar measure failed to win approval by the House of Representatives.

This year, bill S. 1149 has been introduced and we are working for its approval. Our industry has suggested other measures to encourage more trucking of wood products, and more I.C.C. authority to expedite delivery and return of cars to the forest products producing areas.

We have recently suggested the possibility of an Executive Order temporarily relaxing the Jones Act to permit shipments between specific West Coast ports to certain East Coast ports in order to help solve the supply situation promptly.

STATEMENT OF H. D. BENNETT, EXECUTIVE VICE PRESIDENT, APPALACHIAN HARDWOOD MANUFACTURES, INC.

I am H. D. Bennett, Executive Vice President of Appalachian Hardwood Manufacturers, Inc., a trade association of Appalachian hardwood manufacturers who operate in the mountains between Maryland and Georgia. Our members for the most part are family-owned band sawmill operators.

We are producers of hardwoods—Appalachian hardwoods to be specific. We have several distinctive characteristics that set us apart from softwood lumber which is a completely different commodity.

PRODUCTION

At the sawmill we produce rough boards from some 15 species in 7 standard grades and 6 standard thicknesses as well as some special items.

MARKETS

Our markets are consumers of hardwood lumber who manufacture products of the rough lumber produced. About 40 percent of our production goes into furniture, about 10 percent into architectural woodwork, about 10 percent into flooring, about 35 percent into industrial uses such as laminated trailer floors, pallets and containers, and the balance into specialty items such as musical instruments, toys and the like. Each grade, species and thickness has its own market although, of course, there is a considerable overlapping. Hardwood lumber is practically a non-existent item in a retail lumber yard.

SOURCE OF SUPPLY

Unlike softwoods which come largely from federally owned land, hardwoods are grown for the most part on private lands in ownership from small wood lots to large industrial owners of several thousand acres. Unlike softwoods which must be bought from a monopolistic owner such as the federal government, hardwood transactions are more in the realm of a willing buyer and a willing seller. In the Appalachian Hardwood Region the National Forests represent about 11 percent of the commercial forest land, some 15 percent of the total volume of standing sawtimber, and about 8 percent of the production of hardwood lumber. However, in some areas within the zone of influence of the National Forests some operators may be dependent on the National Forest for as much as 75 percent of their production. Of great concern to these operators is that the Forest Service is only able to put on the market about 60 percent of the allowable annual cut. This could represent a loss of some 100MMBF when one considers what the allowable annual cut could be under optimum management programs, if the Congress were willing to finance such programs.

ECONOMICS

The hardwood industry is represented by more suppliers than consumers and 50–60 percent of what is produced must be sold at a loss. The only thing a hardwood mill makes is a rough board. The only thing it is good for is to make a product. As no other industry, the hardwood industry operates on a supply and demand basis with resulting changes in prices and production.

The control of the market moves back and forth from producer to consumer with the consumer controlling the action much more often than the producer. Also the hardwood lumber market follows the softwood market which is really the housing market by 12–18 months. When the price freeze went into effect the hardwood market was caught at a several year low and at an all-time low in price vs. cost of production. For costs have risen sharply while prices have fluctuated.

In Phase II of the price control program which put cost-push controls on a demand-pull market the conditions were created that the authorities were trying to prevent and artificial shortages were created and excessive pressures were placed on prices resulting in a chaotic condition which would never have prevailed in a free market.

Today we see the aftermath of this program with a sharp upturn on prices seeking their level that will subside if a free market is allowed to prevail, but if Phase II is returned we can only return to the same chaos that resulted before.

EXPORT

As far as hardwoods in the Appalachian Hardwood Region are concerned exports are a very minor consideration and except for a short temporary period involving hard maple, and a small part of the market involving walnut and some white oak logs there is little in the way of export involved.

WHAT'S THE ANSWER?

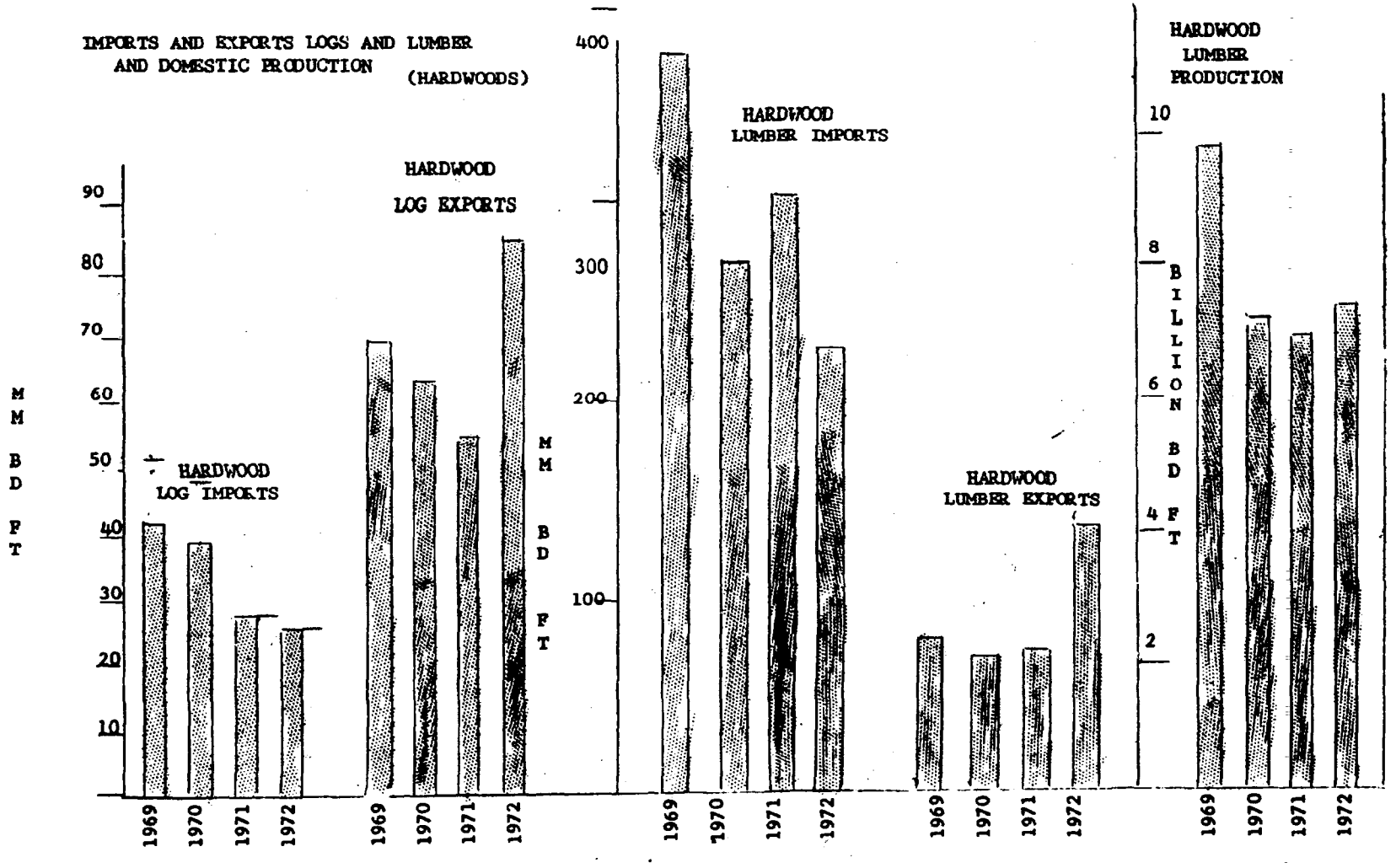
1. A program that will allow the National Forests to put on the market the full allowable cut under sustained yield practices.

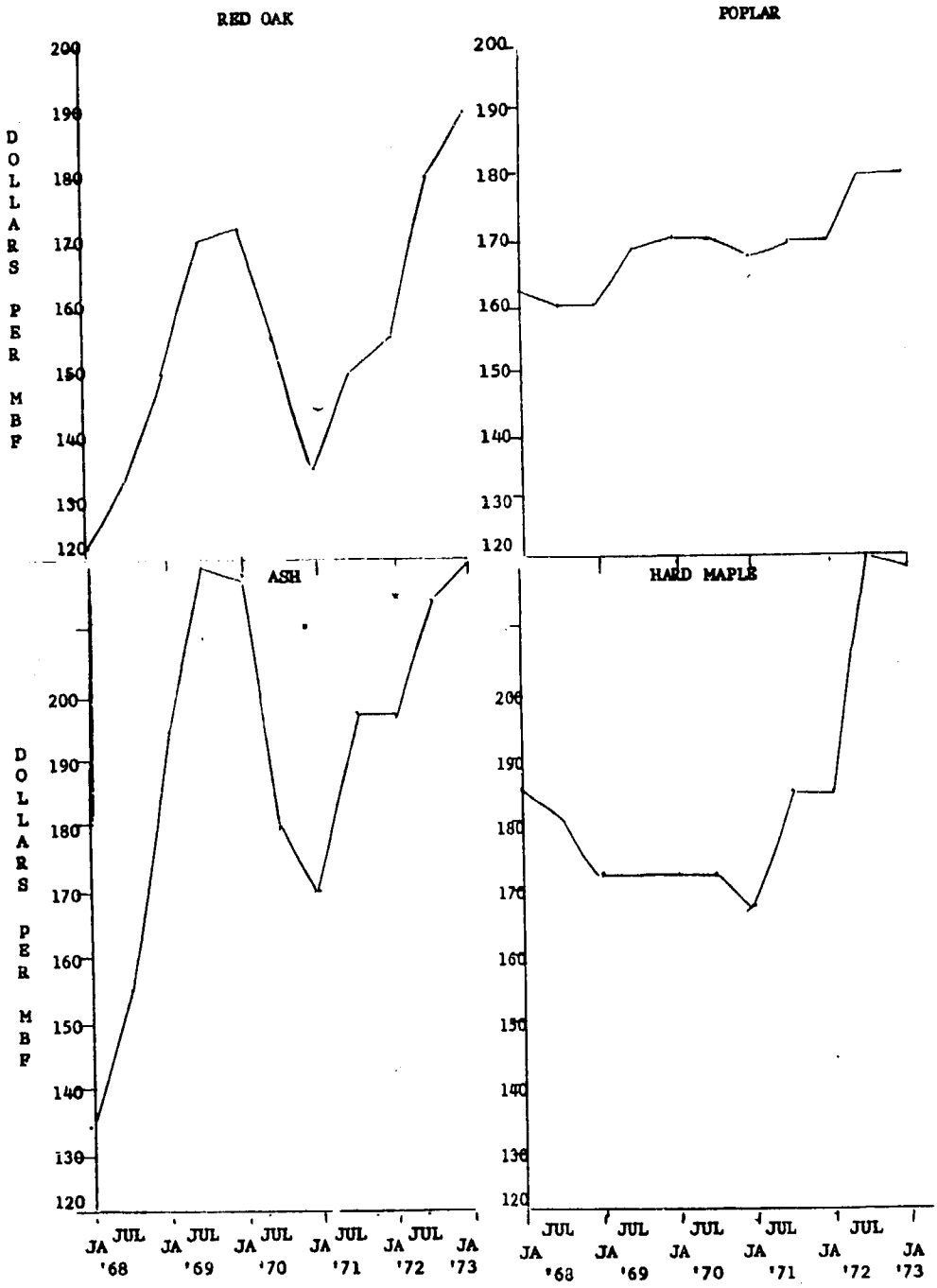
2. A free market that will allow supply and demand to seek their level and assure the proper running of the market. Economists tell us that if no controls had been placed on hardwood, the market today would probably be better than that which prevails.

The hardwood industry must be allowed to make it in the good times if it is to survive the bad years. The consumer today is far more interested in availability than he is in price because he knows he can control prices within bounds but availability is out of his reach. There is no shortage of standing timber and there is no shortage of hardwood lumber that a free market cannot correct.

Plastics have been on the market now long enough to identify themselves and what Mrs. Homemaker sees she does not like.

We have a completely new picture in the lumber industry today. The small mills have gone out of production and the consuming industry must deal with the producer in a more even basis. Basically over the years the lumber industry and the consumer get along fine.


IMPORTS AND EXPORTS LOGS AND LUMBER
AND DOMESTIC PRODUCTION
(HARDWOODS)
HARDWOOD
LOG IMPORTS
HARDWOOD
LOG EXPORTS
HARDWOOD
LUMBER IMPORTS
HARDWOOD
LUMBER EXPORTS
HARDWOOD
LUMBER
PRODUCTION
MMBDFT
BILLION BDFT
90
80
70
60
50
40
30
20
10
400
300
200
100
10
8
6
4
2
1969
1970
1971
1972



Price Trends are reported for Appalachian Hardwoods by Hardwood Market Report

STATEMENT BY JOHN J. MULROONEY, EXECUTIVE VICE PRESIDENT, NORTH AMERICAN WHOLESALE LUMBER ASSOCIATION

I am John J. Mulrooney, Executive Vice President, North American Wholesale Lumber Association, which is headquartered at 180 Madison Avenue in New York City. The membership of this association is comprised of 374 independent wholesaler firms engaged in the primary distribution of lumber and wood products. In 1971, the total sales of these independent wholesaler firms was 2.8 billion dollars and represented 60 percent of the lumber consumed in North America. Ninety-eight manufacturing firms maintained associate membership status in our association. While many of these manufacturing organizations are vertically integrated, the sales of their distribution facilities are not included in the figures mentioned.

Four years ago, we had an opportunity to participate in hearings conducted by this same subcommittee of the Senate and were encouraged by the lucid findings described in the report to the Senate. Unfortunately, the bulk of the recommendations have never been implemented. Therefore, the fundamental conditions found at that time continue to prevail. Unfortunately from the standpoint of the Subcommittee's immediate interest, other conditions arose in the intervening years which, in fact, aggravate both the supply and price problems.

In the August 14th to November 13th, 1971 period, the inequities of Phase I did create an element of distortion in supply. However, all levels of the industry did their utmost to comply with the spirit and intent of the regulations, particularly because it was known that this was a temporary situation. In the early stages of Phase II it was also evident that the majority of the industry was doing its utmost to comply. However, the nature of the industry and the significant increase in demand created by the unprecedented homebuilding activity brought sharply into focus the fact that a regulatory effort designed to deal with a cost-push situation, could not be effective in the demand-pull conditions prevailing in this industry.

The variable factors of the marketplace, compounded by the variable costs of raw material, completley distorted the price relationships traditionally found in this classical free enterprise industry. Much of the product is basically a commodity actively traded every day. Under free market conditions, variations in price between sources of supply for the same item, would rarely exceed one to two dollars per thousand. The Phase II regulations, however, prescribed five different levels of prices and there were considerable variations within each of the levels.

These prescribed levels of price were: (1) the base price, (2) a TLP agreement permitting 8 percent maximum price increases, (3) TLP agreements permitting 15 percent maximum increases, (4) specific authorizations to prenotification firms at various levels below 8 percent, (5) cost justified price increases for all other producers.

These five levels of regulation actually applied to 75 percent of the lumber consumed in the United States. The remaining 25 percent was obtained from Canada and, therefore, was not subject to any price control until the first sale in the United States. The consequence was that the price differential on the same commodity item could be as much as $40 dollars a thousand compared with the usual one to two dollars in a free market.

Under these conditions, producers no longer planned their production on the basis of market requirements, but rather in direct reference to the price regulations and thereby created a substantial distortion in supply. In fact, prior to 1972, the U.S. was dependent on Canada for 15 percent of its softwood lumber requirements but, because of regulations, obtained close to 25 percent of its requirements in 1972 from these sources.

It is our conviction that the regulations were effective in the early stages to the extent that the price acceleration was retarded, but by mid-1972 the demand-pull conditions overrode the regulations as the cost of raw material rapidly advanced. In the final analysis, however, we further believe that without controls, the Peak prices of any of these commodity items would never have reached the levels recorded as production would have been geared to market requirements and thereby created the limiting factor, which the control system failed to achieve.

We view Phase III as an attempt to restore normalcy and in the past 10 weeks there is evidence that this is occurring.

The full impact of the correction, however, has been denied to the user and consumer because of a freight car shortage. Shortages of rail equipment to

move the product to market is a chronically recurring situation over which this industry has no control. Admittedly, there is no quick answer but the condition artificially creates a shortage in the marketplace, when in fact, a considerable volume of the product is available at the point of production.

In summary, the disruption of supply and distortion of prices created the condition which the Subcommittee is now investigating. And, although correction is underway, the lack of adequate transportation is inhibiting the desired result.

[Discussion off the record.]

Senator CRANSTON. All right. So that all of you will understand our plans, then, we will proceed until approximately 1:30, and will then reconvene at 2, just taking a half hour break for lunch.

I would like to ask if there is anybody, before proceeding with the next witness, and there is one other very slight deviation from the schedule, is there anybody here from HUD?

There is nobody present from HUD.

There was a statement, I believe, it was not in the prepared testimony yesterday, by Mr. Kelly, which I think indicated housing starts in the neighborhood of 3 million, which is higher than the figures I have heard from last year.

Could you check on that figure and advise us as to what he was referring to?

VOICE. Senator, I think that included mobile homes.

Senator CRANSTON. Would you check and see if that is the case?

There is one witness not on the list, Mr. Gene C. Brewer of the National Association of Manufacturers, who has to catch a 2 o'clock plane, who indicated to Mr. Sparkman that he would like to testify for about 3 minutes, and if there is no objection, I would be delighted to have him testify now, at this time, if he is present with the understanding it is for about 3 minutes.

STATEMENT OF GENE C. BREWER, VICE CHAIRMAN, SOUTHWEST FOREST INDUSTRIES, ON BEHALF OF NATIONAL ASSOCIATION OF MANUFACTURERS, ACCOMPANIED BY DAN CANNON, DIRECTOR, ENVIRONMENTAL AFFAIRS

Mr. BREWER. Thank you, Senator Cranston and Senator Packwood. I appreciate this being fitted in very much.

I am Gene Brewer, I am vice chairman of the Southwest Forest Industries, Inc., in Phoenix. I am here representing NAM, as chairman of the natural resources management and conservation committee of that group.

So my testimony is presented on behalf of that association which, as you know, is a spokesman for American manufacturers.

I have a written statement which will be part of the record, and with me is Dan Cannon, the NAM director of environmental affairs.

So I will quickly summarize what I have to say, if I may.

NAM member companies manufacture a broad array of products for the homebuilding and construction industries. So we have a strong interest in maintaining a stable market for those products.

Conversely, our member companies use large quantities of lumber and plywood and other wood products somewhere near 40 or 50 percent of the total production. So we also have a strong interest in the stable and predictable flow of those products to the market.

These factors lead to the conclusions that are well documented, that homebuilding and the wood products industry are interdependent and mutually supportive. Therefore, we support the conclusion reached by this committee and by this committee back in 1969 with respect to improved forest management programs on Forest Service lands, along with the full allowable cut of timber in the West.

Thus, in this regard, we endorse Dr. Dunlop's proposal of yesterday as a step in the right direction.

And finally, because a stable housing problem is keyed to a healthy economy in this country, as well as the nonsocial goals, we urge that continuing attention be paid to the financing programs of housing to assure an even flow of mortgage funds at acceptable and reasonable rates of interest.

This would go a long way to remove the costly peaks and valleys that have plagued both the homebuilding and wood products industries in past years.

I was interested, Senator Cranston, in your pointing out yesterday that the peaks of these building costs generally stay with us and ultimately become costs to the consumers. So we think we have a two-pronged effort here; one, to provide the stable housing market, which in turn would provide the opportunity for the wood products people to create stable flows of products to the market, providing they have a stable supply of timber from the West.

I think that is the essence of our remarks this morning, and I would thank you again.

[The complete statement of Mr. Brewer follows:]

STATEMENT BY GENE C. BREWER, VICE CHAIRMAN, SOUTHWEST FOREST INDUSTRIES, INC., ON BEHALF OF NATIONAL ASSOCIATION OF MANUFACTURERS "LUMBER-PLYWOOD PRICE-SUPPLY SITUATION"

I am Gene C. Brewer, Vice Chairman of Southwest Forest Industries, Inc., Phoenix, Arizona, and I serve as Chairman of the Natural Resources Management and Conservation Committee of the National Association of Manufacturers. My testimony is presented on behalf of the Association, a spokesman for American manufacturers. With me is Daniel W. Cannon, NAM's Director of Environmental Affairs.

The National Association of Manufacturers represents an extremely wide range of manufacturing industries. A number of these are suppliers to the home building and construction industries, so that their markets are reliant on the economic health and stability of home building and construction. Conversely, a number of industries represented by NAM rely on the forest products industry for supplies of materials used in the construction of manufacturing facilities, in the manufacture of finished products and for crating and packaging purposes. Thus, the general membership of NAM has an intimate interest in the whole complex of problems involved in the lumber-plywood price-supply situation.

First of all, NAM is concerned with the stability of the housing and general construction markets because stable markets set the stage for stable supplies of materials. A direct benefit that would flow from a stable housing market would be a steady supply of wood products at more predictable and less erratic price levels. In turn, all users of wood products would benefit, as about 50 percent of all softwood lumber and plywood goes into non-housing activities, particularly industrial applications.

In order to have stability in housing, it has been demonstrated rather clearly that a first requirement is stability in financing; i.e., an even and plentiful flow of mortgage money at uniform and reasonable interest rates. This would permit and encourage all industries concerned, as well as labor, to gear up for a sustained level of activity and avoid the peaks and valleys that have been so costly, in the final analysis, to the consumer. Thus, to the extent possible, attention should be focused on the availability and cost of mortgage money.

It should be noted that the NAM Board of Directors in its official policy position on "Housing" states that "Continuing efforts should be made to provide more abundant and higher quality housing, particularly for low and moderate income families." The statement also points out that "the problems in the field of housing are of such magnitude that they should be approached on a cooperative basis by all segments of industry. At the same time, individual businessmen should be active at local levels in action housing programs, redevelopment boards and other agencies, and in studies of the impact of local real estate taxation on housing."

It follows that the wood products industry cannot achieve stability in supplying the home building industry without a known and predictable source of raw materials. In this case, that source is timber from the Federal Government since the Forest Service occupies an unique and controlling position in the West. Unnecessary impediments to the flow of timber to the mills concerned must be removed. It is generally recognized that the Federal lands are currently underfinanced and under-producing with resultant excessive waste through timber mortality. A vigorous program should be adopted to make this wood available which is so vitally essential to our economy.

The current National Forest allowable annual harvest level has not been offered for sale for the past three years. As of January 1972, there was an unsold backlog of more than 11 billion board feet of sawtimber on the western National Forests, exclusive of Alaska. This unsold backlog is more than the volume of timber that has been scheduled for sale this fiscal year. The same is true for the area in which my own company is located. For the Southwest region the backlog is 506 million board feet of timber and exceeds the 418 million board foot annual allowable harvest level.

Your Committee, Senator Sparkman, in 1969 recommended, as both a short-range and long-range solution to lumber and plywood price and supply problems, that the Federal Government should offer for sale the full allowable cut level. This has not been done.

Your Committee also recommended in 1969 that Congress "approve legislation providing for the application of high-yield forestry techniques to Federal commercial timberlands" and that Congress "fund such a program with income from the sale of timber it produces." This has not been done. The Board of Directors of the NAM has adopted an official policy position on "Timber Resources," which includes the statement that: "Action is needed to increase the intensity of management and the availability of timber from Federal commercial forest lands. To accomplish this action, some fixed portions of the revenues from timber harvests on Federal lands should be earmarked at the local level for these more intensive management practices."

We need stability in transportation facilities. The fluctuating downward availability of rail transportation affects the movement of all commodities from point of manufacture to point of use. Almost 80 percent of the nation's lumber, plywood and other wood building materials is shipped by rail. Current freight car shortages in the western producing regions are having an adverse effect on movement of these products to markets and on the consequent prices being paid for available materials. In 1969, your Committee recommended that the President and the Federal agencies "develop closer regulations of freight cars to meet the shipment needs for lumber." This has not been done.

We need stability in economic controls if indeed we must have them. The uncertainties entailed in recent economic control programs have not lent encouragement to plans for additional capacity or production. In particular, Phase II was a deterrent to increased timber and plywood production, especially mills dependent on diminishing volumes of timber supplies from Federal lands.

In February of this year, NAM adopted a resolution concerning Phase III of the Economic Stabilization program which included the following—"The Board of Directors regards Phase III of the Administration's Stabilization program as a significant move toward the return to a free economy. Administration of this program should be consistent with that objective." It goes on to say—"Where a supply-demand problem exists, NAM urges appropriate government action to increase or improve the supply of raw materials."

In conclusion, Mr. Chairman, we believe that it is ironic and unfortunate that the 1969 recommendations of your Committee have not been adopted, and that we presently have contradictory Federal policies. While greater emphasis is being placed upon an increased supply of housing, other Federal policies result in restricted availability of timber from Federal lands. We believe that this con-

tradiction should be corrected. Greater growth and harvesting of timber from commercial type Federal forest lands would greatly alleviate the present timber-plywood price-supply siuation and set the stage for future requirements.

Mr. Chairman, we greatly appreciate this opportunity to present our views to your Committee.

NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION
BRIEF ON THE "LUMBER SUPPLY CRISIS"

THE PROBLEM

Critical shortages of Soft Wood Lumber and Plywood. How to Increase Supply To Meet Demand And To Reduce Rising Construction Costs.

Causes

a) Conflicting Federal policies presently restricting the supply of raw materials.

b) Federal policies allowing an increasing volume of log and lumber exports in spite of the growing domestic wood product shortages (exports up 40% from 1971 to 1972).

c) All time high volume of U.S. housing starts required to meet the demand for two successive years now extending into the third year, plus growing lumber demands from other countries (U.S. housing volume up 61% from 1970 to 1972).

d) Federal economic control policies which have hampered normal production and distribution of lumber and plywood.

e) A growing shortage of freight cars further restricts lumber product availability in many areas.

The effect on construction and consumers

a) Because of shortages and resulting high prices, customers cannot be assured when, at what price, or even whether lumber products can be delivered for home construction, commercial and industrial use.

b) In many areas, certain lumber and wood items cannot be obtained at any price . . . yet the demand for lumber increases almost daily. Inventories are dangerously low from mills to final distributors.

c) As a consequence, the building industry is in a turmoil of uncertainty as has been reported in the news media.

Further

a) For Fiscal Year 1974, Forest Service budget proposals further will restrict raw material supplies:

1) The timber sales offerings from Federal lands will be reduced.
2) The Forest Service budget will be slashed by $105 million.
3) Forest Service personnel will be reduced.

b) Exports of logs and lumber are increasing appreciably with no action being taken to halt or even to restrict this drain on public and private domestic timber resources.

c) To offset the drain by these exports and to meet growing domestic demands, U.S. imports of lumber (primarily from Canada) increased to 57% from 1970 to 1972. (25% of lumber usage now comes from Canada compared to 14%–16% previously.) Imports totaled 9.1 billion board feet in 1972 compared to 7.2 billion in 1971.

d) With half of the nation's available soft wood timber in Federal hands, the harvest permitted and achieved becomes vital to lumber supply.

Examples:

In 1971, of the 11.5 billion planned, only 9.7 billion board feet were sold.
In 1972, of the 10.5 billion planned, 9.3 billion board feet were sold.
In 1973, of the 9.6 billion planned, only 8.8 billion board feet are expected to be sold.

NOTE: In spite of the appreciable increase in housing starts in 1971 and 1972, the planned and actually sold timber harvest steadily declined. The harvest could be increased substantially if sound, accelerated forest management programs had been continued as recommended by a Department of Agriculture Task Force on Lumber in August 1969.

e) The prime reasons the Forest Service has not even achieved the allowable timber sales are (1) lack of adequate funding and (2) reduction in personnel. In

spite of the shortage due to an inadequate supply of raw material, as noted, the fiscal 1974 budget proposes further to reduce the 1973 Forest Service budget by $105 million.

ACTION NEEDED

I. *Export situation*

A) In view of the recent increase in log exports, the Department of Commerce, under the Export Control Act, should be required to limit log exports as necessary to protect the domestic economy and construction needs. (In 1972, log exports were 2.8 billion board feet compared to 1.9 billion feet in 1971.)

B) Congress should consider the extension of the existing Morse Amendment to the Foreign Assistance Act of 1968 which expires in December 1973. (The Morse Amendment restricts exports from Federal lands to 350 million board feet of timber per year.) In addition Congress should:

1) disallow the export of *any Federal timber* in the form of round logs until our domestic needs are met.

2) enact a strong and enforceable anti-substitution provision which would make any party selling logs for export from either State or private sources, ineligible to purchase Federal timber for a period of 3 years from the last sale for export, except timber twice rejected at appraised value by at least two domestic bidders.

ACTION NEEDED

II. *Uncut Federal timber*

There are currently an estimated 24.9 billion board feet of contract [illegible] and uncut Federal land timber inventory under control of the mills. Means must be found to accelerate the conversion of this purchased stumpage [illegible] into needed lumber—and as soon as possible.

Necessary assurance to the mills of replacement of [illegible] inventory [illegible] be provided by an increase in the Federal timber harvest and its implementation by a Forest Service budget increase. Mills thus would be encouraged to produce more lumber immediately. Certainly, this strategy should be adopted before even considering the alternative of rigid, counter-productive price controls.

ACTION NEEDED

III. *Forest service programs*

A) An immediate reevaluation and upward adjustment of the Federal Forest Service budget for Fiscal Year 1974 and beyond is essential. Only through an increase in that budget can appropriate forest management programs be provided to offer the harvest of timber from our Federal lands to relieve the immediate crisis.

B) For the years ahead, additional funds should be made available to allow full and effective forest management on an intensified basis. Particular consideration should be given to:

1) *Reforestation* of certain Federal forest lands. (It is estimated that there are currently 5 million acres of Federal lands on which timber should be replanted to meet the needs of the future.)

2) *Salvaging* to the extent possible the dead and dying timber. (More timber is lost annually to diseases and pests than is harvested on federal lands.)

3) *Accelerate access road construction* to reduce costs of maintenance and hauling, as well as provide proper conservation of the lands and timber involved.

4) *Maximize the multiple use of timber*—our major renewable natural resources.

5) *Provide assistance* to State and private land owners largely through State Forestry agencies for forest management planning and development, harvesting and processing of forest products and for necessary research.

6) Consideration also should be given to:

a. Projecting the Forest Service budget over a 5-year period to allow advance planning and programming. Reforestation and related activities are continuing processes and monies for doing the job should be allocated well in advance.

b. Implementing the recommendations of the 1969 report of the Forest Service to the Cabinet Task Force on Lumber (now reactivated). The report outlines future lumber and wood product needs, future supply requirements, and the substantial revenues from timber sales that could be provided to the U.S. Government (nearly $400 million in 1972).

ACTION NEEDED

IV. *Economic controls*

A) Rigid economic controls of lumber products have proved to be counterproductive due to the impact of the net profit margin test on all sectors of the industry. Net profit limitations have, in effect, imposed ceilings on lumber production. Congress is urged to give careful consideration to the need of maintaining and increasing lumber production, not limiting it through rigid net profit control mechanisms.

ACTION NEEDED

V. *Freight car shortage*

A) Today, as in the past, and unquestionably in the future, *chronic freight car shortages* disrupt west-to-east lumber and wood product shipments. We recommend that Congress and the Interstate Commerce Commission take immediate steps to seek ways by which our Nation can increase freight car production to meet the demands of the future, and that ICC regulations be stiffened to improve the traffic flow of cars to and from timber producing areas.

CONCLUSION

Substitute materials for wood are all drawn from non-renewable resources. On the other hand, wood fiber constantly renews itself much like an agricultural crop but on a longer life cycle.

In this era of serious energy shortages, it is significant that wood substitutes require many times as much energy to manufacture as do wood products. Broad scale conversion to substitutes would disrupt, be costly, would pollute, and further deplete irreplaceable natural resources.

We support many of the efforts by the ecologists to improve and preserve our environment. However, the present demand for lumber will increase in the decades ahead. (The President's Council of Economic Advisors estimates 2.2 million housing units will be built in 1973 . . . very close to the last two record-high years.) Therefore, those efforts which would immobilize vast tracks of timber in museum-like isolation with no aesthetic or other use permitted, are clearly contrary to the public interest. Modern forest management including planting improved species, fertilization, thinning, insect and fire control, etc., if authorized and funded, would stimulate marked additional fiber growth, preserve game cover and food, and permit recreational use by the public as well as the harvesting of mature trees otherwise destined for death and decay. As a Nation we could, while serving ecological and recreational objectives, also provide lumber for residential and commercial use by our expanding population.

The recurring lumber supply crises will not fade away. Essential to the public interest are decisive, long-term Governmental policies and programs dedicated to the principle of more intensive multiple use of our forest resources.

The time for action is now!

Senator CRANSTON. Thank you very much.

Your full statement will go in the record.

Bob?

Senator PACKWOOD. In your statement you say: "Where a supply-demand problem exists, NAM urges appropriate government action to increase or improve the supply of raw materials."

Would that include a ban on exports of a raw material if it were in short supply?

Mr. BREWER. This resolution, or that particular language, came about as a result of there being two industries in the country that don't have a cost-push problem, that is the food industry and the forest products industry.

That really is going toward timber supply.

Senator PACKWOOD. Assuming there is no improvement in timber supply, what would be the result?

Mr. BREWER. NAM does not have a stated policy on trade. There is a split in NAM on this, so there is no policy in that direction.

Senator PACKWOOD. Thank you.

Senator CRANSTON. Thank you very much, Mr. Brewer.

May I ask now in regard to Bob Packwood's desire to be present for the panel, if Mr. Walker would object if we proceed with the panel and try to have it done in a half hour, and then have Mr. Walker testify after that at 1 o'clock?

Is Mr. Walker present?

Is that suitable to you?

Mr. WALKER. Yes.

Senator CRANSTON. If there is no objection, we will proceed with the panel of Mr. Cole, Mr. Wycoff, Mr. Jackson, and Mr. Bingham, and we will try to do this in a half hour, if it is possible.

Senator Magnuson wanted me to say, Mr. Cole, that he wished to be present, but he is tied up in some other activities. But he wanted to offer his regards to you and say that he wanted to be here to introduce you to the committee.

STATEMENTS OF BERT COLE, EVANS WYCOFF, ALEC JACKSON, AND CHARLES W. BINGHAM

Mr. COLE. Thank you, Senator.

Senator CRANSTON. Are you each going to make a statement?

Mr. COLE. Yes, sir.

We have four brief statements.

Senator CRANSTON. How much time will you each need?

Mr. COLE. We would like about 30 minutes if we can have it.

Senator CRANSTON. Could you do it in 5 minutes apiece?

Mr. COLE. I think so.

Senator CRANSTON. The whole statement will go into the record, so if you could summarize in 5 minutes, we will stay on the schedule.

Thank you.

Mr. COLE. I am Bert Cole and our first panelist is Mr. Bingham.

We will start with Mr. Bingham.

Mr. BINGHAM. Thank you, Mr. Cole.

Senator Packwood, Senator Cranston, I would like to ask that a longer statement be included in the record, which I hope has been supplied.

My company is the Nation's largest producer of softwood lumber, and it is third largest producer of softwood plywood. We are also a major factor in the homebuilding industry. We manage approximately 1 percent of the Nation's commercial forest base and presently account on those lands for about 10 percent of all of the tree-planting activity being carried on within the United States.

We are engaged in trade with Japan in a number of products including wood chips and logs, and we are in the Pacific Northwest, a major supplier of logs to the domestic lumber and plywood industries.

As I will indicate later, there is a direct relationship between our export activities and our ability to make substantial investments in forest management, and our ability to provide logs to our domestic compe[illegible].

Lumber and plywood prices are of vital concern to all of us. Today's high prices are not, however, caused by the export of logs, any more than the low-level lumber and plywood prices of mid-1970 were caused by exports.

Both the drastically low prices of 1970 and the drastically high prices of 1973 were dictated by another factor entirely—the level of U.S. housing starts.

Lumber is a commodity product, manufactured and sold by tens of thousands of mills, wholesalers, distributors, and retailers. Unlike some metals, there is no system for stockpiling, or long-term storage of lumber both because of its organic nature and because of the volumes involved. And, because it takes a great deal of money and a long time to build a sawmill—and because of the highly cyclical nature of the industry—lumber manufacturing capacity is fairly inelastic.

U.S. housing starts increased more than 60 percent between the year end total of 1.4 million in 1970 to the 2.4 million in 1972. Since homebuilding is the largest single use for lumber, this increase in new home construction caused a 30 percent increase in total demand for lumber. That demand, pressed against a fairly inelastic manufacturing capacity in an industry without stockpiles, took place in a classic auction market. Prices have responded as do the prices of every true commodity when they are tremendous increases in demand—there have been extremely sharp price rises.

This was not a new situation. It is something that has happened each time in the past when homebuilding starts have spurted—as this chart demonstrates.

Housing starts are at an artificial peak, brought about by demand pent up during the 1969–70 period when governmental monetary policy created an artificial restriction on housing starts.

We believe that, though starts are now at an annual rate above 2.4 million, the total number of housing starts in the United States this year will be about 2.2 million, and that we will go out of the year at an annual rate below 1.9 million. Stability will return to lumber and plywood markets as housing starts recede to a more normal rate.

However, it is a national policy to improve the quantity and quality of housing, and that means we must continue to encourage a high level of housing starts. We anticipate that demand throughout the rest of this decade will average around 2 million conventional units per year.

That is a level that can be handled with stable product markets—provided all of us work toward long-range measures which will help us avoid the repetition of periods of sharp lumber price increases, such as we have today, or deep troughs, as we experienced little more than 2 years ago.

Now, how does this relate to log exports?

Very little. As has already been pointed out, nearly all of this Nation's log exports originate from the Pacific slope of the State of Washington, and three-fourths of them are whitewoods which have found their predominant historical use in the production of pulp and paper rather than the production of lumber. Washington's lumber and plywood mills, which have increased production in the current boom more than the national industry average, are operating substantially at capacity.

Japan prefers whitewoods, in sound logs, not trees, of intermediate to high-grade range, because of its traditional tastes in housing. The Japanese like relatively knot-free, light-colored woods for exposed applications in home construction, and aside from limited supplies from Japan's own forests, the only appreciable source of this type of wood now is the west coast of North America.

This preference explains their relative disinterest in the reddish-brown wood of Douglas-fir and other prime species in the region.

Lumber and plywood are manufactured from logs produced in several major producing regions.

Transportation costs make it nearly impossible to move logs from Washington, or Oregon, into the other producing regions.

In other words, if log exports were totally restricted, there would be no significant short-term impact on domestic production of lumber and plywood. As the full copy of my prepared testimony indicates, there would be an impact upon total domestic availability of lumber, which could be expected to decrease because of the diversion of import lumber away from U.S. markets.

Despite the present situation, wood is a resource which the United States uses poorly. We now have more than 10 billion board feet of logs in sawlog form now being chipped for pulp rather than made into lumber or plywood. This volume is greater than our total imports from Canada. There is three times that volume in the forest that could be made into U.S. wood chips. All this can be accomplished without increasing national harvested acreage by one acre.

As the full text of my testimony indicates, the availability of the log export market provided the incentive in Washington State to really begin utilizing each acre of wood harvested.

As a result, annual domestic production of lumber, plywood, and paper products has increased greatly in the past decade, log exports have increased by 2 billion board feet, an export chip market has been developed—and the acreage involved in annual harvest has declined while esthetics have improved. We have increased the yield of products per acre of harvested forest land in Washington, by 59 percent in a decade.

In our own case, we have stepped up the pace of investment, have added capacity and have increased domestic production because of the export market. We have been able to increase our domestic sales of logs and timber to our other mills from zero in the early 1960's, to 785 million board feet last year.

And, because of the improvement in total forest values and the full range of markets available, we have been able to justify a tenfold increase in our annual investment in forest regeneration, to increase sustainable future harvests.

All of these programs would be jeopardized if those markets were to be artificially restricted. There seems to be an implicit assumption that, if exports were banned, more of our logs would flow to competitor mills, and more would be processed in new mills which we would build in the region.

The opposite is true. The tremendous unfavorable impact upon forest economics and upon utilization would result in a smaller flow of our logs to domestic mills, a greatly reduced level of forest reinvestment, a smaller present and future harvest.

What can be done in the present situation?

For the present, if the Forest Service were to announce immediately the sale of additional timber where material shortages do exist, some increase in production might result immediately, since mills would be assured of a future supply.

For the long term, answers lie first, in a monetary policy designed to smooth out housing cycles; second, in a national forest resources policy with flexible harvest level and housing needs in mind.

We must recognize that we need to increase, not merely sustain, our future timber supply.

Third, we need a trade policy which encourages the export not only of raw materials, but of a greater volume of manufactured forest products.

Thank you.

[Complete statements of Mr. Cole and Mr. Bingham follow:]

STATEMENT OF BERT L. COLE, COMMISSIONER OF PUBLIC LANDS, STATE OF WASHINGTON, DEPARTMENT OF NATURAL RESOURCES

I am the Commissioner of Public Lands from the State of Washington. In this capacity, I administer the 5 million acres of land managed by the Department of Natural Resources. It is one of my responsibilities to see that those lands produce maximum long-term income for trusts designed by the State Legislature.

Maximum long-term income results from a healthy, progressive forest management program and a healthy forest industry. These we have. But to remain healthy, the forest industry must be able to adjust to pressures and competition.

In this case, it means responding constructively to changing demands—both domestic and foreign. Trade restrictions and government regulations eventually strangle the very industries they are trying to help.

WHO IS THE DNR?

The 1957 Legislature created the Department of Natural Resources to manage all state-owned lands granted at the time of statehood for the support of public schools and other institutions, county lands deeded in trust to the state for management, and lands otherwise acquired by the state.

Lands under the Department's jurisdiction encompass some 5 million acres: 2 million acres of forest land, 1 million acres of grazing and agricultural land, and 2 million acres of aquatic land.

Policy regarding management is decided by the Board of Natural Resources comprising the Governor, the Commissioner of Public Lands, the State Superintendent of Public Instruction, the Dean of the College of Agriculture at Washington State University, and the Dean of the College of Forest Resources at the University of Washington.

At the administrative level, the Department's operations are directed through 10 divisions functioning under the Department Supervisor. Each division is responsible for the over-all planning, procedures and supervision of operations related to a particular type of resource or activity.

Management activities are administered by field personnel throughout the state.

LOG EXPORT INCREASED TRUST REVENUE

By and large, most of our management activities are directed toward the production of maximum income for our trusts.

Most of that income—88 percent in 1972—comes from the sale of timber. As foreign demand for logs increased, so has the value of standing timber ready for harvest. We call it stumpage.

But the greatest direct impact of the log market has been the increased revenue to our trusts, with proportionate savings to the taxpayers. From 1965 through 1972, trust revenue increased 51.5 million dollars—and that was only 75 percent of the gross. The other 25 percent was plowed back into forest management.

INCREASED REVENUE PROVIDED ADDITIONAL MONEY FOR MANAGEMENT

Increased revenue generated by the export market has been instrumental in our building the most progressive governmental forest management in the nation. That's not just our opinion. It was supported by the President's Council on Timber and the Environment in 1972.

INCREASED REVENUE PROVIDED MONEY TO INCREASE INTENSIVE FOREST MANAGEMENT

We have been able to justify our forest management by implementing new practices and improving old ones.

94-218 O - 73 - 25

Spacing and fertilization increase the yield and growth rate of our young stands. Genetically improved trees are more resistant to disease and produce better quality wood for specific uses.

Intensive management means more wood for industry with greater protection of the environment.

INTENSIVE MANAGEMENT PRACTICES INCREASE TREE GROWTH

Increased growth has allowed a 30 percent increase in the Department's sustainable harvest level—the amount of wood that can be removed each year without endangering future supplies.

Our current sustainable harvest is 774 million board feet. That's more than the annual softwood volume produced by all the 11 Middle Atlantic and Lake states.

In addition to realizing more volume per acre, we are putting more acreage into timber production. More than 135,000 acres of brush land are being converted to fully productive forest. This is in exceee of our normal reforestation of cutover lands, usually within two years of harvest.

Access roads developed in conjunction with management activities provide one of the ways by which we make our lands available for public outdoor recreation.

INTENSIVE MANAGEMENT PRACTICES HELP THE ENVIRONMENT

High stumpage prices and a strong market make cleaner logging economically feasible. More of each tree is utilized. Consequently, there is less debris to burn. Windfalls and other salvageable trees are removed rather than left to become hosts to insects or disease.

Non-growing, decadent forests are removed and replaced with healthy, vigorous young stands.

AGGRESSIVE FORESTRY HAS SOUND SUPPORT BY DNR'S STAFF OF SCIENTISTS

Resource management entails both biologic and economic aspects. That's why the Department of Natural Resources has an impressive scientific staff who can apply their respective technologies to management programs. Every proposed program is analyzed for economic and environmental impact.

BY PROGRESSIVE LEADERSHIP

As a state agency, we are responsible to the public. Demands on our forest lands are increasing. Our management staff must critically evaluate these demands on both a short-term and a long-term basis. What we do today affects what we will have tomorrow. So, our managers analyze trends in order to predict the future. They weigh alternatives.

Once a decision is reached, management must take steps to get the job done, to turn plans into realities.

AND BY DEPENDABLE FUNDING

The best forest management plan can become a reality only if there is enough money to finance it. Most of our share of gross revenue earned from our forest lands is re-invested directly into maintaining and improving the resource. In this way, we insure continued production and continued income for our trusts. And we can plan ahead because we can depend on these funds rather than monies appropriately by the Legislature.

PICTURE PAGE

Increased forest growth, increased utilization of forest land and resources with reduced waste, have always been the Department's objective. But for years there just wasn't the demand for food to generate sufficient revenue to pay the costs of increased management.

Not until the log export market came along, increasing the demand and raising prices, could we afford to invest in intensive management practices that enabled us to put more wood on the market.

It costs money to grow trees. It costs money to implement management procedures that protect the environment. And our money must come from our share of the gross income our state-owned lands produce.

Government restrictions and curtailment of market availabilities can have only disastrous effects on our management for better forests and increased trust income.

WASHINGTON'S FOREST INDUSTRY

Forest products, along with agriculture, have long been the mainstay of Washington's economy.

Because of the strong export market, the forest products industry was a life saver during the last few years when aerospace slowed down and took most of the local economy with it.

Log exports contributed positively to Washington's international trade which, despite the general national recession, has increased every year. In turn, logs exported from Washington produced a positive effect on the national balance of trade and payments, both of which need all the help they can get.

It was particularly significant, I think that Washington voters by a vote of 2/1, defeated a proposition that would have restricted the export of logs from state-owned lands in 1968.

LOG EXPORTS ARE PRIMARILY FROM WASHINGTON

Sixty-eight percent of the total logs exported from the United States originate in Washington State. This means that the direct impact on jobs is also primarily a Washington State concern.

LOG EXPORTS STABILIZE EMPLOYMENT

The export market hasn't reduced the number of jobs. On the contrary, the export market stabilized certain segments of the forest product industries which employed 64,500 workers in 1972. This figure doesn't include the more than 10,000 employed in jobs related to log export.

At the same time, pulp and paper employment is the same as in 1962, the beginning of expanded log exports.

Employment in lumber and wood products is above the 1962 level.

The effects of stable employment have been felt particularly in forest-oriented communities and in coastal port communities. Logs are almost the total commodity for most of these public ports. The tonnage of cargo going across their docks in 1972 returned almost $2 million to the respective port communities.

LOG EXPORTS ARE CONSISTENT WITH FREE TRADE

Log exports are consistent with the General Agreement of Tariff and Trade signed by the United States and 60 other countries to foster free trade for mutual advantage.

Log exports also make a positive contribution to the U.S balance of payments which has in deficit since World War II increased foreign aid spending. Free trade, on the other hand, encourages development of foreign countries rather than aid.

However, the Jones Act prevents free trade between the Pacific Northwest and other coastal states of the United States. Shipping rates are higher because of costs of labor and the construction of American-made ships. This puts us at a decided disadvantage with British Columbia which can ship by vessels under foreign registry.

LOG EXPORT IS AN OPPORTUNITY

The log export market is an economic opportunity, not only for the Department of Natural Resources and the State of Washington. It's an opportunity for the United States to participate in world trade on which every country's economic status depends.

Increased timber harvests, particularly from federal lands, can help to supply both the export market and the present domestic demand for wood.

The price of timber depends on the law of supply and demand. But, because of many factors, domestic demand has a history of fluctuation. Unless it stabilizes, we need the log export market.

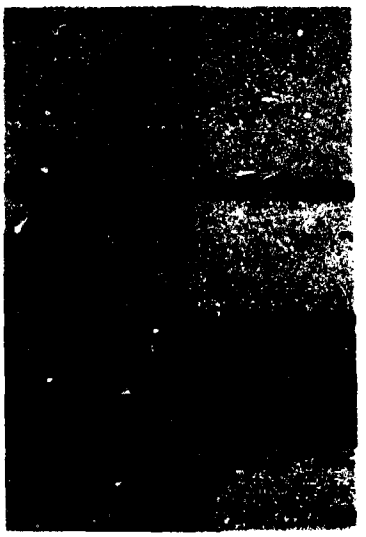
LOG EXPORT

AND THE

D. N. R.

STATE OF WASHINGTON
Department of
Natural Resources
BERT L. COLE — COMMISSIONER OF PUBLIC LANDS

March 1973



As Commissioner of Public Lands, I have the responsibility of insuring maximum long-term income to the trusts whose lands are managed by the Department of Natural Resources. Any variation from that position is a violation of my oath of office.

Maximum long-term income results from a healthy, progressive forest management program and a healthy forest industry. This we have. But to remain healthy, the forest industry must be able to adjust to pressures and competition. In this case, it means responding constructively to changing demands....both domestic and foreign. Trade restrictions and government regulations eventually strangle the very industries they are trying to help.

BERT L. COLE

Commissioner of Public Lands

WHO IS THE D.N.R. ?

- The Department of Natural Resources is a State of Washington trust management agency that manages some 5 million acres of state-owned land: 2 million acres of forest land, 1 million acres of grazing/agricultural land, and 2 million acres of aquatic land.
- The 1957 Legislature created the Department to "more efficiently and effectively manage all state-owned forests and land resources".
- Policy regarding management is decided by the Board of Natural Resources comprising the Governor, the Commissioner of Public Lands, the State Superintendent of Public Instruction, the Dean of the College of Agriculture at Washington State University, and the Dean of the College of Forest Resources at the University of Washington.
- At the administrative level, the Department's operations are directed through 10 divisions functioning under the Department Supervisor.
- Management activities, both proprietary (income producing) and governmental (public service), are administered by field personnel throughout the state.

LOG EXPORT INCREASED TRUST REVENUE

- The greatest direct impact of log export has been increased trust revenue.

Trust	1965-1972 Revenue Increase Due to Log Export
Agricultural & Scientific	$ 3.0 million
Normal School	5.9 million
Common School	26.9 million
University (original & transfer)	4.1 million
Capitol	3.4 million
CEP & RI	.9 million
Forest Board County Fee & County Trust	2.2 million
TOTAL	$51.4 million INCREASE*

FOR ADDITIONAL SERVICES WITHOUT INCREASED TAXES

* 8-year gross timber revenue was $192 million.

INCREASED REVENUE PROVIDED ADDITIONAL MONEY

Increased revenue has been instrumental in building the most progressive governmental forest management program in the nation.

INCREASED REVENUE PROVIDED MONEY TO INCREASE INTENSIVE FOREST MANAGEMENT

Higher stumpage prices provide income necessary to implement and improve intensive forest management practices including:

a. Stand improvement
b. Fertilization
c. Commercial thinning
d. Genetically improved trees

WHICH PROVIDED MORE WOOD FOR THE INDUSTRY AND PROTECTION FOR THE ENVIRONMENT

INTENSIVE MANAGEMENT PRACTICES INCREASE TREE GROWTH

- Increased growth has allowed a 30% increase in Department of Natural Resources' sustainable harvest level. This sustainable harvest is 774 million board feet per year which is more volume than all the softwood produced in the 11 Middle Atlantic and Lake States combined.
- More acres and greater volume per acre for timber production--the Department is presently converting 135,000 acres of brush land to fully productive forest.
- Easier access for multiple-use of the forests
  a. Roads developed for the sale of timber are kept open for continuous access.
  b. Because of these roads, our forest lands are accessible to recreationists.

INTENSIVE MANAGEMENT PRACTICES HELP THE ENVIRONMENT

- Cleaner logging is economically possible.
- There is less debris to burn or leave.
- Forest lands are more accessible for timber salvage. Insect and disease epidemics are less likely to go unnoticed.
- Non-growing, decadent forests are removed more rapidly.
- Decadent forests are replaced with healthy, vigorous young stands.

INTENSIVE FORESTRY REQUIRES

STAFF OF SCIENTISTS

- Technical support of the many and varied aspects of the resource management program require and receive the attention of scientists.
- They apply their technology to improvement and development.
- They develop sound plans.
- We have scientists specializing in:

Agricultural economics	Game biology
Forest economics	Harvest regulation
Forest entomology	Hydrology
Forest genetics	Marine biology
Forest pathology	Operations research
Geology	Plant physiology
Silviculture	Remote sensing
Forest soils	Meteorology

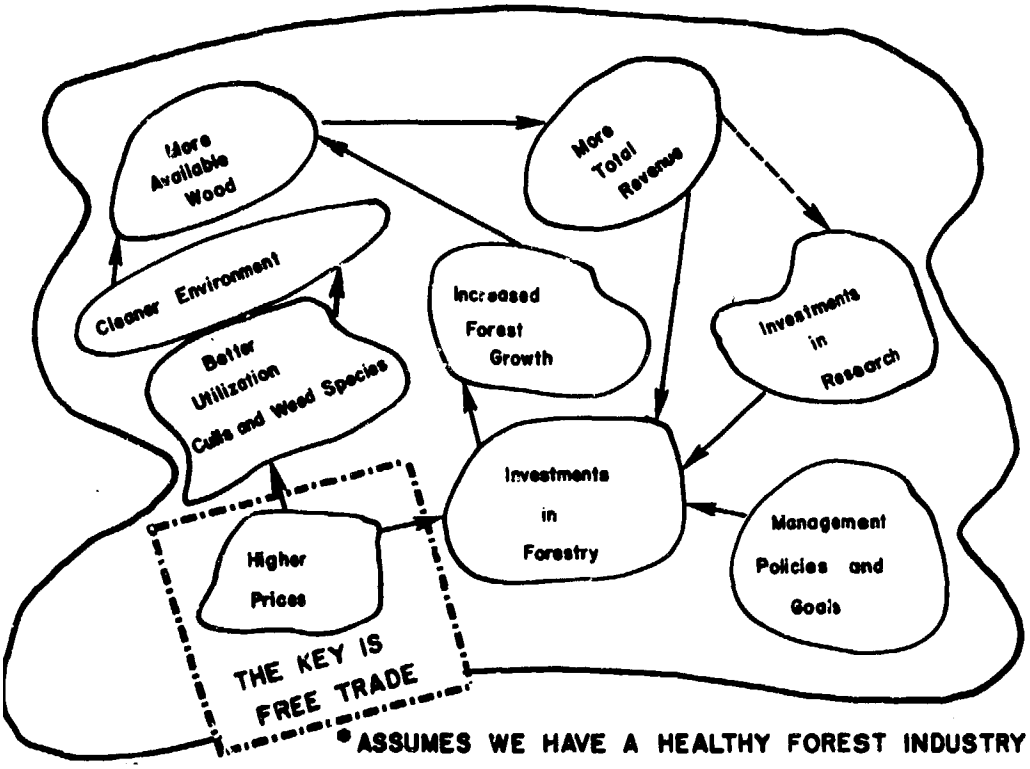
PROGRESSIVE LEADERSHIP

- Responsible to the public.
- Critically evaluate, predict, plan and proceed.
- Get the job done. Turning the plans into reality.

DEPENDABLE FUNDING

- Funding set at 25% of the gross revenue generated from management of the resource. Much of this is re-invested directly into maintaining and improving the resource to insure its continued productivity.
- We can depend on it.

THE PICTURE*



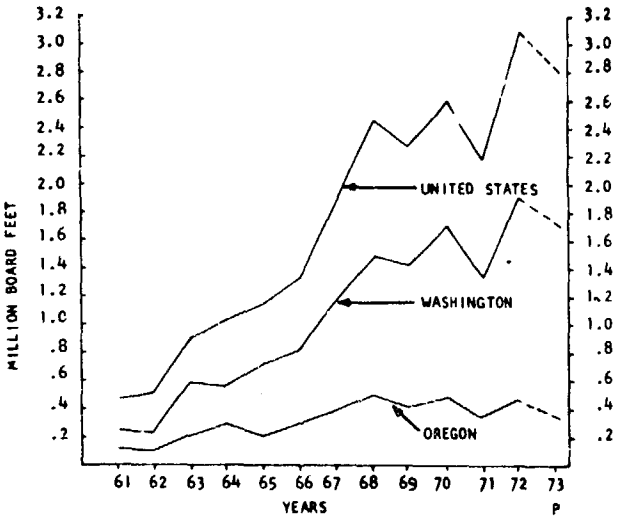
*ASSUMES WE HAVE A HEALTHY FOREST INDUSTRY

WASHINGTON'S FOREST INDUSTRY

- The forest industry (along with agriculture) has long been the mainstay in Washington's economy and has been a life saver since the depression in the aerospace industry.
- Log exports have materially helped maintain our forest economy in the periods of weak markets for timber, plywood and pulp.
- Balance of trade problems are real and log exports have helped.
- A move to restrict log export from state-owned lands in November, 1968 was soundly defeated by Washington voters by a vote of nearly 2 to 1.

We agree that it would be great if all logs going into export could be sold and manufactured within the state, but under our supply/demand situation, we can find no economist who says it can, in fact, happen. Suspension of log exports would result in a decrease in timber harvest with a similar impact on our forest-based economy.

LOG EXPORTS ARE PRIMARILY FROM WASHINGTON

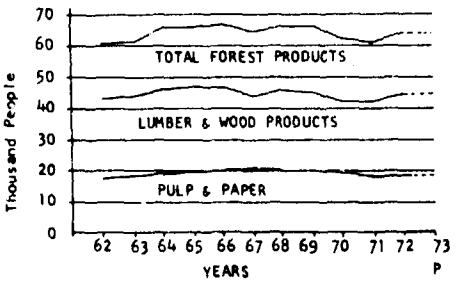


BUT THE EFFECTS ARE OF NATIONAL IMPORTANCE AND BENEFIT

LOG EXPORTS STABILIZE EMPLOYMENT

Despite higher production per man-day:

- Pulp and paper employment is the same as in 1962 at the start of expanded log exports.
- Lumber and wood products employment is higher than 1962.
- In addition, longshoremen and others are employed in log export. Increased port income has permitted increased port improvements.



Washington Employment

LOG EXPORTS ARE CONSISTENT WITH FREE TRADE

- General Agreement of Tariff and Trade (G.A.T.T.) has been signed by the United States and 60 other countries.
- Free international trade of non-strategic items are of mutual benefit to the trading partners.
- Log exports reduce the adverse balance of international payments.
- The Jones Act, however, economically prevents "free trade" between the Pacific Northwest and other coastal states of the United States. It puts us at a disadvantage with British Columbia in shipping to U. S. ports.

LOG EXPORT IS AN OPPORTUNITY

- This economic opportunity is normal. If we eliminate it or destroy it, the benefits identified here are also lost.
- But increasing domestic demand (and prices) can recapture the export logs. This may already have started.

BERT COLE'S POSITION

FOR FREE TRADE

No ban on log exports.

AGAINST RESTRICTIONS

Particularly partial restrictions such as extension of the Morse Amendment or other unhealthy efforts.

BERT L. COLE
Commissioner of Public Lands

State of Washington
Department of Natural Resources

Testimony

C. W. Bingham, Senior Vice President

Weyerhaeuser Company

Tacoma, Washington

Before

The Housing and Urban Affairs Subcommittee

of

The Senate Committee on Banking,
Housing and Urban Affairs

March 27, 1973

INDEX

	Page
Introduction	1
Short-Term Issues and Definitions	2
Lumber Demand and Pricing	3
Manufacturing Capacity and Exports	4
Employment	4
Transportation Impact	5
Distribution and Markets	5
Price Relationship to Housing Starts	6
Housing Starts and Lumber and Plywood Prices (Chart)	7
Stumpage Price Cycles	8
Housing Starts and Their Relationship to Lumber and Stumpage Prices (Chart)	10
Southern Stumpage Price Trend	11
Southern Pine Sawtimber Stumpage Cost (Chart)	12
Source of Log Exports by States	13
Log Exports by Forest Ownership	13
Species Involved in Washington and Oregon Log Exports	14
Substitution	15
Housing Starts and Housing Starts Which Could be Theoretically Supported by Log Export Volume (Chart)	16
Longer Term Issues	
National Utilization	17
Regional Utilization	17
Wood Utilization, Douglas Fir, Oregon (Chart)	18
Product Mix, Douglas Fir, Oregon (Chart)	20

2.

	Page
Wood Utilization, Hemlock, Washington (Chart)	22
Product Mix, Hemlock, Washington (Chart)	24
Weyerhaeuser Growth in Pacific Northwest, 1970-72	25
Exports and Utilization Trends	26
Markets vis-a-vis Canada	26
Regional Forest Growth	27
Management Levels (Chart)	28
Balance of Payments	29
Foreign Trade - Wood Products (Chart)	30
U.S. Wood Revenue Surplus	31
Conclusion and Recommendations	32

Appendices

Recommendations	Appendix A
Substitution	Appendix B
Weyerhaeuser Log Offer	Appendix C
Capacity Factors	Appendix D

I am Charles W. Bingham, Senior Vice President, responsible for land and timber management for the Weyerhaeuser Company. I live at 502 N. D Street, Tacoma, Washington.

My company is the Nation's largest producer of softwood lumber, and third largest producer of softwood plywood. We are also a major factor in the homebuilding industry and are engaged in trade with Japan in a number of products, including logs.

I am pleased to be able to appear before this Committee today. I would like to make a few summary points and ask that my complete testimony be included as part of the record.

1. Log costs do not push lumber and plywood prices. Rather, the doubling of homebuilding activity in two years has dramatically increased the demand for softwood lumber and plywood, which are true commodity products, and the demand-pull - against limited production capacity - has caused very high lumber and plywood prices.

2. Logs are produced and used regionally and surplus logs in one region are not economically available to other regions.

3. Our forests are renewable and markets increase the utilization per acre and attract reinvestment to improve tree growth in the next crop.

4. Export log and chip markets have dramatically increased, not reduced, the total wood available in the states of Oregon and Washington. These markets have increased forest utilization and the rate of capital reinvestment, with the result that fewer acres harvested are producing more usable wood fiber.

5. Our trade posture with Japan and Canada has been greatly improved as a result of exporting logs and importing lumber.

Not only are we growing more wood than we are currently harvesting in this country, but wood is a uniquely renewable resource. We have the capability of growing substantially more than our current levels. In addition, nationally, we are currently wasting or misusing a major portion of what we are harvesting.

Because of this underutilization - this waste - increasing the availability of markets <u>increases</u> the effective supply of wood, rather than decreasing it. This is true both in the short term and the long term.

Short-Term Issues

Since we are responding here to a short-term issue, let's look at the short term first.

A. Definitions

Before we do, we should attempt to get rid of some of the semantic confusion which surrounds this issue. "Forests," "timber," "stumpage," "logs," "lumber" and "wood products" all have been mentioned in the public media. Unfortunately, these terms have at times been used interchangeably. They are not synonymous.

A forest is a tract of land, covered with trees. Forests can be commercial, recreational, a combination of these, or can be devoted to other uses.

Timber refers to the trees standing upon a tract of land.

Stumpage refers to the cost of commercial timber offered for sale, and is calculated upon the marketable wood volume in the timber as it stands on the forest land and usually includes something less than all of the cubic content of material in each tree.

Logs are the trees after they have been harvested, usually sawn into specified lengths. They are, in effect, sections of tree stems. They are bulky, irregular in shape, heavy in comparison to the comparable units of finished products to be derived from them, and hence their overland transportability is limited.

Lumber is a key commodity building material, manufactured from certain portions of certain logs best adapted to that end use.

Plywood is also manufactured from logs which are rotary peeled, rather than sawn, and it is glued together in panel, rather than board, form. The rest of my testimony will deal with lumber as a product, even though the comments are essentially applicable to plywood as well.

Wood products refers to all manufactured products made by the industry including, among other products, several qualities of lumber, plywood, pressed board, piling, mouldings, and wood chips.

94-218 O - 73 - 26

B. Lumber Prices

The immediate concern, with lumber as with beef, is the high prices paid by the consumer for the product. Lumber prices began to rise during the latter part of 1971, and continued to rise during all of 1972. Current prices are at historic high levels.

In the search for an easy answer to these sharp increases in lumber prices, because we are exporting some logs, it is a simple answer to suggest that we curtail log exports.

However, let's examine the structure of the lumber industry, and find out what does move lumber prices.

Lumber Demand and Pricing

Lumber is sold in commodity auction markets. As in any auction, when demand is high, the bidder has little if any interest in the seller's cost. The price he is willing to bid depends entirely upon his need for the product. In times of low demand, the seller's costs are a factor in determining the price floor. Approximately half of the total demand for lumber comes from the United States homebuilding industry.

Homebuilding starts in the United States averaged slightly less than 1.5 million annually throughout the 1960s, although there were sharp year-to-year swings. In mid-1970, housing starts had dropped to 1.2 million, as a result of federal government monetary policy, which restricted the availability of funds flowing to the mortgage market. By mid-year 1972, with a record availability of funds, they had doubled to an annual rate of 2.4 million, and have remained close to that peak for the past several months. Translated into demand for lumber, this has meant a 1970-to-1972 increase in demand for housing lumber of 67% accompanied by an increase in demand for other uses of 4%, or a total demand increase of 26%.

This increase in demand was met by an 18% increase in U.S. lumber production with Washington and Oregon together contributing an 18% increase. It was met also by a 2.9 billion board foot increase in Canadian imports. United States production capacity simply was not in place to meet this dramatic increase; thus, market demand, matched against a relatively inelastic supply, caused sharp price increases.

Manufacturing Capacity and Exports

Even today, production capacity in the Pacific Northwest, not presently available raw material supply, is the real challenge facing the industry.

There has been much discussion of mill operating rates, "normal production levels," and "capacity production levels," and misunderstanding or misinterpretation of some of these terms. A mill in this industry, for instance, normally cannot operate at "capacity" indefinitely. A discussion of these factors, and their implications, is included as Appendix D.

In the relatively low demand years of 1960-68, 237 lumber mills in the Western states were forced out of business, a significant decline in the region's total production capacity. Canadian imports did not decrease. Without the log export market availability, this capacity decline would have similarly restricted logging employment and reforestation activity. But it did not. A strong raw material market for logs during the low periods of lumber demand helped maintain rather than reduce lumber production capacity.

Many of the mills adjusted their log mix to take the fall-down from the log export markets and held out for the upswing. Nearly all of them laid off some employees, and restricted production, but log exporting helped take up the slack. The table below shows employment in the Pacific Northwest forest products industry in the 1963-72 period. The relative stability of industry employment can be largely credited to the availability of the log export market.

Employment

Thousands of Employees

	Washington			Oregon		
	Lumber & Wood Products	Pulp & Paper	Total	Lumber & Wood Products	Pulp & Paper	Total
1963	43.7	18.8	62.5	69.2	7.2	76.4
1964	46.7	19.2	65.9	73.2	7.2	80.4
1965	46.9	19.8	66.7	74.3	7.5	81.8
1966	46.6	20.2	66.8	73.0	8.1	81.1
1967	44.0	19.9	63.9	69.4	8.5	77.9
1968	45.9	19.9	65.8	72.3	8.8	81.1
1969	45.2	20.0	65.2	70.9	9.1	80.0
1970	42.2	19.8	62.0	66.8	9.4	76.2
1971	43.4	18.1	61.5	69.9	9.5	79.4
1972	46.2	18.7	64.9	73.5 est.	9.8 est.	83.3 est.

Transportation Impact

It is important at this point to highlight the geographic isolation of the State of Washington from our major domestic markets. Washington logs cannot be transported overland to those areas which indeed are log-short in this building boom. The cost to transport a log from the Washington coast to Osaka, Japan, is less than the cost of moving it only 460 miles inland within the United States!

The cost of moving a typical 32-foot, 24-inch diameter coastal hemlock log to Missoula, Montana would be $66. Moving it to Minneapolis would cost $115. If it were to be moved to Washington, D.C., the transportation cost overland would be $137. It costs $54 to ship it across the Pacific to Osaka.

Lumber volume which could be derived from the same log, however, could be transported by rail to Missoula for $15, to Minneapolis for $27, and to Washington, D.C., for $32.

In addition, it must be noted that the Jones Act which requires that American products be shipped between American ports on American bottoms, gives a $20 per thousand board foot transportation cost advantage to British Columbia lumber moving to the United States East Coast markets.

Distribution and Markets

Manufactured wood products move into these markets through multiple channels. The Cost of Living Council has estimated that there are more than 80,000 separate businesses involved in one aspect or another in production and sale of wood products. The lumber industry, in particular, is characterized in terms of volume by the more than 10,000 small producers in the United States, in addition to scores of Canadian producers, primarily in British Columbia.

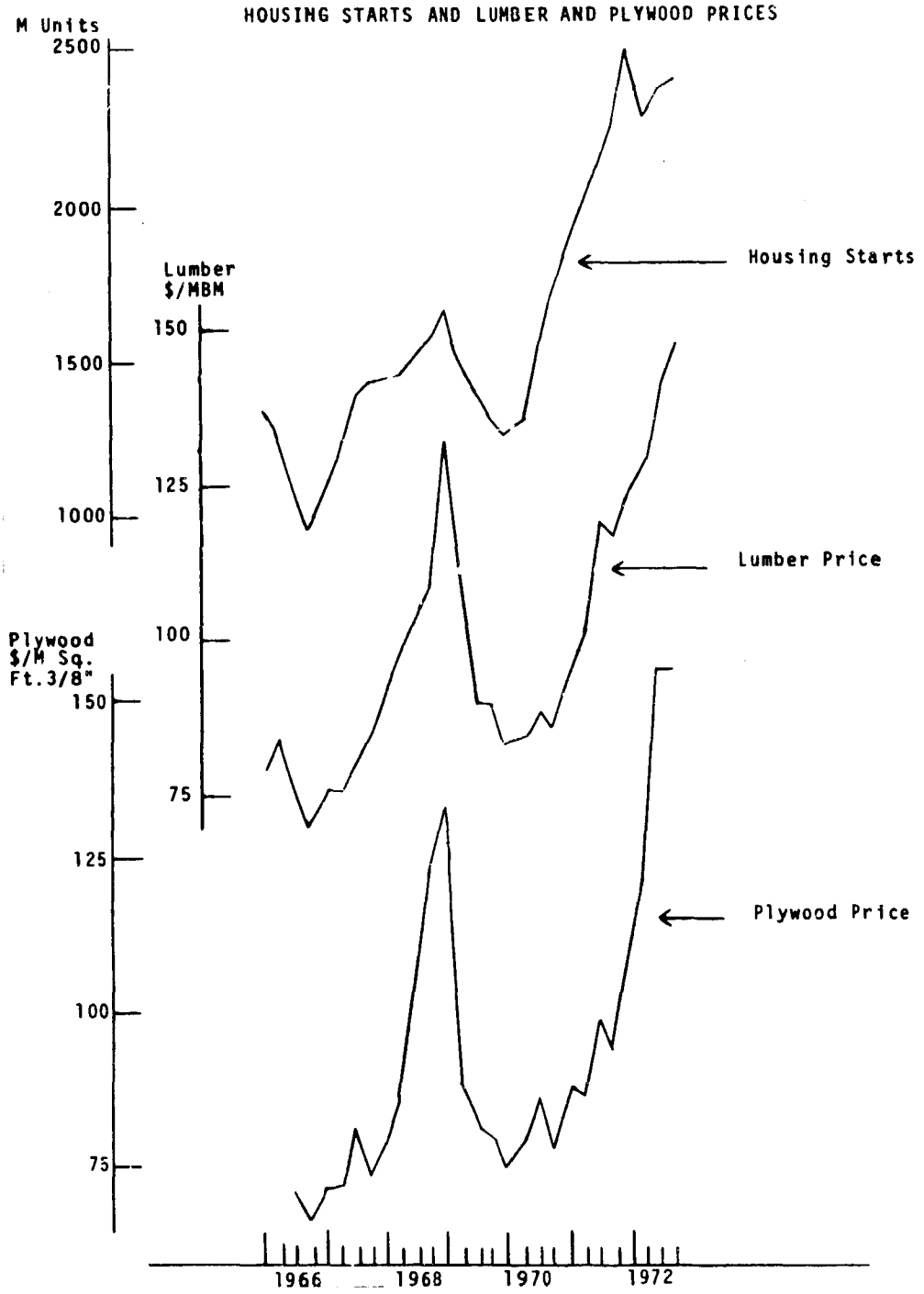
Mills set lumber list prices weekly, moving upward or downward depending upon sales resistance or acceptance at the previous week's price levels. They may sell directly to builders, or to retailers, captive or independent wholesalers, or to lumber brokers. Even within a given week, sales will be negotiated upward or downward from list prices. And, the same process occurs at all stages in the distribution chain. It is a classical commodity auction market that operates much more comparably to the stock market than to more typical industrial markets.

And, like the stock market, it is subject to rather wild cyclical swings.

Price Relationship to Housing Starts

Price swings are dictated almost entirely by the level of home-building starts in the United States. That is, prices are pulled by demand whenever supply begins to tighten, and they fall just as dramatically whenever demand loosens. Housing starts determine lumber price levels simply because we are in a demand-pull, not a cost-push, market. The next chart illustrates this: It shows the close correlation between domestic housing starts and the price of standard and better 2x4s and half-inch standard exterior, both of which are key price indicators of commodity lumber and plywood.

HOUSING STARTS AND LUMBER AND PLYWOOD PRICES



Stumpage Price Cycles

The following chart shows housing starts and how they relate to both lumber and stumpage prices, over a longer period.

The first thing to note is that over the last 23 years there have been five distinct cycles in housing. These cycles have been caused by fluctuations in the cost and availability of mortgage funds.

Next, note that fluctuations in the price of Douglas fir lumber occur about the same time as the housing fluctuations. Since the housing market normally represents between 35 and 45% of the annual U.S. softwood lumber consumption, one would expect that the housing start fluctuations would induce the lumber price changes.

In addition to the housing market, changes in nonresidential and industrial market demands in concert with regional mill capacity shifts and other factors impact lumber prices. However, since housing starts change the most frequently and with the greatest magnitude, they are the primary cause of lumber price fluctuations. If we were to examine housing starts and lumber prices on a quarterly basis, we would find that housing starts, through the demand-pull mechanism, lead lumber prices by about a quarter.

Next, note that the bid prices for Douglas fir stumpage in Western Oregon and Washington in turn fluctuate with lumber prices, but usually with a year's lag. The mechanism for this phenomenon is complicated to explain but let us give it a try...

First, lumber prices determine sawmill revenues. These revenues cover operating costs, provide some profit, and determine what the sawmiller can pay for his logs. But the sawmiller's log costs are really a weighted average of bid prices of stumpage bought in previous years plus the current cost of logging and transporting the material from stump to mill. In the Douglas fir region, many mills carry over two years of uncut stumpage under contract. So when sawmill revenues in relation to average log costs are such that profits are growing, the sawmiller begins to consider paying higher prices for the stumpage he is currently bidding on. After awhile profits may be such that the sawmiller may want to put on a Saturday shift. If his neighbors decide upon the same thing, stumpage demand increases, because although the sawmiller has a large stumpage backlog, he must provide for the future. Thus, after a time, as profits grow and the stumpage backlog becomes depleted, bid prices begin to escalate.

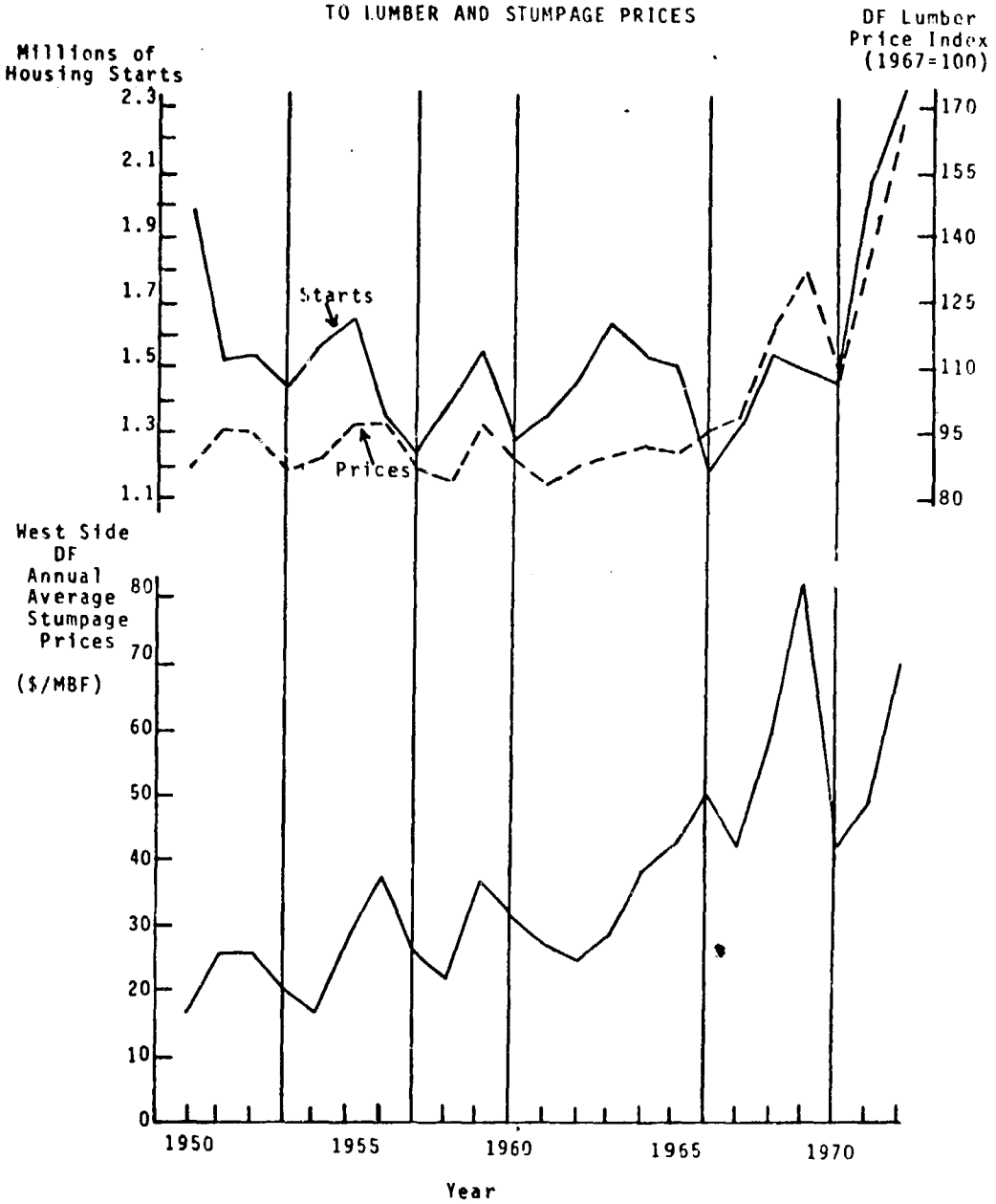
It is interesting to note from the chart that, in 1971, when lumber prices increased 26%, bid stumpage prices increased only 19%. This was the result of most sawmillers having a

very large amount of uncut volume under contract at the end of 1970, much of which was purchased at the very high 1969 level. 1972 bid prices were still below this level - while, at the same time, lumber prices were 25% over their 1969 high.

I hope this has given you some insights into how prices operate in our industry. They are complicated but very important to understand...

HOUSING STARTS AND THEIR RELATIONSHIP

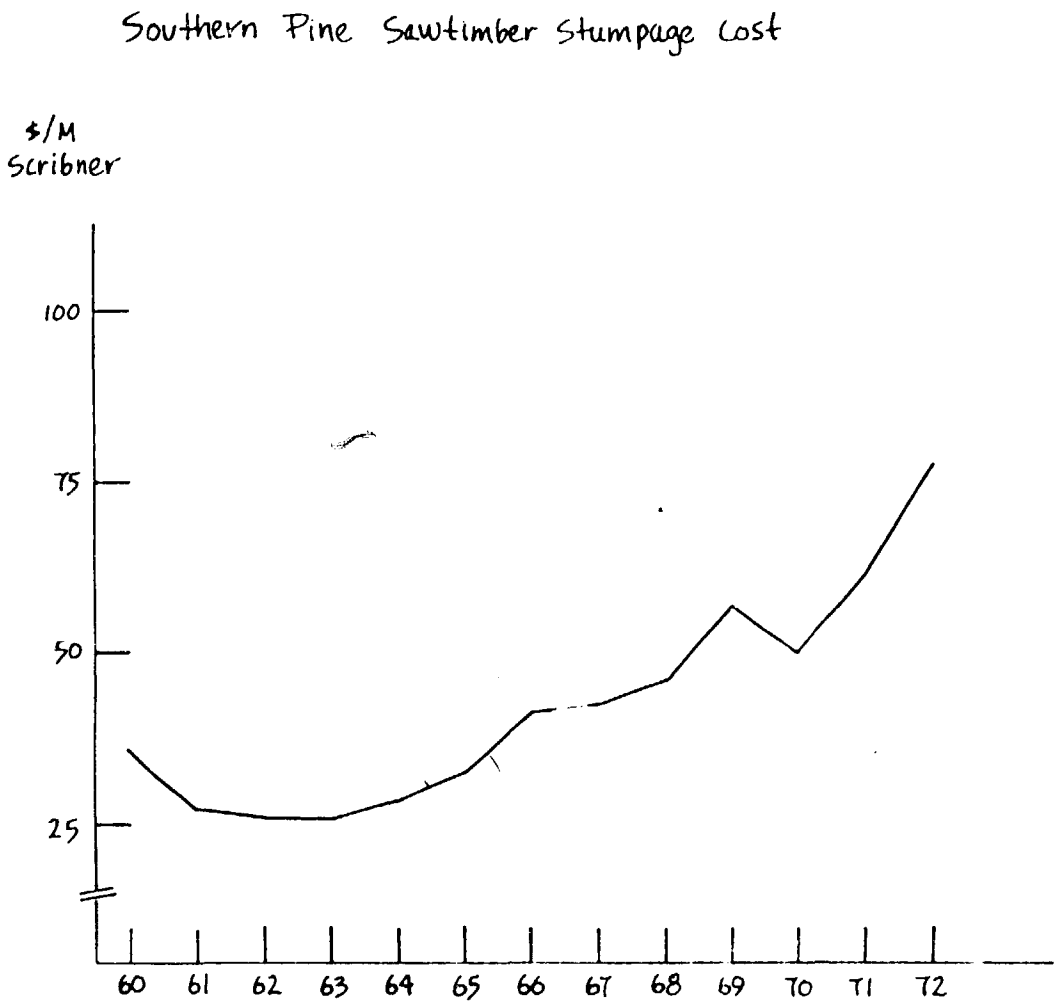
TO LUMBER AND STUMPAGE PRICES



Southern Stumpage Price Trend

This next chart shows stumpage price trends since 1967 in the South. During the current homebuilding boom, starting in 1972, the chart indicates that raw material prices in one of the two largest producing regions - the South - have increased dramatically.

The South has no log export trade.



C. Log Exports

The question is, then: What is the log export problem?

First, let's talk about where the logs are coming from and what species are included. We need to remember that the Japanese are buying logs, and not trees.

	Source of Log Exports by States - 1972*	
	Million Bd. Ft. (Scribner)	%
Washington	2,210	82%
Oregon	350	13
California	90	3
Alaska	50	2
	2,700	100%

*9 months actual, 3 months preliminary survey of port log flows.

The 1972 log export volume was about 8% higher than the 1970 level. 1971 exports were severely restricted by the West Coast longshore strike.

Log Exports by Forest Ownership

	Washington	Oregon
National Forests	9%	28%
State	23	-
Other Public	4	8
Forest Industry	53	56
Other Private	11	8
	100%	100%

The Japanese mills are small, and saw logs very slowly. Their lumber recovery per log is high. They prefer the whitewoods - the sound portions of the tree - because they most resemble in surface characteristics their own wood. Their purchase of Douglas fir has been of the middle-size log used primarily for structural purposes in Japan.

Species Involved in Washington and Oregon Log Exports - 1972

Western Hemlock - 52%

Other - 22%

Douglas Fir - 24%

Port Orford Cedar - 2%

The Japanese prefer sound logs in the high to middle grade ranges of whitewood species, including primarily Western hemlock, white true firs, spruce, and Port Orford cedar. They have a traditional taste for relatively knot-free, light-colored softwoods for exposed applications in home construction. Aside from limited supplies from Japan's own forests, the only appreciable source of this type of wood is the West Coast of North America. These North American white softwoods, which are secondary species in terms of United States preferences, can be used in Japanese home construction as a substitute for their prime native lumber species, hinoke.

This Japanese preference explains the relative disinterest Japan has shown in the reddish-brown wood of Douglas fir and other prime U.S. species. Also, the pitch content of Douglas fir makes it less attractive for exposed interior uses.

Japan's needs for poorer-quality, lower-cost woods are being satisfied from her own forests, and from offshore sources in Russia, New Zealand, and the South Pacific.

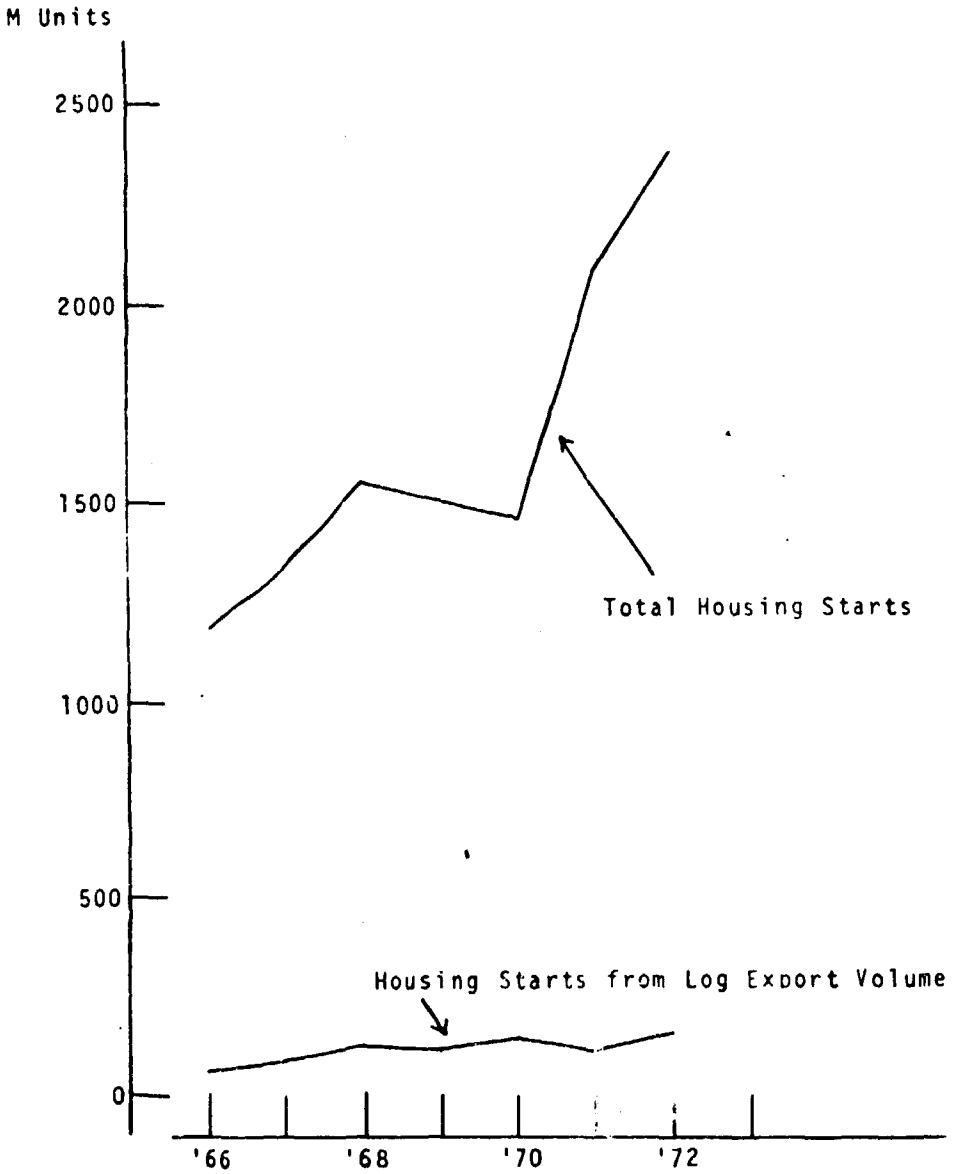
It has been noted correctly that in 1972 the Japanese demand picked up before U.S. housing fell off, and there have been complaints of a few mills on the West Coast about the availability of raw material supply. The log market today is tight enough that there are some mills with log availability problems related to these mills' historic rates of production. Most of these mills are western red cedar specialty mills, and their problem is largely unrelated to log exports. U.S. lumber prices

are based upon the U.S. national market but not the export market. In the short term, let us remember that over 2 billion feet of logs were exported from Washington State, and Washington State lumber manufacturing increased faster than national lumber capacity in 1972. It would require in excess of $225 million to build mills to convert these logs, and they cannot be transported far in log form. We do believe there are many mills in need of logs, the details of which are set out in Appendix A. Their need does not derive from the export of logs, however. Most of these mills are dependent upon National Forest timber purchases. Only 350 million board feet of exports of logs are allowed annually from federal forests under the provisions of the Morse Amendment, and less than that volume actually is being exported. It has been suggested that even that relatively modest flow be banned. This raises, once again, the question of substitution.

Substitution

The question of "substitution," however defined, of export-restricted federal timber for use in domestic mills exporting their normal mill supplies, has been a source of controversy for many years. Weyerhaeuser Company is not engaged in substitutive practices. We have included a discussion of the substitution question as Appendix B.

HOUSING STARTS AND
HOUSING STARTS WHICH COULD BE THEORETICALLY SUPPORTED
BY LOG EXPORT VOLUME



Longer-Term Issues

A. National Utilization

At the present time, there is available approximately 10 billion board feet of lumber from sawing logs currently being chipped. This is greater than our total lumber imports from Canada and three times the lumber equivalent of the log sales to Japan. Each year's harvest in the U.S. also wastes forest residuals in a quantity equal to four trees the volume of such "pulpwood" suitable for lumber. In other words, reallocation of our currently harvested wood and improved utilization per acre will both supply more lumber and make available chips to replace the lumber volume.

Of course, much of this lumber availability is in the South, but we surely must be concerned with our national, not just our regional, wood balances. Moreover, the regional impact of log exports has accelerated better utilization of West Coast raw material and has moved the Pacific Northwest far ahead of other timber-producing regions.

B. Regional Utilization

To illustrate this fact, let me show you the changes, over the last decade, in the volume and mix of products obtained from two theoretical acres of old-growth forest land. They are theoretical only in that no two acres are the same; they represent, however, factual examples of improved utilization from our ownership.

One is a Western Oregon acre with Douglas fir as the predominant species. The other is an acre of forest land in Southwest Washington, where hemlock is the predominant species.

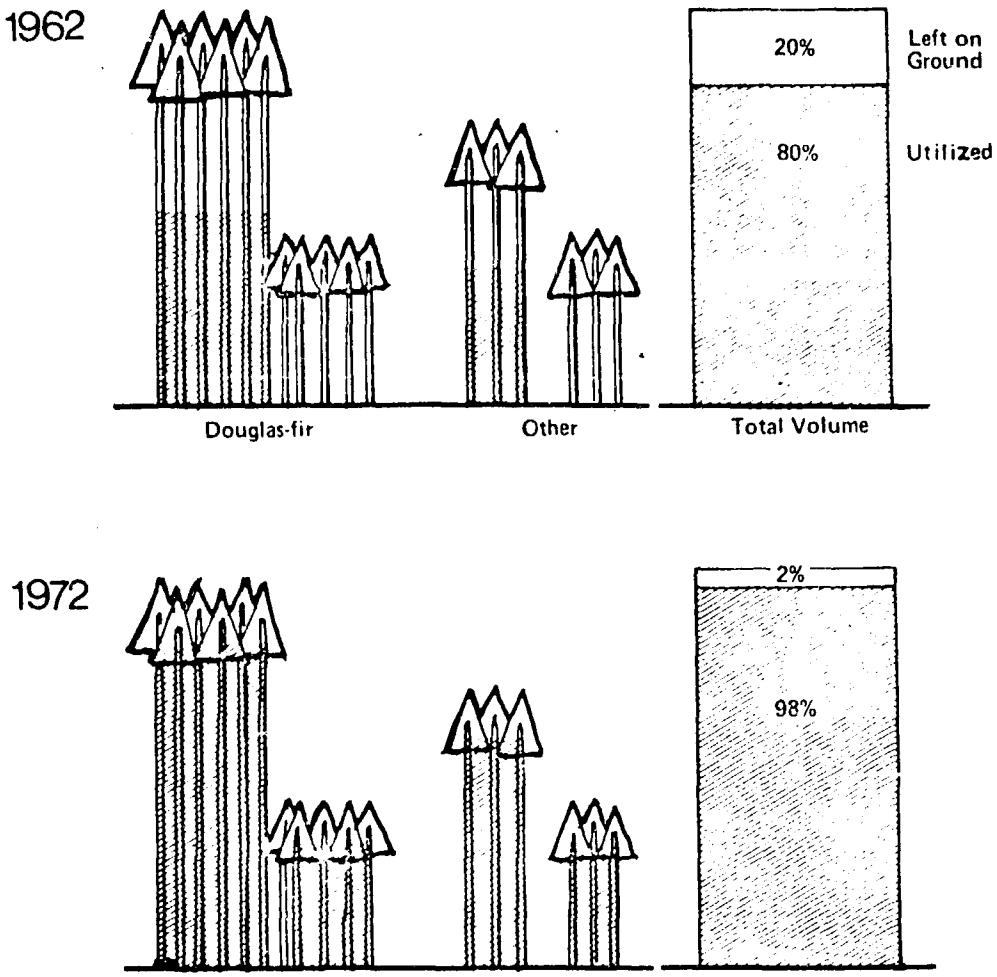
For purposes of our discussion, both acres may be considered typical of their stand type. However, they cannot be considered average. Differences in soils, climate, topography and species mixture make each acre of actual forest land differ from each other acre.

Our Douglas fir acre in Western Oregon carries a total softwood stem volume - not counting stumps, branches, roots, twigs, needles or brush - of 16,000 cubic feet. 13,400 cubic feet, or 84% of the volume, is Douglas fir. Other softwood species, including hemlock, true firs and several types of cedar, amount to 16%.

In 1962, in logging such an acre to serve the markets then available to us, we harvested almost solely the high-quality wood in the lower portion of the largest trees. That represents 80% of the total stem volume on the acre.

WOOD UTILIZATION HAS INCREASED

Douglas-fir Forest / Oregon
1 Acre - 16,000 cu. ft.



The upper portions of the harvested trees were left on the ground as logging waste, or slash. The smaller trees, of all species, might or might not have survived the logging activity. In either event, we simply left them. Chart VII illustrates the point; only the shaded portions of the stand were reviewed.

By 1972, however, with different markets available to us, we changed our logging specifications significantly. We moved farther up on the large trees of all species. We also began to take wood of comparable quality from smaller trees.

The result, in last year's harvest on this theoretical acre, was removal of all but 2% of the total stem volume.

To find out why this change occurred, let's look now at the product mix obtained for our markets from these volumes.

In 1962, of the amount we removed, one quarter went into lumber, and 4% into plywood.

The hemlock - a minor species on this acre, remember - went mostly into chips for pulp and paper production.

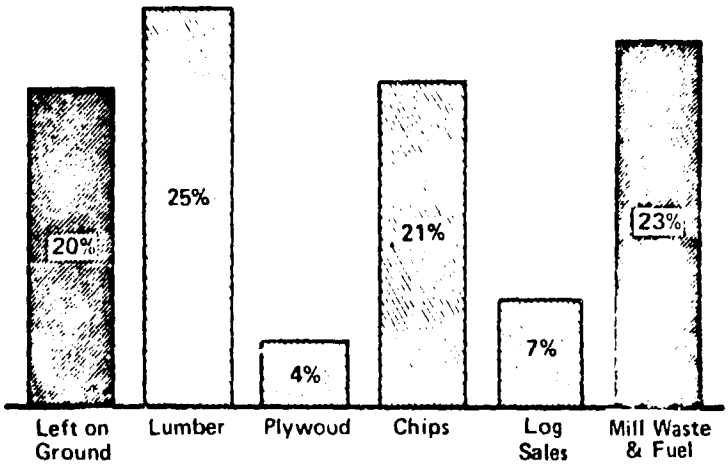
Log sales, at that time, were relatively small - only 7%. And, incidentally, all of those log sales were to other domestic producers. None went offshore.

94-218 O - 73 - 27

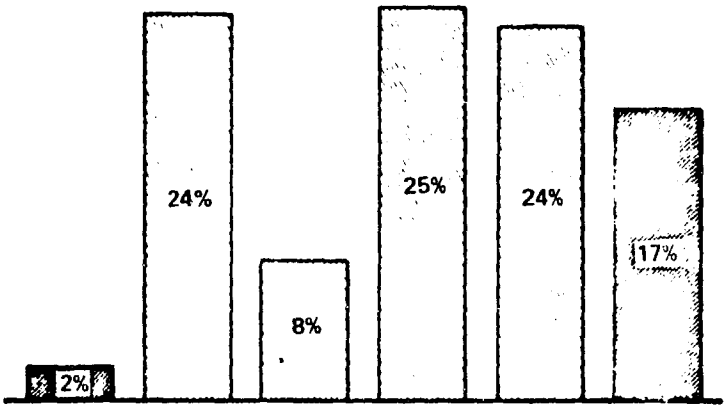
PRODUCT MIX HAS IMPROVED

Douglas-fir Forest / Oregon
1 Acre - 16,000 cu.ft.

1962



1972



Finally, mill waste was 23% of the total stem volume. And a growing portion of that was moving from the outmoded wigwam burners into the power boilers for our mills.

In the decade following 1962, however, new market alternatives opened up. It was not so much product-oriented as geographic. It was the export market for logs and chips. And rather than replacing our domestic production of lumber and plywood, it gave us the economic incentive to do a better job utilizing all of our resource.

Thus, under 1972 harvest standards, we removed 98% of the total volume on our acre, and left only 2%. That fact, in itself, provided a major benefit in terms of logging aesthetics.

And look what happened to our product mix. Lumber production stayed almost constant. Plywood production doubled. Chip volume also sent up. Log sales rose to 24% of the total volume, while mill wastes declined to 17%.

Of the log sales, incidentally, 16% were to domestic customers for their own production, and 8% went offshore.

On this acre, then, the growth of the export market helped defray the costs of bringing out and utilizing much more wood. In other words - it helped us do a better job of logging and manufacturing.

In volume terms, however, the export totals from this acre were relatively small. This was, after all, a Douglas fir acre - and I have already mentioned that our customers for export logs prefer whitewood species.

Let's look now at the impact of the growing export market on our production from a predominantly whitewood acre.

This particular acre typifies those in our Twin Harbors area of Southwest Washington, where Weyerhaeuser established the nation's first industrial tree farm, in 1941, launching the sustained-yield movement in commercial forestry.

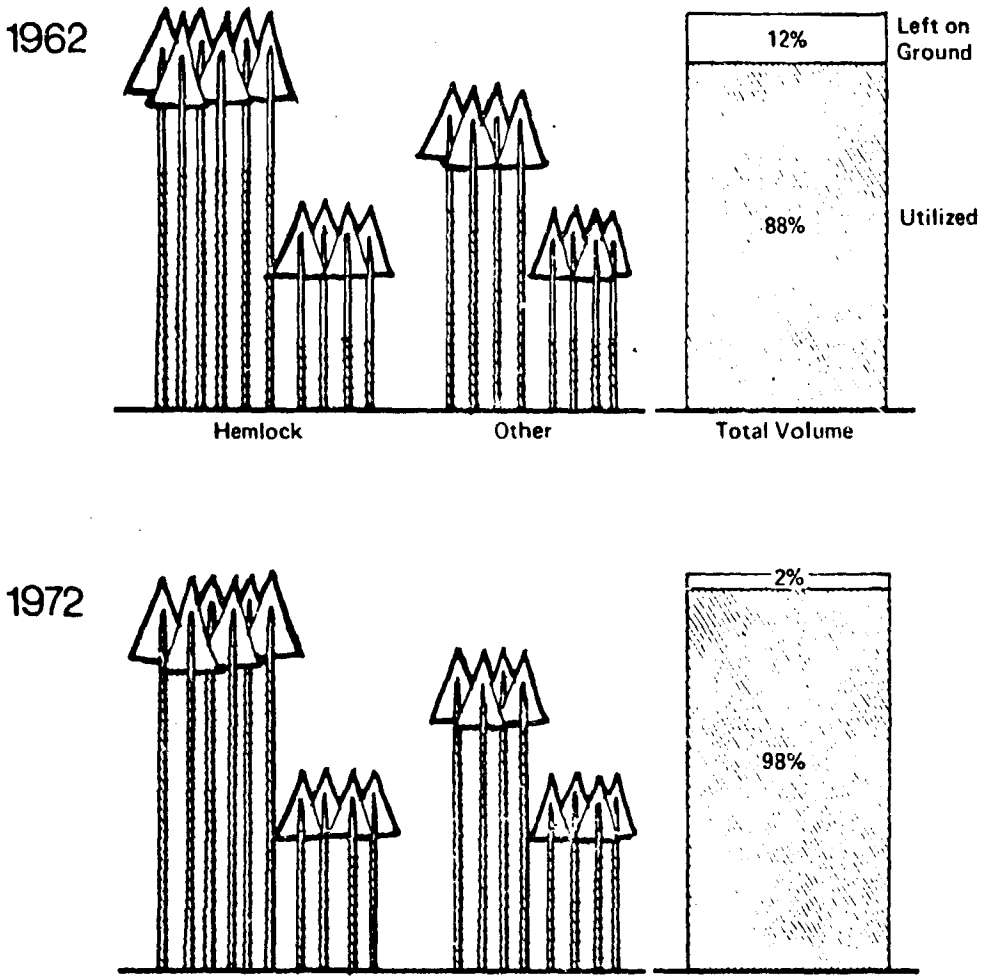
It carries a total stem volume of 11,800 cubic feet. Of that, 62% is hemlock. Most of the remainder is Douglas fir, with some true firs and cedar mixed in.

In 1962, largely because this acre's minor species was a valuable one, we were already removing 88% of the total volume at harvest.

By 1972, that figure had risen to 98%. As with our Douglas fir acre, the only major shift in market demand was the growth of offshore markets.

WOOD UTILIZATION HAS INCREASED

Hemlock Forest/S.W. Washington
I Acre- II,800 cu.ft.



Let's analyze this growth in demand in terms of product mix from our hemlock acre. In 1962, one-fifth of the total volume on the acre went into lumber. Most of that was Douglas fir. The hemlock went mostly into chips. Mill waste and fuel amounted to 11%. There were no log sales.

By 1972, however, significant shifts had occurred. Logging wastes dropped to 2% of total volume. Lumber increased by more than half. Chip production, however, declined sharply, while mill wastes remained the same.

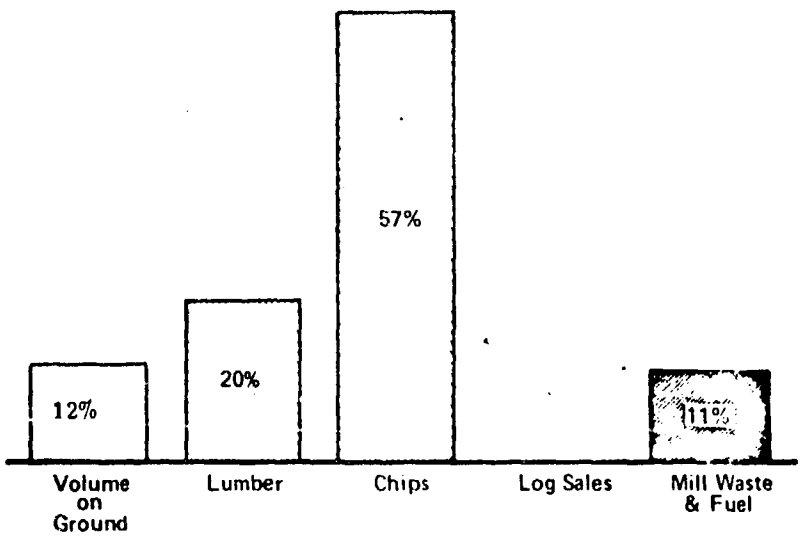
What happened is obvious. In terms of this acre, the export market made hemlock a prime species in its own right. Instead of being chipped, it went into log markets that now accounted for 44% of the total stem volume on the acre. The added income from these sales, moreover, provided the cash flow to increase the total lumber production from the acre.

Thus, the log export market, along with the wood chip export market, has permitted a drastic improvement in utilization and yield per acre.

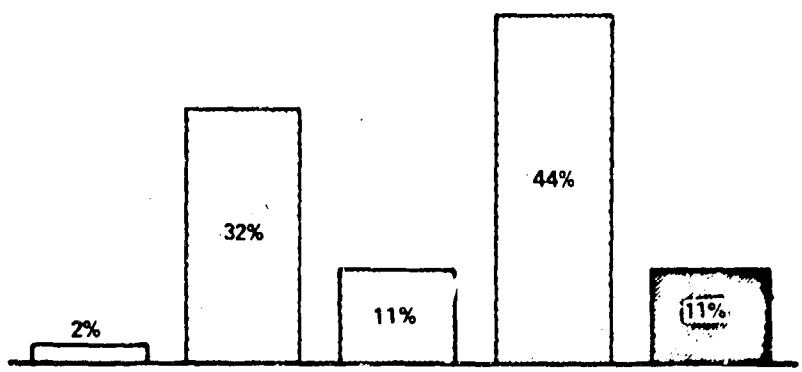
PRODUCT MIX HAS IMPROVED

Hemlock Forest/S.W. Washington
1 Acre-11,800 cu.ft.

1962



1972



C. Regional Investment

Whitewood logs formerly used primarily for pulp have a higher value as logs for lumber production in Japan. We have been able to bring out of the woods logs which formerly were uneconomic, and manufacture domestic lumber out of them; we have used more of the forest residuals for wood chips, and we have supplied our domestic mills with steadily increasing volumes of raw materials. The export market has increased, rather than decreased, the domestic supply. In fact, in the past five years, Weyerhaeuser alone has constructed 11 new mills in Washington and Oregon.

Weyerhaeuser Growth in Pacific Northwest

Weyerhaeuser Company's investment and employment patterns in Washington and Oregon in the 1970-73 period is shown below:

	Plant, Forest Capital and Expense, Roads	Gross Employment*
1970	- $ 82.1 million	21,473
1971	- $ 62.8 million	21,923
1972	- $ 73.6 million	22,626
1973 estimate	- $102.2 million	23,000 est.

And Weyerhaeuser Company's production of lumber in the two states has shown a steady increase during the current building boom:

1970	- 1.561 billion board feet
1971	- 1.634 billion board feet
1972	- 1.690 billion board feet
1973 estimate	- 1.738 billion board feet

*Includes direct employment of 19,562; 19,683; and 20,160, plus man-year equivalent of independent contractor and seasonal workers.

Exports and Utilization Trends

The availability of the log market, by increasing the value not only of hemlock but of intermediate grade logs of most species, has provided the economic incentive to improve both yield per acre - by transporting what formerly were harvest wastes out of the woods - and product yield.

New mills have been installed to make use of residuals, and to manufacture lumber and plywood from small diameter material formerly regarded as pulpwood. And, because of the assurance of relatively stable markets for all forest products, with exports lessening the tremendous cyclical swings of the domestic markets, we have been able to increase our regeneration and forest management investments tenfold, to increase future supply.

A similar trend is beginning to evolve in the South with its transportation advantage to major U.S. markets.

Before we relax too much, however, we should remember that we are only using about 55% of the green weight of a tree when we use only the stem. We face a tremendous energy crisis in this country, and it is more than likely that free markets for the stemwood will permit improved utilization of limbs, needles, tops and stumps for fuel or other more valuable products.

D. Markets vis-a-vis Canada

None of these investments can be economically justified if export or any other significant market were foreclosed. As a result, the region's future timber supply estimates would be revised drastically downward, and yield per acre would return to historic levels. Washington and Oregon, their competitive position in both U.S. and Japanese markets lost to British Columbia, would face long-term decline in forest product manufacturing.

And, in both the short term and long term, domestic lumber prices would be artificially inflated above present levels.

British Columbia does not serve only the United States market. It is a major world exporter. Last year 280 million board feet of lumber, mostly in the form of cants and squares, were exported to Japan. Its coastal mills already are technologically able to serve the Japanese market.

If Pacific Northwest log exports were banned, or other action taken to prevent an assured steady availability of those logs, 25% of Japan's softwood supply would be affected. The only quickly available alternate supply is British Columbia "Japanese squares." Japan would outbid the United States for this important portion of our lumber-for-housing supply, and it would be diverted quickly to Japan, greatly increasing the present domestic lumber shortage. Meanwhile, most of the logs which would have been exported from the Pacific Northwest would simply stay in the woods, since manufacturing capacity is not available.

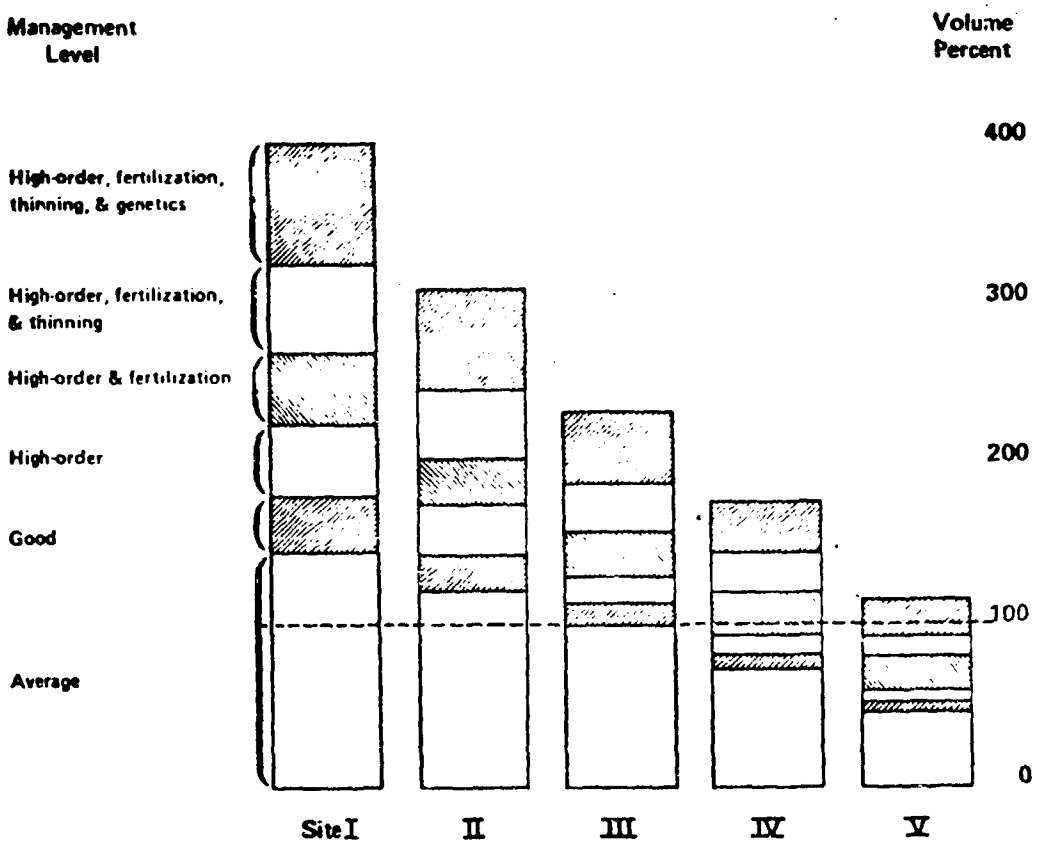
In the longer term, British Columbia has the resource available to increase its lumber manufacturing capacity to serve both the Japanese and U.S. markets. It would do so, however, only if prices in the United States were competitive with those in Japan; in other words, if they rose above today's levels.

E. Regional Forest Growth

Now, the question arises: Do we believe the renewable forest resource of Washington and Oregon also can support both the domestic lumber and the export log market?

The answer is yes.

These markets, and the level of utilization they encourage, have provided an incentive for forest management investment heretofore unparalleled. The growth increments that each level of management intensification, or put another way, each level of forest management investment, have upon timber supply is illustrated in the following chart:



Relative productivity by site class and by level of management practiced. Basis is MAI at age of culmination measured in cubic feet of entire stem. MAI of Douglas-fir on Site III at lowest level of management is assigned weight of 100.

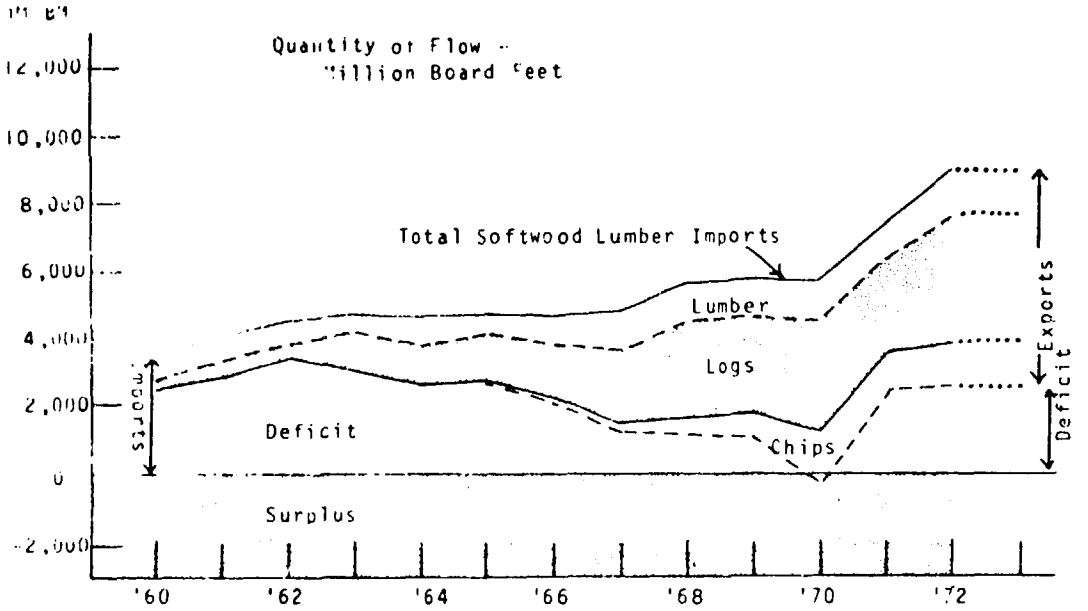
The soils of the Pacific Northwest are some of the world's most productive softwood-producing soils. We are just now able to make the long-term investments to probe the full productive capacity of these soils.

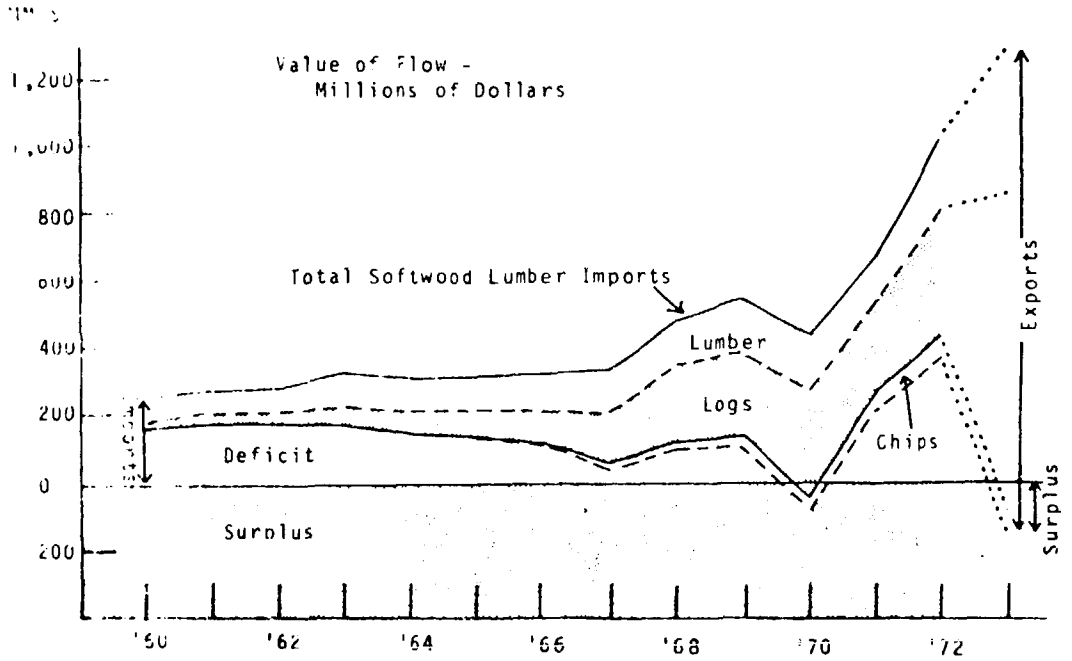
F. Balance of Payments

One last point: The question of balance of trade with Canada and Japan has been raised. The impact of log exports upon our trade balance with Japan is self-evident. In 1972, the trade should provide a favorable contribution of more than $378 million, and considerably more in 1973.

The impact upon our trade with Canada is more complex:

FOREIGN TRADE - WOOD PRODUCTS





To put this in a more total trade perspective, let's look at the recent history of our lumber imports and lumber and log exports over the recent history. Chart XI shows that British Columbia imports penetrated into our markets even in the relatively weak market years of the early '60s. In that period they displaced U.S. Pacific Northwest shipment of lumber to the East Coast that would now approach 2 billion board feet. In the strong market years of 1968 and again in 1971 and 1972, British Columbia imports grew much more rapidly than domestic production.

The U.S. was rapidly becoming a large net importer of wood volume. Log exports of low domestic value species, from regions not competitive in the U.S. lumber market, stopped this trend toward the U.S. becoming a large net importer. Only the peak housing demand years of 1971 and 1972 have temporarily increased our wood volume deficit.

U.S. Wood Revenue Surplus

But this pattern is even more striking if we look at the trade revenue that flows from these volumes: In the strong log export year of 1970, the U.S. generated a wood revenue surplus even though we exported only one-half the volume of raw materials that we imported. We export species that are surplus to our needs from regions that can't compete, and import, at lower prices, the final products that we need, and we make a profit on the trade. These are international markets working in our favor, not against it. It would seem absurd to restrict log exports and thus lose this advantage.

CONCLUSION

The question remains: Lumber and plywood prices are high. What can be done?

In the short term, removal of margin constraints will bring more capacity into the manufacturing base. We have already moved to try to help in specific raw material short situations. Our experience with this log offer is detailed in Appendix C. We believe the National Forest system, as the country's largest supplier of softwood timber to the industry, must make raw material available as set forth in Appendix A. These actions will free up supply and, together with some expected slowdown in demand during the third quarter, prices will ease.

The frequency and size of housing cycles needs to be reduced.

We need to have a governmentally supported mortgage money market that would provide a long-term mortgage interest rate low enough so that most consumers could own their home and which would attract a constant high level of housing investment.

Housing subsidy programs similar in concept to 235 and 236 can be used to modify the extreme fluctuations in housing cycles and at the same time provide an adequate standard of housing for Americans with substantial incomes.

Because the USFS provides such a preponderance of the softwood stumpage to the industry, the marketing of that timber must be made more responsive to the lumber demand cycles in the following respects:

a) Total volume marketed should increase or decrease with the forecasted swings in lumber and plywood demand.

b) Average sale size should be increased to provide greater assurance of supply to mills in place.

c) Average term of the sales should be extended to provide the buyer with flexibility as to time of timber removal.

d) All sales should be on product index basis so that decreases in product prices will not force marginal producers to close their mills.

e) Sales should be on an acreage or lump-sum basis to encourage greater utilization of the stumpage volume.

f) In order to insure a gradually increasing long-term supply from the national forests, we must increase the intensity of reforestation on these lands. Consistent funding of this effort is a major public need. Such an investment would not only improve the wood yield from our forest, it will also provide watershed and wildlife protection and recreational and aesthetic benefits to the public.

Interference with export of logs from Oregon, Washington and California is not a solution for several reasons:

1. Log costs are not pushing lumber and plywood prices upward in this period of high housing demand.

2. A log export ban would not increase lumber availability and decrease price, and probably would have the opposite effect.

3. Much of the nation's forest resource is underutilized, and additional, rather than restricted markets, provide incentive for better utilization.

4. Log exports thus have served to increase the domestic product supply, not decrease it.

5. The log export trade is important to a favorable U.S. trade balance, both with Japan and with Canada.

Thank you.

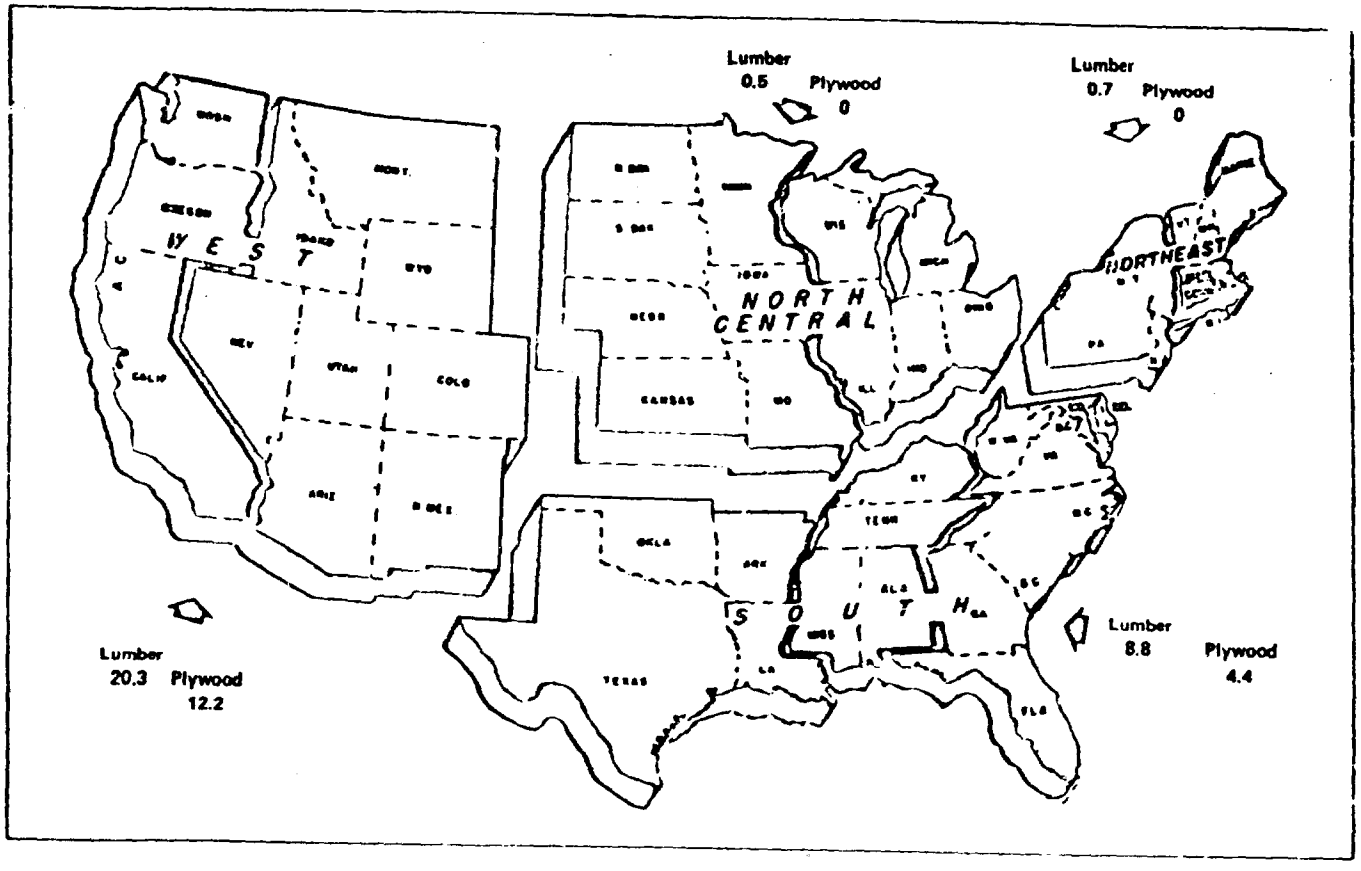
APPENDIX A

INTRODUCTION

The following is information on the current status of lumber and plywood production versus capacity in four regions of the U. S. The levels of production shown in the following chart by U. S. census region explains our concentration on the West and South.

The information on the Northwest, Inland, California, and Southern regions is self explanatory. The closing recommendations represent what we believe to be realistic actions that can be taken immediately to lessen some of the short-term pressure for wood products.

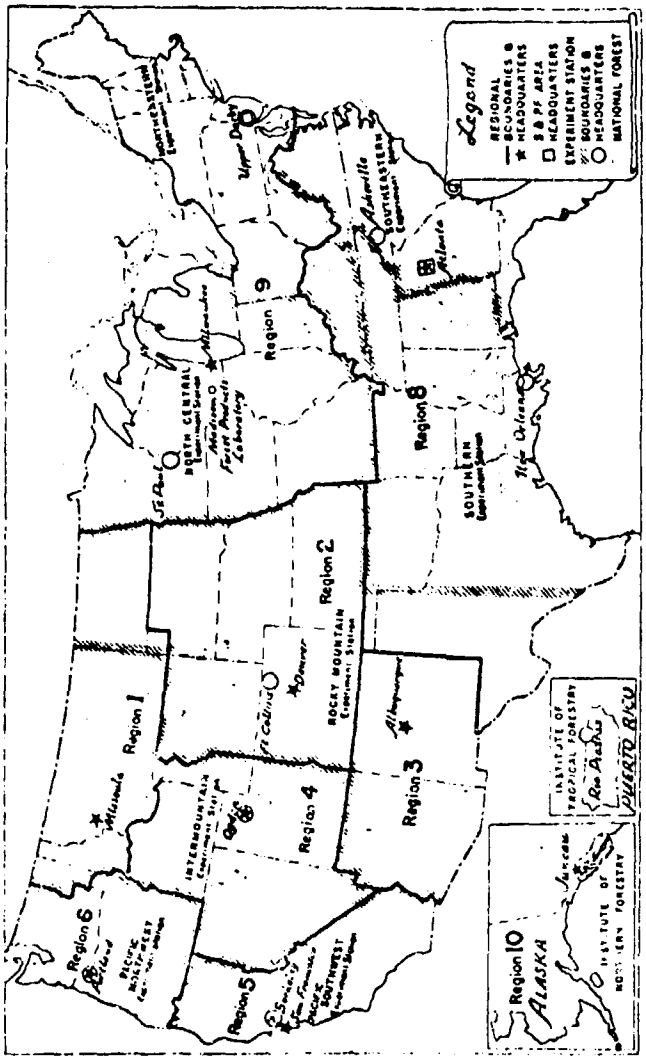
1971 SOFTWOOD LUMBER & PLYWOOD PRODUCTION
(Billion BF)



(U.S. Census Regions)

2.

ADMINISTRATIVE REGIONS AND EXPERIMENT STATIONS



3.

94-218 O - 73 - 28

WASHINGTON - OREGON REGION

SUMMARY

The Washington-Oregon Region offers some opportunity for production increases in lumber and plywood.

CURRENT PRODUCTION

Lumber - Production for the first eight weeks of 1973 has peaked out at about 84 MMBF per week, up from the seasonal/holiday periods.

Plywood - Current plywood production in Washington and Oregon is estimated at 232.3 MMSF per week with a capacity of 229.1 MMBF indicating a production rate of 101%.

OWNERSHIP

In the Washington-Oregion Region federal timber represents 49.5% of the ownership, with industry 21.7% and small private 17.3%.

U. S. FOREST SERVICE - SALE ACCOMPLISHMENTS

The U. S. Forest Service Region 6 is the principal region for both Washington and Oregon. The 1971 fiscal year allowable cut for Region 6 was 4,390 MMBF and the actual sold was 4,770 MMBF. The estimated sell for FY 1972 is 5,210 MMBF.

GENERAL

The Washington-Oregon Region is generally operating at near-capacity levels. During 1972, when U. S. housing starts increased by more than 60% over 1970 levels, Oregon and Washington lumber production increased by 1.7 billion board feet and plywood production by more than 500 million square feet. Raw material supply has generally not been a limiting factor in achieving capacity production in this region; Washington and Oregon mills currently have about 2.8 years' federal allowable cut under contract.

Despite the generally adequate log supply in this region, there have been some local shortages of specific log grades and species that are limiting the ability of some mills to operate at full capacity. Recognizing this situation, Weyerhaeuser Company last week announced two specific steps that would be taken to alleviate localized log shortages.

In order to insure an adequate supply of cedar logs to state of Washington lumber, shingle and shake mills, the company will give a first refusal

option at domestic prices to any cedar produced from our lands that is not needed in our own manufacturing plants. At the same time, we will revise our logging plans to increase the availability of cedar, which makes up only 6.4% of the standing inventory in Washington's commercial forestlands.

In Western Oregon, some mills are having short-term log supply problems, primarily due to the inability to reach high elevation national forest timber during the winter. To alleviate this temporary log shortage, Weyerhaeuser Company is making 50 million board feet of low-lying timber available in areas that are roaded and ready to harvest. We will require that mills buying this timber log it within the calendar year to help relieve the overall lumber and plywood supply situation.

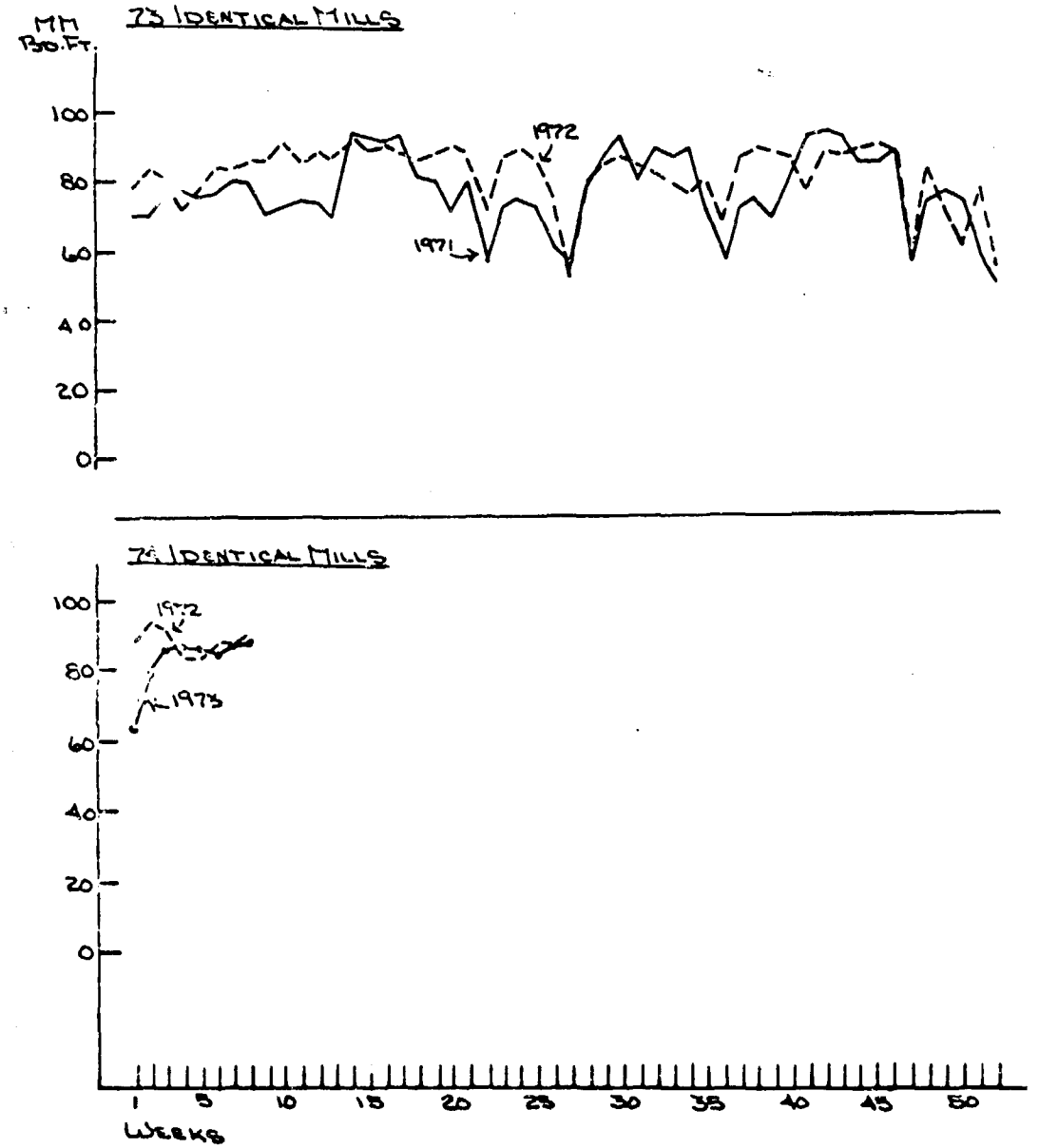
In response to this announcement, we have received many inquiries and our log marketing managers are now taking steps to accommodate these requests, insuring that any volume provided will be processed quickly for the domestic market.

PROBLEM AREAS

1. Need some additional low elevation sales in Willamette Valley area or Oregon and northern (Mt. Baker) area of Washington.

2. Indications that rail car shortage will become a serious bottleneck to not only product flow but some flow of raw material such as green veneer to plywood layup mills.

SOFTWOOD LUMBER PRODUCTION
W.W.P.A. - COAST REGION



6.

Region	Allowable Cut	Actual Cut FY 71	Estimated Cut FY 72
I	1,671 MMBF	1,186 MMBF	1,136 MMBF
II	595 MMBF	234 MMBF	315 MMBF
III	409 MMBF	316 MMBF	380 MMBF
IV	740 MMBF	471 MMBF	428 MMBF

GENERAL COMMENTS

Many operators who are currently running on a normal seasonal one-shift basis would expand production to a two-shift basis if they are reasonably assured of additional timber harvest being available this spring, as soon as road conditions allow entry to the woods. However, they don't want to risk laying off employees in the spring when their log decks run out, unless they can obtain and process timber quickly. They specifically indicated additional needs above scheduled cuts as follows to get to two-shift capacity:

REGION	FOREST	ADDITIONAL MMBF NEEDED THIS YEAR
I	Beaverhead	20 MMBF
	Bitterroot	30 MMBF
	Gallatin	20 MMBF
	Lolo	100 MMBF
II	Big Horn	20 MMBF
	Black Hills	50 MMBF
	Grand Mesa - Uncompahgre	20 MMBF
	Gunnison	20 MMBF
	Medicine Bow	30 MMBF
	Rio Grande	30 MMBF
	Rooseveldt	10 MMBF
	Routt	30 MMBF
	San Juan	100 MMBF
	Shoshone	5 MMBF
	White River	15 MMBF

IV	Ashley	5 MMBF
	Boise	45 MMBF
	Challis	5 MMBF
	Dixie	15 MMBF
	Payette	30 MMBF
	Salmon	10 MMBF
	Sawtooth	5 MMBF
	Targhee	20 MMBF
	Teton	20 MMBF
	Wasatch	20 MMBF

Additional delays in sales this spring will be caused by lack of personnel and financing to prepare new environmental impact statements.

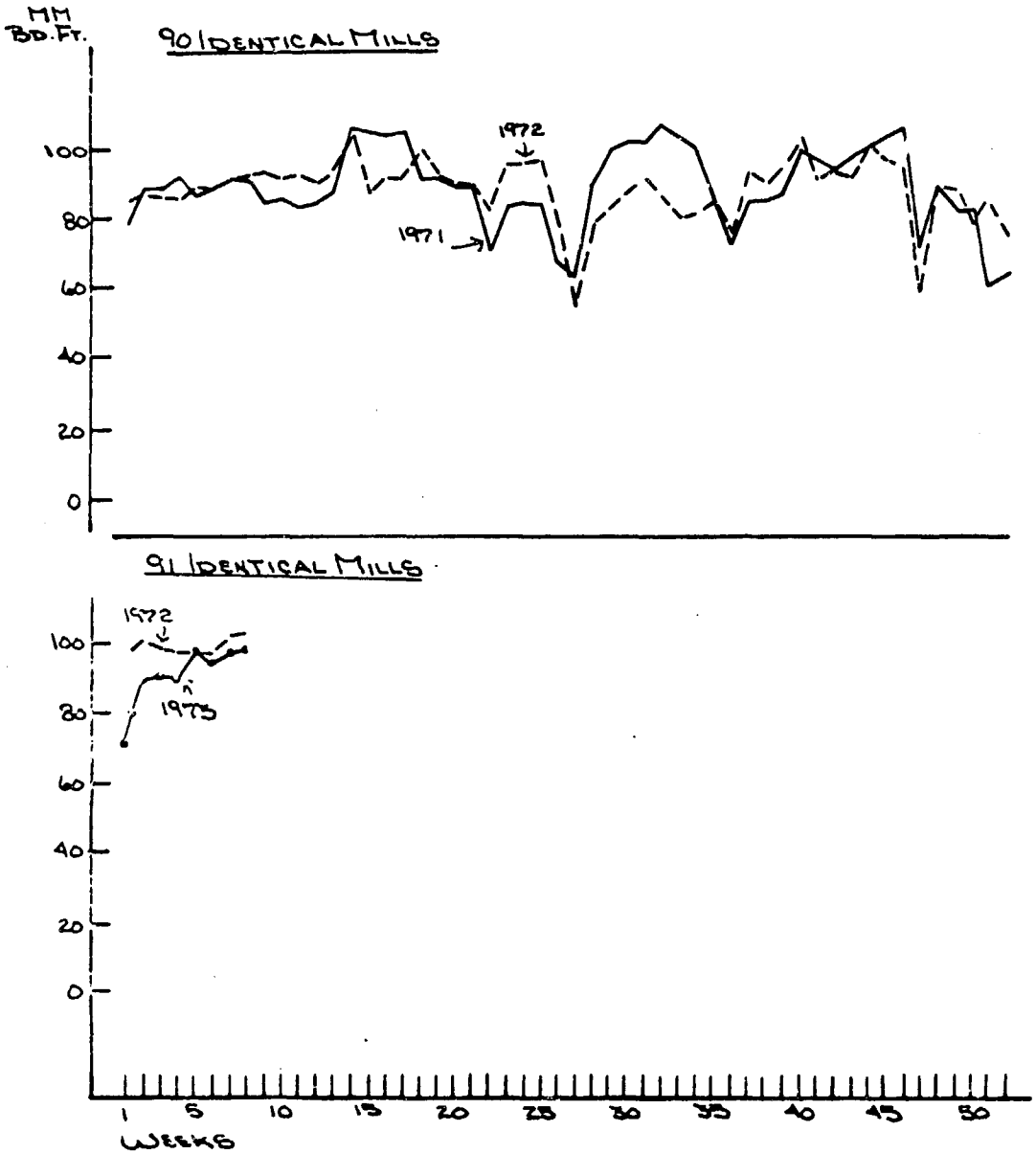
PROBLEM AREAS

1. Continuing trend of actual cuts being less than financed to cut and allowable cuts.

2. Proposed cutbacks in authorized road construction funds and engineering personnel.

3. Lack of direct funding or personnel to perform environmental statement requirements.

SOFTWOOD LUMBER PRODUCTION
W.W.P.A.- INLAND REGION



CALIFORNIA REGION

SUMMARY

The California Region offers the second best short-term opportunity for production increases in lumber and plywood.

CURRENT PRODUCTION

Lumber - It is impossible to identify the current actual production level in California as there is no single reporting agency. A survey of three associations with members in California indicate that there is at least $15%-20% additional production available.

Plywood - Current plywood production in the California Region is estimated at 18.6 MMBF per week with a capacity of 23.6 MMBF indicating a production rate of 74.9%.

OWNERSHIP

In the California area 52% of all timber ownership is in the federal category with 15.8% industry and 31.8% small private holdings. Thus, the greatest opportunity for change in supply exists with the federal agencies.

U.S. FOREST SERVICE - SALE ACCOMPLISHMENTS

The California Region is served by the U. S. Forest Service Region 5. The allowable cut for Region 5 is 1,949 MMBF. The actual cut in FY 1971 was 1,757 MMBF, and the estimated cut in FY 72 is 1,892 MMBF.

GENERAL COMMENTS

It is estimated that on a monthly basis the current cut is approximately 178.5 MMBF in 16 member firms representing 44 plants. These firms could take another 36.1 MMBF footage per month, or an increase of 20.2% in the log supply.

Specific forests indicated that could provide added volume are as follows:

Forest	Additional MMBF/Month Needed
Klamath	9.0
Shasta Trinity	6.2
Six Rivers	5.7
Tahoe	4.2
Mendocino	3.8
Lassen	2.5
Plumas	1.9
Sequoia	1.7

Forest	Additional MMBF/Month Needed
Sierra	.8
El Dorado	.5

This survey of major plants in California did not indicate any closures due to log supply at this time. However, it is expected that within this month, if no additional logs are available, that one member with four plants, in the Plumas-Tahoe forest area, will close as will one plant in the Klamath forest area. It is probable that some smaller mills, not contacted, might be closed now.

PROBLEM AREAS

1. Although actual cuts are comparable to allowable cuts, additional federal timber could be processed in the California Region.

2. Again, it is reported that some programs for next summer will not be available due to lack of funds and personnel to process required environmental impact statements.

SOUTHERN REGION

SUMMARY

No significant short-term opportunities for production increases exist in this region.

CURRENT PRODUCTION

Lumber - Current lumber production in the Southern Region (seasonally adjusted) is estimated at 35 MMBF per week against a capacity of 35 MMBF equaling a 100% production rate. (See chart page.)

Plywood - The current plywood production in the Southern Region is estimated at 114.1 MMBF per week against an installed capacity of 103.5 MMSF or current production rate of 110.2%.

OWNERSHIP

In the Southern Region federal timber ownership only represents 7.4% of total ownership with industry owning 18.3% and small private ownerships - 72.4%. This means that there is little that federal agencies can do to improve the situation in the South.

U. S. FOREST SERVICE - SALE ACCOMPLISHMENTS

The U.S. Forest Service Region 8 is the principal region for the southern area. The 1971 fiscal year allowable cut for Region 8 was 659 MMBF, and the actual sold was 575 MMBF. In the 1972 fiscal year the allowable cut was 1,156 MMBF, and the estimated sold is 1,050 MMBF.

GENERAL

The production versus capacity figures indicate that no major problems in production exist in the South. There are some spotty cases of log shortages, but they are all due to weather problems. In the North Carolina area a year and a half of bad weather has made the log flow problem critical, but not enough to affect capacity production except in remote areas. In the Miss./Ala. and the Dierks area, the same statement applies (any problems are strictly due to weather). A substantial problem in pulp wood supply exists in the Miss./Ala. Region, but this is due predominantly to weather and the small "mom and pop operations" that supply this pulp wood.

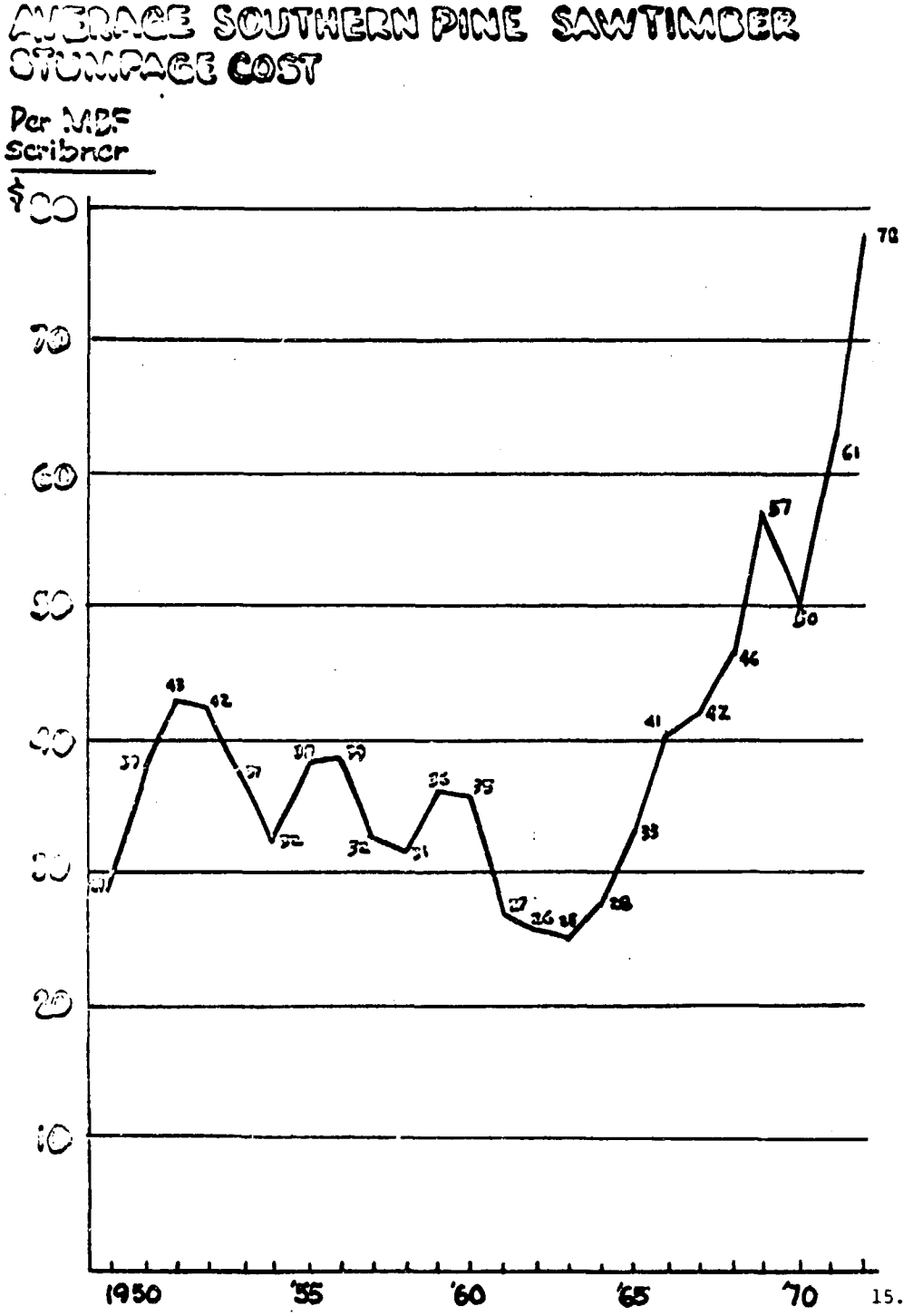
PROBLEM AREAS

No significant problems exist in the Southern Region.

STUMPAGE PRICES

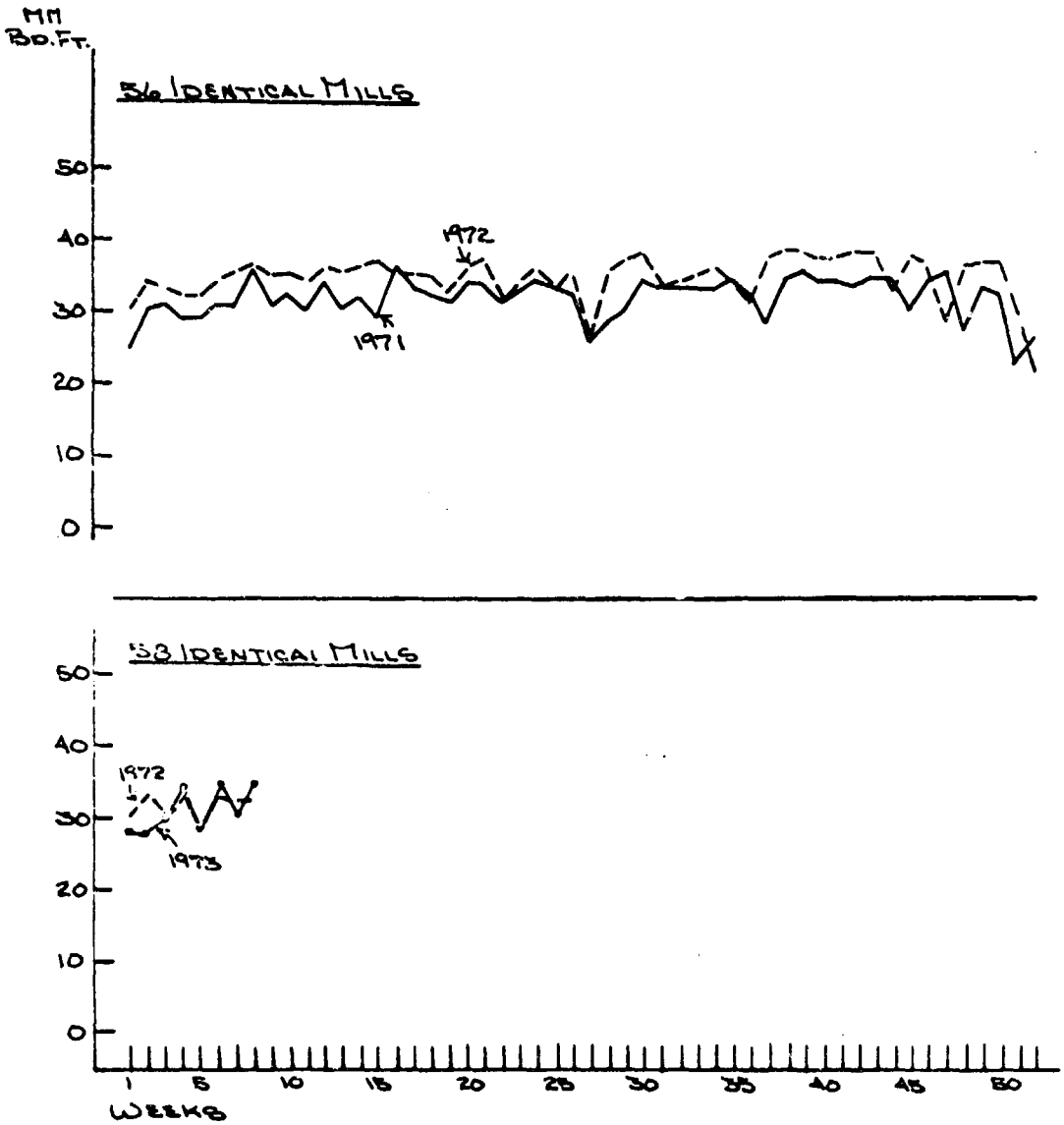
The following chart shows the average Southern pine stumpage costs from 1950 through the end of 1972.

The rising prices of stumpage in a region that has no exports of logs reinforce the point that stumpage prices react to supply and demand relationships that are directly tied to housing start levels, and not export sales of raw material.


AVERAGE SOUTHERN PINE SAWTIMBER
STUMPAGE COST
Per MBF
Scribner
$80
70
60
50
40
30
20
10
1950
'55
'60
'65
'70

15.

SOFTWOOD LUMBER PRODUCTION
SOUTHERN PINE REGION



RECOMMENDATIONS TO INCREASE THE VOLUME OF NATIONAL FOREST TIMBER ON THE MARKET IN 1973

The current strong demand for lumber and plywood is taxing the ability of the industry's production facilities to maintain an adequate flow of products into the market, which in turn is generating a strong upward pull on prices. Additional production is possible in some regions through the addition of second shifts and overtime if the industry becomes confident that an additional supply of logs would be available this spring. The following recommendations are offered as positive steps that the Forest Service and Bureau of Land Management could take to demonstrate to the industry that the Administration recognizes the urgency of the situation. They are not long-term solutions but actions that will offer immediate actual and psychological relief to the problems at hand.

1. Environmental Impact Statements - Many Western Forests report that preparation of NEPA statements will be a major cause of delay in the ability to offer timber sales this spring. There appears to be much internal lack of coordination among the functional divisions in the various National Forest headquarters regarding the timely preparation of NEPA statements in a manner that will assure that the financed sell volume is actually offered.

   It would be helpful if the industry knew that the Administration was assigning the highest priority to preparation of NEPA statements in Regions where timber sales are needed to alleviate log shortages. Regions One, Two, Four and Five would benefit most from this effort, and to a lesser degree Regions Three and Six.

   This situation is serious enough to suggest that the Secretary of Agriculture direct the Chief of the Forest Service to insure that the Forest Service is not over-reacting to NEPA statement requirements. The Forest Service should do what is needed, by Region, to relax NEPA statement requirements in order to make planned harvest volumes available, even at the risk of incurring court action by environmental groups. We recommend that the Forest Service establish a traveling task force to insure NEPA statement preparation is coordinated from the individual National Forests to the Washington Office and CEQ. It is essential that the Forest Supervisor's staffs understand the urgency of insuring timely preparation of the NEPA statements.

2. Road Construction - We recommend that steps be taken immediately to insure that construction funds are spent to finance new construction of relatively low cost per mile access roads, rather than reconstruction of existing roads or development of more costly forest highways. If possible, an adequate share of the money should be spent on contract or in service engineering of roads to be built by Federal timber purchasers in conjunction with planned timber sales.

   An additional opportunity to accelerate access construction can be obtained by placing priority emphasis on cooperator construction in cost share agreement areas where private and Federal lands are intermingled. In most cases the private cooperator will be more than willing to perform the actual construction if the necessary NEPA statements and easements are expedited by the Forest Service.

   Again, a task force could help realize the opportunity that exists here; at a minimum the individual Forests should place priority on the task and insure that road construction plans identify all opportunities where cooperator construction could provide quick access to National Forest timber.

3. Timber Sales Administration - Perhaps the most important thing the Administration could do to provide a psychological uplift to Federal timber purchasers, would be to insure that the Forest Service and BLM will strive to meet their allowable cut commitments in 1973. Despite cuts in funding and manpower limitations, it would be very helpful if the Federal agencies displayed an attitude of doing everything they can with the resources they have, rather than evidence a negative, defeatist attitude. The Secretaries should get a commitment from all Western Regions that they will respond to the nation's need for wood.

   Among the short-term measures the Regions should take would be a determined effort to move FY1974 sales into the first half of the year, streamlined sale preparation measures wherever Federal timber is sold on a log scale basis, and monthly tracking of log supplies at the mills to know where emphasis should be placed on making more sales available. In the Western states it would also be helpful if the Forest Supervisors encouraged their timber purchasers to perform snow removal and road maintenance in order to start operating sales under contract as early as possible. Purchasers are sometimes prevented from getting an early start on spring sales due to the conservatism of some local administrators who object to the increased road maintenance made necessary by early spring operation.

4. Manpower Allocation - Manpower ceilings have placed both a real and imagined burden on the National Forest in accomplishing all of their multiple use goals. In response to the need for increased log supply in some Regions, it would be desirable if the Regional Forester and Forest Supervisors could reassign their professional staffs to give attention to priority problems. Such tasks as NEPA statement preparation, timber sale preparation, and right-of-way administration must receive emphasis if the allowable cut goals are to be achieved. Undoubtedly, there will be some defensiveness if people are reassigned from other projects, but strong leadership by the Regional Foresters and Forest Supervisors could accomplish much in the short-term. There should be no need to neglect other multiple use goals if the task is approached with a positive attitude.

5. Price Controls - In addition to increasing raw material availability, the government must administer its price and margin control program to permit mill operators to make a reasonable return on the increased production. This means that price and margin controls should not be maintained at levels which will result in a disincentive to increase production.

APPENDIX B

SUBSTITUTION REGULATIONS

In passing the Foreign Assistance Act of 1968 (P.L. 90-554), Congress gave the Secretaries of Agriculture and Interior the authority to make rules and regulations to prevent the substitution of Federal timber restricted from export for exported non-Federal timber. This authority was granted to insure that the intent of the Morse Amendment was accomplished and to allay the fears of some in the industry who saw substitution as a potential threat in the competition for Federal timber.

Subsequent to the passage of the Act, several of the western industry associations met to develop a substitution rule proposal. Such a proposal was endorsed by the five major associations, representing the majority of the companies in the industry, in February of 1969 and forwarded to the Chief of the Forest Service and the Director of the Bureau of Land Management.

In mid-1969, the Forest Service and BLM developed a plan to regulate substitution that was submitted as a proposal but never fully implemented, due to a rapidly falling lumber market. Concern over substitution as an issue was reduced because a number of West Coast firms became active log exporters during the depressed domestic market.

With the strong market of late 1972 and the resulting increased competition for Federal stumpage, substitution fears were again raised and the industry associations again attempted to develop substitution rules; however, there is a wide diversity of opinion within the industry over the application of any substitution provision. Consequently, no consensus industry position is ever likely to be reached.

Most firms agree with the basic objective of preventing substitution, but rigid or poorly developed rules are likely to upset the complex balance of local timber supply, log distribution, and utilization to the point where the flow of logs needed for domestic processing is restricted rather than improved. This is due to the fact that firms engaged in the log export trade buy, sell and trade substantial volumes of logs with domestic mills; in this manner, domestic mills receive part of their raw material supply and dispose of logs that are unsuited to their manufacturing needs. Most companies within the industry recognize that this practice is beneficial to domestic timber supply because the utilization of the entire timber harvest is optimized through the distribution of specific log types to specific mills and markets.

94-218 O - 73 - 29

In order to maintain this balance of log distribution without upsetting domestic raw material supply, it is essential that workable substitution rules take into account such factors as historical and geographic purchase patterns, utilization of low-value pulp logs, and species that are not fully utilized in the domestic economy. The importance of these factors to total timber supply has been recognized in earlier substitution rule proposals such as that developed by several industry associations in February 1969 (Attachment 1) and that developed by the Forest Service and Bureau of Land Management in August 1969 (Attachment 2).

Weyerhaeuser Company supports any effort to regulate substitution that takes into account the need to buy, sell and exchange log types between companies to fully utilize the entire volume of timber harvested from the nation's commercial forest lands, both public and private. Contrary to the allegations that some have made, our Company has not increased its purchase of Federal timber since we have been engaged in the log export trade. The volume of domestic log and timber sales that we have provided from our fee ownership in Washington and Oregon far exceeds our stumpage purchases. No one can reasonably claim that our Company has substituted Federal timber for exported private timber.

Recognizing that substitution is possible unless regulated, we do not oppose the adoption of workable substitution rules. However, we do feel that such rules must take into account the factors outlined earlier and should maintain the continuation of buying practices of Federal timber by market area that were in existence at the time the Morse Amendment was enacted.

ATTACHMENT 1

(COPY)

February 1, 1969

Mr. Edward P. Cliff
Chief
Forest Service
U. S. Department of Agriculture
Washington, D.C.

Mr. Boyd L. Rasmussen
Director
Bureau of Land Management
U. S. Department of the Interior
Washington, D.C.

Gentlemen:

Representatives of the undersigned forest products industry associations met in Portland, Oregon December 20, 1968 and January 9, 1969 to discuss the log export provisions (Sec. 401) of the Foreign Assistance Act of 1968 (P.L. 90-554) and agreed to the following:

The purpose of the Act is to assure that Federal timber is available to domestic wood-product manufacturers dependent on Federal forest resources.

To accomplish this purpose, the Act limits the volume of Federal timber sold annually which may be exported.

Substitution of logs produced from Federal lands for exported non-Federal timber should not be permitted to negate the purpose of the Act. We propose that regulations concerning substitutions should be implemented promptly. The regulations should state that for purposes of the regulations a timber purchaser and exporter is any person, firm, corporation or other entity which directly or indirectly buys and exports timber or substitutes Federal timber for timber exported.

The substitution regulations should <u>not</u> have proscriptive effect on any purchaser because he:

(1) exports species, grades or types of logs from any ownership source when such logs are not readily or economically converted or marketed within a 100 mile radius of their point of origin.

(2) exports a species, grade or type of log originating from non-Federal land within a 100 mile radius of his own processing facility so long as he does not substitute therefor for processing in his own facility logs of substantially similar description originating from Federal lands.

(3) exports logs originating on non-Federal lands so long as he does not, within a 100 mile radius of his own facility, increase purchases of logs from Federal lands during the three Calendar Years 1969-1971 to more than three times the average annual volume purchased by him or his predecessors in interest in the five Calendar Years 1964-1968, for the purpose of processing them in his own facility while sustaining his 1966-1967 average annual volume of logs being exported from within the same radius.

(4) until November 15, 1969, exports volumes of timber bought under Federal contracts entered into prior to January 1, 1969 and which volumes are required to fulfill export contracts entered into prior to October 8, 1968. Thereafter, such volumes shall be subject to other provisions of the regulations.

(5) substitutes Federal timber for non-Federal timber originating on any land in the State of Washington so long as no limitations are imposed by law on the export of timber from lands administered by the State of Washington.

The substitution regulations shall provide:

(a) That violations shall be subject to penalties limiting the right to purchase or bid on Federal timber; such limitations shall relate only within specified areas and only for specific time periods.

(b) Determinations of violations shall be promptly made in accordance with the principles of the Administrative Procedures Act.

(c) Bidders for Federal timber offerings should be required to self-certify in advance of bidding that they are qualified under the substitution regulations to purchase said offerings.

Explanation

The purpose of (2) and (3) is to permit the continuance of the export of private timber in accordance with practices established prior to the Secretary of Agriculture's "determination" of last April, if such exporters do not increase their purchases of Federal timber other than as provided under (1) above. Any increased need for timber in the plants of such purchasers would have to be met by a corresponding decrease in exports from that area by the purchaser if he is to remain eligible for purchases of Federal timber. This export of private timber is somewhat analogous to the limited export of Federal timber that will continue under the law.

The purpose of (4) is to grant purchasers of unregulated Federal timber some time in which to adjust their operations if they had entered into export contracts prior to the enactment of P.L. 90-554.

The State and the Bureau of Indian Affairs sells large amounts of timber annually in Washington. The annual allowable cut for the State lands is 774 million board

feet and for Indian lands is 470 million board feet. Much of this timber is bought in competitive bidding by operators who also process Federal timber. Because there are no restrictions on the export of this State and Indian timber, the plant operators must bid export prices and export some of this timber if they are to continue. They cannot operate wholly on Federal timber. A prohibition on the purchase of Federal timber by firms that export some State or Indian timber could cause substantial dislocations of past production patterns. Some private timber has been sold by competitive bid in the State of Washington under conditions similar to those described for the State and Indian timber. Under these circumstances, (5) provides that substitution regulations should not apply to timber bought in the State of Washington.

The industry is anxious to continue to assist the Federal agencies to carry out the provisions of the Act.

Respectfully submitted,

AMERICAN PLYWOOD ASSOCIATION

INDUSTRIAL FORESTRY ASSOCIATION

NATIONAL FOREST PRODUCTS ASSOCIATION

~~NORTH-WEST-TIMBER-ASSOCIATION~~

(1) ~~WESTERN-FOREST-INDUSTRIES-ASSOCIATION~~

WESTERN LUMBER MANUFACTURERS, INC.

WESTERN WOOD PRODUCTS ASSOCIATION

ej

(1) Two associations declined to sign this proposal.

ATTACHMENT 2

(COPY)

August 1, 1969

PROPOSED PLAN

TO PREVENT PURCHASE OF

NATIONAL FOREST TIMBER OR BUREAU OF LAND MANAGEMENT TIMBER

IN SUBSTITUTION FOR EXPORTED NONFEDERAL TIMBER

(Proposed by Forest Service, Department of Agriculture, and Bureau of Land Management, Department of the Interior)

Introduction.

The Act of April 12, 1926 (44 Stat. 242) as amended by Part IV of the Foreign Assistance Act of October 8, 1968 (82 Stat. 960) limits the amount of unprocessed timber which may be sold for export from the United States from Federal lands located west of the 100th Meridian to not more than 350 million board feet for each calendar year, 1969 through 1971, inclusive. The Act also provides that specific quantities and species of unprocessed timber determined after public hearing to be surplus to the needs of domestic users may be designated as available for export. Sales having an appraised value of less than $2,000 may be exempt from the Act. Section 2 (c) of the Act provides that "The Secretaries of the Departments administering lands...may issue rules and regulations...including the prevention of substitution of timber restricted from export by this section for exported nonfederal timber."

While the Act is applicable to calendar years 1969, 1970, and 1971, terms of National Forest and Bureau of Land Management sale contracts made pursuant to the Act will endure for the life of such contracts. For example, a sale made in the last year of the Act under a contract limiting export of the included timber would restrict the purchaser after the Act has expired.

Rules and regulations implementing the mandatory restrictions on exports were issued effective January 1, 1969. The current plan outlines proposals for implementing the anti-substitution feature of the Act covering timber sold from lands respectively administered by the Forest Service, Department of Agriculture, and the Bureau of Land Management, Department of the Interior.

The proposals have been jointly prepared by the two agencies after receipt of suggestions from spokesmen for interested parties. This plan is being made available to interested parties for study; after an appropriate period of public notice, an advisory public hearing will be held jointly by the

two agencies for the purpose of receiving amendatory suggestions. The hearing will be held at Portland, Oregon, possibly during 1969. Following the hearing, the two agencies will review the proposed plan and prepare supporting regulations, taking into account the hearing record.

Purpose:

By enacting Part IV of the Foreign Assistance Act of 1968, Congress established a public policy that for the years 1969, 1970, and 1971, not more than 350 million board feet of unprocessed timber per year may be sold for export from the United States from Federal lands located west of the 100th Meridian. The purpose of this plan and of the regulations necessary to give it effect is to prevent insofar as practical and within the limits of reasonable administration the purchase of timber from Federal lands administered by the Forest Service and the Bureau of Land Management west of the 100th Meridian for manufacture in substitution for nonfederal timber that has been exported from the United States, thus frustrating the intent of Congress.

The Plan.

Timber sales with an appraised value of less than $2,000 are excluded from the provisions of this plan.

Timber sales with an appraised value of $2,000 or more will be offered under established procedures of the two agencies, including the restriction on export of unprocessed timber under the Act. Contracts for such sales will be one of three kinds: (1) The entire sale volume may be restricted from export; (2) A portion of the volume may be restricted from export; (3) The entire volume may be exported.

Sales of the third type (entirely exportable) will be offered without invoking the provisions of this plan to prevent substitution.

Sales of the other two types (where all or a portion of the volume may not be exported) will be offered under contract terms in accord with this "anti-substitution plan." For such sales, the high bidder will be required to file a signed "Bidder's Statement" setting forth why, under the rules, he is not proposing to use the restricted timber in the Federal sale as a substitute for exported nonfederal timber.

The "Bidder's Statement" must accompany his bid if the timber is sold under sealed bids. If the timber is sold under oral auction, the bidder's statement must be filed with the agency at the time the high bidder confirms his bid. A "Bidder's Statement" will not be available for public inspection, on the grounds that it may contain information confidential to the bidder's business.

3.

The "Bidder's Statement" must contain clearly stated, accurate information regarding the bidder's export activities during a 12-month period preceding bid date but not prior to January 1, 1969. The bidder must account for all export, directly or indirectly engaged in during the period, using log scale volume units identical or equivalent to the log scale volume units used in the Federal sale. The bidder's statement will show the total volume exported, segregated by:

(1) Ownership class origin--i.e., private, Forest Service, BLM Indian, State, County, City, etc.

(2) Geographic origin--i.e., township, range, and section, plus the name of the State and County.

(3) Dates of log sales to exporters.

(4) Delivery points to exporters.

Eligibility To Purchase.

To be eligible to purchase Federal timber, the bidder must accompany his "Bidder's Statement" with a "Self-Certification Statement" that his eligibility is based on one of the three conditions, as follows:

1. Elapsed Time. No timber has been exported or sold for export since January 1, 1969, or within twelve months prior to the bid date, whichever is the lesser.

2. Ownership Origin. The exported timber originated on one or more of the following categories of land ownership:

   Allotted or tribal Indian lands.
   State of Washington lands.
   Other nonfederal public lands held by local government from which timber is offered to the public by competitive sale.
   Forest Service and Bureau of Land Management lands.

3. Locality. The exported timber originated one hundred or more airline miles away from the appraisal point (utilization center) of the Federal sale and such timber was not transported within twenty-five ground measured miles of such point or center (the distance determined over existing transportation facilities suitable for log transportation).

Exporting During A Sale. The contract which the high bidder executes will contain the following clause (expressed in terms consistent with contract forms used by the agencies):

4.

"The purchaser shall not substitute timber restricted herein from export for nonfederal timber exported during the period of this contract by the purchaser, purchaser's employees, agents, contractors, or by the purchaser's log buyers, exchangees, or recipients of logs derived from this sale.

"Before the purchaser directly or indirectly exports nonfederal timber, the purchaser shall notify the agency in writing of purchaser's plans to export, requesting the agency for a determination as to whether such exporting would be substitution according to the agency rules under which the sale was awarded to the purchaser.

"Upon request, the purchaser shall provide the agency with certified statements containing information needed to support the purchaser's compliance with the above prohibition of substitution of restricted timber covered by this contract for exported nonfederal timber."

Complaints and Penalties.

In the event the high bidder is challenged by a bidding competitor on his eligibility to purchase Federal timber under this nonsubstitution plan, the complainant shall furnish to the agency within five business days of the bidding date a written statement containing his grounds for complaint. Such evidence along with the identity of the complainant will be promptly made available to the high bidder. If the agency, after reviewing the complaint, finds that the high bidder's purchase of the sale would not constitute substitution, the agency will proceed to award the contract. If the agency is able to verify that award of the sale to the high bidder would constitute substitution, the agency will proceed under appropriate rules of permitting offer of the sale to the next highest qualified bidder. Either step will constitute the final administrative action. If the next highest bidder declines to purchase the sale at the highest bid, the sale may be readvertised under normal procedure.

Complaints of substitution during the life of the contract will be investigated where firm evidence is furnished in writing by a complainant. Complaints not supported by substantial evidence will be disregarded. Evidence the complainant furnishes, along with his identity, will be made available promptly to the purchaser.

Purchasers who are found to have breached the terms of their contracts may be suspended or debarred from further Federal timber sales for periods up to one year. Where appropriate, contracts that are breached may be

5.

terminated. Bidders, purchasers, purchaser's log buyers, exchangees, or recipients of logs who are found to have filed erroneous statements will be subject to the penalties set forth in 18 U.S.C. 1001.[1]

Agency Coordination.

To promote coordination between the Forest Service and the Bureau of Land Management, the two agencies will furnish each other with the names of bidders denied awards, or purchasers found in violation of the anti-substitution terms of contracts, and of individuals convicted for filing erroneous statements.

---

[1] Title 18 U.S.C. 1001 makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Legislative Intent.

The legislative history of the current limit on the export of logs from national forest, which appeared in the Congressional Record - Senate on page 245541, dated July 31, 1968, is perhaps the best solution we can hope for:

> "I want to make it clear that the substitution referred to is a reasonably direct one. So that if a company owns land in two localities and ships logs in export from holdings in one locality, there should be no resulting limit on that company's freedom to purchase public timber in the other locality. Further, the purpose of the amendment would not apply in the locality from which the logs were exported unless the company undertakes to substitute the same specie purchased in the same general area.
>
> This provision should not operate to keep a company that once exports logs from ever thereafter buying any public timber anywhere. The purpose should be to provide that an owner may not substitute in the same area and in the same time period public timber for his privately owned timber which he has sold for export."

APPENDIX C

RESULTS OF WEYERHAEUSER COMPANY OFFER OF LOGS TO COMPETITOR MILLS

During the past ten years, because of the increased economic yield of raw material per acre brought about by the utilization incentives of log and chip exports, Weyerhaeuser Company has been able to offer major volumes of logs and timber to its domestic competitors in the Pacific Northwest. It has become the largest private supplier of raw materials to the domestic industry, and these domestic sales have throughout the decade been greater than the Company's export log sales. Such domestic sales in Washington and Oregon in 1972 totaled 785 million board feet. This regular domestic sales program is continuing.

On February 27, 1973, the Company announced that it was willing to expand this sales program, to sell logs or timber at domestic prices to any other mills which were: (1) actually facing an immediate shortage of raw material; (2) oriented toward the domestic lumber and plywood markets; and (3) willing and able to process this material immediately into lumber or plywood for the domestic market. This offer is a temporary addition to the Company's regular log sale program.

Expressions of interest were received from 97 mills. Each response was investigated, and it was determined that 44 mills were within economic reach of our operating areas and qualified under the criteria established. Exactly half of these mills, 22, are Western red cedar processing mills, making either cedar lumber or shingles and shakes.

Deliveries have begun to the cedar mills, and are expected to average 500,000 cubic feet per month. Another 200,000 cubic feet of Douglas fir logs will be delivered within the next month to five sawmills in Washington, and 500,000 cubic feet of Douglas fir logs will be delivered to eight Western Oregon mills.

In addition, stumpage sales totaling more than 2 million cubic feet (approximately 10 million board feet) are being offered to four mills in the Coos Bay-Roseburg area of Western Oregon.

Log sales under this special program are expected to average approximately 6 million board feet per month, until the present housing demand peak passes. Deliveries will terminate when the purchaser's log inventory improves, or when the price of wood products declines.

Prices are determined weekly by end-product prices as carried in the market newsletter, "Random Lengths." Mill costs are deducted from this product price, and a 10% profit margin is calculated. End product price, minus cost and profit margin, thus equals the delivered price of the logs.

A copy of the statement issued by the Company on February 27 is attached.

PRESS CONFERENCE STATEMENT

We have a major problem in lumber and plywood pricing and availability today. Causing the problem is a shortage of manufacturing capacity to process available logs into building materials to feed the unprecedented United States home-building boom.

1972 housing starts were up more than 60% from 1970 levels. In the same period, Washington and Oregon production of lumber increased by more than 1.7 billion board feet, and plywood production by more than 500 million square feet. This regional increase, in percentage terms, was comparable to the national production increase. It was less than one-third of the percentage increase in housing demand. This country has been able to meet the demands of its present housing boom only through a 3-billion-board-foot increase in the volume of British Columbia and other Canadian lumber moving into the United States.

The mills in the two states generally have been, and are, running above their rated capacity today. And, contrary to much you hear about log shortages, raw material supply generally has not been a problem - the largest inventory of sold, but uncut, federal timber in history is available to mills in Washington and Oregon.

Raw material supply is not controlling lumber and plywood prices; numerous economic studies have pointed out conclusively that prices respond directly to domestic housing start levels, as matched against available domestic lumber and plywood manufacturing capacity.

That is the general picture. But - we are aware that the general picture may blur specific details. There are some local shortages in some log grades and species, and there are a few mills with raw material supply problems which are limiting their ability to produce at full capacity. As a result, we are expanding our regular log sales program, through which we sold 785 million board feet in Oregon and Washington to other domestic producers last year. In this additional sales program, we will require certification that the extra logs furnished will actually be used to increase short-term domestic lumber or plywood supply.

Within the context of this two-state program to address local problems, we are also addressing two specific concerns - Western red cedar, and Willamette Valley public timber supply.

Cedar is important to the region's homebuilders as well as to a segment of our industry. It presents a particular problem, because it is a minor species which comes up naturally as understory growth in stands of Douglas fir and hemlock. It makes up only 6.4% of the volume in Washington's commercial forest. It is not a major export species - only 3% of 1972 log exports were Western red cedar. It is heavily used domestically, however, for siding, soffits, decorative panels, and for shakes and shingles. A number of specialty mills, which buy logs rather than standing timber, account for a major share of the production of these items, some of which are now in short supply.

So, as of March 1, we will give the cedar lumber mills in our operating areas the right of first refusal, at prices relative to current domestic product prices, on cedar logs which we harvest that are surplus to our own manufacturing needs.

Because of cedar's minor role in exports, we do not believe that this action on our part will have any significant effect on log exporting, a trade which is a vital underpinning of both the Northwest's economy and of the nation's trade balance.

If response from the cedar mills is sufficient to indicate that cedar lumber production can be increased significantly, we will amend our own logging plans to increase the volume of cedar harvest, insofar as possible. However, because cedar is an occasional, understory species, it is unlikely that we can bring about any major change in supply through shifts in logging sites.

The second concern involves primarily Western Oregon mills. There, many high-elevation national forest lands still are snowed in, and some small mills seem to have real concern with short-term raw material supply.

We do have some low-lying timberlands, now free of snow, in the Western Oregon area, which already have been cruised and roaded in anticipation of our own next winter's harvest. We are today directing our people to make this timber, totaling approximately 50 million board feet, available to any mills which have real short-term problems with raw material supply. We will require that any mill buying this timber at the domestic price log it within this calendar year, and that it can be converted into building materials to serve the domestic market. We expect that, within the next few months, Forest Service timber will again be adequate in that part of the Northwest.

There must, in all of these activities, be a demonstration that the buyer's temporary need stems from actual unavailability of raw material.

These activities are in addition - and I must emphasize that - to our regular domestic log sales activities. The activities we are announcing today are a temporary addition to this regular domestic sales program.

We are, of course, the largest user of our own logs, and our Pacific Northwest production of building materials also is being increased. We increased our lumber production by 60 million board feet in Washington and Oregon last year, to reach a record of nearly 1.7 billion board feet, and we will increase that production by about another 70 million board feet this year. We added 67 million square feet to our plywood production in the two states last year, bringing our total production in he region to more than 800 million square feet, and we will maintain that full capacity production in 1973. Nationally, we have doubled our production of particleboard, have increased our lumber production by 20%, and our plywood production by nearly 30%, in the past two years.

We are attempting, through such capacity increases, to do our part in bringing demand and capacity more nearly into balance, to bring about domestic price stability.

It is only through such efforts to increase manufacturing capacity that stability will return.

Weyerhaeuser has an interest in almost every aspect of this present product demand crisis, and the export controversy that mistakenly has been generated by it. We are one of the nation's largest homebuilders. We are the nation's largest producer of lumber, and one of the larger plywood producers. We are the largest U.S. marketer of lumber - even though we supply only about one-twentieth of that market. And, we are one of the largest exporters of both raw materials and manufactured forest products.

The tremendous present homebuilding demand, pulling against inadequate available manufacturing capacity in the United States and Canada, has caused the market price increases. In general terms, raw material supply for mills is ample in the Northwest. But, to the extent that specific shortages exist, we can and will alleviate them to the best of our ability, through the actions we are announcing today.

Thank you.

APPENDIX D

I. LUMBER

A. What is a "normal" operating rate?

Generally, a normal operating rate is considered two eight-hour shifts per day, five days a week. Individual mills may run more or fewer shifts, depending on the unique characteristics of the mill such as the size of the mill and the number of machine and processing areas required to stack, dry, surface, and ship lumber. For example, let us say the headrig of a sawmill is running two shifts per day but the planers are running three shifts per day in order to keep up with the sawmill; adding a third shift to the sawmill would only result in a lumber build-up in front of the planer - thus the planer capacity becomes a constraint. In many of the major sawmills, the planers and/or dry kilns are the bottlenecks in the mill throughput.

B. What is "capacity" at any one point in time and what happens when capacity is exceeded?

With no constraint on log input, capacity is the operation of all of the different sawmill components at their maximum load, without creating bottleneck problems. It also is achieving maximum operating time within the week. Since the union contracts call for the two eight-hour shifts per day, five days per week as straight mandatory time, all other operating time is overtime and is strictly voluntary. Overtime production then is pretty much a function of whether the mill workers will accept it. If they are willing, it is possible to have longer weekday shifts and Saturday shifts.

In a sawmill, there is a great deal of timely preventative maintenance needed; thus, given a willing labor force, this is the next constraint that limits capacity (by limiting the number of operating hours in the week). The sawmilling industry is perhaps unique among the various processing industries in our economy. All pieces of sawmill equipment experience very high impact loading. At the same time, since the material flow is noncontinuous, there is a tremendous amount of stop/start inertia stress on the equipment. This means that a substantial amount of maintenance time is absolutely necessary. This maintenance time, of course, varies with the size, age and complexity of each mill.

94-218 O - 73 - 30

C. How long can "capacity" be sustained and what are some of the practical constraints?

The length of time sawmill capacity can continue will vary with the location of the mill, the seasons, the personnel, and the mill size and complexity.

The majority of the mills located in the Canadian and the U.S. Inland producing regions traditionally have 30% lower lumber production in the winter months (November through February) because of log availability constraints. Weather conditions limit logging and, at the same time, many of the smaller mills have insufficient working capital to carry large log inventories. Many of these mills operate on a one-shift basis through the winter months, spreading their inventory depletion, so that they will be in continuous operation and not have to shut down. The Southern Pine region does not experience this problem as greatly because of milder weather conditions. The Douglas fir region also does not experience this problem as greatly because of somewhat mild weather and also because its mills generally are large and have a much greater log inventorying capability.

Sawmill personnel will reject overtime after a period of time out of exhaustion. It is particularly difficult to schedule overtime production around holidays (Fourth of July, Labor Day, Christmas and New Year's) and in hunting and fishing season. Most personnel are just not willing to accept Saturday overtime on a continuing basis. In 1963 an IWA strike, which lasted several weeks, took place over management's attempt to have scheduled overtime. The union was adamant about keeping overtime strictly voluntary.

Continual overtime also results in low production efficiency which, in itself, is a constraint.

Finally, the sawmill equipment is difficult to maintain over long periods of continual operation. Not only do equipment breakdowns cause lost production time but they also create a safety problem. Running complex and expensive equipment at high speeds for extended periods often can create more problems than it solves.

II. PLYWOOD

A. What is a "normal" operating rate?

Normal operating rate is that rate at which all machine centers are operating on a "straight-time" basis, without overtime. This involves three eight-hour shifts, and a five-day work week.

Each mill has one or more machine centers that are the limiting factor on volume that can be produced. In most plywood plants, the veneer dryer is the limiting factor.

In most mills, the dryers are operated "overtime" on Saturday one or two shifts per week, even when the mill is on a straight-time basis.

B. What is "capacity" at any one point in time and what happens when "capacity" is exceeded?

"Capacity" is the operation of critical machine centers at maximum overtime. This is usually three shifts six to six-and-one-half days per week. One or two shifts are left open for maintenance.

If "capacity" is exceeded, there is no time for minimum preventative maintenance.

C. How long can "capacity" be sustained and what are some of the practical constraints?

The length of time that "capacity" can be sustained varies by mill and the time of year. We have found that we can sustain capacity for approximately three to four months.

Some practical constraints are:

1. People simply refuse to work every Saturday and Sunday, especially during the spring, summer vacation period and the fall hunting season. The result is heavy absenteeism, with slow-down and loss of efficiency. In many cases, we have found that after long periods of overtime, our actual production volume in six days is no greater than our normal five-day operation.

2. The mills literally fall apart due to lack of maintenance. We find that our machine center downtime increases at an alarming rate after sustained overtime operation.

Mr. COLE. We have Alec Jackson now.

Senator PACKWOOD. Could I ask some questions now, as we go?

Senator CRANSTON. Yes, sir.

Senator PACKWOOD. Mr. Bingham, as I understand from your statement, what you are saying is that although Washington is exporting the bulk of the logs the species that we are exporting are roughly the same type of species?

Mr. BINGHAM. The Japanese start, Senator, with a very strong preference for the whitewoods. About two-thirds or three-quarters of the total volume being exported is whitewood.

Senator PACKWOOD. Now, you are convinced that export has no significant effect on price?

Mr. BINGHAM. End product prices.

Senator PACKWOOD. Stumpage prices.

Mr. BINGHAM. No; that is a different question, Senator.

Yes, the price that is paid for stumpage will be affected in the export regions by the prices paid for export logs, but the price of lumber and plywood in this country is not driven by the price of raw material. The price of lumber and plywood is a function of the demand-pull against the supply.

Senator PACKWOOD. What you are saying then is, no matter what, the exporter has no effect on what we would pay for wood in this country?

Mr. BINGHAM. That is true.

Now, long-term, Senator, I suppose you could hypothesize the situation where you would get to a point where you might run against capacity constraints, you know, mills, and that long-term would affect the prices. But it is demand and supply.

Senator PACKWOOD. Well, it is an interesting theory.

You are saying in terms of availability on stumpage, supply and demand is irrelevant. This is not the fact that determines the price of lumber?

Mr. BINGHAM. That is true.

I think even Mr. McCracken of Western Forestry agrees with that.

Senator PACKWOOD. Mr. McCracken is here. He may have something to say a little later.

We went through this, Mr. Bingham, last year. You are entitled, as any company, to treat severed timber from a tax basis under capital gains, is that right?

Mr. BINGHAM. Yes.

Senator PACKWOOD. And the higher the sale price, the bigger the capital gain? The higher the sale price, the more profit you make?

You pay capital gains on the entire sale?

Mr. BINGHAM. The difference between the cost basis of the timber and the price at which it sells.

Senator PACKWOOD. Right.

So to the extent that anybody could dispute your statement—well, you did say that on stumpage export had a substantially different

effect on prices, and to the extent that your base is the same, no matter what price you sell it for, and to the extent that export requires stumpage prices to be higher. Weyerhauser stands to make more money in the export market if it is cut off.

Mr. BINGHAM. We pay more taxes.

The value of the timber is higher if you look at comparable timber sales used in valuing your timber. At the time you cut it, if that value is higher you pay more taxes.

Senator PACKWOOD. You also realize more profit?

Mr. BINGHAM. Yes.

You are paying a tax on the difference between the cost of the timber and the value at the time it is harvested.

Senator PACKWOOD. You are paying a capital gains tax.

Mr. BINGHAM. He was making the point, it isn't simply the owner of the timber who was getting the capital gain treatment at teh time it is harvested, but also a contract buyer of public timber also gets the same benefit if he holds it longer than 6 months.

Senator PACKWOOD. Lastly, can you explain the offer that has been alluded to?

What has Weyerhaeuser offered to do in terms of supply of timber in the mills?

Mr. BINGHAM. Senator, we looked at the total supply situation as it was reported by the associations in the end of the year, sometime in late January. It looked to us like the mills in the two States were operating by historic rates, at least, at very near or above capacity. The increase has been substantial in both States.

There was, however, persistent concern about whether there was enough raw material, and whether the mills could operate more.

We have always sold a lot of logs to the domestic industry in the two States, much more than we have exported, and therefore at the end of February we did say that if mills could identify their needs for logs, where we were producing logs, and if they could give us some kind of assurance that that additional log would get into production rather than into inventory, we would do everyhing we could to make more logs available to the mills near our tree farms.

We also said because of the very grave amount of concern over red cedar that we were going to divert all of our Western red cedar into the domestic market.

Since that time, we have had in response to that offer, and I think Senator Sparkman asked the question, about 90 mills in the two States who have responded. About 38 of those were Western red cedar mills. And we are daily delivering all of our red cedar to as many of those mills as we can reach.

We had another 20 who we really didn't think quite qualified. They were using it for their own purposes. The rest of them we are delivering logs to on a daily basis.

We did get inquiries from mills in response to a homebuilder's circular, as far away as Los Angeles, and we really couldn't help them much.

Senator PACKWOOD. So it is a reasonable condition you are not going to truck it down to Los Angeles?

Mr. BINGHAM. No; there is a limit on that.

Senator PACKWOOD. Right.

I have no other questions, Mr. Bingham.

Senator CRANSTON. Do you want to proceed?

Mr. COLE. Next we have Mr. Alec Jackson.

Mr. JACKSON. Mr. Chairman and members of the committee, I am Alec Jackson, a forester from Bellevue Wash. I appear today for the Washington Citizens for World Trade. This Washington citizens group is a coalition of organizations and individuals that has an interest in expanding our trade throughout the world. The issue before this committee today is of extreme interest to us.

In our group are many diverse interests, including the League of Women Voters, ports, business associations, education associations, agricultural associations, and several unions.

We oppose an embargo on the export of logs from our forests. The specific statements I will summarize are documented and sourced in our full statement for the record.

Let me summarize for you just one example of the direct effect of a ban on log exports on just one segment of our industry which is dependent on log exports. Such a ban would bring about a direct economic loss of $226 million to the 12 Washington port communities. This would be virtual economic disaster for those communities.

In terms of balance of payments, the United States simply does not have the lumber processing capacity; we have to import lumber from Canada to satisfy our housing needs, and the $392 million of log exports were a net contribution to the U.S. balance of payments.

Now let me get to the heart of the problem that is genuinely and understandably concerning this committee and the homebuilders.

Softwood lumber and plywood shortages and associated high prices are not due to an inadequate supply of softwood logs in the Pacific Northwest where log exports originate.

What then is the problem? The problem is simply that the demand for softwood lumber and plywood exceeds our ability to produce these products because we do not have sufficient installed capacity. There are some who claim that there is excess installed capacity in the

Pacific Northwest that cannot be used because of export-caused log shortages—physical or economic.

Let us review the facts:

To suggest, in the face of today's lumber and plywood prices, that producers cannot afford to purchase logs is an affront to the intelligence of the American consumer. The National Forest Products Association, American Plywood Association, Western Wood Products Association, and others who have been gathering production of data for years, all report record levels of production for 1972 and 1973.

The broadest based survey which supports the claim of unused capacity is one by the Portland Home Builders. In the sawmilling segment, 82 percent of the "claimed unused capacity" is not geographically related to log exports. If unused capacity does exist, then factors other than log exports are responsible. An independent survey of the lumber and plywood industry in Washington by the State Department of Natural Resources does not support the claim of meaningful unused capacity in our State.

One survey reports that a Twin Harbors' stud mill, an Everett lumber mill, and other Washington mills which process cull logs, are short of logs and thus not operating at capacity.

Since 1969, and we might add without success, the Washington State Department of Natural Resources has been willing to commit a minimum of 80 million cubic feet per year for 10 years, some 5 billion board feet, of such logs to the industry. It cannot be claimed that a shortage of such logs does exist.

In fact, the owner of one of the mills identified in the survey reported to us on March 22, 1973, had he had a year's inventory of logs. A large sawmill, a plywood plant, and several small sawmills are reported to have closed down because they could not obtain logs. The largest of these refused at least two offers to supply logs. Another offered for sale, some 3 days after closing, 3 million feet of logs. One actually closed down for plant modifications and is now operating again.

Clearly, a few genuine hardship cases have been blown out of proportion. When your staff has had an opportunity to assess the reliability of these various surveys and to track down and put in perspective some of these individual claims, you will find that difficulties in the lumber market are not attributable to log exports.

Thank you.

Senator CRANSTON. Thank you.

[The complete statement of Mr. Jackson follows:]

TESTIMONY OF
ALEC JACKSON
WASHINGTON CITIZENS FOR WORLD TRADE

Mr. Chairman and Members of the Committee:

I am Alec Jackson, a forester from Bellevue, Washington. I appear today for the Washington Citizens for World Trade. This Washington Citizens group, headquartered in Olympia, Washington is a coalition of organizations and individuals that has a dedicated interest in expanding our programs and potential for trade throughout the world. It interests itself in administration attitudes and legislation both on a state and federal level which can influence that world trade. The issue before this committee today is of extreme interest to the organization which I represent.

In our Washington Citizens group are many diverse interests. Among our membership is the League of Women Voters, because of their traditional stand against restrictive trade legislation; the Washington Public Ports Association has a direct interest in this and other trade issues and is a member of our group; the Association of Washington Business recognizes the danger in legislation such as this issue and is an active part of our organization. We have truckers and sailors, boilermakers and fishermen, stevedores and school teachers, longshoremen and school principals, the Washington Education Association, the Washington Farm Forest Association and a veritable host of others who are sincerely interested in world trade and actively oppose the proposed legislation which would place an embargo on the export of timber from our private, state and federal forests. They all

hope that you will give careful consideration to the points which I will make today.

Washington is heavily dependent upon a wide range of agricultural and industrial exports. Profitable export trade, as you gentlemen know, involves a number of complex considerations, including a supplier's reputation for reliability. The adverse effects of a log ban could extend to our grain and other export trade.

But let me summarize for you just one example of the direct effect of a ban on just one segment dependent on log exports--the port community. In 1972, the 12 log exporting ports of Washington shipped 12.5 million tons of logs. Based on detailed studies which are attached to our full statement, a ban would have brought about a direct economic loss to the 12 port communities of $226 million. Put in simoler terms, this would be virtual economic disaster for those communities. A direct labor force of approximately 8 thousand persons would face unemployment, the ports of Willapa, Grays Harbor, Olympia, Port Angeles and Anacortes would probably close or would be so crippled that recovery would take years. The other ports would be severely damaged, economically. Approximately $40 million in non-convertible hardware and facilities would be unusable. In terms of total effect the results would be far more devastating than our severe problem during the aerospace slump.

Just as our immediate area would be severely injured, so also would be the other U. S. export commerce that depends on long-term buyer confidence.

The effect of a ban on log exports alone would be unduly costly to our balance of payments.

In a period during which the United States has been faced with an increasingly severe balance of payments deficit, logs, exported in 1972 made a positive contribution of $392 million to the U. S. balance of trade. Superficially, it may appear that the United States suffered a trade deficit of approximately $102 million in 1972 as a result of a three-way trade in logs and lumber with Japan and Canada. However, this deficit is only of academic interest since the region in which log exports originate does not have the capacity to convert into lumber for domestic consumption logs bound for the export market. The sawmill capacity in Western Washington, the source of 82 percent of all log exports from the Pacific Coast, would have to more than double in order to fully convert into lumber the volume of log exports which would be dumped on the market in our State as a result of a ban on log exports. The data and sources supporting these statements are attached to our fuller statement.

Now let me get to the heart of the problem that is genuinely and understandably concerning this Committee and the home builders.

The current softwood lumber and plywood shortages and associated high prices are not due to an inadequate supply of softwood logs in the Pacific Northwest where log exports originate.

Our Nation's forests contain 715 billion cubic feet of wood and softwoods predominate. Old growth timber, concentrated in the Pacific Northwest, where Douglas fir and Western hemlock are the most abundant species, accounts for 78 percent of the Nation's sawtimber inventory. As a Nation we are still growing more than we are consuming, even though the flow of wood from our forests is at an all-time high. With the Committee's permission, I would like to submit a Backgrounder for Members of the Senate prepared by our organization entitled, "The Timber Supply Situation - Current and Future." I respectfully request that it be made a part of the record of these hearings.

Softwood lumber and plywood shortages and the accompanying high prices are not due to the inability of our forests to grow wood, nor are they due to a poor flow of logs from our forests. What then is the problem? The problem is simply that the demand for softwood lumber and plywood exceeds our ability to produce these products because we do not have sufficient installed capacity. There are a few associated with the industry, and many who are dependent on the industry for their raw materials, who claim that there is excess installed capacity in the Pacific Northwest that cannot be used because of export-caused log shortages--physical or economic.

Let us review the facts!

To suggest, in the face of today's lumber and plywood prices, that

producers cannot afford to purchase logs is an affront to the intelligence of the American consumer. The National Forest Products Association, American Plywood Association, Western Wood Products Association and many other highly respected trade organizations all report record levels of production or full capacity utilization for 1972 and 1973. Claims of unused capacity in the Pacific Northwest do not come from such organizations. We might add that these organizations have been gathering this type of data for years without reference to any immediate legislative controversies; indeed, the objectivity of these reports is enhanced for your purposes because these organizations have often taken a position against log exports. With the Committee's permission, I would like to submit some documentation which supports our claim that the industry is operating at peak capacity. I respectfully request that this material be included in the record of this hearing.

Let us review some of the surveys which purport documentation of unused capacity. The broadest-based survey which supports the claim of unused capacity, and which is attached to our fuller statement, is one by the Portland Home Builders. The survey covered sawmills and plywood plants in California, Oregon and Washington. In the sawmilling segment, 82 percent of the "claimed unused capacity" was in California and Oregon where only 16 percent of log exports originate. Only 18 percent of the "claimed unused

capacity" was in Washington where 82 percent of log exports originate, clearly the survey proves that "claimed unused capacity" is not geographically related to log exports. If unused capacity does exist, then factors other than log exports are responsible. An independent survey of the lumber and plywood industry in Washington by the State Department of Natural Resources does not support the claim of meaningful unused capacity in our State.

Some surveys, which I am sure most of you have seen, identify specific hardship cases. Where we have been able to identify genuine hardship cases, we have arranged log offers and we will continue this effort. Let us briefly review one such survey of unknown origin and author that is attached to our fuller statement. A Twin Harbors' stud mill, an Everett lumber mill and other Washington mills which process cull logs are reported to be short of logs and thus not operating at capacity. Since 1969, and we might add without success, the Washington State Department of Natural Resources has been willing to commit a minimum of 80 million cubic feet per year for ten years (some five billion board feet) of such logs to the industry. It cannot be claimed that a shortage of such logs does exist. In fact the owner of one of the mills identified in the survey reported to us on March 22, 1973 that he had a year's inventory of logs. A large saw mill, a plywood plant and several small sawmills are reported to have closed down because they could not obtain logs. The largest of these refused at least two offers to supply logs. Another offered for sale, some three days after closing, three million feet of logs. One actually closed down for plant modifications and is now operating again.

Clearly, a few genuine hardship cases have been blown out of proportion. Log exports are being made the "whipping boy" who must explain and excuse poor management, inefficiency, insufficient working capital, and other such problems that plague some operators. When your staff has had an opportunity to assess the reliability of these various surveys and to track down and put in perspective some of these individual claims, you will find that difficulties in the lumber market simply are not attributable to log exports.

Thank you.

PORT REVENUE AND PAYROLL IMPACT--LOG EXPORTS, 1972 - STATE OF WASHINGTON

Port Name	Logs Exported[1] FBM/Scribner (Millions)	Port Revenues $x 1000 ($5.00/M)	$x1,000 Payrolls[2] Longshore Wages ($7.70/M)	Logging Hauling ($45.00/M)	Sorting Rafting ($4.00/M)	Clerical Admin. ($2.00/M)	$x1,000 Total Payrolls
Grays Harbor	518	2,590	3,985.6	23,310	2,072	1,036	30,406.6
Anacortes	26	130	200.2	1,170	104	52	1,526.2
Bellingham	35	175	269.5	1,575	140	70	2,054.5
Everett	250	1,250	1,925	11,250	1,000	500	14,675
Olympia	143	715	1,101.1	6,435	572	286	8,394.1
Port Angeles	222	1,110	1,709.4	9,990	888	444	13,031.4
Willapa	23	115	177.1	1,035	92	46	1,350.1
Seattle	17	85	130.9	765	68	34	997.9
Tacoma	430	2,150	3,311	19,350	1,720	860	25,241
Vancouver	7	35	53.9	315	28	14	410.9
Longview	164	820	1,262.8	7,380	656	328	9,626.8
Kalama	5	25	38.5	225	20	10	293.5
	1,840	9,200	14,168	82,800	7,360	3,680	108,008

1/ Washington State facilities only. Some Washington logs are shipped over Oregon State facilities. Source: Washington Public Ports Association 1973.

2/ Payrolls are 45.9 percent of the revenue distribution attributed to cargo movements. Source: Del. Riv. Port Auth. Study-1962.

EXAMPLE OF LOCAL ECONOMIC BENEFITS OF EXPORTED LOGS
PORT OF TACOMA, WASHINGTON FACILITIES ONLY

Year	Tons		Economic Benefit Per Ton*		Economic Value
1967	1,109,919	x	$16.00	=	$17,758,704.00
1968	1,219,809	x	$16.00	=	$19,516,944.00
1969	1,078,967	x	$16.00	=	$17,263,472.00
1970	1,525,363	x	$18.00	=	$27,456,534.00
1971	857,391	x	$18.00	=	$15,433,038.00
~~1972~~	1,057,684	x	$18.00	=	$19,038,312.00

*Based on a study by the Research and Promotion Bureau, Division of Port Development, Delaware River Port Authority, and up-dated in 1970, as supplied by the University of Oregon Bureau of Business and Economic Research.

This is a very conservative estimate of local economic benefits by firms and individuals in direct maritime activities, and does not measure dependent and related revenues.

MFBM/SCRIBNER x 5.7 = TONS

January 18, 1973

ESTIMATED REVENUE PERCENTAGES FROM A TON OF CARGO

Port and Terminal Expenditures Pilotage, tug hire, line running, dockage	5.7%
Government Charges Immigration service, entrance and clearance fees	.1%
Labor Stevedoring, clerking, checking, cleaning, carpentering	45.9%
Repairs	.1%
Supplies Dunnage, doctor, laundry, chandler	9.7%
Bunkers Coal, oil, water	1.0%
Miscellaneous Vessel Disbursements	1.1%
Port Terminal Income Carloading and unloading, handling and storage, demurrage	15.0%
Rail and Motor Freight Revenue Credited to Area	12.0%
Vessel Crew Expenditures in Area	2.0%
Auxiliary Services Steamship agents, foreign freight forwarders, custom house brokers, public warehouse companies, marine insurance companies, foreign departments of area banks	7.4%
	100.0%

This formula was developed by the Delaware River Port Authority in a 1962 research study. The above does not take into account revenues generated outside the port terminal area, and the estimations are very conservative in certain specifics (i.e. Port Terminal Income).

94-218 O - 73 - 31

Impact of Log Exports on US Balance of Payments

Log exports made a positive contribution of $393 million to the troubled US balance of payments in 1972. Supporters of a ban on log exports have attempted to discredit this favorable impact on our trade balance by (1) correctly bringing our trade with Canada in lumber into the picture, but then overstating their case, and (2) ignoring the realities of existing capacity in the log exporting region.

The following tabulation, using data provided by the US Department of Commerce, indicates that the US did, in fact, suffer a trade deficit, as a result of our three-way trade in logs and lumber with Japan and Canada, of approximately $102 million in 1972.

1.	Total U. S. log exports (000's bd. ft. scribner)	3,049,351
2.	Total U. S. Log exports (000's bd. ft. lumber tally) 1/	4,208,104
3.	Total value of log exports (dollars)	$392,555,000
4.	Total U. S. lumber imports (000's bd. ft. lumber tally)	8,849,920
5.	Total value of U. S. lumber imports (dollars)	$1,042,227,000
6.	Average unit value of lumber imports ($ per thousand bd. ft.)	117.76
7.	Total dollar expenditure for softwood lumber substitutes in 1972 (i.e., line 2 multiplied by line 6)	495,546,000
8.	Total value of log exports (line 3)	392,555,000
9.	Net deficit in balance of trade	$ 102,991,000

1/ Assumes a 38 percent overrun

However, in order for this figure to acquire any significance other than that of academic interest, it must be assumed that the region in which the log exports originate has the capacity to fully convert into lumber for domestic consumption logs bound for the export market. This assumption is crucial in that there must be increased production in the Pacific Northwest to offset the loss of Canadian lumber imports which would be diverted from

the United States to Japan should an embargo be placed on log exports. Clearly, the facts cannot support such an assumption.

The State of Washington was the source of approximately 82% of the log exports in 1972. These exports come exclusively from the Western side of the Cascade Range. In terms of volume, the State of Washington exported approximately 2.21 billion board feet (log scale) in 1972. Converting this to lumber tally (assuming an overrun of 38 percent for the type of log generally bound for the export market) would yield a figure of 3.05 billion board feet.

As indicated by the following tabulation, this figure appears to be greater than the entire lumber production capacity in Western Washington at this time.

1972 Washington State lumber production	3.750 bil.bd.ft.	32.3%
1972 Oregon State lumber production	7.850 bil.bd.ft.	67.7%
1972 Production for both states	11.600 bil.bd.ft.	100.0%

Assuming the relationship between total Oregon and Washington State lumber production holds true for the Coastal Region of the two states as well, then the estimated production for Western Washington would be equal to 2.83 billion bd. ft. (Coastal Regional production 8,765 billion bd. ft. X Washington share, 32.3%)

The volume of log exports dumped on Western Washington markets because of a log export ban would be greater than current domestic production in that region. (Domestic production 2.83 bil. bd. ft. vs export volume - 3.05 bil. bd. ft.) Capacity would have to more than double in order to absorb and process the export volume into domestic lumber.

THE TIMBER SUPPLY SITUATION

CURRENT AND FUTURE

SUMMARY

Forests cover approximately one-third, or 754 million acres of the land area of the United States. Approximately two-thirds or 495 million acres of the forests can be classed as commercial forests. These forests contain a total timber inventory of approximately 715 billion cubic feet of sound wood. Softwoods predominate and account for 67 percent of the Nation's total timber inventory. Approximately 90 percent of the Nation's total timber inventory is in the form of growing stock trees. The inventory of growing stock trees is increasing. Since 1953, the Nation's growing stock inventory has increased approximately 12 percent. Almost two-thirds of the sound wood in the Nation is in trees of sawtimber size. Old growth timber, located mainly in Washington and Oregon, accounts for approximately 30 percent of the total sawtimber inventory. It is largely because of these old growth stands tha the West has about 78 percent of the Nation's total softwood sawtimber. The Nation's forest lands differ widely in terms of their inherent capacity to produce crops of industrial wood. Approximately 34 percent of the Nation's commercial forest lands are capable of producing over 85 cubic feet of wood per acre per year. Those lands are capable of producing roughly half of the potential growth for the Nation. The highest concentration of commercial forest lands capable of producing over 85 cubic feet of wood per acre per year is on the Pacific Coast. Approximately 59 percent of the commercial forest land on the Pacific Coast is capable of producing more than 85 cubic feet of wood per acre per year.

The demand for industrial timber products in the United States has increased 70 percent during the past thirty years. Consumptio industrial wood products increased an average of 1.9 percent annually, between 1940 and 1971, to reach an annual total of

125 million tons. As a result of somewhat more efficient and complete use of timber that occurred during the same period, consumption in terms of industrial roundwood from the forests increased at the slower rate of 1.6 percent annually to a total of 13 billion cubic feet. During these three decades, the use of major forest products, consisting of lumber, plywood, and pulp and paper increased substantially.

Lumber consumption increased 49 percent. Use of pulp products increased 235 percent, and consumption of veneer and plywood increased 475 percent. In 1971, housing starts in the United States took a tremendous leap from about 1.5 million units in 1970 to a record of almost 2.1 million units. As final figures are compiled for housing starts in 1972, it appears they will close in the vicinity of 2.4 million units. These record highs have required lumber, plywood, and other wood-related industries to record high outputs for 1972 that will finish the year at seven or eight percent above 1971 when the final figures are tallied. 1973 is projected to be another good year for housing starts; however, the total units constructed will be down from 1972 and in the range of 1.9 to 2.2 million units.

The commercial forest land owned or managed by forest industries does, and will continue to, receive more intensive management than that owned or managed by others. Wood-using firms have become acutely aware of the fact that it is not economical to hold land that ties up capital in high inventories and slow growing stands of timber. Such timber stands are being, and must continue to be, converted to lower inventory and more highly productive stands to make the return on investment competitive with alternative investments. The results of forest management aimed at bringing forests to their full productive potential become evident when the change in timber inventory between 1952 and 1970 is examined. On a regional basis, the Northeast and Southeast have

increased their volumes of timber as understocked stands were stocked. In the West, where the remaining stagnant old growth stands are found, the total inv ntory is being reduced as the forests are converted to vigorous second growth stands. On a National basis, the inventory of sawtimber increased approximately one-half percent and of growing stock, 12 percent between 1952 and 1970. These numbers definitely do not support some common statements that imply we are running out of trees. Currently, we are experiencing some reduction in commercial forest area, but we are still producing more wood than before.

Forests cover over one-half of Washington and Oregon. Approximately 43 percent of Washington and 42 percent of Oregon is covered by commercial forests. The commercial forest land in Washington and Oregon is among the most productive in the Nation with that of Washington being potentially more productive than that of Oregon. Washington and Oregon with approximately nine percent of the Nation's commercial forest land, have approximately 22 percent of the Nation's total inventory of timber. The timber inventories of Washington and Oregon are approximately 68 and 91 billion cubic feet respectively. In both States, over 95 percent of the inventory is comprised of growing stock trees. Softwood growing stock contributes the greatest volume to the total timber inventory in both States (88 and 89 percent respectively). In both States, the largest owner of softwood growing stock is the U.S. Forest Service (40 and 58 percent respectively). Washington and Oregon collectively carry a softwood growing stock inventory of approximately 141 billion cubic feet. Approximately 70 percent (or 99 billion cubic feet) of this volume is located in Western Washington and Western Oregon (The Pacific Northwest, Douglas Fir Timber Supply Region). In the Pacific Northwest, Douglas Fir Timber Supply Region, approximately 41 percent

(40 billion cubic feet) of the softwood growing stock inventory is in large trees growing mainly in stagnated old growth stands.

During the last two decades, the net growth of the softwood growing stock in the Pacific Northwest, Douglas Fir Timber Supply Region increased 31 percent (from 1,034 to 1,353 million cubic feet annually), while removals increased 23 percent (from 1,971 to 2,420 million cubic feet annually). On the other hand, mortality decreased ten percent (from 700 to 627 million cubic feet annually. These data are significant in that they indicate that the conversion of the stagnated old growth forests to productive second growth forests is progressing.

The softwood commercial forests of the Pacific Northwest, Douglas Fir Timber Supply Region still carry too large a timber inventory and are not producing the volume of timber that they have the potential to produce. This is because many of the commercial forests of the Region carry old growth stands which have stagnated. In such stands significant timber losses occur due to decay, disease, and mortality. The situation is worse in the National Forests than in the forests owned and managed by forest industry. The average inventory of the National Forests is approximately 6,360 cubic feet per acre while the average net growth is only 27 cubic feet per acre per year. Further, the loss of gross growth due to mortality is approximately 39 cubic feet per acre per year. On the other hand, the forests owned by forest industry carry an average inventory of approximately 3,291 cubic feet per acre and produce average net growth of 61 cubic feet per acre per year. Losses due to mortality, at 23 cubic feet per acre per year, are lower than in the National Forest, but are still too high. On an acre for acre basis, the commercial forest land in the Pacific Northwest, Douglas Fir Timber Supply Region, owned and managed by forest industry is producing approximately 126

percent more wood than our National Forests on 48 percent less inventory. Put another way, forest industry is realizing approximately 4.4 times more return on investment than the U.S. Forest Service.

Comparison of the present timber inventories and yields for the current forests of the Pacific Northwest, Douglas Fir Timber Supply Region with potential inventories and yields for the future forests of the region reveals a need to convert to the future forest condition as rapidly as possible. The influence of such a conversion on the Nation's timber supply is demonstrated by the two examples which follow:

EXAMPLE 1 - THE FORESTS TRIBUTARY TO THE PORT OF GRAYS HARBOR

Approximately 1.9 million acres of commercial forest is tributary to the Port of Grays Harbor. This forest carries a total inventory of approximately 8.4 billion cubic feet of wood which produces an annual growth of approximately 187 million cubic feet per year. In order to realize the full growth potential of the forest, the inventory should be reduced in an orderly manner to approximately three billion cubic feet. When such an inventory is reached, the annual growth will be approximately 284 million cubic feet per year. During the transition period from the current forest condition to the future forest condition, local surpluses of timber could be generated as follows:

	1980	1990	2000	2010	2020
		(Million Cubic Feet)			
Potential Harvest	293	305	326	337	357
Projected Local Demand	139	158	175	185	176
Potential Surplus	154	147	151	152	181

These surpluses of wood could, and possibly should be exported.

EXAMPLE 2 - FOREST TRIBUTARY TO PORT ANGELES

Some 1.1 million acres of commercial forest lands are tributary to the Port Angeles area. These forests carry a total inventory of approximately 7.2 billion cubic feet which

produces a net annual growth of 100 million cubic feet each year. In order to attain the full growth potential of these forests, the present forests must be converted to the future forest condition in an orderly way. When the future forest condition is achieved, the stable inventory of the forests will be approximately 1.6 billion cubic feet and the net annual growth will be approximately 143 million cubic feet. While the current forests are being converted to the future forest condition, the following surpluses of timber could be generated:

	1980	1990	2000	2010	2020
		(Million Cubic Feet)			
Potential Harvest	186	194	200	207	215
Projected Local Demand	117	147	154	163	166
Potential Surplus	69	47	46	44	49

These surpluses of wood could also be, and possibly should be exported.

BACKGROUND - THE NATIONAL SITUATION

THE CURRENT FOREST RESOURCE

Forests cover approximately one-third or 754 million acres of the land area of the United States. Approximately two-thirds of the forests can be classed as commercial forests - that is, forest land suitable and available for the production of wood for use by wood-using industries.

Since the initial settlement of the United States, there has been a continual encroachment on forest lands for farms, cities, highways, etc. Over the past few decades, however, the abandonment of cropland in certain areas and reversion to timber growing has tended to offset losses of forest land. During the decade prior to 1953, additions to forest acreage exceeded withdrawals by approximately 24 million acres. In the ten years from 1953 to 1963, the increase in forest area continued at a slower pace with a net increase of approximately eight million acres of commercial forest land. However, between 1963 and 1970, the area of commercial forest land decreased approximately nine million acres.

Although the total forest area of the U.S. is fairly evenly divided between the East and the West, nearly three-quarters of the commercial forest land is in the East. The Southeast has 38 percent of the commercial forest lands, the Northeast 36 percent, and the West 26 percent.

Timber inventories are the reservoir of basic raw material from which the forest products industries draw their raw material requirements. Timber inventories also represent the base for future growth of timber.

The commercial forests of the U.S. contain approximately 715 billion cubic feet

of sound wood. Approximately 90 percent of this volume is growing stock, the remaining ten percent being sound wood in cull and salvable dead trees. Almost two-thirds of the sound wood in the Nation is in trees of sawtimber size. Softwoods predominate in the Nation's inventory of sound wood, accounting for approximately 67 percent of the growing stock. Hardwoods comprise the remaining 33 percent. The sawtimber inventory of the Nation includes a larger proportion of softwoods than the inventory of growing stock. Approximately 75 percent of the Nation's sawtimber inventory is made up of softwoods. Hardwoods constitute only 25 percent of the sawtimber inventory.

During the ten years between 1953 and 1963, growing stock inventories in the U.S. increased by approximately five percent and increased another three percent between 1963 and 1970.

The geographical distribution of timber volumes differs drastically from the geographical distribution of commercial forest lands.

The Western States of the United States have approximately one-quarter of the Nation's commercial forest lands which carry approximately 51 percent of the Nation's growing stock inventory and 61 percent of the Nation's sawtimber inventory.

Old growth timber, located mainly in Oregon and Washington, accounts for approximately 30 percent of the total sawtimber inventory. It is largely because of these old growth stands that the West has about 78 percent of the Nation's total softwood sawtimber.

Average timber inventories per acre differ considerably between sections of the U.S. These differences reflect the concentration of old growth timber on the Pacific Coast, past cutting history and the relative productivity of the commercial forest lands in the different sections of the Nation.

Public forest holdings contain a relatively large proportion of the Nation's timber inventory. The National forests with 18 percent of the Nation's total commercial forest land carry 42 percent of the Nation's sawtimber inventory and 33 percent of the Nation's growing stock inventory. In the West, where most of the public forests are concentrated, even larger proportions of the Nation's total sawtimber and growing stock inventories are in National forests and other public ownerships.

The Nation's forest lands differ widely in terms of their inherent capacity to grow crops of industrial wood. Approximately 34 percent of the Nation's commercial forest lands are capable of producing over 85 cubic feet of wood per acre per year. These lands are therefore capable of producing roughly half of the potential growth for the Nation. The highest concentration of commercial forest lands capable of producing over 85 cubic feet of wood per year per acre is on the Pacific Coast. Approximately 59 percent of the commercial forest land on the Pacific Coast is capable of producing more than 85 cubic feet of wood per acre per year.

THE CURRENT FOREST INDUSTRY

The production of lumber was one of the first manufacturing industries established by the colonists upon arriving in North America. The industry originally developed in the New England States with its center in Maine. As the original New England forests were depleted, the industry moved to new areas of virgin timber. The center of production shifted from Maine to New York, then to Pennsylvania, the Lake States, and finally to the remaining virgin forest lands in the West Coast.

Although the lumber industry in the United States originally developed around the use of large-sized virgin timber, it is being converted to the use of smaller second growth

material as the virgin timber becomes scarce. This conversion is being accompanied by a redistribution of the forest industry in accordance with fiber productive capacity rather than timber size. The result that is developing is a high concentration of the industry in the South and Pacific Coast States followed by the Northern States and the Rocky Mountain region.

Historically, lumber has been the wood product that has made the greatest demand on forests of the United States. However, while the demand for sawlogs has increased somewhat since 1940, the demand for veneer logs and pulpwood has more than doubled. The relative importance of wood uses within the forest industry has changed significantly since the early 1900's. Factors that have influenced the growth and development of the various segments of the industry include population growth, changes in consumer preferences, research, development of new products, development of new uses for established products, technical improvements in processing, improved product quality, and new marketing approaches. The prime objective guiding changes in the industry is to convert the largest possible volume of the available wood fiber into marketable products at the highest dollar return.

The logging segment of forest industry consists of those firms, or divisions of firms, primarily engaged in timber cutting operations. It is this segment of the industry that has been termed the key to forest management in that even the best management objectives can be destroyed by poorly planned or executed logging practices.

When wood fiber passes from the logging segment of the forest industry, to the sawmilling segment of the industry, it is again subjected to determinations relative to utilization, end use, and value. Any value or quality maintained in the harvesting operations can be preserved or destroyed by the quality of equipment or methods and

skill used in handling the wood in the sawmilling operations.

The price of wood fiber has long been well-established in the sawmilling industry as the largest single manufacturing cost in the production process. Labor costs have been reduced significantly through mechanization and improved plant layout. Mechanization has also reduced human judgment errors in the handling and breakdown processes. The increased costs of wood, both in real dollars and proportionately within the production process has created the necessity for many wood products and equipment manufacturers to spend large amounts of time, effort, and money toward maximizing the dollar return per log entering the mill. The problem is being approached from the standpoints of more efficient handling, increasing recovery, developing new products, developing new markets, and capturing larger shares of present markets.

The necessity to maximize dollar return per log entering the mill is putting an end to the concept of fast mills and replacing it with the concept of precision sawing to obtain the largest volume and dollar recovery from each log. Technological developments that have assisted and implemented this change in thinking include: improved log handling and sorting equipment; precision infeed systems; computerized breakdown decisions to obtain greatest lumber value per log; thin kerf saws; chip and saw systems; and increased utilization of residual material that is approaching whole log utilization.

The number of plants in the sawmilling segment of the forest industry that are taking advantage of technological advancements is rapidly increasing. It appears quite certain that modernization of manufacturing facilities will accelerate along with further technological improvements. In spite of the developing optimistic outlook for the sawmilling segment of the forest industry, the facts are that the majority of sawmills in the United States are small, inefficient operations with less than twenty employees and limited

resources.

The plywood segment of the forest industry consists of plants primarily engaged in producing commercial veneer, and those primarily engaged in manufacturing commercial plywood.

The modern softwood plywood segment of the forest industry began around 1905 in the Grays Harbor area of Washington State. The technological innovations that initiated the rapid growth of this segment of the industry were the commercial application of rotary peeling of veneer and cross-lamination. These two developments permitted the manufacture of large sheets of wood with structural integrity. The resulting product, called plywood, had the high strength-to-weight ratio of wood, the advantage of being workable with familiar tools, and easy fastenability. The convenience of sheet-size dimension combined with the inherent qualities of wood provided for the dynamic growth of plywood markets.

In recent years, there have been a number of developments in green-end equipment which have made tremendous improvements in the efficiency with which small logs can be handled. Among these developments are: long-log barkers, log steaming systems, automatic lathe chargers, precision block trimming and scanning, refined lathe drives, precision peeling, retractable chucks, lathe back-up rolls, precision clipping, and equipment modifications to permit rapid maintenance and repair functions. Systems engineering advancements encompassing the entire green-end have also greatly improved the reliability of the barking, peeling, and clipping operations.

The development of this new equipment and the continued demand for sheathing has caused a spectacular expansion of the softwood plywood industry and its extension beyond the West Coast Douglas fir region. Plants have been built or are being built in

Central Washington, Eastern Washington, Idaho, Montana, and throughout the South.

The pulp manufacturing segment of the forest industry is comprised of establishments primarily engaged in manufacturing pulp from wood or combinations of wood and other materials such as rag and waste paper.

Since approximately 1945, the pulp manufacturing segment of the forest industry has rapidly gained importance as a utilizer of residue materials from other segments of the industry. However, in very recent years, a growing proportion of the chips used by pulp mills have been produced from roundwood at chipping facilities located near the timber supplies. Some of this material has been logging residue and cull timber that would not otherwise be utilized.

THE CURRENT CONSUMPTION OF WOOD BY THE CURRENT FOREST INDUSTRY

The 1970 Timber Review, prepared by the U.S. Department of Agriculture, Forest Service, points out demands for industrial timber products in the United States, which includes all timber products except fuelwood, have increased 70 percent during the past thirty years. Consumption of industrial wood products increased an average of 1.9 percent annually, between 1940 and 1971, to reach a total of 125 million tons. As a result of somewhat more efficient and complete use of timber that occurred during the same period, consumption in terms of industrial roundwood increased at a slower rate averaging 1.6 percent annually to a total of 13 billion cubic feet. During these three decades, use of major forestproducts, consisting of lumber, plywood, and pulp and paper, increased substantially. Lumber consumption increased 49 percent. Use of pulp products increased 235 percent, and consumption of veneer and plywood increased 475 percent. During the same period, use of fuelwood and other minor products such as poles and posts

declined.

In 1971, housing starts in the United States took a tremendous leap from about 1,463,000 in 1970, to a record year of about 2,052,200.

The January 1972 issue of Forest Industries magazine indicates that some economists predict the country is at the beginning of a five-year housing boom which will extend through 1975 and produce 23 million new units by the end of the 1970's. As pointed out in "The Demand and Price Situation for Forest Products 1971-71", published by the Department of Agriculture, Forest Service, the large increase in housing in 1971 reflected an accumulation of the following: money available for mortgages; an increase in Federal subsidies; and the pressures from a combination of shortfalls of units built in the 1960's; new household formations, and the growing need for housing replacement. These forces continued to operate in 1972.

As the final figures are compiled for housing starts in 1972, it appears they will close in the vicinity of 2.4 million units. These record highs have required the lumber, plywood and other wood-related industries to to record high outputs for 1972 that will finish the year at seven or eight percent above 1971 when the final figures are tallied.

1973 is projected to be another good year for housing starts; however, total units constructed will be down in the range of 1.9 to 2.2 million units. This decline in conventional housing starts will result from tighter mortgage money, decreased demand for homes, higher interest rates, increased home prices, and a reduction in Government spending for subsidized housing projects. This lower level of housing starts will give the timber industry time to rebuild inventories and adjust product output. The projections for the trend in 1974 shows starts near the lower range of 1973 starts.

The trend in housing starts is of particular importance in appraising present and

94-318 O - 73 - 32

prospective timber markets because of the large volumes of lumber and plywood consumed in this use.

THE FUTURE FOREST RESOURCE

For at least twenty years, prior to 1963, reversion of abandoned agricultural lands to forests more than offset losses of commercial forest land. However, between 1962 and 1970 the situation reversed and the area of land classified as commercial forest land declined more than eight million acres. The largest portion of this loss in forest land occurred in the South where large areas of hardwood forests were cleared for agricultural land and some additional hardwood forests were eliminated as a result of reservoir construction. In the West, where a smaller proportion of land was lost, the loss occurred primarily as a result of changed land use to recreation, with some additional loss to roads, powerline rights-of-way, and urban development. During this same period of time, the area of commercial forest increased in the North by two percent, as a result of abandoned agricultural land converted to forest. Throughout the United States, the eight million acres of forest lost constituted approximately two percent of the Nation's commercial forest land.

In the future, some continuing net losses of forest land will occur. These have been estimated by the U.S. Forest Service at about five million acres per decade for the next fifty years. This would amount to a five percent reduction in commercial forest land between 1970 and 2020.

In addition to the land use changes that are occurring, there are also shifts in forest ownership taking place. Between 1952 and 1970, forest products industries increased their ownership by 13 percent. However, even though private ownership accounts for 73

percent of the commercial forest land in the United States, forest industry controls less than 19 percent of that area. The remainder is owned by farmers and miscellaneous private owners. Farm ownership has been decreasing while miscellaneous ownerships have been increasing.

It is expected that forest industry ownership will continue to increase in the future and that their management will be extended further by long-term leasing agreements. Forest Service records indicate that, in the South alone, forest products industries presently hold nearly four million acres of forest land under long-term lease from farmers and miscellaneous private owners. The commercial forest land managed by forest industries will receive more intensive management than other ownerships. Wood-using firms have become acutely aware of the fact that it is not economical to hold land that ties up capital in high inventories and slow growing stands of timber. These stands must be converted to lower inventory, more highly productive stands to make the return on investment competitive with alternative investments. Similarly, land that is understocked and underproductive must be brought to productive capacity through intensive management practices. Land that is presently controlled by firms which are not willing or able to apply intensive forest management practices will gradually pass to those that are able to do so. This shift will occur as firms utilize capital to their best advantage.

The results of forest management efforst to bring understocked and under-productive forest areas to their productive capacity, and to reduce overstocked stagnant areas to a lower optimum stocking and high productive level, become evident by examining the change in timber inventories between 1952 and 1970.

On a regional basis, the North and South have been increasing their volumes of both sawtimber and growing stock in both softwoods and hardwoods. The only reduction

occurring within these regions was a drop of six percent in the hardwood sawtimber volume in the South Central States. This drop was accompanied by an increase of 17 percent in the softwood sawtimber volume for an overall increase in sawtimber of 13 percent for all species.

In the West, where the remaining overstocked stands of large old growth are found, both sawtimber and growing stock volumes are being reduced. These reductions are occurring in the softwood stands while the relatively small volumes of hardwoods in the region are experiencing moderate increases.

These volume changes that are occurring are exactly those that would be expected as a result of forest management applied to the general forest conditions in the regions. In the North and South, where forests were generally depleted and lacked aggressive management for many years, the under-productive forests are being brought to productive capacity. In the West, where large old growth stands have stagnated, the forest inventory must be reduced to realize their productive capacity.

On a National basis, between 1952 and 1970, softwood sawtimber decreased four percent, softwood growing stock increased five percent, hardwood sawtimber increased 19 percent, and hardwood growing stock increased 26 percent. The result for all species was an increase in sawtimber volume of about one-half percent, and an increase in growing stock volume of 12 percent.

These numbers definitely do not support the common statements that imply we are running out of trees. Currently, we are experiencing some reduction of commercial forest area, but we are now producing more wood than before. The numbers do not, however, answer the question of whether or not allowable cuts will satisfy increased demands. This can only be determined by the success of future forest management practices and utilization

technology.

Intensively managed forests will reach productive capacities that are much higher than those of "natural" stands. Examples of inventories and yields for two forest types under different levels of management in the Douglas fir region of the Pacific Coast will be presented later.

Lands managed by forest industries will be brought to the future high yield management state more rapidly than other ownerships. The conversion is projected to be complete on these lands by 2020.

Federal commercial forest land, on which timber production is designated as the highest and best use, will possibly reach the high yield management state by 2045. However, on a large percentage of Federal forest land, timber production will be limited in favor of other uses such as recreation, scenic views, and watershed management. The greatest impact from conflicting uses will occur on lands managed by the Forest Service which constitute approximately 86 percent of all Federal commercial forest land. There are some recent indications that commercial forest land managed by the Forest Service may never reach a high yield management state as a result of policy decisions relative to management practices. In the November 25, 1972 issue of Business Week, John K. McGuire, Chief of the U.S. Forest Service, was quoted as stating: "We want to assure quality before quantity. If necessary, we will sacrifice some timber cutting for wildlife protection, wilderness, and other benefits. The public is placing a higher value on these intangibles, and we are moving to bring ourselves in line with that." He stated further that: "What the industry wants most, of course, is a sharp increase in the harvest from public land through high yield forestry methods. That is entirely appropriate for many of our private forests. But it is not the kind of thing we can do under the multiple

use law in the National forests."

In addition to conflicts of interest relative to timber production, it is becoming increasingly hard for the Forest Service to absorb the costs of preparing timber for sale. These costs have increased, for example, from $1.19 per thousand board feet in 1965 to $2.84 in 1972, (Business Week, November 25, 1972). With the recently added responsibility of preparing environmental impact statements and supervising stricter cutting practices, the costs associated with timber sales cre becoming prohibitive in the face of limited funds and personnel. The inevitable result of these conditions is a reduction of timber sales volume, which is already occurring. During the 1972 Federal fiscal year, Forest Service timber sales volume dropped about eight percent below the previous year. In the February, 1973 issue of Forest Industries, Secretary of Agriculture, Earl Butz was quoted as stating: "The job ahead is a job for private land foresters."

In summary, future forests will be more conscientiously and intensively managed according to the management objectives of the various owners. Federal commercial forest land will be managed with harvest practices and rotations adapted to the designated uses and objectives for each particular area. Private commercial forest land owned or managed by forest industries will be intensively managed for optimum timber production. The greatest degree of uncertaintly relative to future forest management is associated with the forest land owned by farmers and miscellaneous private owners. They control more than 81 percent of private forest land, or 59 percent of all commercial forest land in the United States.

The potential to meet future timber demands is probably within the capability of our forests' productive capacity. Whether or not this need is met depends on the success of future forest management techniques, utilization capabilities, and land use priorities

established.

THE PACIFIC NORTHWEST SITUATION - WASHINGTON AND OREGON

Forests cover over one-half of Washington and Oregon (23.1 and 30.4 million acres respectively). Approximately 43 percent of Washington's land area and 42 percent of Oregon's land area carries commercial forests (18.4 and 25.7 million acres respectively). In Washington, approximately 52 percent of the commercial forest land is in public ownership and 48 percent in private ownership. In the public sector, the U.S. Forest Service, with almost 30 percent of the commercial forest land, is the largest owner. In the private sector forest industry, with almost 24 percent of the commercial forest land, is the largest owner. Public ownerships hold about 60 percent of the commercial forest land in Oregon and private ownerships approximately 40 percent. The U.S. Forest Service, with almost 47 percent, is the largest owner in the public sector and forest industry, with approximately 20 percent, the largest owner in the private sector. The area of commercial forest land in Washington and Oregon is summarized in Table I.

The commercial forest land in Washington and Oregon is among the most productive in the Nation with that of Washington being more productive than that of Oregon. Approximately 58 percent of the commercial forest land in Washington is capable of producing over 85 cubic feet of wood per acre per year. About 54 percent of the commercial forest land in Oregon is capable of similar production. The area of commercial forest land in Washington and Oregon by productivity class is summarized in Table II.

Washington and Oregon with approximately nine percent of the Nation's commercial forest land have approximately 22 percent of the Nation's total inventory of timber.

TABLE I

AREA OF COMMERCIAL FOREST LAND BY OWNERSHIP

	Washington		Oregon	
	(1,000 acres)	(percent)	(1,000 acres)	(percent)
Total Land Area	42,665	100.0	61,574	[illegible]
Total Forest Area	23,098	54.1	30,404	49.4
Commercial Forest Area	18,401	43.1	25,673	41.7
Public Commercial Forest	9,518	51.7	15,519	60.4
Total Federal	7,233	39.3	14,581	56.8
National Forest	5,424	29.5	12,003	46.8
Bureau of Land Management	48	0.2	2,246	8.7
Indian	1,593	8.7	324	1.3
Miscellaneous	168	9.9	8	negligible
State	2,116	11.5	800	3.1
County and Municipal	169	0.9	138	0.5
Private Commercial Forest	8,883	48.3	10,154	39.6
Forest Industry	4,348	23.6	5,206	20.3
Farmer	1,866	10.2	2,850	11.1
Miscellaneous	2,669	14.5	2,098	8.2
Total Commercial Forest	18,401	100.0	25,673	100.0

TABLE II

AREA OF COMMERCIAL FOREST LAND BY PRODUCTIVITY CLASS

Cubic Feet Per Acre Per Year	Washington		Oregon	
	(1,000 acres)	(percent)	(1,000 acres)	(percent)
Less than 50	1,217	6.6	2,519	9.8
50 - 85	6,543	35.6	9,224	36.0
85 - 120	3,569	19.4	5,219	20.3
120 - 165	3,918	21.3	5,243	20.4
165 or more	3,154	17.1	3,468	13.5
Total	18,401	100.0	25,673	100.0

The timber inventories of Washington and Oregon are approximately 68 and 91 billion cubic feet respectively. In Washington, 95 percent of the total timber inventory is comprised of growing stock trees, in Oregon over 96 percent. The net volume of all timber on commercial forest land in Washington and Oregon is summarized in Table III.

TABLE III

NET VOLUME OF ALL TIMBER ON COMMERCIAL FOREST LAND
(Million Cubic Feet)

	Total, All Species		Softwoods		Hardwoods	
	(million ft.^{3})	(percent)	(million ft.^{3})	(percent)	(million ft.^{3})	(percent)
Washington						
Growing Stock	65,115	95.2	59,957	95.5	5,158	92.5
Sound Cull	696	1.0	341	0.5	355	6.4
Rotten Cull	511	0.8	486	0.8	25	0.4
Salvable Dead	2,064	3.0	2,028	3.2	36	0.7
Total	68,386	100.0	62,812	100.0	5,574	100.0
Oregon						
Growing Stock	87,093	95.9	81,061	96.5	6,032	88.4
Sound Cull	1,230	1.4	504	0.6	726	10.6
Rotten Cull	265	0.3	238	0.3	27	0.4
Salvable Dead	2,215	2.4	2,175	2.6	40	0.6
Total	90,803	100.0	83.978	100.0	6,825	100.0

Softwood growing stock contributes the greatest volume to the total inventory of timber in both Washington and Oregon. In Washington, approximately 88 percent of the total inventory is comprised of softwood growing stock. In Oregon, approximately 89 percent of the total inventory is contributed by softwood growing stock. Approximately 4.2 percent of the total timber inventory of Washington is in the form of cull and salvable dead softwood trees. In Oregon, approximately 3.2 percent of the total timber inventory is contributed by cull and salvable dead softwood trees.

The net volume of softwood growing stock on commercial forest land in Washington and Oregon is summarized by ownership in Table IV. In both Washington and Oregon the largest owner of softwood growing stock is the U.S. Forest Service (40 and 58 percent of the total respectively).

TABLE IV

NET VOLUME OF SOFTWOOD GROWING STOCK ON COMMERCIAL FOREST LAND IN WASHINGTON AND OREGON BY OWNERSHIP

	National Forest	Other Public	Forest Industry	Other Private	Total
Washington					
Million Cubic Feet	24,038	13,191	14,834	7,894	59,957
Percent	40.1	22.0	24.7	13.2	100.0
Oregon					
Million Cubic Feet	47,351	12,885	12,561	8,264	81,061
Percent	58.4	15.9	15.5	10.2	100.0
Percent Change in Volume of Growing Stock 1952-1970					
Washington	- 5.7	+ 4.6	-15.9	+26.4	- 3.3
Oregon	+ 4.1	-15.6	-34.1	+ 6.5	- 7.4

Washington and Oregon collectively carry a softwood growing stock inventory of approximately 141 million cubic feet. Approximately 70 percent (or 99 million cubic feet) of this volume is located in Western Washington and Oregon (the Pacific Northwest, Douglas fir Timber Supply Region).

In both Washington and Oregon, approximately 70 percent of the softwood growing stock volume is located West of the Cascade Summit (42 and 57 million cubic feet respectively). Approximately 41 percent (or 40 million cubic feet) of the softwood growing stock inventory in the Pacific Northwest, Douglas Fir Timber Supply Region (Western Washington and Oregon) is in large trees with a diameter breast height of 29 inches or

greater. Douglas fir, Western hemlock, true firs and western red cedar are the major species (53, 25, 11, and 5 million cubic feet respectively).

The net annual growth and removals of softwood growing stock on commercial forest land for the Pacific Northwest, Douglas Fir Timber Supply Region for 1952, 1962, and 1970 are summarized in Table V, along with the annual mortality. During the last two decades, growth and removals have increased and mortality has decreased. Between 1952 and 1970, growth increased 31 percent from 1,034 to 1,353 million cubic feet, removals increased 23 percent from 1,971 to 2,420 million cubic feet and mortality decreased ten percent from 700 to 627 million cubic feet.

TABLE V

NET ANNUAL GROWTH AND REMOVAL OF SOFTWOOD GROWING STOCK ON COMMERCIAL FOREST LAND OF THE PACIFIC NORTHWEST, DOUGLAS FIR TIMBER SUPPLY REGION
(Million Cubic Feet)

	Growth	Removals	Mortality
1952	1,034	1,971	700
1962	1,214	1,951	663
1970	1,353	2,420	627

The softwood commercial forests of Western Washington provided 53 percent (720 million cubic feet) of the annual growth of the softwood growing stock in the Pacific Northwest, Douglas Fir Timber Supply Region in 1970, Western Oregon - the remaining 47 percent (633 million cubic feet). Softwood growing stock removals in the Pacific Northwest, Douglas Fir Timber Supply Region in 1970 were 51 percent (1,237 million cubic feet) from Western Washington and 49 percent (1,183 million cubic feet) from

Western Oregon. These data are particulary significant since they demonstrate that the softwood commercial forests of Western Washington are more productive than those of Western Oregon and that they are not being exploited to the same extent.

The commercial forests of Western Washington cover approximately ten million acres and carry a softwood growing stock inventory of 42 billion cubic feet or approximately 4,237 cubic feet per acre. The softwood annual growth in Western Washington is approximately 720 million cubic feet or approximately 72 cubic feet per acre per year or approximately 1.7 percent on inventory. On the other hand, the commercial forests of Western Oregon cover 14.6 million acres and carry a softwood growing stock inventory of approximately 57 billion cubic feet or approximately 3,883 cubic feet per acre. The softwood annual growth in Western Oregon is approximately 633 million cubic feet or approximately 43 cubic feet per acre per year or approximately 1.1 percent on inventory.

Annual removals of softwood growing stock from the commercial forests of Western Washington approximate 1,237 million cubic feet per year or approximately 172 percent of the annual growth. Annual removals of softwood growing stock from the commercial forest of Western Oregon approximate 1,183 million cubic feet per year or approximately 187 percent of the annual growth.

The softwood commercial forests of the Pacific Northwest, Douglas Fir Timber Supply Region, currently carry too large a timber inventory and are not producing the volume of timber that they have the potential to produce. This is because many of the commercial forests of the region carry old growth stands which have stagnated. In such old growth stands significant timber losses occur due to decay, disease, and mortality, and detract from net annual growth.

In the Pacific Northwest, Douglas Fir Timber Supply Region, the softwood commercial forests carry an average inventory of 4,027 cubic feet per acre and produce approximately 55 cubic feet per acre per year of wood due to net growth. Approximately 25 cubic feet per acre per year of gross growth is lost due to mortality. The average inventory of the National Forests of the Region, 6,360 cubic feet per acre is higher than the average for all commercial forests of the Region. The average growth of the National Forests, 27 cubic feet per acre per year, is below the average for the Region. Further, loss of gross growth due to mortality in the National Forests of the Region, 39 cubic feet per acre per year, is greater than the average for the Region and is greater than the net growth for the National Forests of the Region. On the other hand, the commercial forests of the Region owned by Forest Industry carry a lower than average inventory, 3,291 cubic feet per acre, yield higher than average net annual growth, 61 cubic feet per acre per year, and lose less than average gross growth due to mortality, 23 cubic feet per acre per year.

On an acre for acre basis, the commercial forest land in the Pacific Northwest, Douglas Fir Timber Supply Region, owned by forest industry is producing approximately 126 percent more wood than that owned by the U.S. Forest Service on 48 percent less inventory. Put another way, forest industry is realizing approximately 4.4 times the return on investment that the U.S. Forest Service is realizing. Further, on an acre for acre basis, the National Forests are losing, due to mortality, approximately 1.7 times as much wood each year as the forests owned by industry.

Examples of potential inventories and yields for the two major forest types of the Pacific Northwest, Douglas Fir Timber Supply Region, under different levels of management are summarized in Table VI. In Table VI, the various stand conditions (manage-

TABLE VI

FUTURE YIELDS AND INVENTORIES [1] OF MANAGED STANDS

DOUGLAS FIR FOREST TYPES

Stand Condition (Level of Management)	Site Quality 1	2	3	4
Stands Stocked				
Inventory (cubic feet per acre)	1,963	1,463	926	407
Yield (cubic feet per acre per year)	139	107	74	37
Stands Spaced and Thinned				
Inventory (cubic feet per acre)	2,593	1,908	1,463	1,037
Yield (cubic feet per acre per year)	256	198	146	102
Stands Spaced, Thinned, and Fertilized				
Inventory (cubic feet per acre)	2,852	2,259	1,833	1,352
Yield (cubic feet per acre per year)	282	224	181	133

SPRUCE-FIR-HEMLOCK FOREST TYPES

Stands Stocked				
Inventory (cubic feet per acre)	2,445	1,908	1,389	852
Yield (cubic feet per acre per year)	207	163	120	78
Stands Spaced and Thinned				
Inventory (cubic feet per acre)	2,778	2,222	1,722	1,074
Yield (cubic feet per acre per year)	274	220	170	106
Stands Spaced, Thinned, and Fertilized				
Inventory (cubic feet per acre)	2,963	2,426	1,945	1,278
Yield (cubic feet per acre per year)	293	239	193	126

1) 7" d.b.h. to 5" tops in 16' logs, trees age 30 and older, 50 year rotation.

ment levels) are defined as follows:

Stands Stocked means each acre is stocked 70 percent normal, according to Forest Service Bulletins 201 (Douglas fir types) and 1273 (spruce-fir-hemlock types). The only management practice is final harvest.

Stands Spaced and Thinned means the trees have room to grow from youth without serious competition. Commercial thinnings are taken.

Stands Spaced, Thinned, and Fertilized means the previous category, plus fertilization at ages between 10 and 30 years.

A comparison of the present timber inventories and yields for the current forests of the Pacific Northwest, Douglas Fir Timber Supply Region with the potential inventories and yields for the future forests of the region reveals a need to convert to the future forest condition as rapidly as possible. The influence of such a conversion on the Nation's timber supply can be best demonstrated by study of the two examples which follow:

EXAMPLE 1 - FORESTS TRIBUTARY TO THE PORT OF GRAYS HARBOR

The area tributary to the Port of Grays Harbor encompasses a total land area of 2,682,500 acres, of which 2,467,900 acres are forested. Approximately 1,981,900 acres of the forested acres are classed commercial forest lands, of these, only 1,884,300 acres are considered tributary to the Port of Grays Harbor because of ownership patterns. The timberlands of Crown Zellerbach Corporation in Pacific County are tributary to that company's operations on the Columbia River. The timberlands of Simpson Timber Company in Grays Harbor County are tributary to that company's Shelton facilities.

Of the commercial forest lands considered tributary to the Port of Grays Harbor, approximately 40 percent are owned by major forest industry companies, 35 percent by

public agencies and 25 percent by small forest industry companies or individuals.

Two major forest types exist in the area. On the humid Western slopes of the Coastal Range, spruce-fir-hemlock forest types dominate. On the balance of the area, Douglas fir forest types dominate. Approximately 940,000 acres belong to the spruce-fir-hemlock forest types and 944,000 acres to the Douglas fir forest types.

These forests carry a total inventory of approximately 8.4 billion cubic feet with approximately 6.2 billion cubic feet (or 74 percent) of the inventory being in softwood sawtimber. Approximately 64 percent of the timber inventory is on private land and 36 percent on public land. Hemlock is the major species growing in the area and contributes 54 of the total inventory. Other major species are Douglas fir (14 percent), Western red cedar (nine percent), and the true firs (eight percent).

The commercial forests tributary to the Port of Grays Harbor are potentially highly productive. Their distribution by Site Quality is approximately as follows:

Site Quality	Percent of Total
1	2
2	42
3	43
4	13

Much of the commercial forest land in the area is covered by old growth timber stands which have stagnated. Therefore, the full growth potential of the area is not being realized. The current annual growth for the area is approximately 187 million cubic feet per year or 2.2 percent on inventory.

In order to realize the full growth potential of the commercial forests of the area, the present forest must be converted to the future forest condition in an orderly way. Such a conversion is occurring, and it is estimated that it will take 55 years to realize the full productive potential on private lands and 75 years on public lands.

When the future forest condition is achieved, the stable inventory will be approximately 3 billion cubic feet and the annual growth will be approximately 284 million cubic feet or approximately 9.4 percent on inventory.

During the transition period from the current forest condition to the future forest condition, approximately the following volumes of wood will be potentially available for harvest:

Year	Million Cubic Feet
1980	293
1990	305
2000	326
2010	337
2020	357

These volumes are greater than the current annual or future annual growth since a reduction in inventory will be taking place as stagnated old growth stands are converted to vigorously growing second growth stands.

Local industry does not and will not have adequate capacity to utilize the total forest harvest potential of the area.

It is estimated that local industry will utilize the following quantities of wood in the future:

Year	Million Cubic Feet
1980	139
1990	158
2000	175
2010	185
2020	176

The surplus of wood which can be produced by the forests of the area will be approximately as follows:

Year	Million Cubic Feet
1980	154
1990	147

94-218 C - 73 - 33

Year	Million Cubic Feet
2000	151
2010	152
2020	181

This surplus of wood could be and possibly should be exported.

EXAMPLE 2 - FORESTS TRIBUTARY TO PORT ANGELES

The area tributary to Port Angeles consists of 1,245,000 acres of which 1,081 acres are classed as commercial forest land.

Of the commercial forest lands tributary to Port Angeles, 45 percent are in public ownership, 34 percent are owned by major forest industry companies and 21 percent by small forest industry companies or individuals.

Two major forest types exist in the area. Spruce-fir-hemlock types occupy 50.4 percent of the area and Douglas fir types, 49.6 percent of the area.

These forests carry a total inventory of approximately 7.2 billion cubic feet of which 5.6 billion cubic feet (78 percent) is in the form of softwood sawtimber. Approximately 68 percent of the total inventory is on public land and 32 percent on private land. Hemlock is the major species growing in the area and contributes 52 percent of the total inventory. Other major species are Douglas fir and true fir (15 percent each) and Western red cedar (10 percent.

These forests are potentially highly productive. Their distribution by Site Quality is as follows:

Site Quality	Percent of Total
1	2
2	24
3	49
4	25

A substantial proportion of the commercial forest land carries old growth stands which have stagnated and where mortality consumes gross growth, thus, the full growth potential of the area is not being realized. The current annual growth for the area is approximately 100 million cubic feet per year or approximately 1.4 percent on inventory.

In order to realize the full growth potential of the commercial forests of the area, the present forest must be converted to the future forest condition in an orderly way. Such a conversion is occurring and it is estimated that it will take 55 years to realize the full productive potential on private lands and 75 on public. When the future forest condition is achieved, the stable inventory will be approximately 1.6 billion cubic feet and the annual growth will be approximately 143 million cubic feet per year or 8.9 percent on inventory.

During the transition period from the current forest condition to the future forest condition, approximately the following volumes of wood will be potentially available for harvest:

Year	Million Cubic Feet
1980	186
1990	194
2000	200
2010	207
2020	215

The volumes are greater than the current annual or future annual growth, since a reduction of inventory will be taking place as stagnated old growth stands are converted to vigorously growing second growth stands.

Local industry does not and will not have the capacity to utilize the full harvest potential of the area. It is estimated that local industry will utilize the following quantities

of wood in the future:

Year	Million Cubic Feet
1980	117
1990	147
2000	154
2010	163
2020	166

The surplus of wood which can be produced by the forests of the area will be approximately as follows:

Year	Million Cubic Feet
1980	69
1990	47
2000	46
2010	44
2020	49

This surplus of wood could be and possibly should be exported.

SURVEY OF OPERATING CAPACITY
AT
WEST COAST LUMBER & PLYWOOD PLANTS

MARCH 1973

Sponsored by: Home Builders Association of Metropolitan Portland
3140 N.E. Broadway Portland, Oregon

Analysis by: Hal Mayhew, Forest Products Analyst
Herron Northwest, Inc.
1900 Georgia-Pacific Building
Portland, Oregon

SUMMARY

A survey of lumber and plywood plants in Oregon, Washington and California in late February and early March 1973 revealed that production could be increased by a substantial margin if sufficient logs were available.

Returns from 102 sawmills had been received by March 16 out of a total of 347 mills surveyed. Out of this total, 54 plants indicated that they were running one shift, or not operating at all. Close to 7 percent of the mills surveyed indicated that they could increase production by means of 9-hour shifts or 6-day weeks if logs were available. The 54 plants running at less than two shifts indicated that sufficient labor was available in their areas to add shifts if raw materials were available.

The sawmills replying to the survey indicated they could increase their production by about 40 percent, or close to 148 million board feet per month, with an adequate log supply. The mills reporting had a current production of slightly over 367 million board feet per month. By combinations of extra shifts and longer work days and work weeks, the mills indicated they could produce 515 million board feet per month.

Translated to a yearly basis, the reporting mills were producing at a yearly rate of 4.39 billion board feet. With an adequate supply of logs they could increase this total to approximately 6.18 billion board feet per year. The gain of an estimated 1.7 billion board feet per year would significantly relieve shortages of lumber in the area.

Plywood mills reporting to the survey were operating at closer to rated capacity, or a three shift-five day basis. The 30 mills replying, however, indicated that they could increase production by about 15 percent by combinations of 6-day weeks, 9-hour days and additional shifts. The reporting mills had monthly production of close to 288 million square feet, 3/8-inch basis. With an adequate log supply they could increase production by 45 million square feet, bringing total monthly production to 333 million square feet per month.

On a yearly basis, the reporting plywood mills could add production of approximately 535 million square feet, 3/8-inch basis, if sufficient logs were available.

PURPOSE

The survey was conducted to determine whether log exports from the West Coast were causing domestic mills to operate at less than peak capacity. An estimated 2.78 billion board feet of logs were exported from the Pacific Coast in 1972, mostly to Japan. These exports originated largely in Washington, Oregon and California. Existing state laws in Alaska prohibit log exports except for minor species such as Alaska Cedar.

There are no industry statistics available to our knowledge to indicate the operating capacity of West Coast sawmills on a weekly, monthly or even a yearly basis. In the case of plywood, however, the American Plywood Association publishes weekly statistics indicating the operating capacity of the plywood industry, and the ratio of production. The American Plywood Association defines capacity as three shifts, five days per week.

The purpose of the survey, then, was to determine facts on lumber operations not available from any source, and to determine whether plywood production could be increased beyond the capacity figures reported by American Plywood Association.

SCOPE OF SURVEY

The mill capacity survey was mailed to 347 lumber operations and 107 plywood operations in the three-state area, using as a source the directory "CROW'S BUYERS AND SELLERS GUIDE". This publication has been in existence for close to 50 years and is regarded as a reliable directory in its field.

The questionnaires were mailed to operations in the areas most likely to be affected by the sales of export logs. This included the manufacturers of lumber and plywood in the areas West of the Cascades, and to certain areas on the east slope of the Cascades where there was a proximity to ports where logs were being exported. The questionnaires were not sent to manufacturers of Cedar shingles and shakes, or to veneer manufacturers.

The first questionnaire was mailed to mills on February 12, and a follow-up was mailed on March 6th.

QUESTIONNAIRE

The questionnaire was worded to determine present production rate in terms of operating days, weeks and shifts; to determine actual monthly production at this time; and to determine what could be produced if an adequate supply of logs were available at prices compatible with the domestic market.

The mills were also asked whether they could continue to operate under present log supply conditions.

The questionnaire was worded to determine if production could be increased with the present work force by additional hours of production, or additional work days. The question was also asked whether there was sufficient labor available to add production shifts where mills were not operating at full capacity.

It was recognized that the price of logs was as much a determining factor as their availability in some areas. Prices paid by log exporters in recent months have in many areas been well above the levels which domestic sawmills and plywood plants could pay and still operate at a profit. Hence the questionnaire was worded to determine what the operations could produce if logs were available at prices compatible with the domestic market for their finished products.

TYPE OF RESPONSE

Replies from lumber operations were received from companies with monthly production ranging from 400,000 board feet to 12.6 million board feet. Plywood plants replying to the survey had production from two million feet per month to 17 million feet, and included some of the largest integrated operations.

RESULTS: LUMBER

Replies from lumber operations indicated that production could be increased substantially by additional shifts as well as added work days and hours. Less than half of the respondents were operating at capacity, which is generally regarded as two shifts, five days per week, in the lumber segment.

Working shifts. Out of the 102 replies in the lumber category, 54 plants were running one shift or less. All 54 of these companies said they could add production by additional shifts if logs were available. The balance of the respondents were running mostly on a two-shift, five day basis.

Additional days and hours. On the subject of additional production by 9-hour days and 6-day work weeks, about three-fourths of the companies replied that production could be increased in this manner. Out of the 102 returns, 73 said they could increase production by a 6-day week, and 74 indicated they could operate on a 9-hour work day if logs were available. The gain in production by added days and work hours was not as pronounced as the gain from additional shifts, but a gain of about 15 percent was attainable in this manner.

Footage. The 102 mills replying had monthly production of 366.5 million board feet at the present time. By all methods of increased production, including additional shifts and work schedules, the mills indicated they could produce an additional 147.4 million board feet per month. This amounts to a net gain of 40.2 percent for the mills replying to the survey.

It is recognized that this 40.2 percent gain could not be applied to mills not replying to the survey, hence no effort has been made to expand these results to an industry-wide basis. The footage gain from the 102 mills replying is substantial, however, and indicates a substantial degree of unused capacity. Out of the 54 plants not running two shifts, 30 were in Oregon, 15 in Washington and 9 in California. One of the plants, Seattle Cedar Lumber Manufacturing Co., revealed through the survey that it was closing indefinitely for lack of logs.

RESULTS: PLYWOOD

Plywood plants replying to the survey were running at close to capacity, but through a combinatio of methods the 30 mills could increase production by 15.5 percent if sufficient logs were available.

Added shifts. Because some departments in any given plywood operation may be operating two shifts while others operate three shifts, the results of this part of the survey are not as easily defined. Most of the 30 plants were running three shifts in at least a part of their operations, but a total of 6 shifts could be added with available logs. A gain in production of 5 percent could be achieved in this method.

Additional days and hours. On the question of the six-day work week, 17 of the 30 plywood plants said they could add production in this method if logs were available. Only 4 indicated that they could add production by a 9-hour day.

The survey, as it applies to plywood, appears to substantiate the American Plywood Association statistics which show production at close to 100 percent of the rated capacity on a three-shift, five-day basis. If production is to be substantially increased, the six-day work week would be required, and at least 17 plants indicate that this could be done.

CONCLUSION

The survey indicates that there is a substantial amount of capacity in the lumber industry on the West Coast not being utilized because of log shortages. In plywood, the survey shows that a substantial gain in production could be achieved only through the six-day work week.

The respondents have indicated that they could produce an additional 147 million board feet of lumber and 44 million square feet of plywood on a monthly basis if the logs were available. Expanded to a yearly basis, this amounts to some 1.7 billion board feet of lumber and 535 million square feet of plywood.

The total volume of logs being exported, or approximately 2.78 billion board feet per year, could not immediately be utilized by the lumber and plywood plants replying to this survey. Allowing for conversion of log scale to lumber and plywood footage, it appears that approximately one-half of the total exports could be utilized by existing operations. Assuming that mills not replying to the survey are operating at close to rated capacity, some additional capacity would need to be built to completely utilize logs now being exported.

The approximate total of 1.7 billion board feet of lumber which could be processed by the mills replying to this survey is substantial, however, in terms of production in the area. Western Wood Products Association has estimated 1973 production for the Coast region as 8.6 billion board feet. A gain of 1.7 billion board feet, if it could be achieved by increased log supply, would represent better than a 20 percent increase in the supply from this area.

MILL CAPACITY SURVEY: LUMBER

	Washington	Oregon	California	Total
Mills reporting:	28	45	29	102
Mills operating one shift or less:	15	30	9	54
Current monthly production:	75.8MM	161.2MM	129.5MM	366.5MM
Could work 6-day week:	20	32	21	73
Could work 9-hour shifts:	19	31	24	74
Monthly production which could be added by above means:	10.4MM	24.5MM	21.8MM	56.7MM
Percent increase:	13.7%	15.2%	16.8%	15.4%
Could add another shift:	14	28	12	54
Production which could be added by additional shifts:	16.9MM	52.6MM	26.6MM	96.1MM
Percent increase:	22.3%	32.6%	20.5%	26.2%
Production which could be added by all available methods:	27.0MM	73.4MM	47.0MM	147.4MM
Percent increase:	35.6%	45.5%	36.3%	40.2%

Approximate gain possible per year: 147.4 x 12 - 1,769,000,000

MILL CAPACITY SURVEY: PLYWOOD

	Washington	Oregon	Calif.	Total
No. of mills reporting:	8	17	5	30
Current monthly production:	71.0MM	191.2MM	25.3MM	287.5MM
Could work 6-day week:	5	8	4	17
Could work 9-hour day:	2	2	0	4
Monthly production which could be added by above means:	10.9MM	18.0MM	3.1MM	32.0MM
Percent increase:	15.4%	9.4%	12.3%	11.1%
Monthly production which could be added by extra shifts:	3.5MM	3.3MM	8.8MM	15.6MM
Percent increase:	4.9%	1.7%	3.5%	5.4%
Production which could be added by all available methods:	11.4MM	21.3MM	11.9MM	44.6MM
Percent increase:	16.1%	11.1%	47.0%	15.5%

Approximate yearly gain possible:

44.6MM x 12 - 535,200,000 square feet

Quotations from the Statement of
Ralph D. Hodges, Jr.
Executive Vice President
National Forest Products Association
Before the Subcommittee on International Trade,
Committee on Banking and Currency
U. S. House of Representatives
March 21, 1973

..."This Committee, of course, cannot overlook the violent fluctuations in housing demand. When starts go from 1.4 million to 2.4 million in a year's time, then mill capacity is stretched beyond practical limits."

* * *

..."Lacking idle mill capacity in the exporting areas, a log export embargo will not lead to lower prices for wood products. Short term prices for wood products are determined by supply-demand relationships at the consumer level, not by the costs of production. Thus, lower timber prices cannot be passed through to reduce consumer prices when consumer demand outruns manufacturing capacity. Nor, conversely, can higher timber prices be passed through to force increases in product prices. This was evident in 1969 when product prices pluged and many timber buyers were left holding high-priced timber they could not profitably harvest."

The Post-Intelligencer

March 24, 1973

Letters to The Business Editor

Letters to the Editor of the Business Section of this newspaper are welcomed. The best will be published on Saturday. The letters must be signed, although you can request anonymity in print. They should be legible and, if possible, short and to the point. We reserve the right to edit out libel. No business topic is too hot to handle.

Case for a Log Embargo

To the Business Editor:

I was interested in your column on log exports in the Sunday, March 18, P-I.

Your points concerning manufacturing capability, transportation and overall timber supply as they relate to log exports are good ones, and we have been living with the complexities of them on a daily basis.

I can assure you the APA position just recently taken on ban of log exports from Western federal lands was not reached easily, nor without some very real study by our board and the staff.

The concern of our members and particularly the 28 plants located in Washington State is not raw material for production today. They have logs to sustain the current high production rate needed to even attempt to meet our nation's record high demand. Our producers ran at a record high level of 97 per cent of capacity for the full year of 1972. As you point out, we've been running at 100 per cent or more during 1973 so far.

But our people totally dependent or dependent in part on outside timber are unable to buy timber sales now for raw material needed 15 months to two years ahead. I can show you some of the typical actual bids of log exporters at public land auctions in our state that are four to five times the appraised value. Our mills can't contest for these sales even with plywood at today's prices.

WE HAVE NEVER maintained that a cessation of log exports from federal lands would immediately solve the current price-supply crisis. But Washington State and the West have a basic, stable wood products manufacturing industry that requires an assured long-term source of raw material in order to survive. And something like 32 per cent of all log exports originate in our state.

In our opinion, increased productivity from Forest Service land is the best opportunity for an assured timber supply in the West — so we do agree on something. As you know, the legal allowable cut based on sustained yield is about 13 billion board feet annually from our national forests. The full allowable cut hasn't been put up for sale since 1970 — only 9.3 billion feet were sold in 1972, and this year the sell figure is expected to drop to 8.8 billion feet out of 9.6 billion feet planned sales.

The differences between the allowable cut, the planned sell, and the actual sell are a function of Forest Service money (from appropriations) and manpower. And this year timber sales become even more costly to prepare as detailed. Environmental impact statements must be prepared by the Forest Service, already woefully short of staff and funds.

The Plywood Association has been going all out for many years to seek better funding and direction for the Forest Service so that the commercial forest lands could be better managed, and to make possible reforesting of 4.5 million acres of now fallow federal land.

Remember the Timber Supply Act of last year that was buried by preservationist pressure on the Congress? It was supported by APA and the forest products industry. We will continue to support legislation that will enable the Forest Service to do what they want to do and are capable of doing — that is, effectively manage their forest lands for timber production.

THE WITHDRAWAL of lands from timber production also hits Washington State hard. Our state already has more than three million acres of land in national parks, national recreation and wilderness areas, far more commercial land restricted from timber management than any other state in the nation.

So, given that Washington State provides 82 per cent of all log exports; has set aside three million plus acres of land for non-timber single use; has large acreages of commercial forest land under U.S. Forest Service ownership on which the trend is to reduced timber harvest; and is counted on to supply 12.5 per cent of our nation's plywood needs, the real question is where does the timber come from to sustain forest products manufacturing and meet demands that are expected to rise sharply during the next few decades?

According to the U.S. Forest Service manual of operations, timber from federal lands under their jurisdiction is to be used for domestic manufacture.

We certainly don't think this alone will solve the supply problem for Washington State and the nation. And you can be assured that we will continue to work to achieve some assurance that our nation's only renewable resource is made available to meet our needs for housing, other construction, paper, cartons and other goods.

Joseph L. Leitzinger
Vice President, Public Affairs
American Plywood Association

Impact of Log Exports on US Balance of Payments

Log exports made a positive contribution of $393 million to the troubled US balance of payments in 1972. Supporters of a ban on log exports have attempted to discredit this favorable impact on our trade balance by (1) correctly bringing our trade with Canada in lumber into the picture, but then overstating their case, and (2) ignoring the realities of existing capacity in the log exporting region.

The following tabulation, using data provided by the US Department of Commerce, indicates that the US did, in fact, suffer a trade deficit, as a result of our three-way trade in logs and lumber with Japan and Canada, of approximately $102 million in 1972.

1.	Total U. S. log exports (000's bd. ft. scribner)	3,049,351
2.	Total U. S. Log exports (000's bd. ft. lumber tally) 1/	4,208,104
3.	Total value of log exports (dollars)	$392,555,000
4.	Total U. S. lumber imports (000's bd. ft. lumber tally)	8,849,920
5.	Total value of U. S. lumber imports (dollars)	$1,042,227,000
6.	Average unit value of lumber imports ($ per thousand bd. ft.)	117.76
7.	Total dollar expenditure for softwood lumber substitutes in 1972 (i.e., line 2 multiplied by line 6)	495,546,000
8.	Total value of log exports (line 3)	392,555,000
9.	Net deficit in balance of trade	$ 102,991,000

1/ Assumes a 38 percent overrun

However, in order for this figure to acquire any significance other than that of academic interest, it must be assumed that the region in which the log exports originate has the capacity to fully convert into lumber for

domestic consumption logs bound for the export market. This assumption is crucial in that there must be increased production in the Pacific Northwest to offset the loss of Canadian lumber imports which would be diverted from the United States to Japan should an embargo be placed on log exports. Clearly, the facts cannot support such an assumption.

The State of Washington was the source of approximately 82% of the log exports in 1972. These exports come exclusively from the Western side of the Cascade Range. In terms of volume, the State of Washington exported approximately 2.21 billion board feet (log scale) in 1972. Converting this to lumber tally (assuming an overrun of 38 percent for the type of log generally bound for the export market) would yield a figure of 3.05 billion board feet.

As indicated by the following tabulation, this figure appears to be greater than the entire lumber production capacity in Western Washington at this time.

1972 Washington State lumber production	3.750 bil.bd.ft.	32.3%
1972 Oregon State lumber production	7.850 bil.bd.ft.	67.7%
1972 Production for both states	11.600 bil.bd.ft.	100.0%

Assuming the relationship between total Oregon and Washington State lumber production holds true for the Coastal Region of the two states as well, then the estimated production for Western Washington would be equal to 2.83 billion bd. ft. (Coastal Regional production 8,765 billion bd. ft. X Washington share, 32.3%)

The volume of log exports dumped on Western Washington markets because of a log export ban would be greater than current domestic production in that region. (Domestic production 2.83 bil. bd. ft. vs export volume - 3.05 bil. bd. ft.) Capacity would have to more than double in order to absorb and process the export volume into domestic lumber.

Mr. COLE. Evans Wycoff?

Mr. WYCOFF. My name is Evans Wycoff, a resident of Seattle, Wash. I am president of a small independent company which operates one sawmill located inside the city limits of Seattle, the last operating sawmill in Seattle.

I should add that we might be the first ecologically sound sawmill in captivity since we have never had any form of wastewood burner. All of our waste is merchandise in a semimanufactured form to various customers.

Like the meatpacker, we are still seeking buyers for the "squeal".

Our raw material supply comes from public and private timber auctions where competitively we bid against other users for the privilege of harvesting that stand of timber.

We own virtually no timber or timber land in fee. Timber stands vary extensively in specie and in size or type, and we, like other sawmills, can only cut a porton of each stand.

The ability to merchandise the balance of the stand to the other users, including the Japanese, is a fundamental factor in our business and always has been.

Seattle, like much of the coastal Northwest, had sawmills in its early blood. As the blood has changed, the sawmills have disappeared and so has the elasticity of the industry.

Why? Certainly not because of log exports. The reasons are many, intertwining, and confusing, but one in particular bears much of the blame.

Senator Harry Jones from our State gets credit for a maritime act commonly referred to as the Jones Act, which extended limitations of intercoastal freight movement to ships which are domestically built and maintained by domestic crews.

It has contributed to the death of intercoastal shipping and that was how our product normally and historically went to its biggest and best market—the North Atlantic coast and interior. So mills first sprang up along the North Pacific coast to supply California with building material by schooner.

When the Panama Canal opened ships increased in size, new companies and sawmills were formed and billions of feet of wood came into ports from Norfolk to Boston.

When I joined my company in 1956, of the several sawmills in Seattle, six operated with the intent to ship by water and three of these specifically shipped to the east coast distribution yards who in turn diverted lumber as far west as Pittsburgh, Detroit, or Buffalo.

There were several shipping lines with rights and about five of these were active.

Fifteen years ago we were actively solicited by shipping lines and by east coast terminal operators for business. Today there are no ships calling in Seattle for lumber; none is able to ship lumber to shipside and the entire trade from the Pacific Northwest is all but dead. With that decline went the heart of the operator and his plant.

Commencing in 1960 a number of operators who sensed what tragedy the Jones Act was creating addressed ourselves to Congress asking for a general exemption for lumber from the binding effects of the Jones Act. We were losing our market and Canada was capitalizing on it.

The lumber industry of British Columbia, Canada operates much as we do, cutting with the same type of equipment on the same type of logs.

With everything else being equal they could then go into the world market and buy transportation which is considerably less expensive than our marine or rail costs and they deliver comparable products to our customers for less.

Needless to say, our customers stopped coming to Seattle and began enjoying the pleasures of Vancouver, British Columbia. The results is history.

They ffourished and we died, or at least most of our mills died. In 1956 there were seven operating wood product plants within 2 miles of my office.

Allow me to discuss lumber production since I understand some "instant" surveys of possible increased lumber production have been reported. I do not believe any firsthand comments from the actual mill operators have been introduced along with these surveys, so let me give the operating man's view.

Our plant has operated two 8-hour shifts, 5 days a week, 51 weeks a year. We close between Christmas and New Year.

We have experimented with various alternatives to this—three shifts, 9-hour days, 6-day weeks, and I can specifically say that except for momentary improvements the most efficient and therefore the most competitive schedule is to split the 24-hour day into two 8-hour shifts of 4-hour work periods, plus 6 hours for cooling down, repairs or whatever else is needed.

What occurs in the remaining 2 hours? Lunch breaks, saw and knife changes or sharpening, oiling, greasing, adjusting or whatever else is required to properly operate.

Sawmills are a debilitating unit. They take large, strong pieces of vegetation and make them into smaller and weaker pieces. This is done with saw knives and other cutting devices which, so far, can only be made of steel.

Each of these devices need sharpening and, in our industry, this technology is geared to a 2-, 4- or 8-hour increment of time. The demand varies from application to application and unit to unit.

But, when you go beyond the 8-hour factor, something is going to need sharpening or, if it is continued in use, there will be a resultant loss of efficiency.

The assumption that an additional hour of production to each shift is an automatic 12.5 percent increase is fallacious.

An additional and even more important factor is manpower. Working in a sawmill is unlike almost any other job and it is tiring. Men or women, both physically and mentally, let down at the end of 8 hours approaches. To expect, day after day, that equal efficiency can continue in the 9th or 10th hour is ludicrous, to say nothing of being extremely unsafe.

Sawmilling is a fairly high risk industry and our experience is that extra hours of production can increase accident frequencies.

The employees actually prefer no more than 8 hours, 5 days a week, of production operation.

94-218 O - 73 - 34

A mill in an adjoining town tried 9-hour shifts recently and finally gave it up realizing that manpower complaints, productivity drops and general problems made the normal 8-hour day a better method.

We tried the third shift ourselves for over a year and arrived at the same conclusion. We improved production only about 2 percent.

Briefly, let's look at other economic factors which are reflected in the current cost of lumber. These comments are not meant as an attack on any segment of our business but are a reflection of the entire economy.

Using fiscal 1963, which was a fine year, and comparing it to the 10 months in our own fiscal 1973: manufacturing expense is up 107 percent; labor cost is up 91 percent; log cost is up 80.5 percent; and the average sale price of the comparable product is up 83 percent.

In summary, lumber prices have been affected by many historical and recent events. In addition to those mentioned, let me outline a few more.

Phase II badly distorted the industry. When we were faced with ceilings we looked for other markets or products. This withdrew domestic production from housing while Canada and Mexico, who had no price controls on their products, filled part of the gap and pushed the price further and faster than it would normally have gone.

Canadian retailers were driving to Washington State and buying lumber because they did not care to pay Canadian mills the price those Canadian mills were receiving from builders in the United States.

The drive for more and more wilderness areas, roadless areas, and other land withdrawals has discouraged mill operators and investors.

Okanogam County, for instance, has had four mills closed down over the last 10 years, particularly because of the encroachment of public lands with withdrawals and the residual reduction of stumpage.

To anticipate your question, very few logs have been exported from that area. That area, like many others, needs assurances that lands are not being withdrawn and that tree farming can continue as it is now.

More production units and, therefore, more elasticity in the industry cannot come about until the trend is reversed. In the meantime, the decline will continue in the number of manufacturing units, in the reduction of the purchase of new sawmill machinery, in the disappearance of companies that build and design sawmill machines, in the reduction of outlets that sell the production and in the uses for the product.

In this time of energy problems we are making a mistake letting this reduction occur. If for no other reason, lumber consumes considerably less in energy conversion than any competitive material.

The log is a reproductive plant like wheat and cotton. But land for growing must be available and patience is required to let the crop grow, and we must be willing to have it harvested.

Otherwise, the prices of lumber will continue to go up when extraordinary markets like 1972–73 occurs and eventually, as has been suggested in novals, wedding rings will flash a lovely hemlock knot, not a diamond.

Senator CRANSTON. Thank you very much.

Mr. COLE. Mr. Chairman, I am Bert Cole, State of Washington. I will very briefly go over the points, and I would hope, Mr. Chairman, that we would have an opportunity to submit some updated material that our staff is working on.

Senator CRANSTON. You certainly will.

Mr. COLE. I would indicate to the chairman that the Department of Natural Resources do have professional people on their staff. They have the responsibility of making mill surveys and other types of forestry information because forestry is our public responsibility, and we hope that the material we provide is objective.

Log exporting has increased the trust revenue of our funds in our State. When we became a State in 1889, the Federal Government gave to us certain trust lands, and we also managed trust lands for the county, tax delinquent lands, in the thirties, that have been turned over to the State for management.

The total income to these trusts, or increased income, because of trade markets, the export market, has been $51.4 billion to date.

The increased revenue produced additional money for us to do a better forestry management job on our trust lands.

Such things as standard improvement, commercialization, thinning, genetically improved trees. We are providing on a sustainable harvest wood through this Intensive Forest Practice Act that are supported by moneys because of an export market.

The intensive management practices increase the growth of timber.

We have been able to increase our sustainable harvest 4 times in the past 12 years, because of application of intensive forestry management principles, from 200 to 774 million at the present time.

Intensive forestry management helps our environment. We are highly concerned about our soils, our water, and our air. The soil is the most valuable asset that we have, and because of increased revenue, we are able to do more expensive road building, whereby we minimize the soil siltation to our streams, we are able to do more expensive harvesting methods with balloons, helicopters, expensive cable systems, thereby minimizing the damage to our soils, and we are also able to hide demand and get better recovery of wood fiber on our lands.

The increase of production in the State of Washington, we produced 2 billion more feet of timber in the State of Washington, and this is private and public lands, and at the same time, on less acres, thereby assuring our sustainable harvest, and making it easier for us to do a better environmental job, particularly in disposal of the slash as far as our air is concerned.

Intensive forestry requires technicians; professional people; and you name it, and we have it. Agriculture economics, forest economics, game biology, geology, all of those, plus others, are part of our staff that help with the plans for intensive and environmental management of our forest lands, and these men cost money, and we are able to hire them because of the increased income that the trade market gives us.

If you are going to do intensive forest management, you have to have a continuing management plot. The legislature did give that to me some years ago. Two years ago, they raised it from 20 percent of the gross, off the top of our gross receipts, to 25 percent, and this gives us each year, moneys to do the intensive forestry management practice, plant trees ahead for our rehabilitation programs, and to do a total job.

This is what you heard about our Federal Government, the U.S. Forest Service. The U.S. Forest Service is dependent annually upon the budget, and also the whims of the executive branch in withholding their budgets, and the U.S. Park Service cannot do a good management job and meet their harvest without a continuing management fund.

Forest industry is our bread and butter in the State of Washington. We are lucky that we have the soils and the environment to grow trees, and we do have in our State a good balance between public and private landownership. Our exporting—or our production, rather, is 23 percent State; 4 percent Indian production, Indian lands; 8.8 percent U.S. Forest Service, and the balance of it from 4 million acres of our small wood owners, and the balance of it from our major industrial landowners.

As mentioned before, log export stabilizes employment. I was back here testifying before this same committee some 4 or 5 years ago when we had one of our peaks of high prices of lumber and plywood, and before we left the hearing, prices began to drop. In the next 2 or 3 years, we went down into one of the steepest declines for demand domestically for wood products. In the State of Washington, we had a very serious economic condition, with Boeing, the airplane company, laying off thousands of people. But for the first time in the State of Washington, because of an export market, we did not have the dip in our forest employment clear down to the bottom like we had had in the past, because we had had port employees in an export market that leveled off our employment picture and helped to stabilize employment in the State of Washington.

I think, Mr. Chairman, basically, what the Governor; myself; and our superintendent of public instruction; each of us, the State-elected officials are concerned that the State of Washington, which has 82 percent of this production problem on the west coast basis, 68 percent on a national basis, that we are being used as a whipping boy, and our funds and our earnings are being jeopardized because of a shortage and a high price of lumber. And we admit there is a shortage and a high price. But we submit to you that stopping our opportunity to sell our forest products at the market price, on a free bidding opportunity, is the best for us to maintain the maximum income and the maximum job benefits for our State.

Thank you.

Senator CRANSTON. Thank you very much.

Bob.

Senator PACKWOOD. Thank you very much. I just have a few questions, Alan.

Let me ask the other three gentlemen: Do you agree with the statement that stumpage prices bear no relation to the price of the finished product?

Mr. JACKSON. Yes; I have entered into the record Mr. McCracken's statement on this, and I would like to read it, if I may:

"No, sir," answered McCracken, a man who has made a career of representing the lumbermen who is dependent on public land's timber because they don't own their own forest. They charge the most amount it will pay. It is dependent on supply and demand alone.

Senator PACKWOOD. I don't understand this.

Mr. JACKSON. They charge as much for the lumber and the plywood as the customer is willing to pay. The full statement is in here of McCracken.

Senator PACKWOOD. I understand that, and if they have no market at all, it doesn't matter if they paid $500 a thousand, if they have no place to sell it, they just don't sell it.

Mr. JACKSON. Or the other way around.

Senator PACKWOOD. They are going to sell it for as much as they can. What you were saying is that determining the price at which they are going to offer it, one of the factors which is irrelevant and of no concern is what they paid for the stumpage?

Mr. JACKSON. Correct.

Senator PACKWOOD. Ok. Mr. Cole, the State of Washington is cutting on a sustained yield basis?

Mr. COLE. Yes.

Senator PACKWOOD. So even if you had no exports, you would have to continue to cut it at about the rate you are cutting it now?

Mr. COLE. We would be hopeful that we could offer for sale and the public auction would purchase our sustainable harvest, yes.

Senator PACKWOOD. Assuming that, assuming there is a shortage of timber, and assuming the price is fair, we could look to the State of Washington, because you would, if you could get the price, cut it to keep your sustained yield program going.

Mr. COLE. We wouldn't necessarily have to harvest it. Of course, we sell on not an annual or short 6 months cut basis. We sell according to the volume. Some of them are as long as 4 years, 12 to 15 million board feet. So the harvest is not necessarily in a 6-month period of a year's period. It may be scattered over a few years. And what our department tries to do, if we offer sales, which we have, and they haven't sold, then we try to average our sustainable harvest over a 5-year period. One year we sold 824 million, because 2 or 3 years before we hadn't been able to sell.

Senator PACKWOOD. It may be up and down.

Mr. COLE. Right.

Senator PACKWOOD. I realize that.

Now, I noticed in your statement, and from some of the newspaper statements I picked up, a certain theme in your statements, that basically log exports are a Washington problem, or if they are not a problem, it is really Washington's business, and not mine, Senator Cranston's and so forth. Is that a fair review?

Mr. COLE. I would think so, since 82 percent of the raw material comes out of the State of Washington, and transportation of the raw material is such that you cannot move the surplus logs that might be there to the other markets. Transportation is an expensive cost. It is limited.

Senator PACKWOOD. Now, if we could move it to other markets, then it would be a national problem?

Mr. COLE. I wouldn't think so. I would think it would be a State of Washington problem, and maybe a State of Washington and Oregon problem.

Senator PACKWOOD. Thank you. I appreciate the inclusion.

Would you have the same attitude for Montana and Arizona, as far as the production of copper is concerned?

Mr. COLE. Senator, we're not talking about the same resource. Copper and other ores can be moved.

Senator PACKWOOD. We're not talking about the same resource, but before we are done, I will make a case that we're talking about a raw material in short supply, whether it be copper or wood, and that it is not a problem of just the State in which the resource happens to be found: that that State can say to the rest of the Nation, "It's our business. Don't bother us."

Mr. COLE. Senator, it looks to me like, and the Governor and I both agree on this, is what some people would like to do is to have the State of Washington for a tree farm at their price, and not on a free market price, or on a competitive price. They want to be subsidized at the expense of our schools, and those private landowners that grow timber in our State.

Senator PACKWOOD. Since we have had the Export Administration Act, different administrations have restricted the export of all kinds of raw material at one time or another when they were in short supply, and that had the effect of reducing the prices. Couldn't any State in which those raw materials are located make that argument, that they are being asked to support the Nation at the expense of that State or that owner?

Mr. COLE. What you are trying to get me to agree to, Senator, is that the State of Washington, in its trust grant by Congress, and our private landowners, and our Indian lands that grow timber, should be subsidizing the Nation as a whole?

Senator PACKWOOD. What you are saying is that in your trust capacity, you're going to sell your timber to the highest bidder, wherever that bidder may be—to hell with America!

Mr. COLE. That's what our enabling act says, that we must sell it on an open bid for the maximum price.

Senator PACKWOOD. I have no further questions. Thank you very much, Alan.

Senator CRANSTON. Yes; I don't know of anybody who wants to maintain the State of Washington as a tree farm for the rest of the country. It's the matter of prices that the rest of the country is having to pay that we are concerned with.

Mr. COLE. Senator, we agree that the price is too high, but we don't think that cutting off 3 billion feet of timber is the answer to it. There are other answers. I've heard some very simplistic answer today by some people who are nonforest managers, how the solution can be solved. I wish they would tell my staff how to do it.

Senator CRANSTON. Mr. Bingham.

Mr. BINGHAM. Senator, may I try to help? On the question of supply, I think we do have a short-term and a long-term issue, and I think the concern, Senator, that we have is that there is an impression being created that if you stop the flow of logs tomorrow offshore, that would immediately bring more supply short term into the market, and we are very concerned that it may very well do just the opposite; because the Japanese have half as many people, and only one-tenth the forest base we do. They are building about the same number of homes. They have a very important need for softwood. It has to come from the west coast or from Canada. And if they are not able to buy some portion of

those requirements from the west coast, they are going to buy lumber from Canada.

They have demonstrated it before. They have moved from a high when they wanted to have 770 million feet down to 340 million feet in 2 years, and they have the ability to divert the Canadian lumber to Japan, a lot of which is on ocean bottoms, anyway, as it moves to our east coast. So I think that is a very important factor.

Just a question, will we get more short-term supply. And I would urge the committee, again and again, that the short-term supply is to put the timber and the logs in front of the mills; you could add some shifts tomorrow and get it in the market.

Senator CRANSTON. You have testified that the sawmills are operating at top capacity, that they have no more capacity. What good will it do to put more logs there from a national forest or elsewhere if they are at capacity now?

Mr. BINGHAM. Senator, we have tried consistently to indicate that there is more product that could be gotten out of the mills in Montana, Idaho, some parts of your State, as far as we can tell, and some parts of the State of Oregon.

I think on the question of capacity, there is a difference as to how much.

We kind of start against how much overtime do people normally work, and whether you can really sustain 6-day weeks, or 9-hour days, week after week, and whether you can sustain that without maintenance is a real question.

There's no doubt in our mind that more national forest timber in Idaho, Montana, some parts of California, and perhaps some parts of Oregon would be of major help short term, both in terms of more production, and psychologically, to the mills to get them to add the shifts to use the logs that they already have that they are trying to stretch out.

But I would like to make the observation——

Senator CRANSTON. Before you get to the long term, can I keep it at the short term?

We're getting conflicting testimony, I think, from you gentlemen before us, as well as a conflict between you and the earlier panel from the National Forest Products Association on this matter of sawmill capacity.

Mr. Jackson stated and submitted some documentation which I haven't had a chance to look at, but you said, "I would like to submit from documentation that the industry is operating at peak capacity, the sawmill industry." That's in this written statement.

Mr. JACKSON. I don't think "peak" was my word.

Senator CRANSTON. You withdraw the word "peak"?

Mr. JACKSON. Yes; I would withdraw it.

Senator CRANSTON. How near peak are they? We are getting conflicting testimony, and I don't understand myself at this point what you gentlemen feel, whether you are in agreement, let alone with the view of the National Association of Home Builders.

George Martin said that a survey they have conducted reveals unused capacity in the sawmills of 1.7 million board feet per year of lumber, and 535 million square feet of plywood per year, and he states production can begin immediately. That's a total variance of what you are telling us.

Mr. JACKSON. No, no. We went out of our way to make the point that the possible increases in capacity supported by the Portland home builders survey are in no way geographically related to the origin of the exports.

The 82 percent of that possible increase was in California and Oregon, where only 16 percent of log exports originate.

On the other hand, 82 percent of the log exports originate in Washington, and only 18 percent of the possible increase in capacity in Washington. And the two do not mesh up. Logs do not move across these boundaries.

Mr. BINGHAM. Senator, I think it is——

Senator CRANSTON. Well, this again is a variance of what we are getting in the capacity survey from the homebuilders' association. They have different figures for Washington, Oregon, and California. A percentage which could be added by all available methods—Washington—totals 40.2 percent.

I think Bob Packwood and I and the rest of us will have to go into more detail when we have further hearings.

Mr. JACKSON. We have that survey in here.

Senator CRANSTON. Is it now your position that in Washington there is considerable capacity to produce more at the sawmill?

Mr. JACKSON. No, most definitely net. That is not my position.

Senator CRANSTON. What about in Oregon?

Mr. JACKSON. I can't speak for Oregon.

Senator CRANSTON. What about California?

Mr. JACKSON. I can't speak for California.

Senator CRANSTON. Where do you want the additional logs put if we step up production from the national forest? Where do we take them to cut them?

Mr. BINGHAM. Senator, I think as far as we can tell, the principal needs would be in Idaho, Montana, and some parts of Oregon, and in some parts of California.

I think it's a little bit—and I would defer to Mr. Wycoff, presumptuous for anybody to suggest to an individual mill whether it can or cannot get the labor and run it overtime.

I think it's a terribly important overall issue that perhaps Oregon State or someone could give us solid data on what is the installed capacity, and what could we sustain on a regular basis, given the needs for maintenance, and given the needs or the restrictions on overtime.

I think the interesting thing is, though, that the Douglas fir region, where most of the logs are originating, did increase its lumber production from 7.3 billion in 1970 to 8.8 billion in 1972, in the western pine region, starting from a higher base of 9.2, only increased to 10.4. So I think in California—actually, there was very little change there, in the redwood region. So I think there is a consistency, really, in terms of all the data, that more national forest timber in several States would be very helpful immediately.

Mr. WYCOFF. If I may make a comment. I received a copy of that study. The thrust of that study, if you haven't seen the questionnaire itself, what could you do if all things were perfect. It did not take into consideration anything about employment of manpower, the training time that is involved, the general production schedules that the plants had to go through. But it just said, if all things were perfect, what could you do. That is not a realistic way to approach a situation like this. I think that the figures that Mr. Bingham has just given to me, at least, reflect something approaching the maximum capacity of the mills in the industry in our area.

Senator CRANSTON. The questionnaire, I am told, that was submitted to the Portland home builders, said if labor is available what would you be able to do in regard to increasing capacity.

Mr. WYCOFF. That is the best of all words, if labor is available. That is correct.

Senator CRANSTON. What was the answer on that point? Is labor available?

Mr. WYCOFF. Instant labor, no. We have difficulty keeping people coming in the door all the time, and supposedly we are in a high unemployment area. We provide a wide variety of all races. We have females working in our plant. And it is not the easiest thing in the world to keep our own operation going at its present level.

I think the same thing is true in all other areas, and I am sure this is true in the area who tried the 9-hour shift.

Senator CRANSTON. For the committee to make a judgment on this matter we are going to have to keep after this in the days before us.

Mr. Bingham, you say that the problem of lumber price is not new, that it is a cyclical matter. Japan intends to build 1.8 million housing units a year for 5 years and with the demand that now exists in our country, and that will continue to exist, how are prices going to drop in any automatic natural way anytime soon?

Mr. BINGHAM. I think in two respects, Senator. The Japanese found themselves in the middle part of 1971 in a difficult log supply situation occasioned by two things: One, the disruption in 1971 of nearly 8 weeks of stevedoring strikes on the west coast which reduced dramatically the flow of logs to Japan in 1971 and, two, a diversion of Canadian lumber out of Japan to the increasing U.S. market.

Currently log inventories in Japan, softwood log inventories, are very, very large, relative to their rate of consumption, and Japan lumber prices in the last 3 weeks have dropped about 20 percent.

So there has been a sharp decrease in Japanese lumber prices in the last 3 weeks.

I think that their raw material situation relative to their internal needs is in much better balance than it was 2 months ago.

If you look at our country I think what you see is everybody predicting a slowdown in the rate of homes being built by the end of the year, a continuing upward interest trend, and that in turn, if we get some more logs in front of the mills which can produce products, will cause a very sharp fall-off as it did in 1969.

Senator CRANSTON. If housing starts were maintained at the present level in this country would that be enough domestic demand to keep up prices?

Mr. BINGHAM. Not at this level.

Senator, if you look at the South and drive through Oklahoma, Alabama and Mississippi, and look at the diameter in material in cordwood form that is being put into pulpwood and paper, I think you will get some idea of the situation.

We have in some parts of the Northeast the equivalent of 10 billion board feet of lumber that can be, with today's technology, chip and sawmills, twin-band sawmills, can be converted into lumber rather than into wood chips. And there is at least four times the volume of that material on the acres that we are harvesting every year of waste-wood and top and limbs and low-grade material that can be used for wood chips for the production of pulp and paper.

We are not using our timber resources today anywhere near our capability.

The Southern production has increased dramatically in the last few years as a result of the industry beginning to move in and use the middle diameter log that traditionally went into wood chips.

So I think the answer is we can supply a sustained level of housing starts at a much lower price for lumber and plywood.

Senator CRANSTON. Mr. Bingham, at the end of your prepared statement where you say—or ask the question what can be done in the present situation, the only immediate answer that you offer is to step up production in the lands managed by the Forest Service.

I think there is considerable reason to question whether this is an adequate response to the immediate problem given the unanswered questions at the moment.

Maybe they are answered to your satisfaction, but not to the committee's, for example, with respect to sawmill capacity.

Do you have any other suggestion as to short-term steps that could be taken?

Before proceeding, I want to recognize Senator Magnuson who wished to be here to introduce Mr. Cole. We are delighted to have you here.

Senator MAGNUSON. Thank you. I know you have gone far along, but I had some other matters and I appreciate it.

Senator CRANSTON. Do you want to say anything?

Senator MAGNUSON. No, no, no. If I had been here earlier I merely would have said that the witness from Washington State, whom I have known many, many years—I have no idea what he is going to say or what he has said, but I do suggest that he is a man of wide experience in these matters and whatever he had to say I think he will make a contribution to this really complex problem.

Let's face it, it is not as simple as black and white.

That is all I have to say. Thank you.

Senator CRANSTON. It certainly is not simple. He has certainly been a fine witness, and I appreciate that.

If you could now respond to that question?

Mr. BINGHAM. Senator, I think the issue is one of supply, the issue of supply, and in that respect anything that can be done with any mill anywhere to get more product through must be done, and I think not talk, but the assurance of more logs in front of the mills that have depended on the national forest must take place and ought to take place immediately.

I think the effort that we and other landowners—and I think they are trying—can do more to bring private logs in front of mills quickly, if they can add capacity, is a good solid second step.

But the principal one is one of supply.

Senator CRANSTON. Thank you very much.

I would like to say that as far as your long-term answer, I am in total agreement with what you say there, and we certainly can work together on that.

I think all of us involved in this, apart from the issue of the current imediate problem, must deal with long-range solutions to and the cyclical nature of lumber prices and supply. I question trade policy which encourages the export of raw material.

I think there has to be some restriction on that, but otherwise I am in total agreement with your long-term views.

Mr. BINGHAM. Senator, I think one very important fact that is often overlooked in this issue is that in Scribner equivalent there is now 1 billion board feet of wood chips going off the west coast. That is a raw material. That is very important to the pulp and paper industry. It is also very important to the full utilization of the forest on the west coast.

So we have all kinds of raw material. We have chips, we have logs. Pulp is raw material to some, if they are making paper. Pulp is then the raw material. It is a very, very interrelated and complex issue.

Senator CRANSTON. I want to thank each of you on this panel very much for your testimony, which has been very, very helpful to the committee.

I am afraid we cannot proceed as planned with the next witness at 1:30. I trust that Mr. Walker can be here at 2 when we reconvene.

Is that correct?

Mr. WALKER. That is all right.

Senator CRANSTON. Fine.

I would like to say before we recess from 1:30 to 2—and I am glad to have Senator Magnuson here to hear these figures—part of the concern that Senator Packwood and I have, relates to the fact that according to the figures developed by my staff, homebuilding cost in the past 16 months have gone up $4,000 on a $37,000 house. Homebuilders are predicting they are going to go up another $1,000 in the next 90 days. That is a $5,000 increase on a $37,000 house.

According to the statistics we have been given, each $1,000 increase drives the price of the home out of the reach of another million and a half Americans who are simply knocked out of the market.

In the long run, once we get prices up they are not going to go down very far. I do not know of any time when prices have gone down once they have been up. So many people are going to be knocked out of the ability to ever buy a house.

You are going to be in difficulty in your industry in selling your product if it comes to pass that demand over in Japan or somewhere else tails off, and that I think poses a real national crisis that we have to contend with. I believe that what we call an immediate problem has long-range aspects because of the fact when prices go up they don't get down again.

So you are stuck with those higher prices.

Mr. BINGHAM. Senator, may I just add——

Senator CRANSTON. Let me just add one other point.

Between the week ending January 5 and the week ending March 2, while the administration was given priority attention to this problem, here are some price increases that occurred.

The price of green Douglas fir, 2 by 4's, went from $162 per thousand board feet to $181 per thousand, 12 percent.

The price of kiln-dried hemlock fir, 2 by 4's, went from $155 per thousand board feet in February of 1972 to $185, a rise of 19 percent, [reading from document]. The price of sanded interior plywood ¼ inch went from $102 per thousand board feet to $170 a rise of 66 percent.

In February of 1972 the price of green Douglas fir, for example, was only $117 per thousand board feet and the price of kiln-dried hemlock fir was $122. Way under where we are now.

Excuse me for not stopping in midflight.

Mr. COLE. Senator, I would like to just respond quickly to that since my senior Senator is here.

The price of homes have gone up considerably over the years, in the cost of land, in the cost of money, over long periods of time, in the cost of labor, and other materials that go into a home, and lumber has been rather stable in price. And all of a sudden lumber gets up and so lumber is the whipping boy.

But there wasn't a whipping boy when the price of land goes up, or when the cost of money goes up.

It amazes me. I was back here 4 or 5 years ago and we had the same hearings. The price of lumber was going up. And then before we got out of town the price went down and we dipped to one of the lowest levels. In fact, several of the mills went out of business.

Senator CRANSTON. If you get the prices down before you get out of town this time, OK.

Mr. WYCOFF. Senator, I looked at our figures for comparable operation in 1973 and fiscal year so far to date, 1973, and the manufacturing costs have gone up 107 percent in a 10-year period. Our labor cost has gone up 91 percent in a 10-year period. Our log costs have gone up only 80 percent in a 10-year period. And the same price of our product has gone up only 83 percent in a 10-year period.

What you are using are unquestionable figures, since they reflect the low spot, probably 10 years ago, and you are relating them to the high spot, which may be now. But if you look at it on a fair and equitable basis I think you will recognize that it hasn't gone up in proportion any more than any other product has gone up.

Senator CRANSTON. I thank you very much.

Mr. Bingham, I have some questions from Senator Sparkman which he asked me to submit to you for a written response, please.

I thank you very much.

We will reconvene at 2 o'clock.

Senator MAGNUSON. May I suggest that the prices of everything have gone up too much. This is a pretty serious situation. And I think these people are trying to give us some light about it, as to what we can do about it. We have got to do something.

Senator CRANSTON. That is absolutely correct. The whole tenor of the testimony was we have to do something. The question is what we have to do.

Senator MAGNUSON. The other thing that you and I might agree upon, when we talk about the price of homes, somebody ought to put a freeze on interest rates.

Senator CRANSTON. I thank you all very much. We will be back at approximately 2 o'clock.

[Whereupon, the subcommittee was recessed, to reconvene at 2 p.m. this same day.]

[It was requested that the following telegram be included in the record at this point:]

[Telegram]

Hon. JOHN SPARKMAN,
Chairman, Housing and Urban Affairs, Subcommittee of the Senate Committee on Banking, Capitol Hill, Washington, D.C.:

We respectfully request that you arrange for the following to be read to your committee at its hearings on March 26, 1973.

Whereas, the Washington State School Directors' Association is concerned with continuing to receive revenues from school lands for the financing of school construction, and

Whereas, the major source of financing for building schools in the State of Washington derives from the sale of logs from school lands, and

Whereas, the sale of those logs at public auction to the highest bidder in a free and open market results in maximum revenue, and

Whereas Senate bill S. 1033 in the Congress of the United States, referred to as the "Timber Export Administration Act" would, by forbidding the export of logs from State lands, greatly reduce this revenue by restricting sales to local buyers, and

Whereas, the proposed legislation would also create extensive unemployment and hardship in log-oriented communities as well as substantial major capitalization losses on port facilities and log equipment.

Now, therefore, be it resolved by the executive committee of the Washington State School Directors' Association that it opposes passage of Senate bill S. 1033.

LLOYD E. COOLEY, Jr.,
President,
Washington State School Directors' Association.

AFTERNOON SESSION

The CHAIRMAN. Let the committee come to order.

Senator Gravel, are your fellow Alaskans here?

Senator GRAVEL. Yes. We have our group here, Mr. Chairman.

The CHAIRMAN. Will you bring them up to the table now?

VOICE. Mr. Chairman, Mr. Walker was supposed to go on after lunch, sir.

The CHAIRMAN. Well, I called his name. I didn't think he responded.

VOICE. Mr. Walker is right here, and would like for him to testify if he may at this time.

The CHAIRMAN. I understood the Alaska group had flight arrangements.

What time?

VOICE. Convenience of the Chairman.

(Discussion off the record.)

The CHAIRMAN. Let's take it in order, then. Mr. Walker will come first.

All right, Mr. Walker.

I hope Senator Cranston and Senator Packwood will be in shortly, but we must get things going if we are going to finish.

Mr. Walker, first vice president of the National Lumber and Building Material Dealers Association. I am glad to see you again, sir.

STATEMENT OF J. HUBERT WALKER, FIRST VICE PRESIDENT, NATIONAL LUMBER BUILDING MATERIAL DEALERS ASSOCIATION, ACCOMPANIED BY RICHARD D. SNYDER, EXECUTIVE VICE PRESIDENT, AND JOHN DICKERMAN, LEGISLATIVE COUNSEL

Mr. WALKER. Thank you, sir.

The CHAIRMAN. I believe I heard the other night that you were coming up.

Mr. WALKER. Thank you, sir.

With With me today, sir, is Richard D. Snyder, the executive vice president of the national association, and John Dickerman, our legislative counsel.

To save time, sir, I am going to hit the high spots of our prepared testimony which you have in the record (see p. 543).

The CHAIRMAN. Very well.

Mr. WALKER. My name is J. Hubert Walker, president of A. B. Clark Lumber Co., Inc., and we are engaged in the retail lumber and building supply business in New Orleans, La. For the year 1973, I am serving as first vice president of the National Lumber & Building Material Dealers Association, headquartered here in Washington, D.C.

Our association is composed of 30 regional, State, and metropolitan area federated retail lumber and building supply associations with a total membership in excess of 12,000 companies, many of which have multiple yard outlets. This association is the sole spokesman for our industry on matters of national scope and interest.

As retail lumber dealers, our members are the final link in the distribution chain from forests to the consumer. We buy lumber from wholesalers and also directly from mills. We sell to homebuilders, commercial and industrial firms and to the public at large. We warehouse large inventories at all times and we extend credit to our customers. Typically, we also handle a wide variety of nonlumber building products and equipment. Some of our members engage directly or indirectly in new homebuilding; many are heavily involved in remodeling and repair. We welcome this opportunity to testify on the current lumber and plywood shortage, which is causing unprecedented high prices.

Because our business is dependent on an adequate supply of lumber products, we are keenly aware of diversions or restrictions occurring in any of the supply, production, or distribution levels before the product reaches our hands. Likewise, we are very sensitive to the problems encountered by our customers, whether these be a shortage of mortgage money, the high price of land, or their need for a prompt and assured flow of building materials at determinable prices. For example, we know that builders must have materials delivered at specific times as construction progresses and at known prices so they can accurately estimate costs and quote end-product prices to their customers or clients.

At the present time in many areas, certain lumber and wood items cannot be obtained at any price—yet the demand for lumber increases almost daily. Inventories are dangerously low from mills to final distributors. The building industry is in a turmoil because there is no assurance when, at what price, or even whether lumber products can be delivered for home construction, commercial and industrial use.

At this time I would like to insert something that is not in our prepared testimony, but it has to do with the testimony by Dr. John Dunlop before this committee yesterday.

We would like to inject this comment, although it does not appear in the prepared statement.

The CHAIRMAN. That will be done. That will be made a part of the record.

Mr. WALKER. We welcome his announcement that 11.8 billion board feet of log will be made available from the national forest in 1973, and that plans for higher outputs in 1974 and 1975 will be developed. We hope the negotiations with Japan will be productive. We trust the efforts to better allocate railroad cars will be fruitful. These are useful and desirable steps in the right direction.

At the same time, we are very concerned that the benefits of these steps may be nullified if the Cost of Living Council should decide to impose restrictive phase 2 type controls on the lumber industry. In fact, we are still feeling the adverse effect of phase 2 counterproductive impact.

With our Nation having had 2 years back-to-back of record-high housing starts—up 60 percent from 1970 to 1972—and with housing in 1973 continuing the record pace and further with commercial and industrial construction rising in volume, the prospect of early relief from the shortage problem is very dim unless firm and positive action is taken.

Long-term projections of high lumber product requirements clearly demonstrate why we say the United States is faced with a long-term as well as an immediate lumber supply crisis. According to a study by the U.S. Forest Service, demands for timber-based products will increase from 13 billion cubic feet in 1970 to 22.6 billion cubic feet in the year 2000.

We have the needed timber—758 million acres of forest land or about three-fourths of the amount estimated to have been here when Columbus landed 480 years ago. Incidentally, the 758 million acres are 13 million acres more than we had a generation ago. In the last 15 years, we have harvested 197 billion cubic feet of timber, but we grew 246 billion cubic feet of new wood—a net gain of 49 billion cubic feet.

One reason we have a shortage of lumber is because we do not use our timber resources intelligently. Where timber land is intensively managed, as in the case of industrially-owned timber, an average of about 52 cubic feet of new growth per acre per year is attained; new growth on public lands is only about half that, or 27 cubic feet per acre per year. Growth on privately-owned timber land not managed for timber production is much less than either the industrial or public lands.

The CHAIRMAN. May I break in right there?

Mr. WALKER. Yes, sir.

The CHAIRMAN. You say that the 758 million acres are 13 million acres more than we had a generation ago. In the last 15 years, we have harvested so many—what became of the 49 million?

Mr. WALKER. It is still there, I would imagine.

The CHAIRMAN. I wonder if you are including in this some 56 million acres that are inaccessible.

Mr. WALKER. These are total figures, sir. Total resources of all kinds, in all situations.

The CHAIRMAN. Was that for public and private?

Mr. WALKER. Yes, sir. This is total acreage of all kinds, a total frame of reference.

The CHAIRMAN. All right. Go ahead.

Mr. WALKER. So far, we have set-aside in parks, wilderness areas, et cetera, some 246 million acres of timber land; some people are urging that more be set-aside in such preserves where no cutting of mature trees would be permitted. Yet when mature, such trees will die and decay, serving no useful purpose.

Public land timber growth and consequent allowable harvest could be substantially increased if modern forest management including planting improved species, fertilization, thinning, insect and fire control, et cetera, were authorized and funded. If this were done, the allowable harvest could, it is estimated, be increased by 50 percent. In addition, some of the diseased and fallen trees could be salvaged, further increasing supply.

The planned harvest from Federal lands in 1972 was 11.5 billion board feet; thus with a 50-percent increase in harvest an additional 5.8 billion board feet—log measure—could be obtained. Were this authorized today, the lumber so produced from this one source would go far toward solving our problem without damage to the principles of sustained yield, recreational values, and similar public benefits.

Our current and prospective lumber shortage crisis is directly traceable to failure of the Federal Government to anticipate raw material needs and to take steps fully within its power to solve the problem before it arose.

In spite of the 61-percent increase in housing starts from 1970 through 1972, the Federal Government followed policies which ignores the manifest fact that lumber demands were and would be skyrocketing. Those inconsistent policies included:

1. Continued heavy exports of logs and lumber with no intervention by the Commerce Department to protect the domestic economy. From 1971 to 1972, for example, softwood log exports went from 1.9 billion board feet—log measure—to 2.8 billion; and softwood lumber exports rose from 0.9 billion to 1.2 billion board feet. Some 90 percent of the log exports went to Japan. Recently, the Japanese have been buying very heavily and may continue to do so.

2. Half of the available softwood timber is found on Federal lands. However, the planned sawtimber harvest as well as the amount actually sold has steadily declined since 1970.

[millions of board feet]

	Planned	Actual sale	Percent
1970	12,754	12,331	97
1971	11,510	9,673	85
1972	10,470	9,295	89
1972 (estimate)	9,600	8,800	92

Thus, in absolute terms, we will be obtaining nearly 4 billion board feet less in 1973 than was planned to be sold in 1970—when these log measure figures are converted to lumber tally, the 4 billion becomes about 5½ billion board feet of lumber.

The decline in supply in the face of increased demand has been caused in part by the lack of funds and personnel provided to the U.S. Forest Service—yet for every $1 invested, the Government received $4 from timber sales. (See charts A and B.) It would appear to be false economy to cut a budget that is producing such a dramatic return on investment.

3. Looking at the proposed fiscal year 1974 budget, we are amazed to find the forest budget is reduced some $105 million below fiscal year 1973, which will result in less personnel, and a further reduction in allowable timber harvest.

4. In mid-1971 economic controls were applied to the economy. However, the net profit margin limitation rule of the 2 best of the last 3 years meant lumber producers were restricted to choosing 2 of 3 extremely low profit years. When this low profit margin point was reached, incentive to produce needed lumber was removed. Thus, these controls worked in a counter-productive manner in a demand-pull inflationary situation. Increased supply was and is the only way to solve the problem. The lumber market still suffers from the effects of phase 2: even though the profitmaking rule as retained by phase 3 has been liberalized. However, this provision is still a restraint for lumber production.

In the meantime as demand rose, supply shrank and exports drained away domestic logs and lumber, the United States stepped up its imports of softwood from Canada. These imports rose from 5.8 billion board feet in 1970, to 7.2 billion in 1971, to 9.1 billion in 1972. Not subject to price control until after the first sale, Canadian lumber imports created a two-tier structure for identical products—a very disruptive marketing and pricing situation.

The 3⅓ billion board feet annual increase in imports is one measure of U.S. lumber deficit. Twenty-five percent of current domestic use is now supplied by Canada, up from 14 to 16 percent a few years ago.

The recent second devaluation of the dollar may encourage further foreign purchase of U.S. log and lumbers if no action is taken to counteract this drain on domestic resources.

It is apparent from these comments that the following agencies and branches of government by action or inaction determine U.S. lumber supply: HUD, Commerce, Agriculture—Forest Service—Interior, Cost of Living Council, the White House, and of course, the Congress. It is essential, in our judgment, that improved coordination of the policies and actions of all these Federal Government entities be achieved. As of the moment, it would appear that sometimes the Government's right hand does not know what the left hand does or does not do.

Our association has developed a position paper on this issue entitled, "NLBMDA Brief on the Lumber Supply Crisis." As a supplement to our testimony, we will submit that document for inclusion in the record at a later date.

In summary, we recommend the following:

1. The Department of Commerce should be required to impose restrictions on logs and lumber exports to protect the domestic economy.

2. Congress should extend the so-called Morse Amendment to the Foreign Assistance Act of 1968, but amend it or through other appropriate legislation to:

(a) ban the export of any federal timber until domestic needs are met.

94-218 O - 73 - 35

(b) prohibit an exporter of logs from either private or public lands from bidding on federal stumpage for three years from its last export sale.

3. Congress should provide an adequate Forest Service budget, preferably more and certainly not less than fiscal year 1973; particular attention should be given to those Forest Service budget sectors affecting harvesting, reforestation, improved forest management, salvage, access roads and assistance to State and private land owners to improve their forest management.

We further suggest projecting the Forest Service budget over a 5-year period to allow advance planning and programing. Reforestation and related activities are continuing processes, and moneys for doing the job should be allocated well in advance. Intensified management of forest resources is actually the ultimate in good practical conservation. Hopefully, we can convince, the since conservationist group that removal of diseased timber and clearing of dense undergrowth will actually enhance the growth and insure healthy forests, with the additional benefit of access roads aiding in fire protection.

4. An increase in the allowable harvest from Federal lands should be immediately authorized by the Forest Service. This action should coincide with the recommended upward adjustment in the Forest Service budget, so the increased allocation of timber can be rapidly prepared for sale. Beyond this, if mills now holding Federal timber inventories of approximately 25 billion board feet could be assured of inventory replacement from Federal lands, they would be encouraged to produce more lumber to meet immediate market needs. At the present time, mill operators looking at the declining Federal timber harvest figures understandably are reluctant to invade their stumpage inventory reserves.

5. Congress should seek ways to increase timber supply rather than to encourage or to permit rigid, counter productive economic controls which will only serve to further constrict lumber production.

6. Currently, the reappearance of the chronic freight car shortage problem is disrupting west-to-east lumber shipments to many areas, creating shortages and high prices. Congress should seek ways to increase freight car production as well as better to implement ICC regulations to improve the traffic flow of existing cars, especially by carrier.

We cannot emphasize too strongly the need for immediate positive actions of the type we have described.

The lumber crisis will not fade away with time. The need for wood products is growing, yet the means for meeting the need have been restricted by governmental inaction.

In this era of serious energy shortages, it is significant that wood substitutes require many times as much energy to manufacture as do wood products. Broad scale conversion to substitutes would disrupt, be costly, would pollute, and further deplete irreplaceable natural resources. Wood products, on the other hand, are drawn from a renewable resource—and renewed with free solar energy. Again, we want to emphasize that our concern is not just for our industry, but rather for a very important natural resource that will be needed in the future of our country.

Thank you for this opportunity to appear before your committee on this important problem.

The CHAIRMAN. Thank you very much.

Since I missed some of it, Senator Cranston, will you ask such questions as you wish?

Senator CRANSTON. Thank you very much, Mr. Chairman.

Do you have any knowledge that would enable you to shed any light on the conflicting statements that we have received regarding the sawmill capacity?

Mr. WALKER. We have looked at the figures that the homebuilders have established and put in their chart, and we haven't actually made a survey ourselves, but indications are to some of our members that with more logs there would be more production.

Our——

Senator CRANSTON. In regard to your recommendations, starting on page 8, you request that the Department of Commerce should be required to oppose restrictions on logs and lumber exports.

What sort of restrictions? How extensive?

Mr. WALKER. Excuse me?

Senator CRANSTON. Could you amplify a little bit on your first recommendation, what sort of restrictions on log and lumber exports? Covering what?

Mr. WALKER. Well, we were suggesting a temporary embargo on exports from Government land.

Senator CRANSTON. Of logs and lumber?

Mr. WALKER. Well, primarily logs.

Well, and lumber, too. I don't believe that the lumber that is exported is that big a problem. However, in the south there is some lumber that is exported in the form of squares.

Senator CRANSTON. In regard to your fifth recommendation on page 9, are you opposed to any imposition of price controls?

Mr. WALKER. Yes, sir, we sure are.

Senator CRANSTON. I have no further questions, Mr. Chairman.

The CHAIRMAN. Do you realize that we have got 56 million acres of forest land, federally owned, that is inaccessible?

Mr. WALKER. Yes, sir.

The CHAIRMAN. Don't you think we could do a great deal in stepping up production by building roads and trails and having some real forestry?

Mr. WALKER. This is exactly what we are suggesting.

The CHAIRMAN. Four years ago we held these hearings. These are almost a duplicate.

John, you remember? Almost a duplicate of what we held 4 years ago. We recommended then that these millions of inaccessible acres be opened up and given good management and utilized in the production of timber. I understand that trees there grow up, like they do anywhere else, get old, fall, and rot, go to waste. And we recommended a very strong reforestation program and management generally. It seems to me that if those things were done and we utilized fully the new techniques in forestry, such as tree breeding, for instance, and the use of the very finest trees that we can breed to produce lumber. I don't know whether this would solve our problems forever or not, but certainly it would help solve them over a long period of time.

Do you subscribe to that?

Mr. WALKER. Very definitely.

The CHAIRMAN. You realize, though, that to do those things, you have to appropriate money, and if I understood some of the earlier witnesses, there is a smaller amount asked for this year in reference to keeping our forests up than last year.

Senator CRANSTON. Presently $18 million.

The CHAIRMAN. $18 million that has been appropriated that they can't use.

Mr. WALKER. We are very concerned over the cutting of the Forest Service budget. It seems ridiculous when we need the supply and the demand is so great that we would cut a budget that is actually putting more money into the treasury.

The CHAIRMAN. I agree with you. I don't think we are going to solve the problem until we get much better forest management than we have now in the national forest and in privately owned forests.

I believe you showed, did you not, that even in the privately managed forest, didn't you show a smaller yield there than the Federal?

Mr. WALKER. Yes, sir; about half.

The CHAIRMAN. About half of that of the Federal?

Mr. WALKER. No.

The CHAIRMAN. The other way around?

Mr. WALKER. In the larger timber companies, it is about twice the yield than in the Federal forest, but in the smaller, individually owned lands, it is even less than the Federal.

The CHAIRMAN. Better land management by the private than by the Government?

Mr. WALKER. Right.

The CHAIRMAN. Do you see any justification for that?

Mr. WALKER. I guess that business works better than Government.

The CHAIRMAN. Well, I know that the Agriculture Department, the Forestry Service, asked this year for $854 million. When the budget was submitted for fiscal year 1974, it is $457 million, just a little over half of the amount requested.

We are not making too good an effort, are we?

Mr. WALKER. No; this is why we are so concerned, because for the long range, something definitely has to be done. And I personally feel that this concept of a 5-year plan, revolving budget, is a real sound one, and I believe that if this were put in, then the long-range results—you would get a heck of a lot more out of the money that is spent by being able to plan ahead.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. No questions.

The CHAIRMAN. All right, sir.

Mr. WALKER. If I may, sir; may I make one more comment?

It has been suggested that the retail industry is happy with the current situation as far as prices are concerned, and I want to assure you that nothing could be farther from the truth.

We find ourselves in the position with these extremely high prices that the strain on our financial position is acute when we have to put so many more dollars into the inventory to maintain a service for our customers, and then it is compounded when this is transferred into accounts receivable.

So it is really hurting us financially, and if we weren't concerned about the price situation and the supply situation, we wouldn't have had 600 dealers come to Washington to try to help do something about it, which we did last week.

The CHAIRMAN. Well, thank you. We appreciate it.

Thank you very much, gentlemen.

Mr. WALKER. Thank you very much.

[The complete statement of Mr. Walker follows:]

National Lumber and Building Material Dealers Association
1990 M STREET, N. W. · SUITE 350 · WASHINGTON, D. C. 20036 · (202) 872-8860

Statement Of The
NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION
Before The
Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Housing

MARCH 27, 1973

My name is J. Hubert Walker. I am President of A. B. Clark Lumber, Co. Inc. We a engaged in the retail lumber and building supply business in New Orleans, Louisiana. For the year 1973, I am serving as First Vice President of the National Lumber and Building Material Dealers Association, headquartered here in Washington, D. C.

Our Association is composed of 30 regional, State and metropolitan area Federated retail lumber and building supply associations with a total membership in excess of 12,000 companies, many of which have multiple yard outlets. This association is the sole spokesman for our industry on matters of National scope and interest.

As retail lumber dealers, our members are the final link in the distribution chain from forests to the consumer. We buy lumber from wholesalers and also directly from mills. We sell to home builders, commercial and industrial firms and to the public at large. We warehouse large inventories at all times and we extend credit to our customers. Typically, we also handle a wide variety of non-lumber building products and equipment. Some of our members engage directly or indirectly in new home building;

many are heavily involved in remodeling and repair. We welcome this opportunity to testify on the current lumber and plywood shortage, which is causing unprecedented high prices.

Because our business is dependent on an adequate supply of lumber products, we are keenly aware of diversions or restrictions occurring in any of the supply, production or distribution levels before the product reaches our hands. Likewise, we are very sensitive to the problems encountered by our customers, whether these be a shortage of mortgage money, the high price of land or their need for a prompt and assured flow of building materials at determinable prices. For example, we know that builders must have materials delivered at specific times as construction progresses and at known prices so they can accurately estimate costs and quote end-product prices to their customers or clients.

At the present time in many areas, certain lumber and wood items cannot be obtained at any price -- yet the demand for lumber increases almost daily. Inventories are dangerously low from mills to final distributors. The building industry is in a turmoil because there is no assurance when, at what price, or even whether lumber products can be delivered for home construction, commercial and industrial use.

With our Nation having had two years back-to-back of record-high housing starts (up 61% from 1970 to 1972) and with housing in 1973 continuing the record pace and further with commercial and industrial construction rising in volume, the prospect of early relief from the shortage problem is very dim unless firm and positive action is taken.

Long-term projections of high lumber product requirements clearly demonstrate why we say the U. S. is faced with a long-term as well as an immediate lumber supply crisis. According to a study by the U. S. Forest Service[1/], demands for timber-based products will increase from 13 billion cubic feet in 1970 to 22.6 billion cubic feet in the year 2000.

We have the needed timber -- 758 million acres of forest land or about three-fourths of the amount estimated to have been here when Columbus landed 480 years ago. Incidentally, the 758 million acres are 13 million acres more than we had a generation ago. In the last 15 years, we harvested 197 billion cubic feet of timber but we grew 246 billion cubic feet of new wood -- a net gain of 49 billion cubic feet.

One reason we have a shortage of lumber is because we do not use our timber resources intelligently. Where timber land is intensively managed, as in the case of industrially-owned timber, an average of about 52 cubic feet of new growth per acre per year is attained; new growth on public lands is only about half that, or 27 cubic feet per acre per year. Growth on privately-owned timber land not managed for timber production is much less than either the industrial or public lands.

So far, we have set aside in parks, wilderness areas, etc., some 246 million acres of timber land; some people are urging that more be set aside in such preserves where no cutting of mature ees would be permitted. Yet when mature, such trees will die and decay serving no useful purpose.

1/ The Outlook for Timber in the U. S., December 5, 1972, p.3

Public land timber growth and consequent allowable harvest could be substantially increased if modern forest management including planting improved species, fertilization, thinning, insect and fire control, etc., were authorized and funded. If this were done, the allowable harvest could, it is estimated, be increased by 50%. In addition, some of the diseased and fallen trees could be salvaged, further increasing supply.

The planned harvest from Federal lands in 1972 was 11.5 billion board feet; thus with a 50% increase in harvest an additional 5.8 billion board feet (log measure) could be obtained. Were this authorized today, the lumber so produced from this one source would go far toward solving our problem without damage to the principles of sustained yield, recreational values and similar public benefits.

Our current and prospective lumber shortage crisis is directly traceable to failure of the Federal Government to anticipate raw material needs and to take steps fully within its power to solve the problem before it arose.

In spite of the 61% increase in housing starts from 1970 through 1972, the Federal Government followed policies which ignored the manifest fact that lumber demands were and would be skyrocketing. Those inconsistent policies included:

1. Continued heavy exports of logs and lumber with no intervention by the Commerce Department to protect the domestic economy. From 1971 to 1972, for example, softwood log exports went from 1.9 billion board feet (log measure) to

2.8 billion; and softwood lumber exports rose from 0.9 billion to 1.2 billion board feet. Some 90% of the log exports went to Japan. Recently, the Japanese have been buying very heavily and may continue to do so.

2. Half of the available softwood timber is found on Federal lands. However, the planned sa--timber harvest as well as the amount actually sold has steadily declined since 1970.

	Planned	Actual Sale (millions of board feet)	%
1970	12,754	12,331	97
1971	11,510	9,673	85
1972	10,470	9,295	89
(est) 1973	9,600	8,800	92

Thus, in absolute terms, we will be obtaining nearly 4 billion board feet less in 1973 than was planned to be sold in 1970 (when these log measure figures are converted to lumber tally, the 4 billion becomes about 5 1/2 billion board feet of lumber.)

The decline in supply in the face of increased demand has been caused in part by the lack of funds and personnel provided to the U. S. Forest Service (Yet for every $1.00 invested, the Government received $4.00 from timber sales.) (See Charts A and B.) It would appear to be false economy to cut a budget that is producing such a dramatic return on investment.

3. Looking at the proposed Fiscal Year 1974 budget, we are amazed to find the Forest budget is reduced some $105 million below Fiscal Year 1973, which will result in less personnel, and a further reduction in allowable timber harvest.

4. In mid-1971 economic controls were applied to the economy. However, the net profit margin limitation rule of the two best of the last three years meant lumber producers were restricted to choosing two of three extremely low profit years. When this low profit margin point was reached, incentive to produce needed lumber was removed. Thus, these controls worked in a counter-productive manner in a demand-pull inflationary situation. Increased supply was and is the only way to solve the problem. The lumber market still suffers from the effects of Phase II; even though the profit margin rule as retained by Phase III has been liberalized. This provision is still a restraint for lumber production.

In the meantime as demand rose, supply shrank and exports drained away domestic logs and lumber, the U. S. stepped up its imports of softwood from Canada. These imports rose from 5.8 billion board feet in 1970, to 7.2 billion in 1971 to 9.1 billion in 1972. Not subject to price con-

trols until after the first sale, Canadian lumber imports created a two-tier structure for identical products - a very disruptive marketing and pricing situation.

The 3 1/3 billion board feet annual increase in imports is one measure of U. S. lumber deficit. 25% of current domestic use is now supplied by Canada, up from 14 to 16% a few years ago.

The recent second devaluation of the dollar may encourage further foreign purchase of U. S. logs and lumber if no action is taken to counteract this drain on domestic resources.

It is apparent from these comments that the following agencies and branches of government by action or inaction determine U. S. lumber supply: HUD, Commerce, Agriculture (Forest Service), Interior, Cost of Living Council, the White House, and of course, the Congress. It is essential in our judgment that improved coordination of the policies and actions of all these Federal Government entities be achieved. As of the moment, it would appear that sometimes the Government's right hand does not know what the left hand does or does not do.

Our Association has developed a position paper on this issue entitled "NLBMDA Brief on the Lumber Supply Crisis." As a supplement to our testimony, we will submit that document for inclusion in the record at a later date.

In summary, we recommend the following:

1. The Department of Commerce should be required to impose restrictions on logs and lumber exports to protect the domestic economy.

2. Congress should extend the so-called Morse Amendment to the Foreign Assistance Act of 1968 but amend it or through other appropriate legislation to:

   (a) ban the export of any Federal timber until domestic needs are met.

   (b) prohibit an exporter of logs from either private or public lands from bidding on Federal stumpage for three years from its last export sale.

3. Congress should provide an adequate Forest Service budget, preferably more and certainly not less than Fiscal Year 1973; particular attention should be given to those Forest Service budget sectors affecting harvesting, reforestation, improved forest management, salvage, access roads and assistance to State and private land owners to improve their forest management. We further suggest projecting the Forest Service budget over a 5-year period to allow advance planning and programming. Reforestation and related activities are continuing processes, and monies for doing the job should be allocated well in advance. Intensified management of forest resources is actually the ultimate in good practical conservation. Hopefully, we can convince the sincere conservationist group that removal of diseased timber

and clearing of dense undergrowth will actually enhance the growth and insure healthy forests, with the additional benefit of access roads aiding in fire protection.

4. An increase in the allowable harvest from Federal lands should be immediately authorized by the Forest Service. This action should coincide with the recommended upward adjustment in the Forest Service budget, so the increased allocation of timber can be rapidly prepared for sale. Beyond this, if mills now holding Federal timber inventories of approximately 25 billion board feet could be assured of inventory replacement from Federal lands, they would be encouraged to produce more lumber to meet immediate market needs. At the present time, mill operators looking at the declining Federal timber harvest figures understandably are reluctant to invade their stumpage inventory reserves.

5. Congress should seek ways to increase timber supply rather than to encourage or to permit rigid, counter-productive economic controls which will only serve to further constrict lumber production.

6. Currently, the reappearance of the chronic freight car shortage problem is disrupting west-to-east lumber shipments to many areas, creating shortages and high prices. Congress should seek ways to increase freight car production as well as better to implement ICC regulations to improve the traffic flow of existing cars.

We cannot emphasize too strongly the need for immediate positive actions of the type we have described.

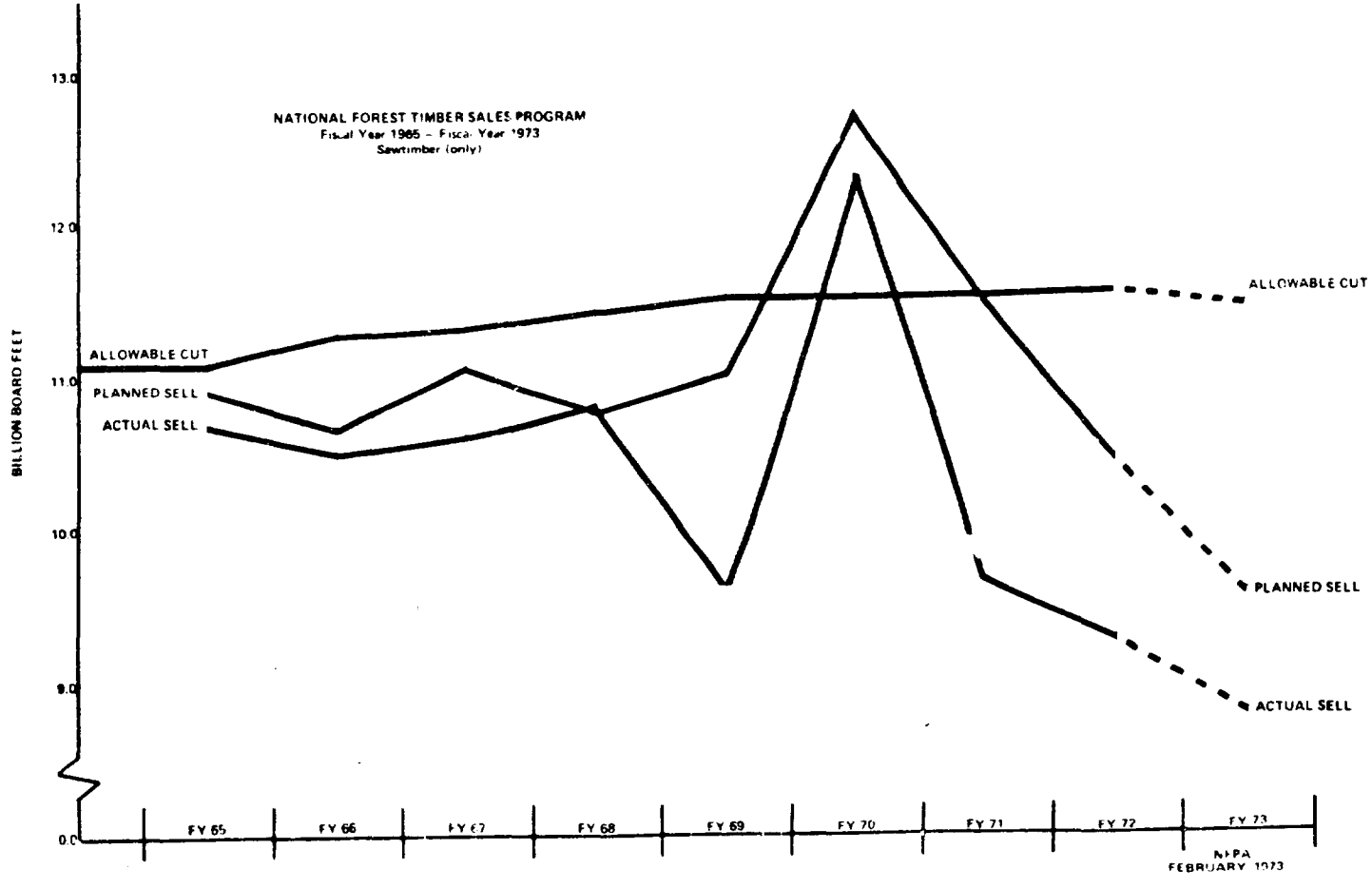
The lumber crisis will not fade away with time. The need for wood products is growing, yet the means for meeting the need have been restricted by Governmental inaction.

In this era of serious energy shortages, it is significant that wood substitutes require many times as much energy to manufacture as do wood products. Broad scale conversion to substitutes would disrupt, be costly, would pollute, and further deplete irreplaceable natural resources. Wood products, on the other hand, are drawn from a renewable resource - and renewed with free solar energy. Again, we want to emphasize that our concern is not just for our Industry, but rather for a very important natural resource that will be needed in the future of our country.

Thank you for this opportunity to appear before your Committee on this important problem.

Attachments (2)
Flow chart, National Forest Timber Sales Program
Fiscal Year 1965 - Fiscal Year 1973
Statistics, "

ATTACHMENT A



ATTACHMENT B

NATIONAL FOREST TIMBER SALES AND CUTS, SAWTIMBER (ONLY)

FISCAL YEARS 1965 THROUGH 1973

Fiscal Year	Allowable Cut As of Jan. 1	Volume of Timber Sold			Volume of Timber Cut		
		Planned	Actual	Per Cent Accom-plishment	Planned	Actual	Per Cent Accom-plishment
		(millions of board feet) 2/			(millions of board feet) 2/		
1965	11,094	10,934	10,695	98	10,722	10,563	98
1966	11,292	10,683	10,518	98	11,002	11,374	103
1967	11,331	11,087	10,626	96	11,096	10,002	90
1968	11,429	10,773	10,818	100	11,718	11,316	97
1969	11,532	11,031	9,152 1/	83	11,926	10,918	92
1970	11,545	12,754	12,331	97	12,705	10,534	83
1971	11,544	11,510	9,673	85	12,787	9,373	73
1972	11, 568	10,470	9,295	89	13,125	10,693	81
1973	N/A	(9,600) 3/	(8,800)	(92)	(12,800)	(10, 700)	(84)

Source:
Forest Service Timber Sale Accomplishment Reports FY 1965 through FY 1970
Direct inquiries to Forest Service for FY 1971 and 1972. FY 1973 performance is estimated
1/ After deduction of 8.75 billion board feet of Juneau Unit Sale in Alaska
2/ Local Scale
3/ Figures in parentheses are estimates

NFPA
February 1973

The CHAIRMAN. Mr. Jordan, chairman of the governmental affairs committee of the Southeastern Lumber Manufacturers Association.

STATEMENT OF R. B. JORDAN III, CHAIRMAN, GOVERNMENTAL AFFAIRS COMMITTEE, SOUTHEASTERN LUMBER MANUFACTURERS ASSOCIATION

Mr. JORDAN. Yes, sir. Thank you, sir.

The CHAIRMAN. Do we have a copy of your statement?

Mr. JORDAN. You should.

The CHAIRMAN. Yes; we do. That will be printed in full in the record. All of these statements will be.

You can proceed to give it as you see fit.

Mr. JORDAN. Thank you, sir.

My name in R. B. Jordan. I am speaking both as an independent lumber manufacturer from Mount Gilead, N.C., and in my capacity as chairman of the governmental affairs committee of the Southeastern Lumber Manufacturers Association.

SLMA, with headquarters in Atlanta, Ga., is an association of more than 200 independent lumber manufacturers from the States of Alabama, Florida, Georgia, and North and South Carolina.

If I may digress just a moment, I would like to comment on a couple of statements made by earlier witnesses this morning, Mr. Chairman.

Mr. Cole, from the State of Washington, I would like to commend him, that we, the small members of the Southeast, would like to see Georgia Pacific and Weyerhaeuser move their plants into the State of Washington.

This is a little facetious, but it would alleviate part of our problem and solve the national problem.

Mr. Bingham indicated that in his opinion that timber prices had no relation to lumber prices.

I must comment that this is not true in the Southeast.

We are still tied to a profit margin limitation, and our lumber prices are charged specifically based on the cost of our timber that we bring in. Areas around the Charleston, S.C., area, where stumpage goes as high as $120.

The CHAIRMAN. When you speak of the cost of timber, you mean on the stump?

Mr. JORDAN. Yes, sir. These would reflect in log prices.

The CHAIRMAN. Let me ask you a few questions about the production of timber in the Southeast. It is primarily pine, isn't it?

Mr. JORDAN. Yes, sir.

The CHAIRMAN. I read in the paper recently that about three or four States in the Southeast produced nearly 50 percent of the pulpwood of the United States. Is that about right?

Mr. JORDAN. Senator, I am not familiar with those figures. I know that in the future, as the U.S. Forest Service indicates, a major portion of the softwood framing will have to come from the Southeast because of the shorter rotation of the southern pine versus the west coast species.

The CHAIRMAN. I know that my State is the No. 1 State in the production of pulpwood. I wouldn't be surprised if it is No. 1 in the production of pine lumber.

94-218 O - 73 - 36

Mr. JORDAN. If it is not, it certainly will be.

The CHAIRMAN. Over two-thirds of our acreage is in forest, and I think I can rightfully boast of the very fine forest management in our State.

Mr. JORDAN. Yes, sir.

Our members are concerned about spiraling lumber prices, since they have such a dampening effect on the housing market which would supply and contribute generally to inflation. As independent lumber producers, we are concerned about our own vulnerability as well.

Unlike the giant lumber and plywood producers with vast timberlands under their control, we independents have little timber of our own, and must bid for the timber of the private landholders, or for national forest timber. Without a timber base of his own, the lumber manufacturer becomes a consumer of timber stumpage who is wholly dependent on the prevailing prices bid for timber. Just as today's housewife complains about the high cost of meat, the independent complains of the doubling of stumpage price levels within the last year.

Unlike the complaining housewife, however, who might go meatless, "timberless" days are not available to the independent unless he is willing to suspend his operations and send his workers home.

The interplay of supply and demand in the competitive lumber market enables the independent to survive today even in the face of spiraling stumpage prices, since the demand of the present housing market is very strong. Yet, the intense competition for timber that the independent encounters—both from other independents and from the giants—has required the independent to purchase timber today for tomorrow's lumber production at a stumpage price that may not be reflected in tomorrow's lumber prices.

The minute that demand falls off, the lumber producer will again be caught in a squeeze—as he was within 6 months after the last hearing on lumber prices this subcommittee held.

Stumpage prices will remain at this high level, and the timber the independent has on hand will have cost the producer an amount that cannot be reflected in the market price for lumber.

On the other hand, the giant forest products complex, owning thousands of acres of timberlands, enjoys options unavailable to the independent. Its basic timber reserve can be cut for current operations, or held for the expected appreciation in stumpage value. Its timber can be, and is, sold for export, or can be traded to other giants for timber in other geographical areas.

This competition-limiting trend, which you will hear more of in the future, is known as fiber exchange, where giants swap fiber with other giants, reducing the amount of open market timber available for other producers.

Rising stumpage prices also benefit the large company, as its vast holdings increase in value. It can and does enjoy capital gain appreciation on the sale of timber for export, or for other purposes, at higher values.

That source of profit, and tax benefits, enable the giant company to enter the open market to purchase timber, and offer prices for timber without concern as to its cost. Thus, the large companies contribute materially to the squeeze on independents.

I would like to comment here that one of the Washington editorialists in the last couple of weeks commented, and gave one of the giant companies the "tax avoider of the week award." He based this on the fact that in 1971 this particular company had a gross income of $117 million, and only paid 11.3 percent of this in income taxes. This opportunity is not available to the small producer.

The independent's problem is accentuated by the expansion and acquisition plans of these large companies. Both by acquisition of other lumber producers, direct and indirect acquisition of timberlands, and internal expansion of lumber, plywood and chip and saw installations, the giant forest products organization moves into an area already basically saturated with forest products consumers of timber.

The voracious timber appetite of these new or replacement mills is fed as much as possible by open market purchases, rather than by cutting from the underlying timberlands controlled by and serving as a base for the large plant. Thus, it is clear that the independent producers in a given region, although running equally efficient operations, find themselves subject to the monopoly buying power of giant companies, whose new total plant capacity frequently requires as much timber as the region was theretofore able to generate.

Consequently, there are two basic adverse results arising out of the spiraling stumpage prices. The first is the obvious impact on lumber prices and plywood prices in an economy where the demand is strong.

The second consequence is the danger to the very competitive system which has protected the homebuyer over the years. The very survival of the independent lumber manufacturer is at stake as more and more timber becomes owned in fee by the giants, becomes subject to their indirect control pursuant to contracts for the management of private timberlands, or is subject to their economic control as reflected by their bidding higher than competitive prices for the stumpage they intentionally prefer to purchase on the open market.

It is difficult to persuade those complaining of today's high lumber and plywood prices that the real problem lurks on the horizon in the possible disappearance of thousands of independent lumber and plywood producers. Moreover, some of the independents have already closed their doors in recent years as a result of the expansion activities of the giants.

Yet, it is evident that if the lumber industry continues the trend toward concentration that has been accelerating over the last 10 years, the public interest will be adversely affected. It will be the homebuilder and homebuyer who will suffer in the long run, if the basically competit lumber market takes on the coloration of the plywood industry, with its monopolistic structure, its domination by giants, and its artificial basing point pricing system recently challenged by the Federal Trade Commission.

As SLMA testified on a number of occasions before this committee and other congressional committees, and as recently as last December before the FTC in opposition to the proposed Georgia-Pacific settlement, there is a great distinction between the competitive structure of the lumber industry and that of the plywood industry.

While the giants point to the fluctuation of plywood prices as evidence of a competitive market, the truth is that the plywood industr

operates on an artificial delivered pricing base, that works to the disadvantage of the southern and eastern consumer forced to pay excessive amounts of phantom freight.

The same distribution systems produce extra profits for the giants from southern plywood operations, and contribute to the excessive open market stumpage prices in the South.

We urge this committee again to take into consideration the impact of the plywood distribution system, and the concentrated structure of that industry, on today's high lumber prices and tomorrow's possible disappearance of independent lumber producers.

By these observations of the competitive nature of this forest products industry, we do not mean to ignore the points raised by others at these hearings.

Excessive export of logs can contribute to today's crisis. Environmental issues may slow down the release of national forest timber for lumber and plywood production. Curbs on exports may well be desirable—as may alternative policies that would preclude those who export their private timber from bidding on national forest timber.

However, SLMA believes today, as it did 4 years ago, that as an association of independent lumber producers, it makes its contribution to this hearing by warning the public of the growing concentration of power in the hands of giant members of the forest products industry.

It is noteworthy that SLMA actually doubled in size to more than 200 members after publicly warning this committee about trends toward concentration almost 4 years ago to the day.

We have consistently expressed this concern in recent years—before the FTC last December, to the Forest Service and Small Business Administration on national set-aside programs the year before that, and before this Congress on numerous prior occasions—about the growing trend toward concentration in this industry.

On behalf of our Georgia member who bid for and lost 30 consecutive timber tracts to Georgia-Pacific at prices $20 over previous markets; our South Carolina manufacturer who sees formerly available timberlands being converted into industry control; or our Alabama producer whose very survival is threatened, SLMA commends this committee for asking whether appropriate tools, such as the initiation of antitrust proceedings, are not in fact presently available to the administration.

We also commend the FTC for its beginning look into the forest products industry, and hope that it continues. SLMA applauded the FTC's challenge to a long series of Georgia-Pacific acquisitions of lumber companies and of timberlands in the South, even as we disagreed with and testified about the inadequancy of the settlement in failing to consider the significant regional differences that go into the marketing of lumber and plywood in this country, and the attendant timber availability issues.

Additional mergers by both Georgia-Pacific and Louisiana-Pacific after the settlement seem to confirm that our concern was well-founded.

On the other hand, while SLMA views were not accepted as part of the consent order, we commend the Federal Trade Commission for holding the first open hearing in its history on the proposed consent judgment, and listening to some 15 independent producers testify

about monopolistic tendencies, small business failures, timber unavailability, and artificial marketing practices in the Southeast.

SLMA was pleased to learn of the FTC's planned investigation into the various marketing distribution and pricing practices of the major producers of forest products in this country, and particularly in the South.

We hope that this investigation, now underway, will have the continuing support of this Congress.

The FTC's recent announcement of a proposed complaint against seven large producers of plywood challenging their delivered price basing point system is also welcomed by SLMA.

In short, on the essential points of competition, SLMA believes that, until recently, the giants of the forest product industry have long escaped meaningful surveillance of their marketing, distribution and pricing activities, and their tendencies to monopolize. We urge this committee to use its influence in continuing meaningful inquiries into the nature of competition in the forest products industry.

We also urge this committee to recognize the difference between large producers and small, those with timber of their own and those who are dependent on outside purchases in considering solutions. Whether this committee reflects on the difference between the term limit pricing agreements of the giant companies and the direct price controls applied to independents; considers the tax consequences and capital gain benefits from timber operations enjoyed by giants; recognizes the unique export capabilities of the giants; or focuses principally on the vast difference in the timber holdings of large versus small companies, the basic distinctions should be acknowledged, and essential changes contemplated.

Since our last appearance 4 years ago, at least one very meaningful step has been taken by the Federal Government to preserve the role of the independent. In 1971, after extensive deliberations and comments from the industry, a new small business set-aside policy in the national forests was put into effect. The new program provides that the independent, small producers shall continue to enjoy their fair historical share of the timber sold from the national forests.

That landmark policy, over the vigorous opposition of the giant companies, converted a rarely-used "paper" set-aside program to a meaningful policy that guarantees the survival of at least some portion of the small business forest industry.

Even this program is in jeopardy, however, since a number of the giant forest product companies in this country have banded together and initiated a court challenge to this program.

While SLMA believes and hopes that the courts will sustain the program against this challenge by the giants, it urges the Congress to keep a watchful eye on these developments. Without the protection in the national forests, it is clear that even more small businesses would fail and greater concentration would develop in this industry.

In conclusion, to the very same committee that considered the SLMA views on the very same problems almost 4 years ago to the day, SLMA wishes to offer today's recommendations. Many of them are similar to those we proposed to Congress at that time.

First, we believe that there should be a continuing commitment on the part of the executive department, and, if necessary, the Congress,

to preserve and maintain the new national set-aside program in the national forests.

Second, SLMA urges that continuing attention be paid to this industry by the antitrust enforcement agencies. The FTC and the Antitrust Division should investigate all acquisitions by giants of lumber manufacturers and timberlands, and should consider the antitrust consequences of all activities of large companies that result in placing more timberlands under their control.

We urge analysis of these developments on a regional, rather than a national, basis where the impact on timber availability and competition is most clearly felt.

Congress should endorse the ongoing FTC investigation into the marketing and distribution practices of the giant companies, and their pricing and timber bidding activities, so that this complex forest products industry can be fully explored and understood, and steps can be taken to curb any monopolistic activities.

Moreover, Congress should expect a meaningful development of the FTC's latest proposed challenge to the basing point practices on plywood case, so as to insure that, whether by litigation or settlement, all arbitrary practices that contribute to the concentration of power and higher than normal prices be eliminated.

Third, SLMA recommends that administration officials and the Congress look at the continuing expansion of giant companies into regions which have insufficient timber supply to sustain both such expansion and the existing producers in that area.

Fourth, we also support the Public Land Law Review Commission recommendation that suggests that companies exporting logs from their own land be prohibited from purchasing public land timber for their domestic needs.

Fifth, this Congress should consider what greater incentives can be given to private non-industrial timberland owners so as to encourage them to dedicate their lands to timber uses.

Finally, as a possible last resort, the Congress should consider whether some form of price controls on stumpage is appropriate if other alternatives are not available.

Let me conclude by thanking the committee for an opportunity to speak from the special vantage point of the independent lumber producer of the Southeast, but in a way that we believe is consistent with the overall interest of the public in maintaining viable competition in this essential industry.

Thank you.

Senator CRANSTON. Thank you very, very much. I would like to say that in regard to your concern about the set-aside and the SBA, I happen to be chairman of this subcommittee, the Small Business Subcommittee. I will be delighted to pay attention to that particular problem.

You state that stumpage prices will remain at this high level. Is it your feeling that it is the concentration in the industry that would sustain stumpage prices or other factors, too?

Mr. JORDAN. I think there may be some streams that will retreat slightly. I think basically stumpage prices have moved upward and they will remain there because of competition which will remain and also because of the increasing land values. I think the stumpage prices

have to remain relatively high in order to get the people to continue to grow timber on this land.

Senator CRANSTON. Thank you. I have no other questions.

Senator Packwood?

Senator PACKWOOD. I take it from your statement, you don't agree with Mr. Bingham's assessment that the price of stumpage has nothing to do with the price of lumber?

Mr. JORDAN. Not at this time.

Normally it might be a true demand-pull situation, but under phase III we still do not have true demand-pull, and therefore the prices that I am charging at my mill are not necessarily anywhere near what people further south—where stumpage is considerably higher—charge.

Senator PACKWOOD. If the allegation is true, and really the only factor is demand, then it wouldn't be just stumpage that could go higher, it would be all the costs, including labor and capital?

Mr. JORDAN. That is right.

Senator PACKWOOD. It is inconceivable that all those factors put together have no relationship with the price of lumber.

Mr. JORDAN. The price you pay for stumpage today is related to the price you pay to get it. Of course, you sell it at any price you would ask.

Those people who try to stay in line are charging just what they were supposed to. It is still difficult for me to accept a statement as broad as the fact that stumpage prices have no relation to lumber prices. I have been in this business about 20 years, and I haven't seen it this way.

Senator PACKWOOD. Thank you.

Senator CRANSTON. Sen. Mike Gravel, and Sen. Ted Stevens of Alaska have considerable interest in this matter.

Did you have anything to say?

Senator STEVENS. We have a series of witnesses here from Alaska, and Senator Gravel has a statement, I have a statement. Congressman Don Young is with us also, today.

I would just like to file my statement, if I might, for the record, and indicate that the basic proposition we are seeking is to continue the status quo as far as Alaska's resources are concerned under the Morse amendment.

Senator GRAVEL. I just want to associate myself with that, and I have a statement to put into the record, and I want to thank you, Mr. Chairman, for calling us up.

We have a very fine—in fact, the word is bevy of timbermen from Alaska, representing all segments of the Alaska timber industry.

This, of course, is an industry that is very significant to the State and I would hope that this committee would see in its wisdom, to include the State from the legislation in issue by the Senator from Oregon.

I think Senator Stevens would be happy to introduce our colleagues from Alaska, and they can give the brunt of testimony.

We will just merely put our statement in for the record.

Senator CRANSTON. Thank you very much.

Senator STEVENS. The witnesses from Alaska [illegible] arles Chuck Cloudy, of the Alaska Lumbermen's Association; Mr. David Murdey, Douglas Theno of the Alaska Lumber and Pulp Company; Pat Soderberg, who is with the Alaska Loggermen's Association; and Mr. Don Dickey.

They are also accompanied by Bob Journberg; the attorney for the Alaska Logger's Association, Mr. Don Finney.

I think what we would like to do, if it meets with the Chairman's and Senator Packwood's approval, is to have them summarize their statements and make a record so that the committee can properly review the request of the Alaska interest in regard to this legislation.

Senator CRANSTON. Thank you very much, Senator Ted Stevens. I appreciate that very much.

And Mike may I ask that you do please, very briefly, summarize your statements and the full statements will go on the record and we will have time for questioning.

I want to apologize to Raymond Baker of the National Box Association. He was supposed to be the next witness. The papers got transposed up here, and he will be called immediately following the panel.

Senator GRAVEL. Thank you, Mr. Chairman.

[The prepared statements of Senators Gravel and Stevens follow:]

STATEMENT OF MIKE GRAVEL, U.S. SENATOR FROM THE STATE OF ALASKA

I share the concern of many citizens about the rising costs of lumber and consequent rising costs of homes. I am also sure that many citizens share my concern over the high unemployment rate in this country.

S. 1033, a bill to control timber exports, would have the effect of increasing the already high unemployment rate in Alaska—which averages about 10 percent in southeastern Alaska where 15 percent of all employment is in the timber industry—without increasing the supply of domestic lumber or decreasing the cost thereof.

The timber export control bill has been put forward as a means to channel timber that is being exported into domestic markets. However, not all timber that is currently being exported can be channeled into domestic markets. Alaskan producers have been unable to profitably operate by selling to domestic markets. They therefore have cultivated a market in Japan which has allowed them to increase production and employment substantially.

The substantial increases in employment have in part been a direct result of the State and Federal governments requirements for primary processing of timber harvested from State and Federal lands. This requirement is not as stringent as that proposed in S. 1033 because a more stringent requirement would make prices uncompetitive and decrease rather than increase domestic production and employment. Japan has developed the technology for its lumber industry and built its facilities to handle the size log we are currently selling them. Thus, if we could not continue sending the same size of logs, they would look elsewhere.

S. 1033 does allow the Secretary of Commerce to grant exceptions for exporting logs. However, these exceptions must be made on a case-by-case basis. In Alaska where the options available to producers will

be either to sell timber to Japan or to not harvest timber at all, serious problems could result from the implementation of the proposed controls. The leadtime for harvesting and processing timber, including bidding, planning production, and building roads to the harvest area, can be several years. No firm can undertake such an investment when they cannot be sure that they will have access to their only market. Furthermore, Japan would certainly want to establish suppliers from whom it could be assured of receiving timber. Thus, these controls may force Japan to depend on Canada almost exclusively for timber and eliminate Alaska from consideration as a source of supply. Such action would have a disastrous effect on the timber industry in Alaska, which is Alaska's third largest industry.

I urge the committee to consider the impact that this bill will have on Alaska's economy and people. Either the general procedure for exceptions must be changed or Alaska's unique situation must be recognized and a specific exemption for Alaska written into the bill.

STATEMENT OF TED STEVENS, U.S. SENATOR FROM THE STATE OF ALASKA

Mr. Chairman, at a time when our Nation is confronting critical shortages of softwood lumber in the face of growing housing demands, I congratulate this committee on its consideration of our Nation's lumber needs. In this effort, I am pleased to take this opportunity to comment on Alaska's role in the marketing of our Nation's timber resource as relates to Senate legislation (S. 1033) which is designed to regulate the export of round logs and unprocessed timber.

As background information, the regulation of round log exports from Alaskan lands is not a new issue. Round log exports from Alaskan Federal lands have been prohibited since territorial days by the act of April 12, 1926, which prohibits the exporting of round logs to the other 49 States as well as to foreign countries. In following the precedent of the Federal Government, the State of Alaska also imposes primary manufacturing requirements along with a ban on round log exports. Since private holdings in Alaska account for only about 1 percent of all commercial sawtimber, most of Alaska's timber falls under the State or Federal primary manufacturing restrictions.

Under these regulatory provisions, Alaska's logging industry has developed to become the third in the State, after fishing and tourism. This industry presently generates more than $100 million in annual revenues and employs almost 3,000 people.

Tied closely to the development of Alaska's logging industry has been the task of marketing its wood products. For this purpose, the exportation of wood products to foreign countries, most notably of which is Japan, has played a major role. So much so that roughly 90 percent of Alaska's wood products are presently exported to foreign markets. This situation has followed from Alaska's inability to compete in the domestic United States because of its remoteness and the high costs of living and transportation.

Because of Alaska's strong reliance on foreign exportation for the marketing of its timber products, the impact of Senate Legislation, S. 1033, would have a severe adverse effect on Alaska's logging and wood products industry. Although primary manufacturing is required

of virtually all of Alaska's timber products, S. 1033 calls for processing beyond the "Morse Amendment" stipulations and the act of 1926. Regardless of the degree of primary manufacture achieved, it is doubtful that Alaska will ever be able to compete in the domestic U.S. market.

Highlighting this point is the fact that Alaskan wood products cannot, even at present, compete within Alaska with the west coast lumber imports. Such being the case, to include Alaska in the extension of the log exports ban as proposed by S. 1033 will not address the problems of log shortages encountered by west coast sawmills, nor will it address the lumber shortages experienced by home builders in the contiguous United States. Certainly, Alaska has a role in the development of our Nation's renewable timber resource; but, in view of the existing marketing conditions and price structuring of domestic and wood products, Alaskan timber is better suited to helping offset the U.S. trade imbalances.

Under these circumstances, I suggest that Alaska be exempted from any alteration in the existing law. The provisions of the Morse amendment and the act of 1926 presently provide a workable framework within which the Alaskan logging industry has been able to cope with its unique marketing conditions while, at the same time, meet its domestic developmental needs by requiring the primary processing of Alaskan logs. The change proposed by S. 1033 will most certainly jeopardize the continued development of Alaska's logging industry. Suffice it to say the protective feature of this proposal is grossly misdirected in Alaska's case.

Mr. Chairman, in this committee's attention to S. 1033, I urge that Alaska's unique situation be given full consideration and in the committee's reporting of this measure, I urge that language be adopted for exempting Alaska from the scope of this legislation.

[The following letter was subsequently received from Senator Stevens:]

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C., April 2, 1973.

HON. JOHN SPARKMAN,
Chairman, Senate Committee on Banking, Housing, and Urban Affairs, Washington, D.C.

DEAR JOHN: For your information, I am submitting below in condensed form, the position taken by Alaska Lumbermen's Association and the Alaska Loggers' Association regarding Senate legislation (S. 1033). Their position has been endorsed by the State of Alaska, the Alaska State Chamber of Commerce, and by Alaska's Congressional delegation:

"At the risk of over simplification, our position is that if the Alaska Timber Industry is forced to reduce the maximum thickness of its foreign export lumber to four and one-half inches, it will lose the Japanese lumber export market."

"Ninety-five percent of Alaska's sawmill production is exported to Japan. The economics of export marketing in relation to the product capable of being produced by Alaska forests are such that shipments of lumber to Japan in thicknesses of up to a nominal eight inches must be made in volumes large enough to ensure that the balance of the production which can meet a four and one-half limitation can be successfully marketed."

"If our sawmills lose this market, this loss will in successive turn substantially wipe out the existing sawmill industry, the pulp industry, and the logging industry."

"Forest Service regulations controlling the extent of primary manufacture in Alaska necessary before export to Japan would be permitted, have been critically important to the development of Alaska's export market in Japan."

(The existing nominal 8 inch limitation) "was determined over the years to be the stage of primary manufacture which would give Alaska the optimum benefits of primary manufacture, while at the same time giving them a market for their product."

I hope this information is helpful to you in your consideration of Alaska's unique position with respect to the log export control issue.

With best wishes,

Cordially,

TED STEVENS,
U.S. Senator.

STATEMENTS OF CHARLES L. CLOUDY, ATTORNEY, ALASKA LOGGERS ASSOCIATION AND ALASKA LUMBERMEN'S ASSOCIATION; D. L. MURDEY, VICE PRESIDENT, KETCHIKAN PULP CO. AND KETCHIKAN SPRUCE MILLS; DOUG THENO, VICE PRESIDENT, WRANGELL LUMBER CO.; PAT SODERBERG, PRESIDENT, ALASKA LOGGERS ASSOCIATION; AND DON DICKEY, MANAGER, ALASKA STATE CHAMBER OF COMMERCE, ACCOMPANIED BY BOB JERNBERG AND DON FINNEY

Mr. CLOUDY. Mr. Chairman and members of the committee. My name is Charles L. Cloudy. I am an attorney, a lifelong resident of Ketchikan, Alaska and appear here today on behalf of Alaska Loggers Association and the Alaska Lumbermen's Association. These groups represent over 90 percent of the producing timber industry in Alaska.

With me at the table are Mr. D. L. Murdey, vice president of Ketchikan Pulp Co., and Ketchikan Spruce Mills, Inc.; Mr. Doug Theno, vice president of Wrangell Lumber Co.; Mr. Pat Soderberg, president of the Alaska Loggers Association; and Mr. Don Dickey, manager of the Alaska State Chamber of Commerce.

We are here to present the Alaska Timber Industry's position with regard to that portion of Senator Packwood's Senate bill 1033 which will limit the foreign export of lumber to 4½ inches in thickness. A formal statement has been filed and I will speak briefly in summary of that statement. The gentlemen at the table with me are available for any specific questions the chairman may cause to be raised with regard to this presentation.

This is not the first time we have journeyed from Alaska to Washington on timber matters, nor, I suspect, will it be the last.

In January of 1968, we appeared before Senator Morse's Select Subcommittee on Small Business which, at that time, had before it among other things, the question of opening Alaska to round log export.

Our position at that time was, and still is, totally opposed to round log export from Alaska. To that extent, at least, we are in accord with Senator Packwood's proposal. Again, however, as we stated in 1968, we limit our opinions in this regard to Alaska, and do not presume to comment one way or another on whether or not round log export from the coastal States should be banned or curtailed.

We invite your reference to the record of the 1968 hearings for the detail of our position on round log export as it affects Alaska.

At the risk of oversimplification, our position is that if the Alaska timber industry is forced to reduce the maximum thickness of its foreign export lumber to 4½ inches, it will lose the Japanese lumber

export market. Ninety-five percent of Alaska's sawmill production is exported to Japan.

The economics of export marketing in relation to the product capable of being produced by Alaska forests are such that shipments of lumber to Japan in thicknesses of up to a nominal 8 inches, must be made in volumes large enough to ensure that the balance of the production which can meet a 4½ inch limitation can be successfully marketed.

If our sawmills lose this market, this loss will in successive turn substantially wipe out the existing sawmill industry, the pulp industry and the logging industry.

Inasmuch as these industries in combination constitute the third largest industry in Alaska, and the largest industry in Southeast Alaska, the economic disaster befalling Alaska from this sequence of events is self evident in any context.

In order to fully appreciate the validity of our position in this regard, a number of important concepts and a review of the Alaska timber industry as it exists today, must be given consideration.

Senator CRANSTON. Thank you very much.

Bob, do you want to lead off?

Senator PACKWOOD. There is a serious dispute as to whether or not Japan would indeed buy lumber from the United States, including Alaska.

Assuming that they would buy lumber, is Alaska capable of producing it?

Mr. CLOUDY. I would have to inquire, Senator Packwood, as to what you mean by lumber.

Senator PACKWOOD. Dimension lumber.

Mr. CLOUDY. Regular finished dimension lumber.

I would defer to Mr. Murdey particularly on it, but I would say generally, most of our mills would have to gear up again at a significant capital expenditure to start cutting into the Japanese finished dimension.

Senator PACKWOOD. The key, I assume, would be to guarantee that you have a market.

The key to that is the buying of lumber.

But, if they would——

Mr. MURDEY. Mr. Packwood, I doubt they would be too interested in buying dimension lumber. They are not anxious to go strictly dimension because they are going to put, I would estimate, 34,000 mills out of business.

As for us gearing up, it would be a terrific change. It would do very much to the fact that our defect, of our timber up there, runs about 46 percent.

We brought some pictures with us that fairly well illustrate that we can market to Japan now without breaking it down into dimensions. If we went down into dimensions, I think our recovery would be minimal.

Senator PACKWOOD. I don't have any more questions. A good presentation. I appreciate it.

Mr. CLOUDY. Mr. Chairman, I do have some photographs directing particular reference to Senator Packwood's inquiry, showing the horrendous defect problem that exists with reference to our wood, and

they have been marked—I realize they wouldn't be reprinted in the record, but if they could be made available to the committee, we would appreciate it.

Senator CRANSTON. Could you tell me, what is the nature of Japanese activity in Alaska?

Is it direct investment, indirect investment, or purchase from local exporters?

Mr. CLOUDY. Mr. Chairman, I would defer to Mr. Dickey, the manager of the Alaska State Chamber of Commerce who has been quite active over the years with the Japanese investment problem.

Mr. DICKEY. In response to your question, Senator, I believe on the five trips that we have made, trade missions to Japan, we have found the growth that today we understand that over $200 million worth of capital investment has been made by the Japanese in Alaska, and to bring that into focus, we are told that exceeds all the capital investment by the Japanese and all the other 49 States.

So this is a substantial investment in our area, and well over 50 percent of our export trade which is growing substantially is with the Japanese.

In fact, I believe, for every dollar we send out in import, we bring back three to the United States and there are not too many States that have that record today. We are very proud of it.

Senator CRANSTON. Is lumber custom cut in Alaska for Japan?

Mr. MURDEY. I am not sure I understand what you mean.

Senator CRANSTON. In what form are you exporting lumber to Japan?

Mr. MURDEY. The hemlock is exported in 2 inch, 4 inch, and 8 inch—primarily 8 inch. They allow us only 10 percent.

Spruce is exported in 6 inch and 8 inch, and a nominal amount——

Senator CRANSTON. Is there room for expansion of Alaska lumber production that is destined for Japan?

Do you have greater capacity than is being used now?

Mr. MURDEY. No.

We are facing the same thing, I believe that people are down in what we say the lower 48. We are struggling for timber sales, waiting for impact statements.

Senator CRANSTON. Are the sawmills in Alaska working at full capacity?

Mr. MURDEY. Up to a point.

I would say they were safe for 1973, but there is trouble in 1974.

Senator CRANSTON. Thank you very much.

I have no further questions.

Do you, Bob?

Senator PACKWOOD. I just want to make sure that you understand that under the bill that Senator Cranston and I and others are proposing, if your lumber is less than the dimensions of four and a half inches, you can ship it.

You mentioned 2 inches in your statement, or 4 inches. It doesn't have to be less than four and a half inches on both sides.

Mr. MURDEY. Well, I will repeat again, sir.

Our contracts call for a maximum of 10 percent, 4 inch.

Senator PACKWOOD. What do you mean by a maximum?

Mr. MURDEY. That's the maximum of the shipment, to be 10 percent, on what we call the 2-inch or inch and a half, the maximum is 5 percent.

Senator PACKWOOD. Explain that to me once again.

Mr. MURDEY. Well, we are allowed—we can only ship 10 percent—or, let's say, 14 percent of 2 and 4 inch.

Senator PACKWOOD. All the rest has to be bigger than that, both dimensions?

Mr. MURDEY. Yes, sir.

Senator PACKWOOD. OK. Thank you.

I have no other questions, Alan.

[The following information was subsequently received for the record:]

SUPPLEMENTAL STATEMENT FROM ALASKA LUMBERMEN'S ASSOCIATION AND ALASKA LOGGERS ASSOCIATION, APRIL 19, 1973

During the testimony of the various witnesses appearing before the Committee on March 27, 1973, at Washington, D.C. on behalf of the Alaska Loggers Association and the Alaska Lumbermen's Association, the witness response to a number of the questions asked by members of the Committee did not fully disclose the background or the detail of the reason for the answer given. In order to fully clarify the verbal response of the witnesses, the following supplemental information is offered.

1. At lines 21 through 25, on page 578 of the record, Mr. Murdey stated:

"Mr. Packwood, I doubt they would be too interested in buying dimension lumber. There are 36,000 and some sawmills, all the way up to 60 people. They are not anxious to go strictly dimension because they are going to put, I would estimate, 34,000 mills out of business."

The 36,000 sawmills referred to by Mr. Murdey employ from 2 people to 60 people. Thousands of the small family mills subsist entirely on the wood recovery they obtain from as few as 3 or 4 pieces of 6" and 8½" lumber per day. After these mills initially process these few pieces, the residue is passed on to thousands of other similarly small mills who, in turn, patiently develop further usable recovery out of the wood passed on to them. Even in the larger mills, the wood is passed from department to department until the last bit of merchantable wood has been extracted. Hand labor and patience unknown in our industry is required to effect the recovery achieved by the Japanese. If the United States sawmills were able to manufacture lumber into dimensions which required no further manufacture in Japan, and were able to sell it in Japan, the Japanese milling industry as we know it today, would be destroyed.

2. At lines 1 through 7, on page 579 of the record, Mr. Murdey stated:

"As for us gearing up, it would be a terrific change. It would do very much to the fact that our defect, of our timber up there, runs about 46 percent.

"We brought some pictures with us that fairly well illustrate that we can market to Japan now without breaking it down into dimensions. If we went down into dimensions, I think our recovery would be minimal."

There is no way that our Alaska mills could recover the defect in our wood in the manner of the Japanese. We certainly could manufacture the standard finished metric dimensions for use in the structural portion of housing construction; however, the volume recovery in the grades that would sell would be small. The balance of the log (converted by the Japanese into small pieces suitable for splicing, construction of window sashes and door frames, cable reels, hand formed veneer, patching, fillers, and a myriad of other small piece use) could not be produced and sold by our mills at a profit on any market, and consequently would have to be used to produce wood chips for pulp use. The values in the wood chip recovery would not be high enough to produce an overall profit in combination with the money received for the finished metric dimensions sold to the Japanese.

3. At lines 16 through 19, on page 579 of the record, Senator Cranston asked the following question:

"Could you tell me, what is the nature of Japanese activity in Alaska?

We would supplement the answer given by Mr. Dickey, of the Alaska State Chamber of Commerce, in the following manner. Insofar as the Alaska timber industry is concerned, the Japanese have a direct investment in Alaska through their ownership of Alaska Lumber and Pulp Co., Inc., at Sitka, Alaska, and Wrangell Lumber Company at Wrangell, Alaska. Both companies are United States corporations financed with Japanese private capital, and operate with staffs and employees comprised of American citizens. Both mills were constructed in recognition of the fact that round log export from Alaska would be adverse to the best interests of Alaska. The Japanese also have an indirect investment in the Alaska timber industry in that these mills, of necessity, provide their loggers with financial help in financing the large investment required in establishing logging camps. Finally, they also appear in the form of trading companies who bid directly with the lumber export mills for their production. In 1972, as many as fourteen such companies were in competition for the Alaska lumber export production.

Additional note should be made of the fact, as disclosed in the record of the Sierra Club suit against Champion International (who holds an 8.75 billion board foot sale in the North Tongass Forest), that the Japanese have made advance commitments to purchase the lumber manufactured by Champion International in their development of an integrated pulp mill and sawmill use of their allotment.

4. At lines 23 through 25, on page 580 of the record, Senator Cranston asked the following question:

"Is there room for expansion of Alaska lumber production that is destined for Japan?

"Do you have greater capacity than is being used now?"

Mr. Murdey's answer, at lines 1 through 4, on page 581 of the record, was as follows:

"No.

"We are facing the same thing, I believe that people are down in what we say the lower 48. We are struggling for timber sales, waiting for impact statements."

Mr. Murdey's answer is supplemented as follows. There is in fact room for limited expansion of the Alaska lumber production in the Tongass National Forest destined for Japan, which is presently being undertaken through the construction of two sawmills which will be placed in operation during 1973. However, as can be seen from the attached record of timber sales in the Tongass National Forest, 1964 through 1972, our source of timber outside of the two allotments held by the two pulp mills has all but dried up. Both pulp mills are faced not only with the contract requirement of buying 25 percent of their logs from Forest Service sales outside their allotments, but also with the fact that the original estimated volumes within their allotments are proving to produce ⅓ less than the estimate. As a consequence, the increasing failure of the Forest Service to put significant sale volumes up each year has placed the Alaska timber industry in the position of facing a log shortage so critical in nature that we may well have an industry collapse within the next several years. Unless significant sales volumes are placed on the market during 1973, and each year thereafter, this collapse will become a certainty.

Again, with reference to the Champion International interest in the North Tongass Forest, the development of which is presently completely stalled by the pending Sierra Club suit against them, their plans call for the development of an integrated sawmill/pulp mill complex. As with all of the lumber available from the Tongass National Forest, we are of the firm belief that the only market available for Champion International sawmill production would be Japan.

5. At lines 1 through 11, on page 582 of the record, Senator Packwood and Mr. Murdey discussed the dimension limitations upon our export of lumber to Japan. Mr. Murdey's responses are supplemented as follows. The contracts entered into each year by our sawmills with the Japanese expressly limit the amount of lumber 4" and under that the Japanese will purchase. Present contract limitations state that not more than 10 percent of an export shipment can be 4" in thickness and under, and not more than 5 percent can be 2" in thickness or under. As a result, approximately 85 percent of the lumber shipped to Japan must be in 6" to 8½" thickness. The lumber 2" thick and under is developed out of the side cut taken off the log as the log is squared prior to further cutting. Prior to 1967, these pieces were burned at the mills as waste. Later, they were chipped for pulp use, and only recently have the mills been able to develop a limited market in Japan for this lumber in the 2" and the 1½" thicknesses.

The demand for this small size cannot be considered permanent, and at such time as the Japanese market goes through one of its regular cyclical declines we can expect to be limited to less and less of these smaller dimensions.

6. At lines 14 through 18, at page 582 of the record, Senator Cranston asked the following question:

"I would like to return for one moment to the question about the lumber that is cut in Alaska for exportation to Japan. Did the sawmills have to go through certain adjustments in the way they cut the logs there in order to be able to meet the Japanese requirements?"

Mr. Theno's response, on pages 582 and 583, is supplemented as follows.

Alaska sawmills had to make any number of learning adjustments to accommodate to the new market in Japan. These adjustments were expensive, and by 1967, our sawmills had lost in excess of $2,000,000.00 in the development of the Japanese export market.

One major difficulty encountered by our sawmills revolved around the defect in our wood, and our lack of understanding as to the various uses to which the Japanese intended to place their remanufactured product. Early cutting practices were such that the Japanese could not obtain the full recovery they desired in remanufacture, and this reflected itself in the price we were able to obtain for our lumber. As both the Japanese and ourselves became more expert in achieving a higher recovery, our product became more acceptable, and as Japanese demands for wood increased, the export of our lumber became, and remains, profitable.

Other significant problems were encountered in developing efficient ship loading practices, necessary to the marketing of the product. Japanese lumber ships discharge at as many as 5 different ports, each of which has a demand for a different mix of dimensions and lengths. Early ship loading costs were prohibitively high due to loading delays, with as little as 500,000 board feet being loaded per day. Today, in excess of 1,000,000 board feet per day are loaded on these ships at a significantly less cost per thousand board feet than prevailed in 1967.

Within the storage yards of the mills, other problems were encountered in developing storage layouts and lumber flow movements which would accommodate the ship loading patterns necessary to the efficient discharge of the product in the Japanese ports.

Within the sawmill itself, it was found that the production speeds and physical capabilities of the equipment associated with regular finished production simply would not accommodate the production of export lumber to Japan in the thicknesses required. It's one thing for a sawmill to produce 500,000 board feet per day of finished small dimension lumber, and another thing to produce 500,000 board feet per day of 6" and 8½" lumber. Equipment breakdowns were regular, and extreme difficulties were encountered in producing a uniform product. Millions of dollars had to be expended in developing and installing high speed equipment and supporting structures capable of handling the greater weights of lumber and the physical abuse associated with producing and moving heavy lumber at high production rates.

RECORD OF TIMBER SALES FOR TONGASS NATIONAL FOREST

Year	South Tongass Forest		North Tongass Forest		Combined	
	Number of sales	Volume (million board feet)	Number of sales	Volume (million board feet)	Number of sales	Volume (million board feet)
1964	9	59	12	137.0	21	196.0
1965	7	127	9	115.0	16	242.0
1966	9	289	9	444.0	18	733.0
1967	8	225	12	108.0	20	333.0
1968	4	78	9	131.0	13	209.0
1969	21	129	9	44.0	30	173.0
1970	13	109	10	218.0	23	327.0
1971	2	65	2	6.0	4	71.0
1972	0	0	2	32.0	2	32.0
1973[1]		68		2.5		70.5

[1] Just announced as result of Dunlop directive to U.S. Forest Service to increase sales in 1973. Includes 40,000,000 board feet salvage from Thanksgiving Day blowdown (1968). Fails to give any recognition to the insignificant volumes placed for sale in 1971 and 1972. By Dec. 31, 1974, the inventory of uncut sales will be short 110,000,000 board feet of 1975 cutting requirement

STATUS UNCUT SALE INVENTORIES—TONGASS NATIONAL FOREST

	Date	Volume (million board feet)
North Tongass	Jan. 1, 1973	294
South Tongass	do	296
Total	do	590
Announced	1973	70
Fiscal ("promised")	1974	130
Total		790
Projected cut	1973	300
Total		490
Projected cut	1974	300
Uncut sale inventory	Dec. 31, 1974	190
Projected cut	1975	300
Shortage	1975	110

Note.—These are "off allotment" sale inventories and cutting requirements. Both pulp mills are required to obtain 25 percent of their requirements from "off allotment" sales.

Senator CRANSTON. I would like to return for one moment to the question about the lumber that is cut in Alaska for exportation to Japan. Did the sawmills have to go through certain adjustments in the way they cut the logs there in order to be able to meet the Japanese requirements?

Mr. THENO. I don't think there were any really special adjustments, except the amount of sophistication of the sawmill, we don't have as much equipment as is necessary to make dimension lumber.

Senator CRANSTON. But you are cutting lumber in special ways that the Japanese wish, is that correct?

Mr. THENO. Well, it's just what we call—the type of cutting, you are cutting for the various grains, vertical grain, and it's the way you cut the log up, and not the degree of manufacture.

Senator CRANSTON. Is this different from what normally happens in a sawmill? If you are producing for American consumption?

Mr. THENO. Not completely different. The grade is different than they use down here, just a name. But the manufacturing is not any different. It's not as complete.

Senator CRANSTON. Do they process it further in Japan, their sawmills there?

Mr. THENO. Oh, yes.

Senator CRANSTON. We have been told by some people that our sawmills would have some difficulty in adjusting to cutting the lumber in a way that it is wanted by the Japanese. That refers to sawmills in the three coastal States, Oregon, Washington, California. Do you have any comment on that? Is there any problem there?

Mr. THENO. I wouldn't want to comment on that. I suspect it would be in the metric sizes, but I really wouldn't want to comment.

Mr. MURDEY. Mr. Cranston, there's two problems. Switching to metric is one of them.

Senator CRANSTON. You've done that in Alaska?

Mr. MURDEY. No, we do not. The second is the fact what we call board mill, light lumber, in other words, cutting everything down to 1⅞, 1⅝, or whatever.

The way we handle it, you have substantially heavier construction mills that will stand the heavier lumber, the equipment is stronger, more beef in it, matters like that.

Senator CRANSTON. Thank you very much. Appreciate it.

Mr. CLOUDY. Mr. Chairman, I thought I might clarify a point. We're not cutting into the Japanese finished metric market. We are cutting into the market that enables them to do their own conversion of the wood that we send over down to their dimensions, and we leave enough defect in the wood so they can accommodate their end use to the particular systems that they are utilizing, and I think the mills on the coast you are talking about have reference to cutting into the Japanese finished metric market.

Senator CRANSTON. Thank you very, very much. I appreciate very much your testimony.

Mr. CLOUDY. We appreciate very much your letting us appear, Mr. Chairman.

Senator CRANSTON. Thank you.

Senator STEVENS. We'll leave the pictures with the committee, Mr. Chairman. When they've finished, I would appreciate it if they could be returned to my office.

[The complete statements follow:]

STATEMENT OF CHARLES L. CLOUDY, ON BEHALF OF ALASKA LUMBERMEN'S ASSOCIATION AND ALASKA LOGGERS' ASSOCIATION

Mr. Chairman, and members of the committee. My name is Charles L. Cloudy. I am an attorney, a lifelong resident of Ketchikan, Alaska, and appear here today on behalf of Alaska Loggers Association and the Alaska Lumbermen's Association. These groups represent over ninety percent of the producing timber industry in Alaska. With me at the table are Mr. D. L. Murdey, vice-president of Ketchikan Pulp Company and Ketchikan Spruce Mills, Inc.; Mr. Doug Theno, vice-president of Wrangell Lumber Company; Mr. Pat Soderberg, president of the Alaska Loggers Association; and Mr. Don Dickey, manager of the Alaska State Chamber of Commerce.

We are here to present the Alaska Timber Industry's position with regard to that portion of Senator Packwood's Senate bill 1033 which will limit the foreign export of lumber to four and one-half inches in thickness. A formal statement has been filed, and I will speak briefly in summary of that statement. The gentlemen at the table with me are available for any specific questions the chairman may cause to be raised with regard to this presentation.

This is not the first time we have journeyed from Alaska to Washington on timber matters, nor, I suspect, will it be the last. In January of 1968, we appeared before Senator Morse's select subcommittee on small business which, at that time, had before it, among other things, the question of opening Alaska to round log export.

Our position at that time was, and still is, totally opposed to round log export from Alaska. To that extent, at least, we are in accord with Senator Packwood's proposal. Again, however, as we stated in 1968, we limit our opinions in this regard to Alaska, and do not presume to comment one way or another on whether or not round log export from the coastal states should be banned or curtailed. We invite your reference to the record of the 1968 hearings for the detail of our position on round log export as it affects Alaska.

At the risk of oversimplification, our position is that if the Alaska timber industry is forced to reduce the maximum thickness of its foreign export lumber to four and one-half inches, it will lose the Japanese lumber export market. Ninety-five percent of Alaska's sawmill production is exported to Japan. The economics of export marketing in relation to the product capable of being produced by Alaska forests are such that shipments of lumber to Japan in thicknesses of up to [illegible] eight inches must be made in volumes large enough to ensure that [illegible] balance of the production which can meet a four and one-half limitation can be successfully marketed. If our sawmills lose this market, this

loss will in successive turn substantially wipe out the existing sawmill industry, the pulp industry, and the logging industry. Inasmuch as these industries in combination constitute the third largest industry in Alaska, and the largest industry in southeast Alaska, the economic disaster befalling Alaska from this sequence of events is self evident in any context.

In order to fully appreciate the validity of our position in this regard, a number of important concepts and a review of the Alaska timber industry as it exists today, must be given consideration.

THE ALASKA TIMBER RESOURCE

The timber industry in Alaska is confined primarily to Southeastern Alaska. In this area, consisting in the main of the islands of the Alexander Archipelago, is located the Tongass National Forest. Approximately ninety-two percent of the commercial timber stands in this area are in National Forest lands, and in excess of ninety-five percent of all timber cut in Southeastern Alaska comes from these timber stands. Approximately seventy-five percent of this timber consists of Western hemlock, twenty percent of Sitka spruce, and the balance of red and yellow cedar. The annual allowable cut from these forests, as established by the United States Forest Service under its sustained yield policies, is eight hundred twenty four million board feet. In 1972, the total harvest amounted to five hundred fifty million board feet. The bulk of this timber is overmature, with a high percentage of defect (forty-five percent) as a consequence.

As a result, although extremely high grades of lumber can be recovered, common low quality grades of lumber predominate to an excessive percentage (thirty percent), making it extremely difficult to develop and sustain a lumber market which will absorb the entire recovery of lumber at a price which will produce a profit for the lumber producer. Original large scale development of these stands in 1954 was limited to pulp mill operations due to this problem; however, as will be later observed, marketing and processing techniques are bridging the gap, so as to enable these forests to support both a sawmill industry and a pulp mill industry in spite of grade recovery problems.

THE ALASKA SAWMILL INDUSTRY

1. History of United States Domestic Marketing

Prior to 1956, the only sawmill of major significance in Alaska was Ketchikan Spruce Mills, at Ketchikan, Alaska, although many others had tried to enter the industry over the years, and had withdrawn, due to their inability to place their product in the domestic United States market at a profit.

From 1900 to 1956, Ketchikan Spruce Mills produced finished dimension lumber for various local, United States domestic, and foreign markets. By 1956, Ketchikan Spruce Mills had all but withdrawn from the domestic United States market, due to its inability to make money in that market. Withdrawal from the foreign dimension market took place prior to World War II for the same reason. During the 1950's this sawmill constantly operated at a loss, and sustained itself through a chain of retail yards in Alaska. By 1966, these yards were importing lumber from Canada and the Western states of the United States at a cost lower than Ketchikan Spruce Mills' own cost of production. As of 1956, there was therefore no market of significance for any lumber produced in Alaska. The principal cause of this failure was (and remains) the inability of the domestic United States market to absorb the lower grades of lumber recovery along with the small percentage of higher grades at a price capable of producing an overall profit.

2. Entry Into the Japanese Export Market

In 1956, Ketchikan Spruce Mills and Wrangell Lumber Company, at Wrangell, Alaska, started to probe the extremely sensitive Japanese spruce market as they became aware of the increasing export of large dimension lumber from Canada to Japan. Two basic problems were immediately encountered: (1) Japan's timber industry was (is and has been) almost totally based upon remanufacture of raw materials acquired outside of Japan; in excess of thirty-six thousand small sawmills are involved in this process; and, (2) Alaska's timber was almost completely unknown in Japan and the Japanese market (more than any other market) has a high sensitivity for the visible characteristics of wood. It was therefore apparent that if Alaska mills were going to get into this market, they

would have to produce lumber of a dimension suitable for remanufacture in Japan, and at the same time develop cutting and sawing practices which would enable the visible characteristics of the lumber to be brought into their best light by Japanese cutting and sawing practices.

By the end of 1967, A ka lumber export volumes into the Japanese market has reached a volume exceeding two hundred million board feet per year. However, during the period of 1956–1967, Alaska sawmills sustained losses exceeding two million dollars as they struggled to develop a product marketable in Japan, as well as one that could be marketed at a profit. At the close of 1972, export lumber volumes exceeded three hundred sixty five million board feet per year, and 1973 export volume is projected at four hundred forty million board feet.

Until 1970, the major Alaska Japanese market development centered around spruce, which constitutes about twenty percent of the timber stands in Southeast Alaska.

Seventy-five percent of these stands consist of hemlock, and the balance is made up of red and yellow cedar. During the 1950's, an attempt was made to interest Japan in hemlock, with little success, due to the poor quality of the lumber utilized for the market test. Until 1970, the Japanese market had no interest whatsoever in hemlock lumber from Alaska for this reason. In the past two years, the Southeast Alaska timber industry has finally succeeded in developing an intense Japanese market interest in this hemlock, with the result that whereas in 1970 only one Alaska mill was producing hemlock lumber for the Japanese market, two such mills are now doing so, and two more such mills will be completed and placed in production by the end of 1973. The combined projected hemlock lumber export production of these mills is in excess of two hundred fifteen million board feet per year.

3. Local Domestic Mills

Southeast Alaska does, of course, have a few sawmills devoted exclusively to the Alaska domestic market. These mills, however, could not survive the export ban. Without exception, these mills are small operations employing from three to fifteen employees. Their sole source of logs is through purchase from the larger units in the industry. Logging costs are so high that these mills cannot afford to finance their own independent logging ventures. Once the major units are shut down, the source of log supply for the domestic mills will vanish, and they, too, will be forced to close.

4. Shipments Into Western States

A limited volume of high grade Alaska lumber is in fact shipped into the United States domestic market. In 1972, for example, slightly over five percent of Ketchikan Spruce Mills' 1972 production was shipped to the Northwest. However, without the Japanese market for Alaska lumber, these domestic shipments could not be made, because the over maturity of Alaska's timber does not permit a high enough recovery of high grade lumber sufficient to attract the domestic market to buy all of the production. Without a market for the lower grade, the sawmills cannot sustain themselves on the limited high grade recovery, even though that recovery can be individually marketed in the United States domestic market at a profit.

5. Integration With Pulp Mills

In January of 1968, the Alaska timber industry advised Senator Morse's Select Subcommittee on Small Business at the hearings then being held on round log export, that plans were under way for the Alaska industry to achieve full integration within itself. At that time, waste wood was still being burned, and appreciable volumes of slab were being exported to Japan.

Since January of 1968, this forecasted integration has taken place. All logs going into the export sawmills are now debarked, and in many instances the bark waste is utilized for hog fuel. All mills in production have complete waste wood recovery systems, so that all such wood is chipped at the sawmill for transport to the pulp mills for the production of pulp. Such wigwam burners as remain are burning only sawdust or bark, and in a number of mills, even the sawdust is used for fuel.

As a consequence, within the short span of five years, the industry has achieved almost one hundred percent utilization of its timber resource. The pulp mills are producing pulp only from sawmill waste wood recovery chips and low grade logs not suitable for sawing. The sawmills are sawing into

market sizes only that portion of the log suitable for lumber marketing and producing wood chips for pulp use out of the residue.

A graphic example of the full extent of this integration is seen in the release of logs for sawmill use out of the volumes formerly required for raw log pulp processing by the pulp mills. In 1972, although the industry used fifty million board feet less raw logs than it did in 1967 for the production of pulp, it equaled its 1967 production of pulp. This release of logs enabled the sawmills to produce sixty million board feet of lumber they otherwise could not have produced, as well as one hundred four thousand tons of bone dry chips for pulp use.

6. Operations at Full Capacity.

Today, ninety-five percent of Alaska's sawmills are operating at one hundred percent capacity. All are operating on two shifts per day. Three shifts per day operations are not presently possible, due to the time required to perform daily maintenance. The mills operate year around, with shutdowns limited to those caused by breakdown. Two additional mills will be in operation in 1973, and these also will be operating at one hundred percent capacity within the time required to break them in. At present, twelve to fourteen different Japanese trading companies are in vigorous competition for the production of these mills. By way of comparison, in 1967 there was only one such trading company in the Alaska market, none of the mills operated the year around, and none of them were on double shift operations.

7. Existing Export Regulations Critical to Growth

Forest Service regulations controlling the extent of primary manufacture in Alaska necessary before export to Japan would be permitted, have been critically important to the development of Alaska's export market in Japan. Recognizing that Alaska's own domestic demand would not support a viable sawmill industry in Alaska within the regrowth cycle of Alaska's existing forests, and that Alaska sawmills had little chance of ever placing their production into the domestic United States market at a profit, they did, and still do, permit the export from Alaska of lumber up to a nominal eight inches in thickness. This limitation was determined over the years to be the stage of primary manufacture which would give Alaska the optimum benefits of primary manufacture, while at the same time giving them a market for their product.

8. Effect of Jones Act

It has often been suggested by those outside of the Alaska timber industry that a repeal of the Jones Act would enable the Alaska lumber to be marketed into the domestic United States at a profit, due to the supposed reduction in shipping rates which would follow if we were permitted to use foreign bottoms to move our product. As we stated at the round log hearings held in January of 1968, this is simply not so for several reasons.

In the first place, Alaska lumber is being lifted by Japanese ships with capacities in excess of eight million board feet. This lumber is loaded at rates in excess of one million board feet per day, the ships are highly sophisticated, and represent a huge investment made over the past ten years by the Japanese, specifically designed for the Alaska lumber trade. There are no other ships available to Alaska to move Alaska lumber at the volume and the loading rates required. If our export to Japan is cut off, the Japanese obviously will not allow us to use these ships to move our products into the United States domestic market. During the time it would take for other foreign or domestic shipping to develop the necessary shipping capacity for Alaska's use, the Alaska timber industry would have gone out of business.

In the second place, the cost of producing lumber in Alaska is so much higher over the cost of production in the Northwest, that there is simply no way of meaningful competition in the United States domestic market for Alaska lumber could be achieved. Labor costs in logging camps and sawmills range twenty-five to thirty-five percent higher in Alaska over Northwest costs. Gross logging costs exceed Northwest costs by 35–40%. Local purchase costs are twenty-five percent higher than the Northwest. When these higher costs are considered with the fact that the Alaska timber produces a much higher percentage of low grade lumber than does the Northwest timber, it becomes obvious that the Alaska product cannot be marketed at a profit in the domestic United States market, regardless of a lowering of shipping rates.

9. Four-and-One-Half-Inch Limit Will Not Create More Jobs

Assuming that the Japanese market would accept Alaska's lumber production in sizes not exceeding four and one-half inches in thickness, no real benefit to the Alaska economy would be achieved. Four and one-half inch lumber can be produced with the same equipment as is presently being utilized for six and eight inch lumber without any significant increase in employment. Production costs, on the other hand, would increase, because the rate of production would necessarily fall in accommodation to sawing the lumber down to the smaller dimension. At the same time, although some of Alaska's lumber does in fact bring a fair return from the Japanese market in four inch thick sizes, most of Alaska's lumber would suffer a reduction in market value if sold in thicknesses below the present six and eight inches being used. Here, again, we come back to the problem of the high percentage of defect in Alaska timber. Reducing the thickness limitations to four and one-half inches would force Alaska mills to cut the defect out and chip the resulting waste.

Leaving the defect in, however, permits the Japanese to cut the defect out in a manner which gives them much more than wood chip recovery from the defect at higher values than wood chip recovery. In other words, Alaska sawmills can sell an eight inch thick piece of lumber to the Japanese at a higher price than could be obtained for two four inch pieces. The four inch lumber presently being sold by Alaska industry to Japan is primarily obtained from trees which, due to their small size, cannot produce a merchantable product in excess of four inches in thickness. As the tree size increases, the tree can acommodate the production of six and eight inch thick lumber with a higher return to the Alaska timber industry and Alaska economy than would be recovered if the industry was forced to reduce all of their production to the four and one-half inch limits.

10. Japan Will Look to Other Sources

The question may well be asked and often has been, as to why we cannot force the Japanese market to accept a more finished product from Alaska than is presently exported under existing Forest Service regulations. As earlier mentioned, the Japanese timber industry is one essentially of remanufacture. Over thirty-six thousand sawmills are involved. If the Japanese market accepted finished lumber, these mills would go out of business. Before Japan will let that happen, she will exhaust every effort to keep these mills in operation.

If Alaska can't supply Japan with a product suitable for remanufacture, Canada will be (and has been) more than willing to do so. Alaska's present export to Japan is in direct competition with Canadian export, and Alaska's penetration into the Japanese market is based principally upon being able to produce lumber up to eight and one-half inches in thickness, rather than upon the inability of Canada to meet the volume demands of the Japanese market. As the pinch on Japan's wood sources increases, the need for Japan to make favorable arrangements with Russia for access to its huge volumes of soft wood timber could well lead to arrangements being worked out between them to resolve Japan's wood shortage. Once either Canada or Russia or both take up the slack caused by Alaska's forced withdrawal from the market, there would be little hope of Alaska ever being able to reenter the Japanese market on any terms.

THE ALASKA PULP INDUSTRY

Initial large scale utilization of Southeast Alaska timber commenced in the early 1950's with the construction of a dissolving pulp mill at Ketchikan, Alaska, and a dissolving pulp mill at Sitka, Alaska. All of the pulp production of the Sitka mill goes into foreign export (Japan), and eighty percent of the Ketchikan pulp mill's production goes into the domestic United States market, and twenty percent goes into foreign export (Mexico and South America). The Ketchikan pulp mill supplies twenty-five percent of the United States domestic requirement for dissolving pulp.

Original investment costs for these two mills exceeded $152,000,000.00 dollars. Since the original construction, $74,000,000.00 dollars have been expended in capital improvements. With the next 5 years, total expenditures to meet environmental controls will exceed $40,000,000.00 dollars.

Pulp prices are set on the world market for pulp, irrespective of whether the product is placed into the domestic or world market. Pulp prices historically resist increasing costs of production. In 1954, for example, Ketchikan Pulp Company was selling its production for $185.00 dollars per ton, and in 1972 it

was selling its production for $203.50 dollars per ton. This represents less than a 10 percent increase in twenty years. During the same period of time, raw log cost to the pulp mills (inclusive of stumpage) increased from $32.79 dollars per thousand board feet to $78.54 dollars per thousand board feet, an increase of 140 percent.

Until the development of the Japanese export market for Alaska lumber, the pulp mills were forced to pulp all logs, regardless of quality, with no appreciable return in increased end product value over the end product available from low grade logs. Unless another use for the high grade logs could be found, so that a dollar return commensurate with their basically higher value could be recovered, it became evident that the pulp mills would soon reach the point at which the dollar return from pulp would no longer support the investment, costs of raw material acquisition, and operating and marketing costs. In fact, the very ability of these mills to survive had become questionable.

The development of a viable sawmill industry in Southeast Alaska thus became one of absolute necessity if the pulp mills were to survive.

THE LOGGING INDUSTRY IN ALASKA

The Alaska timber industry is dependent upon the logging effort of one thousand five hundred loggers employed in forty five camps located throughout the Tongass National Forest. Employment in these camps ranges from a low of two men for the smaller camps to two hundred men for the largest camps. The larger camps are in fact small communities, including streets, family housing, schools, sanitary facilities, power plants, water systems, airplane and boat loading facilities, machine and repair shops, supply warehouses, bulk fuel supply storages, as well as the customary bunkhouses and mess houses.

The Tongass National Forest consists of twenty five thousand square miles, 17% of which contains presently merchantable timber stands and extends through the Alexander Archipelago for a distance of four hundred miles along the coast of Southeast Alaska. Witnin this area are located 18 villages, towns and cities ranging in population from twenty people to eight thousand people. The logging operations and logging camps are remote from these "population centers". and access to these camps is limited to travel by airplane or by boat. All employees, families, supplies, and equipment must be first imported into Alaska, and then transhipped by boat or air to the camps. The logging product itself must be truck hauled from the cutting areas for distances up to forty miles, dumped in the tide water for bundling and rafting, and then towed to the mills and storage areas for distances up to two hundred miles.

All logging in the Tongass National Forest is conducted under multiple use concepts, and consequently the technique of merely "punching in" a logging road to the cutting areas is lost to history. Alaska logging roads are constructed to Forest Service standards, and many are designed to furnish continued access to the forests long after the logger has moved on to another cutting location. Since 1954, over 2,000 miles of such roads have been constructed in the Tongass National Forest by the logger at his own expense. The cost of building these roads in 1954 was $23,000.00 dollars per mile; in 1972, the cost had risen to $50,000.00 dollars per mile. In terms of cost per thousand board feet, these roads now cost anywhere from $6.00 dollars per thousand board feet to $25,000.00 dollars per thousand board feet, depending upon the terrain, the cutting sequence layout of the sale, and the volume of timber available per acre.

Wages paid the Alaska logger are based upon wage scales twenty-five percent to thirty-five percent higher than those prevailing in the Western states. All supplies, foods, clothing, materials, etc., required by the logger, cost at least twenty-five percent more than do similar purchases made in the Western states.

In recent years, the matter of environmental control has had a serious cost impact upon the Alaska logging industry. Camp site costs have increased one thousand percent since 1967 (before the advent of such controls). Changes in cutting practices to accommodate the scenic value regulations of the Forest Service are causing a yet undefined escalation in logging costs. Delays in scheduling the relocation of camps into new cutting areas, inherent in the environmental impact statement requirements, is contributing to significant additional costs. The requirements relating to the development of dry land storage, as opposed to water storage, is further compounding the problem of logging costs.

The remoteness of the logging areas of itself is significant in determining the cost of logging in Alaska. As a result of the factors above mentioned, the total logging investment in depreciable items (i.e., camps, equipment), and facilities

in Southwest Alaska as of 1972, exceeded $60.000,000.00. When this is compared with the fact that these camps harvested five hundred forty million board feet of trees in 1972, it becomes readily apparent that no place else in the United States requires this huge an investment to harvest this fairly insignificant volume of trees (insignificant when compared to the 1972 harvest in Washington, Oregon, and California).

Further contributing to the loggers' cost dilemma has been the fact of the over maturity of the trees in the Tongass National Forest. This overmaturity causes a significant volume of what the logger cuts down to be left behind, because he could not be paid for gathering it up and shipping it to the market. The reason he could not get paid for this effort was simply because there was no market price available which would support the cost of getting the product to the market. The loss sustained in removing the defect from the logs shipped to market was carried by the logger himself.

As with the pulp mills, the logging industry within the past few years has been faced with little chance of survival unless the end product recovery value could be raised to support the extreme costs of logging. The present ability of the logging industry in Alaska to survive is directly dependent upon the continued growth and development of the Alaska sawmill industry With the development of the Alaska sawmill industry, as we know it today, and as we expect it to expand, the end value of what the logger produces has increased to the point where logging costs can be covered, and profits anticipated. The ability of the sawmills, through the export of their product to Japan, to develop a highly integrated operation with the pulp mills, has resulted in the recovery of end product values which simply did not exist five years ago.

As previously mentioned, for example, in 1972, fifty million board feet of logs were released from pulping (at no reduction in pulp production) for sawmill use at a fa greater return than is possible from pulp use. Commencing in 1973 the logger is starting on a program under which he will gather and recover the defective wood formerly passed by, and he will be paid a price for this effort which will make it worthwhile for him to do so.

Under the circumstances above outlined, it must be readily apparent that the Alaska logging industry cannot survive if the Alaska sawmill industry is forced to meet the manufacturing requirements of Senate Bill No. 1033, and lose the benefit of existing export manufacturing requirements under existing law.

ECONOMIC IMPACT OF TIMBER INDUSTRY ON SOUTHEAST ALASKA

The impact of the successful integration of the timber industry in Southeast Alaska, as hereinbefore described, upon the economy of Southeast Alaska cannot be overstated. The 1972 census figures for Southeast Alaska place total population at forty-two thousand, and it is within this context that the economic input of the timber industry must be considered.

At this time, six high volume export sawmills are in production in Southeast Alaska, which produced a combined lumber export total in 1972 of three hundred sixty five million board feet, valued at $40,000,000, and a combined total of waste wood recovery chips for pulp production of one hundred nine thousand tons of bone dry units valued at $2,275,000. Combined total timber industry payrolls exceeded $48,000,000 in 1972, and combined timber industry original dollar input into the Southeast Alaska economy exceeded $76,000,000. Combined lumber ship calls into Alaska for export shipment amounted to 131 ships in 1972 which left $400,000 in the Southeast Alaska economy. Pulp mills in 1972 produced four hundred thousand tons of pulp, valued at $65,000,000: total pulp payrolls exceeded $16,000,000; total pulp dollar input into the Southeast Alaska economy exceeded $36,000,000.

Logging camp payrolls in 1972 exceeded $21,000,000, and their combined original dollar input into the Southeast Alaska economy exceeded $30,000,000. Capital investment for the timber industry through 1972 totalled $261,000,000. Direct employment exceeded 3,000 jobs in 1972, which, in turn supported 5,700 other jobs. These 8,700 jobs constituted 50% of the entire employed labor force in Southeast Alaska.

The imposition of lumber export restrictions on Alaska sawmills, as noted hereinabove will force these mills to close, will render the manufacture of Alaska pulp products unprofitable, and thus force closure of these mills, and will in turn shut down all significant logging in Alaska. This wipe out of the largest industry in Southeast Alaska (the third largest industry in the State

of Alaska) will be a crippling blow to the forty-two thousand people in this area, and will give the overall Alaska economy a setback it can ill afford.

SOUTHEAST ALASKA POPULATION

	Population
Census divisions:	
Haines	1,504
Juneau	13,556
Ketchikan	10,041
Outer Ketchikan	1,676
Prince of Wales	2,106
Sitka	6,109
Skagway-Yakutat	2,157
Wrangell-Petersburg	3,759
Total	42,062

Source: University of Alaska, 1970 2d count census tapes.

SOUTHEAST ALASKA TIMBER INDUSTRY EMPLOYMENT

	1967		1972	
	Number of employees	Gross payrolls	Number of employees	Gross payrolls
Sawmills	185	$1,300,000	524	$6,890,000
Pulp mills	952	11,400,000	976	16,000,000
Logging camps	1,300	13,571,000	1,500	21,800,000
Longshore labor	200	2,000,000	250	4,000,000
Total	2,687	28,271,000	3,250	48,690,000

Source: Alaska Lumbermen's Association, Alaska Loggers Association, Southeast Stevedoring Corp.

EXPORT SHIPPING DATA RELATED TO ALASKA TIMBER INDUSTRY

	1967	1972
Number of lumber ship calls (lumber and pulp)	100	131
Dollars left in economy, excluding longshore payrolls	$290,000	$400,000
Dollars left in economy, including longshore payrolls	$2,290,000	$4,400,000
Total ship loading days, all Alaska ports	678	901

Source: Southeast Stevedoring Corp.

SAWMILL WASTE WOOD CHIP RECOVERY INVESTMENT

	1967	1972
Debarking equipment	None	$1,135,000
Wood chippers	do	1,610,000
Chip barges	do	1,700,000
Receiving systems at pulp mills	do	740,000
Total		5,175,000

Source: Alaska Lumbermen's Association.

STATEMENT OF DON DICKEY, GENERAL MANAGER, ALASKA STATE CHAMBER OF COMMERCE, JUNEAU, ALASKA

The Alaska State Chamber of Commerce is a business oriented and business supported organization of some 550 business and professional firms.

Over in the Smithsonian Institute, tucked away in a corner, is a series of books titled, *Harriman Alaska Expedition*, which reports on a trip to Alaska made in 1899 by a distinguished group of scientists and historians. In the

group was Professor B. E. Fernow, Dean of the School Forestry of Cornell. I would like to briefly quote from the report he made following his inspection of the forest resources of Alaska:

"This forest of Alaska has often been referred to as a great resource of wood materials, on which the people of the United States could fall back when the virgin supplies of the home country might become exhausted, and glowing accounts of the magnificence of this reserve have been given. As has been pointed out, this forest growth occupies a considerable area, probably not less than twenty to thirty thousand square miles, but it is of a character which makes the prospect of reliance upon its stores by no means cheerful; for, while in certain favored spots good enough material can be secured, most of this material is not of a superior quality, and the larger portion of the area does not contain trees fit for lumber."

Fernow continued, ". . . the conditions under which lumbering on the rugged slopes would have to be carried on are extremely difficult; add to these detractions the distance from market, and we may readily see the reasons why this reserve will, for an indefinite time, be left untouched except for local use.

"So unfavorable is the combination of conditions, natural and economic, at present, that it pays to import lumber from Puget Sound country or other points of the lower coast. The builders of the Yukon and White Pass railroad across White Pass found it to their advantage to import the railroad ties, as well as all trestle and bridge timbers, although the road passes through a forested country; and even the timber used in the cannery establishment at Orca, on Prince William Sound, as well as for other such establishments, is brought by vessel, a sawmill established in the neighborhood being unable to compete. There are, nevertheless, a number of sawmills at intervals along the coast supplying local needs, notably at Sitka, Metlakahtla, Wrangell, and Douglas City.

"That the value of this forest resource must increase with the development of the country and with the increase of local needs allows of no doubt; as a field of exploitation under present economic conditions, however, it does not in the belief of the writer, offer any inducements, unless it be that the spruce could be turned into paper pulp, a good felting fiber being probably insured by the rapid growth which is found at least in the Archipelago. . . ."

That statement, made by Dean Fernow, back in 1899 still holds much truth today almost 75 years later.

Those rugged slopes of Southeast Alaska are just as steep today as then—the weather is just as severe—and Alaska's distance from domestic markets is still the same—no shorter in 1973 than in 1899. Added to an unrealistically high labor cost (average weekly wage in U.S. is $149, compared to Alaska's AWW of over $220, the nation's highest). These factors combine to make us unable to compete in the lumber markets of the U.S.

For example, my home in the State Capital of Juneau, Alaska, sits in the very center and headquarters of the nation's largest national forest—The Tongass National Forest. In spite of this rich resource in my own backyard, it was not possible to build my residence with Alaskan lumber or building materials. It was actually cheaper to obtain my building materials from thousands of miles away in Washington, Oregon, Idaho or Northern California. Our very limited population, estimated at 323,000 Alaskans, does not present a profitable market for our own timber.

You will recall that Dean Fernow suggested to the Harriman Alaska Expedition that perhaps the only inducement to develop our forest products in Alaska would be to turn our abundant trees into pulp. Well, 55 long years passed from that prediction to production in 1954 by Alaska's first pulp mill, The Ketchikan Pulp Co. This was followed about 5 years later, when at the time of statehood, 1959–1960, a second pulp mill was constructed in Sitka by the Japanese, the Alaska Lumber & Pulp Co.

Total employment in logging, lumber and pulp about that period, 1959–60, was in the neighborhood of *1,600 Alaskans* with an annual *payroll of $18.3 million*. This last year, 1972, it was estimated that total employment in logging, lumber and pulp had grown to 3,000 Alaskans (almost double in a dozen years) producing an annual payroll of $48 million. Today 15% of all jobs in Southeast Alaska are directly tied to harvesting our forest resources. 1971 figures indicate Alaska's forest products industry processed 608.6 million board feet timber with an end market value of $120 million.

Let's review for a minute a recent annual report for 1972 by Alaska's largest banking institution, the National Bank of Alaska. Here's the importance their economist placed on Alaska's forest products industry:

"The forest products industry registered a healthy performance in 1972. Employment rose 4.0%, which was the greatest growth of Alaska's major basic industries. The timber harvest for 1972 is estimated to have risen by over 15%.

The two factors contributing more than any other to increasing the demand for Alaska's wood products during 1972 were the strong economic recovery in Japan, accompanied by rapidly rising housing starts, and the international currency re-alignment, causing more favorable prices for Alaska's wood products, virtually all of which are exported.

Strong domestic and foreign demand for lumber and pulp accompanied by lagging capacity expansion and therefore a tendency toward favorable prices augurs well for Alaska's forest products industry. There is considerable room in Alaska for expansion of this important industry, which is currently harvesting about one-third of the annual allowable cut."

You can quickly see Alaska's future prosperity is tied closely to a healthy timber industry.

President Nixon, in his Economic Report, said:

"Nowhere is the need to make 1973 a year of economic reform more apparent than in our international relations. . . . This year we expect to enter negotiations on the subject of trade."

Referring to the U.S. balance of trade which sagged last year, the President said:

"We have been buying from abroad in rapidly increasing amounts, and that has helped the American people. But our exports, with which we seek to pay for these imports, have been subject to high barriers, particularly in the case of our agricultural products.

"We have not been able to sell enough to pay for our overseas expenditures, and so we have had to pay by incurring more and more short-term debts abroad. This is not a situation that can go on indefinitely; its sudden ending could be disruptive. Therefore we want to bring about those reforms that will permit us to earn our way."

Let me tell you first hand—*Alaska is earning its* way in the field of foreign trade and has a favorable balance of payments record which has been held-up as a good example by our U.S. Dept. of Commerce, and our U.S. Embassy in Japan.

This is not a Chamber of Commerce boast, but an actual fact. Just listen to this favorable track record reported this month by our Alaska State Department of Economic Development:

"Total imports to Alaska increased 19 percent from $41 million in 1971 to $49 million in 1972. Total exports from the State showed even greater gains, jumping 44 percent from $126 million in 1971 to $181 million in 1972.

Japan continued to be Alaska's dominant foreign trade partner, accounting for approximately 50 percent of the total export gain. The value of exports to Japan increased 26 percent from $106 million in 1971 to $133 million in 1972.

(The U.S. Department of Commerce figures do not precisely reflect the true value of Alaska exports. Some items, such as aircraft and navigational equipment, produced in other states are shipped to Alaska for export to the Orient.) Alaska's major exports of fish, wood products and natural gas increased from $88 million in 1971 to $105 million in 1972 for an increase of 19 percent. Wood products increased substantially from $52 million in 1971 to $72 million in 1972 for an annual increase of nearly 40 percent. The value of fish products declined approximately 45 percent and natural gas declined 2 percent over the same time period."

This didn't just happen—for a bunch of Alaskans have worked long and hard to make it happen. No less than five times in the past 10 years our Alaska State Chamber of Commerce has conducted highly successful trade missions to Japan (endorsed by our U.S. Dept. of Commerce). On one of the first such occasions our chairman was a dynamic Alaskan business leader, later turned politician. I speak of Alaska's former governor and America's former Secretary of Interior Walter J. Hickel. While in Japan on one of our trade missions he pointed out with pride that Japanese investment in Alaska exceeded over $200 million dollars. This was more than the total Japanese investment in all the other 49 states combined. Yet let me stress with all this needed influx of investment dollars

from Japan, we are not over-run with Japanese holding down Alaskan jobs. Our population figures show that less than ½ of 1% of our total state population is Japanese. In other words, this foreign investment and our good trade relations, are creating Alaskan jobs at high Alaskan wages.

It is natural and has proven profitable for Alaska to trade with our Pacific Rim Neighbors Japan. Alaskan ports are over two days closer on a round trip basis than any other West Coast port. We are but a few hours by air.

We urge you not to pass any legislation that will kill this beneficial arrangement that we have worked so long to develop. Your actions will determine whether Alaska will be included in the ban on log export or whether you will exclude us from this legislation and permit our timber industry to continue to boom and benefit thousands of Alaskans.

Our future is in your hands. Thank you for the opportunity to testify and present my views on this vital subject.

WRANGELL LUMBER CO.,
Wrangell, Alaska, March 23, 1973.

Hon. TED STEVENS,
U.S. Senate, Washington, D.C.

DEAR SENATOR STEVENS: I am sure you are aware of the long history Wrangell Lumber Company has had in the development of the export lumber market with Japan. This Company was very significant in getting lumber trade started between Alaska and Japan at a time when Alaska had very little, other than fishing. Since this time the lumber industry has grown tremendously and many other companies have entered it, making it one of the States largest industries.

In 1962 we at Wrangell Lumber Company were proud to be presented with the President's Big E Award for our large contribution to the export industry in the United States. Now it seems this long struggle has possibly been forgotten and our large industry in our great State is in jeopardy by the introduction of Senator Packwood's bill to ban export as we know it in Alaska.

I am sure, Mr. Stevens, you know our feeling on this bill and what its passage means to us here in Alaska. We urge you to do whatever is possible to oppose this bill in its entirety. Alaska must be excluded from this export ban or we shall all suffer great hardships in the near future.

Thank you.

Very truly yours,

LANCE INGLE, *Manager.*

POSITION STATEMENT

The export ban of lumber, as proposed by Senator Packwood, will completely and immediately destroy the timber industry in Alaska. Ninety-five percent of Alaska's sawmill production is exported to Japan. The economics of export lumber marketing are such that a significant volume of Alaska sawmill production must of necessity exceed the size limitations contained in Senator Packwood's proposals. If these mills are forced to limit their production as required by the proposed export ban, the export market for all, or any part, of their production will be lost. The loss of this market will force a shutdown of Alaska sawmills, which in turn will shut down the pulp mills, causing, in turn, a shutdown of all significant logging in Alaska.

The Alaska timber industry is a highly integrated industry. The pulp mills cannot operate at a profit unless they can confine their raw material input to low grade logs and wood chips, and make high grade/high value logs available to sawmills. The sawmills cannot operate at a profit unless they can confine their raw material input to high grade logs, and recover their wood waste in the form of wood chips for sale back to the pulp mills. Increasing wage, transportation, and environmental control costs make it impossible for Alaska sawmills to compete in any manner in the domestic markets of the United States. Except for a relatively insignificant number of local domestic small family sawmills, Alaska sawmills cannot even compete within Alaska against lumber imports from the West coast of the United States and Canada. Consequently, the only market available to Alaska sawmills is Japan.

The Japanese market for Alaska lumber has taken seventeen years to develop. Over this period of time, Southeastern Alaska has seen the sawmill industry grow from one high production mill to six, with two more scheduled to be in operation during 1973. Other areas of Alaska are looking to similar growth in the reasonably foreseeable future. This growth has been stimulated in large measure by the development of export regulations by the United States Forest Service, which recognized the need of Alaska to look to foreign export markets for the sale of its lumber. No such industry as we have today, and no such continued expansion of this industry as is presently contemplated, could have taken place under the limitations proposed by Senator Packwood's Senate Bill No. 1033.

Because Alaska sawmills cannot place their product (regardless of any particular stage of primary manufacture achieved) into the domestic United States market at a profit, the extension of the proposed lumber export ban to Alaska will not in any measure solve the problems of log shortages encountered by West Coast sawmills, domestic lumber shortages, and excalating constructions costs.

Under these circumstances, it becomes obvious that the only effect of the ban, as it applies to Alaska lumber exports, will be to break the chain of interdependence vital to the continued life of Alaska timber industry, and in so doing, wipe out the largest industry in Southeastern Alaska and the third largest industry in the whole of Alaska, and at the same time deprive the United States of much needed favorable trade balances.

GREATER SITKA CHAMBER OF COMMERCE, INC.,
March 21, 1973.

Senator STEVENSON,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Washington, D.C.
(Attention of Ed Kemp).

DEAR MR. KEMP: Once again Alaska is confronted with potential Federal legislation which causes us to wonder who in Washington D.C. actually understands the unique needs of Alaska. I am referring to Senate Bill Number 1033 which would limit lumber exports and virtually destroy the third largest industry in Alaska. In Southeast Alaska it is our bread and butter industry. Without it we have no stable economy at all. We emphatically oppose this Senate bill as it is presently written, and ask all of you to look at the consequences which would result if it were passed. Two of these would be an immediate catastrophic economic blow to an already economically deprived area (We currently have an unemployment rate of over eleven percent), and a chain reaction which would paralyze our timber industry. Proposed limitations would close our sawmills. Following their closure, the pulp mills would close. At that point, timber harvesting would cease in Southeast Alaska.

The Packwood Bill, as written, shows complete disregard for government efforts to restore a favorable balance of trade with foreign nations. It is an affront to Japanese investors who have spent millions of dollars and many years of effort, in good faith, trusting that our commitments would be met. The bill is also an affront to the dedicated career personnel of the United States Forest Service who formulated the export sales.

The idea that a ban on lumber exports will solve domestic shortages is erroneous. Extremely high transportation costs, abnormally high wage scales, and increasing costs related to environmental control force Alaska sawmills into the export market. It is the only substantial market available.

An estimated sixty-five percent of the economy of Sitka, Alaska is dependent upon the harvesting of timber resources, all of which enter the export market. Can any elected official knowingly endorse a bill which could create another Appalachia? We hope and pray not. We urge you to at least seek an amendment to the bill which would recognize the unique needs of Alaska. Exports of Alaskan lumber must be left at present levels if we are to achieve orderly growth. We cannot attain the great potential that we have without your cooperation and understanding.

We respectfully request that this letter be made a matter of record in scheduled hearings pertaining to Senate Bill 1033.

Sincerely,

CLAUDE H. ARMSTRONG, *Manager.*

ALASKA MARITIME AGENCIES, INC.,
1001 Fourth Avenue, Seattle, Wash., March 20, 1973.

Senator ADLAI STEVENSON III,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Senate Office Building, Washington, D.C.
(Attention of Ed Kemp).

DEAR SIR: The Alaska Maritime Agencies is a company representing owners and operators of ships primarily coming into Alaska to handle the export cargo produced by the timber industry.

In our operation, we employ and pay fees to marine pilots, tug boats, pilot boats, customs officers, immigration officers, quarantine inspectors, customs brokers, linesmen, and so forth. In addition, the various ships are advanced United States funds in order to make local purchases and repair requirements for their vessels.

Since the early 1950's, at which time the timber industry finally found a market for their products in Japan, the frequency of shipping has been on a steady increase each year. In 1972, there were over 100 vessels calling into the various timber export ports of Southeastern Alaska.

Each of these vessels bring into the local economy, in addition to longshore income, approximately $4,000.00 each for the above services, not including dollars spent by the ships' crews.

From all indications so far, in 1973 the frequency of vessel calls will continue to increase.

The timber industry has established a firm year around economy for Alaska. We urgently request that this economy be allowed to continue, and this can only be done by the exclusion of Alaska from the restrictions placed on the timber industry by Senate Bill No. 1033.

Please include this as part of the official record of the Senate hearings in regard to this legislation.

Very truly yours,

E. H. QUALIOTTO,
Vice President.

INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION,
Wrangell, Alaska, March 23, 1973.

Senator STEVENSON,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Washington, D.C.
(Attention of Ed Kemp).

DEAR SIR: Reference is made to Senate Bill No. 1033 and the Scheduled Hearing in Washington, D.C. March 26th and 27th; Portland, Oregon, April 11th and San Francisco, California, April 13th concerning proposed Timber Legislation.

This ILWU Local 87, Wrangell, Alaska, will go on record to object to this Legislation and request that this objection be made a part of the records of the hearing on said subject.

Our reasons for the objection to the Legislation in its entirety is as follows:

(1) As far as the National Forest timber is concerned, Alaska has already been restricted to primary manufacturing which has limited the size of lumber cut for export. Any further restrictions to the industry will curtail production and definitely reduce the amount of available work on the waterfront; whereby, they will be unable to make a living.

(2) If the men cannot make a living in the industry it is known the local labor market cannot absorb these men in any other industry; therefore, this Senate Bill No. 1033, should it pass, have an amendment subsidizing the men and families that lose their jobs or have a compensation program to take up the slack until a new industry is developed in the area.

(3) We are an organization of productive workers that contribute to the economy of the Nation. Presently the Nation is listening to the non-productive people, such as the extreme environmentalist, who in time will be, we hope, recognized as subversive and without realizing are destroying the economy and eliminating jobs. We Want Our Jobs! We Want to Work! Don't You?

In closing, we feel that, if some restriction is necessary, then amend the bill to exclude the State of Alaska.

Very truly yours,

DON SILVESTER, *President.*

INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION,
Washington, D.C., March 26, 1973.

Re Housing and Urban Affairs Subcommittee Hearings, March 26–27.

Hon. JOHN J. SPARKMAN,
Housing and Urban Affairs Subcommittee, Senate Banking, Housing and Urban Affairs Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: We request that this letter be placed in the record of the hearings scheduled for Wednesday, March 21, or at a later date should the hearing date be postponed.

Our Union is directly involved in the exporting of logs in the States of Washington and Oregon and in California to a lesser degree. Fourteen ports in the Northwest depend on log shipments. In some cases 100 percent of the work in these ports depends on logs. For example:

Astoria, 75 percent; Aberdeen, 70 percent; Raymond, 169 percent; Olympia, 100 percent; Bellingham, 55 percent; Tacoma, 30 percent; Anacortes, 65 percent; Port Angeles, 88 percent; and Port Gamble, 100 percent.

Total wages and fringe benefits paid to all waterfront workers in Washington State in 1972 was $43,086,215. In the Oregon/Columbia River area in 1972 the figure was $37,757,572. These figures were compiled by our employers, the Pacific Maritime Association.

From the manpower figures reported, one can safely and conservatively conclude that log exports from the small ports in the Northwest provide employment for more than 2 thousand of our members. Depending on the volume of logs in the ports of Seattle, Tacoma and Portland, an estimate of 3 thousand jobs could be immediately affected by the curtailment of log exports. We are now in the process of preparing with the Pacific Maritime Association a port-by-port breakdown.

In addition to the jobs lost to the members of ILWU, it has been estimated that 8 thousand other jobs directly supported by log exporting and at least 8 thousand additional service support jobs with a total job loss of at least 16 thousand would occur. It should be remembered that the small log export-oriented port communities are already classified as "persistent unemployment areas" and they would be the hardest hit by any log export ban. This, of course, would additionally cause capitalization losses on port facilities and logging equipment and default of local community bond issues could be expected. There would be a major loss of state and school revenues.

We have investigated rumors that a shortage of logs has resulted in the closing or slowdown of work in lumber mills in the Northwest and elsewhere in the country. Our representatives on the West Coast have checked out these rumors and found that U.S. lumber mills are operating at over 100 percent capacity and that several large lumber companies have offered to supply logs to any mill that is suffering any log shortage. This assures us that, as far as we can ascertain, no *other* American workers are losing employment because of log exports.

The log export trade now provides the State of Washington with $500 million in more economic return to its resource base than would be provided if these logs were first converted into lumber. The State of Oregon would also suffer a similar fate, particularly in the small port area, should a ban be placed on log exports.

The arguments for a ban on log exports presented by Senator Packwood and Senator Cranston relative to the effect of log exports on lumber prices has been adequately refuted by representatives of the lumber industry. Apparently the home builders are using log exports as an explanation of the high cost of lumber.

Those who take an environmentalist approach obviously have no case since there may be problems relative to forest management which is under Government control. Log exports under proper controls are not resulting in devastation to our forests. Enclosed is a copy of an article in *The Carpenter*, January, 1973 dealing with this question. (Please also enclose this as part of the record.)

We are satisfied, as is apparently the Nixon Administration, that any ban on log exports will aggravate the balance of payments problem that already exists

between Japan and the United States. Log exports were 7 percent of the total U.S. exports to Japan in 1972 and will be about 9 percent in 1973, which amounts to over $500 million.

Sincerely,

PATRICK TOBIN,
Washington Representative.

INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION,
Portland, Oreg., March 26, 1973.

PORTLAND.—The International Longshoremen's and Warehousemen's Union today emphatically announced its opposition to any further restrictions on log exports.

G. Johnny Parks, Regional Director of the ILWU declared, "To ban log exports would put thousands of workers on unemployment roles, and would rob the Northwest economy of some $500 million in 1973."

"I am much more concerned with working people trying to buy homes at prices they cannot afford in times of persistent unemployment wage freeze and continued inflation, than I am about mill operators and home builders profits, and we shouldn't try to fool the public, because that is what we are talking about," Parks said.

In a statement issued today, Parks stated:

"Once again we are confronted with the cry, ban the export of logs. The proponents of the embargo on logs have a problem. Everyone realizes that.

"However their solution would only increase their own problems and create more problems for more people and the nation.

"As a representative of working people, if I thought a ban on the export of logs would, number 1, create more jobs, number 2, create more economic stability, number 3, reduce the cost of homes for working people, number 4, reduce the national trade deficit, number 5, stimulate foreign trade, I would join those who propose a ban on log exports.

"However, the facts are that a ban on the export of logs would do none of these things.

"In fact placing an embargo on log exports would result in a direct loss of over 16,000 jobs in Oregon and Washington states alone, with an indirect loss of another 10,000 jobs related and dependent on the export of logs. Those job losses would include, loggers, truck drivers, scalers, log yard workers, boom and raftmen, tugboatmen, longshoremen, etc.

"I am much more concerned with working people trying to buy homes at prices they cannot afford in times of persistent unemployment, wage freezes and continued inflation than I am about mill operators and home builders profits, and we shouldn't try to fool the public, because that is what we are talking about. Let us examine those statements.

"Lumber prices in the United States have taken a sharp increase because there is a greater demand than there is a supply. That is one fact that is supported by another fact, that we import from Canada 30 per cent of all the lumber used in the U.S. for our domestic use. Therefore while an embargo on logs might lower log prices to the mill operator, it would not lower the lumber prices because demand continues to exceed full lumber production by northwest mills.

"In fact lumber prices in the U.S. would skyrocket above what they are now.

"Any embargo on the export of logs forcing Japan to switch its sourcing requirements to Canada would immediately divert the Canadian supply away from the U.S. leaving the U.S. with 30 per cent less lumber than we now have to supply our own domestic needs thus increasing demand over supply by another 30 per cent. In this case home buyers would suffer more.

"Another fact is that the 1972 export volume of logs has been blown out of proportion by comparing 1971 log exports with 1972 log exports.

"Of course there was a sharp increase in 1972 over 1971 in log exports because the longshoremen had the ships tied up during a West Coast dock strike during most of 1971.

"Now some of the same people who told the public then that the longshore strike was destroying our trade relations with other countries, namely Japan, are proposing to do just that themselves.

"I make those statements because it is reasonable to assume with the housing boom going on in Japan that an embargo on logs may seriously hamper our efforts to persuade the Japanese to increase their purchases of other U.S. exports

such as: wheat, grass seed and other agriculture products from the northwest.

"In the opinion of this union and other unions as well, to ban the export of logs would 1, hamper our trade relations with Japan, 2, increase our trade deficit, 3, damage our port communities, 4, rob the northwest economy by some $500 million in 1973, 5, increase lumber prices in the U.S., 6, increase the cost of homes, 7, put thousands of workers on the unemployment roles.

"Therefore we as a union oppose any change in the Morse amendment or any further restrictions on log exports."

Hearings on SB 1033, introduced by Sen. Robert Packwood, calling for an embargo on log exports from the U.S., introduced in February are being held March 26 and 27 in Washington, D.C., and April 11 in Portland.

PORT REVENUE AND PAYROLL IMPACT—LOG EXPORTS, 1972, STATE OF WASHINGTON

Port name	Logs exported [1] FBM/-Scribner (millions)	Port revenues $×1,000 ($5/M)	$×1,000		Payrolls [2]		$×1,000, total payrolls
			Longshore wages ($7.70/M)	Logging hauling ($45/M)	Sorting rafting ($4/M)	Clerical administration ($2/M)	
Grays Harbor	518	2,590	3,985.6	23,310	2,072	1,036	30,406.6
Anacortes	26	130	200.2	1,170	104	52	1,526.2
Bellingham	35	175	269.5	1,575	140	70	2,054.5
Everett	250	1,250	1,925.0	11,250	1,000	500	14,675.0
Olympia	143	715	1,101.1	6,435	572	286	8,394.1
Port Angeles	222	1,110	1,709.4	9,990	888	444	13,031.4
Willapa	23	115	117.1	1,035	92	46	1,350.1
Seattle	17	85	130.9	765	68	34	997.9
Tacoma	430	2,150	3,311.0	19,350	1,720	860	25,241.0
Vancouver	7	35	53.9	315	28	14	410.9
Longview	164	820	1,262.8	7,380	656	328	9,626.8
Kalama	5	25	38.5	225	20	10	293.5
Total	1,840	9,200	14,168.0	82,800	7,360	3,680	108,008.0

[1] Washington State facilities only. Some Washington logs are shipped over Oregon State facilities. Source: Washington Public Ports Association 1973.

[2] Payrolls are 45.9 percent of the revenue distribution attributed to cargo movements.

Source: Delaware River Port Authority Study, 1962.

WRANGELL CHAMBER OF COMMERCE,
Wrangell, Alaska, March 23, 1973.

Senator STEVENSON,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Washington, D.C.
(Attention of Mr. Ed Kemp).

DEAR SIR: The Wrangell Chamber of Commerce requests the following be made a part of the official record of the Hearing Schedule by the above committee on Senate Bill No. 1033.

The Wrangell Chamber of Commerce wishes to go on record to amend Senate Bill No. 1033 to exclude the State of Alaska from this bill.

Since there has been a greater demand for more timber, it seems unreasonable that the volume of timber sold by the Forest Service has declined even though the annual cut is far below the allowable cut for a sustained yield in the National Forest. The chief of the Forest Service publicly stated that the timber harvest yield could be increased substantially to meet the increased demand if funds were available to practice modern tree growing programs with the technology available today.

The population of this community is approximately 3,500 people and our only major principal year around industry is timber. The area has two sawmills and six logging camps. The two mills employes directly 250 men the year around. The logging camps employ about 150 men seasonally. Since we are economically dependent upon the processing of timber under the present Forest Service regulation, any changes in those regulations could cause serious unemployment in the area and threaten the survival of the industry and even of the community itself.

In 1962, one of the local mills, the Wrangell Lumber Company, received the Presidential "E" Flag for Export. This Citation was given for the following reasons:

"CITATION—By introducing Sitka Spruce Lumber as a new export item, and by conducting an aggressive sales campaign the Wrangell Lumber Company has shown tremendous gains in its export volume. Through its superior marketing organization, the Company effected a breakthrough in the highly competitive Japanese market. Its imaginative and aggressive export policy reflects credit on the Wrangell Lumber Company and the American free enterprise system, and contributes materially toward this Nation's expanded export drive."

This mill has pioneered and developed a market for spruce product that had very little demand domestically and could not compete with the commonly known stateside Douglas fir. Even today this spruce has less demand than fir except for specialty uses as music sounding boards, scaffold planks, ladder stock, etc. Today this same mill has developed a market for Alaska's Western Hemlock which has in the past had very little demand stateside.

It would seem hypocritical to us to issue the Presidential Citation to our community's primary employer in 1962 and eleven years later pass a law in the U.S. Congress that would put the same primary employer out of business during the serious period when the U.S. Balance of Trade is in such a crises! We do not understand how our primary industry can be commended for their activities on one hand and later be restricted from those same activities.

Alaska has practiced primary manufacturing of its timber for many years. The market was adapted to the present regulation. If there are any further severe changes made it is feared that the market would be greatly jeopardized with possible loss of a large number of jobs and a threat to our community's existence.

We realize that the bill, as written, would give the Secretary the power to issue a permit for the type of production that our economy is presently based upon. We feel, however, that the permit is unsatisfactory because of the constant bureaucratic red tape, harassment, delay and perhaps politics that would be involved. Therefore, we strongly urge that the State of Alaska be exempted from this bill.

Very truly yours,

ROBERT L. WAGONER, *President.*

SOUTHEAST STEVEDORING CORP.,
Ketchikan, Alaska, March 20, 1973.

Senator ADLAI STEVENSON III,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Senate Office Building, Washington, D.C.
(Attention of Mr. Ed Kemp).

DEAR SIRS: I am requesting that the following be made a part of the official record of the Hearing Schedule by the above Committee on Senate Bill No. 1033, in Washington, D.C., on March 26–27, in Portland, Oregon on April 11, and San Francisco, California on April 13, 1973.

Our corporation is in the business of contracting the loading and discharging of ships. In this industry we employ longshoremen. When we established our business in Southeastern Alaska in 1952, the timber export market had not been developed and only a handful of part time longshoremen made a meager living handling a small amount of waterfront activity.

Fortunately in the early 50's, the Japanese indicated a desire for our timber products, and, as a result, as I pointed out in my letter to be made part of the record of Senator Wayne Morse's hearing on log exporting, on January 12, 1968, that for the year 1967 export had resulted in a steady employment of approximately 200 longshoremen, with an annual payroll of nearly $2,000,000.00.

There are now five ports in Southeastern Alaska, and an additional port ready to start producing and shipping timber products to the export market. In 1972, the income to the economy of the communities just for the labor involved in loading ships, amounted to nearly $4,000,000.00, which is a lot of money on the basis of our small population. In recent years other ports in westward Alaska have developed, because of the timber export business. I do not have the statistics since my operation is confined to Southeast Alaska.

As I well know, and am certain it will be pointed out in other testimony, the timber industry is our economy. Much money, time and effort has been spent to develop this fine industry with the Japanese. It has been proven that there is no

other market for our timber resources. Shipping our timber products to markets in our south 48 states has proven to be economically unfeasible.

Should Senate Bill No. 1033 be allowed to pass, as it is, it will place Southeast Alaska in such a depressed state that the people that have come to the "Last Frontier" to make their livelihood in this valuable industry would have to move elsewhere in order to survive.

Alaska is growing; finally becoming self-sufficient, but it needs to be allowed to continue this steady growth. I sincerely urge the exclusion of Alaska from this restrictive legislation. Sawmills, one of our basic industries, must be allowed to continue to operate as they presently are.

Yours very truly,

CLIFF R. TARO, *President.*

KETCHIKAN, ALASKA, *March 30, 1973.*

Senator PACKWOOD,
Committee on Banking, Housing and Urban Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR PACKWOOD: We wish to express support for your bill to ban all exports of timber from National Forest lands. While exporting logs, cants and minimal cut timber from Alaska's forests, the industry pushes for ever more sales on the grounds of increasing domestic needs for lumber.

We totally oppose the administration proposal of increasing timber sales on public lands as the way to increase domestic lumber supplies. If timber sales were to be stepped up in Alaska's National Forests, the industry will only increase the volume of exports. We are opposed to the idea of exempting Alaska from the export ban. Our National Forests are already overcommitted to single-use management for timber production. This is occurring to the detriment of other forest resources, including the soil. We view the administration decision to increase cutting on public lands as an attempt to accomplish by decree what the discredited Timber Supply Bill attempted to accomplish. We trust the Congress will reject this proposal.

Our statements will be confined almost entirely to the situation in the South Tongass National Forest since this is the area with which we are familiar. This forest is located in southeast Alaska, 5,566,000 acres of the 20,742,000 acres of National Forest land in Alaska. There is a 50 year timber sale contract to Ketchikan Pulp Company for 8.25 billion board feet of timber from 783,000 acres, containing 43% of the classified accessible commercial forest land in the South Tongass. We do not have separate figures for this forest, but the Regional Forester has said that 41% of production from Alaska's forests goes into cants and these are exported.

The cutting of cants appears to have been devised as a means to circumvent the primary processing law. Almost the entire output goes to Japan. Around 140 million board feet of cants and minimal cut logs are exported annually from this area. Our cedar is exported as round logs since the Forest Service claims it is surplus to domestic needs. From 3½ to 5½ million board feet are exported annually from the Ketchikan Pulp Company 50 year timber sale area.

The Ketchikan Pulp Company has a virtual monopoly on the timber of the South Tongass National Forest. Independent loggers are unable to compete. The ridiculously low stumpage the company pays for logs in its 50 year timber sale area, enables it to bid up the price on small sales beyond what the independent can pay. The logger lucky enough to get a sale finds that Ketchikan Pulp Company is the only market for his logs. The independent sawmill operator finds himself completely at the mercy of Ketchikan Pulp Company for a supply of logs.

It is ironic that when the annual cut in the South Tongass was 28.8 million board feet, prior to the time of Ketchikan Pulp Company operations, it was possible to buy really beautiful finished lumber; spruce, hemlock and cedar. Most of this was cut at the Ketchikan Spruce Mill, long since taken over by Ketchikan Pulp Company and converted to a cant mill. Now with the average annual cut from the 50 year timber sale alone at 192 million board feet, it is not possible to get finished domestic lumber at any price.

The few small mills that would cut lumber are being forced out of business. Two have been taken over by Ketchikan Pulp Company. One is cutting cants and the other is installing equipment to do so. A third sawmill is also cutting

a certain number of cants in order to get logs to operate. There is now just one small sawmill that manages to cut some rough lumber for domestic use but is hard put to obtain logs. One large corporation has a stranglehold on the timber industry in this area.

In addition to the problem of not being able to obtain lumber, the taxpayer is not getting a fair return for his timber. The Ketchikan Pulp Company is now paying the following stumpage in its 50 year timber sale area:

	MBF
Sitka Spruce	$16.73
Hemlock	3.49
Western Red Cedar	1.75
Alaska Yellow Cedar	23.23

Unfortunately we do not yet have the current selling price for hemlock or spruce cants. The Forest Service lists the 1970 selling values for cedar as $134.93 for red and $216.84 for yellow cedar.

It is obvious that the only one making anything from our timber resource under this type of management is the large corporation that buys timber cheaply from public lands and sells at a high price to the export market.

We will appreciate having this statement made a part of the hearing record.

Sincerely yours,

DIXIE M. BAADE,
Chairman, Committee on National Forests
Tongass Conservation Society.

KETCHIKAN GATEWAY BOROUGH,
Ketchikan, Alaska, April 4, 1973.

Senator STEVENSON,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing and Urban Affairs, Washington, D.C.
(Attention of Mr. Ed Kemp).

DEAR SIR: Enclosed is Ketchikan Gateway Borough Resolution No. 125 opposing the proposed export ban of Senate Bill No. 1033 as it relates to export of lumber from Alaska. Please make our Resolution a part of the official record of the hearings scheduled on this bill.

Sincerely yours,

JUDITH A. SLAJER, *Borough Clerk.*

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 125

A resolution of the assembly of the Ketchikan Gateway Borough, Alaska, opposing the export ban on lumber being applied to Alaska as proposed by Senate Bill 1033.

WHEREAS: Increasing costs of operations and transportation, making it impossible for Alaska Sawmills to compete in any manner in the domestic markets of the United States, and

WHEREAS: Consequently the only market available to Alaska Sawmills is that of export and about 95% of Alaska's Sawmill production serves that market, and

WHEREAS: The export ban of lumber as proposed by U.S. Senate Bill 1033 will completely and immediately devastate the timber industry in Alaska.

NOW, THERFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

Section 1. The Ketchikan Gateway Borough Assembly opposes the proposed export ban of Senate Bill 1033 as it relates to the export of lumber from Alaska and proposes the export of Alaskan Lumber to continue under existing Law and Regulations.

Section 2. A copy of this Resolution shall be sent to Office of the Honorable, Senator Stevenson, Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Attention: E. O. Kemp, Washington,

D.C., and requested to be made part of the official record of hearing scheduled by that Committee.

This resolution is passed and approved this 2nd day of April, 1973.

WALTER HOSLER
Assembly Presiding Officer.
KARL E. STEWART,
Borough Chairman.

CITY OF HAINES,
Haines, Alaska, April 12, 1973.

Senator STEVENSON,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Washington, D.C.

DEAR SIR: The City of Haines, Haines Common Council, wishes to support the Alaska Loggers Association and Alaska Lumbermen's Association in their opposition to Senate Bill No. 1033 as presented by Senator Packwood from Oregon.

Logging being a major industry in the area, the community has no doubts that Bill 1033 would have tremendous adverse effects on the economy, community and businesses, directly and indirectly involved in the logging industry and exportation thereof. Therefore, the City of Haines, Haines Common Council, hereby joins in opposition with the Alaska Loggers and Lumbermen's Associations of Bill 1033 and supports them in the attempt to allow exportation to continue under existing law and regulations.

Sincerely,

CORALIE LAMMERS, *City Clerk,*
Haines Common Council.

ALASKA LONGSHORE EMPLOYERS' ASSOCIATION,
Seattle, Washington, April 12, 1973.

Senator ADLAI STEVENSON III,
Chairman, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Senate Office Building, Washington, D.C.
(Attention of Mr. Edward P. Kemp).

DEAR SIR: A recent survey of Alaskan longshore workmen, employed in loading vessels with timber products milled in the southeastern part of the state, showed that over 50% of the 250 regular longshoremen are from minority groups.

Most of the sawmills are located in or adjacent to Alaska Indian villages, which have produced a competent labor pool for the year-round, stable lumber industry. Metlakatla, a community of 1700 persons on the Annette Island Indian Reserve, has 40 of its residents on the longshore payroll servicing its sawmill.

Historically, Alaska's coastal Indians have almost wholly depended on the salmon fisheries for their livelihood. Salmon runs are cyclical as well as seasonal, hence the incomes of native fishermen and cannery workers are neither assured nor constant, and in recent years have been below the poverty level in many instances.

The transition to steady jobs provided by the forest products industry, and the allied dock and loading work, has been a beneficial one. Some barometers of economic improvement are new bank accounts and increasing deposits, new home construction, purchases of automobiles and convenience appliances, recreation, and so on.

Our previous letters to the sub-committee omitted referring to the benefits accruing to Southeastern Alaska minority groups through the employment opportunities provided by the timber industry, and it is requested that this letter be considered a supplemental presentation for the record.

In conclusion, if S. 1033 were enacted, the Alaska lumber industry would be critically affected, and, in turn, the several thousands of workmen, native and non-native, it employs would likewise suffer economic hardship.

Respectfully submitted,

CLIFF R. TARO, *Vice President,*
Alaska Longshore Employers' Association.

ALASKA BANKERS ASSOCIATION,
April 20, 1973.

Senator STEVENSON,
Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Washington, D.C.

DEAR SIR: Alaska has been historically confronted with problems that have had adverse effects economically. From the time of purchase until the end of the nineteenth century, Alaska was virtually forgotten by the United States government. Alaska had no laws. The laws available to those communities in Alaska at the time were settled were taken from the Military Command Station at Sitka, and their rulings were without precedent and exercised without legal sanction. In 1877, even this semblance of authority vanished when the United States troops stationed at Sitka were called away, and sent to the northwestern part of the United States to put down an uprising of the Nez Perce Indians. The Federal government treated Alaska and her people with complete indifference, and it was not until Alaska brought herself worldwide attention with discovery of gold in the Klondike in 1896 that the United States government took a more serious look at Seward's Folly.

A year after this discovery, the papers began picking up the story of gold in Alaska. Sixty thousand Americans embarked from the West Coast ports of the United States for the gold fields. These prospectors found the laws completely inadequate upon arrival in Alaska to enable them to achieve their objectives, and began writing very caustic letters to their Senators and Representatives, as these hardy prospectors were voters in their various home districts. The politicians began to sit up and take note of this land called Alaska. Then, anly only then, was there a beginning of legislation for Alaska. Even after the turn of the century, the legislation that was passed, though helpful, was ineffective, due primarily to the fact that those who were exploiting Alaska's fisheries, furs, minerals, and timber resources used their influence to exclude Alaska from any legislation that would ultimately curtail their own operation.

The first forty-five years was under the American flag; the Federal government was uninterested. The second forty-five years, Alaska experienced outright discrimination from the Federal government. In 1903, the first serious study of Alaska was made by four United States Senators. Their report condemned the government for inaction and not providing even a semblance of a decent wagon road in Alaska. A slight beginning was made in 1905 under the War Department, using both Federal funds and Alaskan monies derived from Congressionally imposed election taxes. About eight years later, a low grade wagon road was completed connecting the coastal village of Valdez with the interior community of Fairbanks. In 1916, Congress, realizing that the horseless carriage might become a useful mode of transportation, passed a Federal aid highway act. This act was on a matching basis; one dollar of Federal money would be spent for each dollar of state money spent, but the road would be regulated and built to the standards set by the Bureau of Public Roads. Alaska was denied participation in this act, although it was subject to all Federal taxation, including the Federal income tax which was enacted three years later.

For the next forty years, Alaska's voteless delegate to Congress introduced legislation in every session of Congress to include Alaska in the Highway Act. But the bill never got out of committee. It is significant that both Puerto Rico (which paid no Federal taxes whatsoever) and Hawaii were included in this act. Another piece of legislation that was highly discriminatory was the Merchant Marine Act of 1920. We in Alaska have come to know this act as the Jones Act after its sponsor, Senator Wesley L. Jones. The act made certain modifications to the existing maritime laws. It provided that goods shipped across the continent, over the ocean, could interchangeably use domestic and foreign carriers. Foreign meaning principally Canadian. For instance, goods shipped from the Atlantic Seaboard to the Orient could travel westward on either United States or Canadian railroads, or partly on either, and from a West Coast port on either a United States or foreign bottom ship. Foreign bottom meaning a ship built in a country other than the United States. In the heart of this legislation were the words "excluding Alaska". Freight destined for Alaska, therefore, had to be shipped to West Coast ports on United States railroads, and thence to Alaska on United States built ships. Senator Jones' act served to favor some of his constituents in his home city of Seattle, but at a very heavy expense to all Alaska.

The immediate result was to put some budding Alaskan enterprises out of business. At the time, a new plant near Juneau was processing Sitka spruce, one of the abundant woods in the surrounding Tongass National Forest, and used in the manufacture of small airplanes. The enterprise was paying stumpage to the Forest Service, cutting the spruce to required length, and shipping it to the Port of Vancouver, British Columbia, to a manufacturer in the Mid-West. The shipping rate was $5.00 per thousand board feet. The owner was making a small but reasonable profit. Then came the Jones Act, and he was compelled to ship to the Port of Seattle. Thereafter, shipping charges went to $11.00 per thousand board feet, plus additional handling charges, which totaled more than his profit, thereby forcing him out of business. Other undertakings had the same fate, and numerous others were prevented from even starting. Discriminatory railroad freight rates, stumbling blocks placed before the air transportation industry in Alaska, and the Federal government's conservative policies and regulations of the fisheries (which came close to complete extinction) were but a few of the many discriminations Alaska has had to face. These various frustrations and the inability to secure needed legislation from Congress speeded up the drive for statehood.

Statehood was finally granted on June 3, 1958, and became official January 3, 1959. At long last, Alaska was on a somewhat equal footing with her sister states to the south, and could begin to right her wrongs.

The oil pipeline from Prudhoe Bay to the ice free Port of Valdez is yet another block placed before our people in Alaska. The impact of this pipeline has received more in depth study than any project in recent history. The various conservation societies opposing this pipeline, so far, have successfully prevented its construction. This, I feel, is an excellent example of a few well paid conservation executives being able to place before the public an imaginary threat, which in turn brings into their treasuries thousands of dollars. These scare-dollars enable them to continually stifle resource development, and to ensure their well paid executive positions.

The preceding is just a brief outline of some of our problems. Now we once again are faced with a situation which will cost Alaska's timber industry thousands of dollars fighting Senator Packwood's Bill 1033 which, if it is passed, will virtually eliminate this industry. Perhaps if the bill, if passed as is, would only cause a loss of as high as twenty-five percent of Southeastern Alaska's labor force, Southeastern Alaska might have a fighting chance of survival. Even though this is a horrendous thought in itself, Senator Packwood's bill would not even give us a fighting chance. It will completely eliminate fifty percent of the labor force in Southeastern Alaska, and cause economic disaster. We have in the past, and now are, suffering hardships placed upon Alaskans by those not living in the State. The great majority of these experts have never set foot in our State and, of those who have taken the time to visit Alaska, their say has averaged less than a week. They tour a state in a one week period of time comprised of five hundred eighty thousand square miles, and they in turn become the qualified experts. Southeastern Alaska and the State as a whole can ill afford a crippling blow such as would be the case if Alaska were included in Senator Packwood's Bill 1033.

If the most vital industry to Southeastern Alaska is placed in the position of reducing the maximum thickness of its foreign export lumber to an arbitrarily determined four and one-half inches, it will lose its market to Japan which has taken so many years to create. It is important to note this market was developed under current United States Forest Service guidelines of primary manufacture which limits lumber thickness to a nominal eight inches. If this market is lost, the result would be a loss of our pulp, sawmill, and logging industries. The cost of doing business in Alaska is twenty-five percent to forty percent higher than in the Washington/Oregon area. The cost of developing the Japanese market resulted in a loss in excess of two million dollars for the years 1956 through 1967. With the cost of doing business in Alaska, combined with the fact that the only two pulp mills in Southeast Alaska being faced with rising costs while their market price only increased from $185.00 per ton in 1952 to $203.00 per ton in 1972, less than a ten percent increase in eighteen years, it is quite evident that the pulp mills had to do something to remain profitable, or face extinction. They decided to fully support the establishment of sawmills for primary manufacture to enable them to sell at a profit saw logs they were using for chips. A study showed that it was not economically feasible to ship finished

lumber or cants into the domestic market, and management, along with the few sawmills operating at the time, concentrated on the Japanese market. This market has now proved to be profitable for the pulp mills and for the sawmills. The pulp mills are able to sell the saw logs to the sawmills, and make chips out of logs sawmills cannot utilize. The sawmills therefore prospered and expanded in due time through the production of cants for export to Japan. The Japanese were interested in spruce for a number of years, but have in recent years become interested in hemlock.

The pulp, sawmill, and logging industries have grown to be a viable, integrated segment of the economic life of Alaska in general, and Southeastern Alaska specifically. Total logging investment in camps, equipment, and facilities in Southeastern Alaska exceeded $60,000,000.00 as of 1972. When you take into consideration that these camps only harvested five hundred forty million board feet in 1972, it is quite evident that nowhere else in the United States would require this large an investment to harvest such a small and insignificant volume of trees, when you compare this to the 1972 harvest of Washington, Oregon, and California. One must also be cognizant of the fact that a great majority of the trees in Tongass National Forest are over mature. The survival of the logging industry in Alaska is dependent upon the continued growth and development of the Alaska sawmill industry.

Because Southeastern Alaska only has a population of forty-two thousand people, they must be taken into consideration prior to the passage of any legislation that will place them in jeopardy.

During 1972, $40,000,000.00 worth of lumber was exported. Pulp chips derived from these sawmills were in turn re-sold back to the pulp mills at a value of $2,275,000.00. The timber industry payrolls for 1972 exceeded $48,000,000.00. Lumber ships calling into various Alaskan ports picking up export lumber totaled one hundred thirty-one vessels in 1972, and these vessels alone left in excess of $400,000.00 in our Southeastern Alaska economy. The pulp mills alone in 1972 produced in excess of four hunrded thousand tons of pulp, has a market value of $65,000,000.00. The pulp payroll for 1972 exceeded $15,000,000.00, while logging camp payrolls in 1972 exceeded $21,000,000.00. The capital investment for our timber industry through 1972 totaled $261,000,000.00, while direct employment with an excess of three thousand jobs, and five thousand seven hundred supporting jobs in 1972. These eight thousand seven hundred jobs made up fifty percent of the entire labor force in Southeastern Alaska. If lumber export restrictions are placed upon Alaskan sawmills, the result will be that these mills will be forced to close, and this in turn will mean that the manufacture of pulp products would become unprofitable, and these mills would also have to close. The end result would be that all significant logging in Southeastern Alaska would be shut down, and Southeastern Alaska's largest industry, third largest in the State, would be eliminated.

I respectfully request that you take all of this into consideration, and eliminate Alaska from Senator Packwood's Bill 1033.

Sincerely,

R. K. BUCHANAN, *President.*

Senator CRANSTON. Mr. J. C. Hering, Pacific Rim Trade Association?

Thank you very much for your presence. We are delighted to have you with us. If you could summarize, your whole statement will go in the record.

STATEMENT OF J. C. HERING, PACIFIC RIM TRADE ASSOCIATION, PORTLAND, OREG.

Mr. HERING. I will summarize my statement for the sake of time.

You all have copies of the complete statement of the Pacific Rim Trade Association.

Mr. Chairman and members of the committee, my name is J. C. Hering, and I am chairman of the board of Jones Oregon Stevedoring Co., the oldest established stevedoring firm in Oregon. We load and

unload vessels in the Willamette-Columbia River ports and all Oregon coastal ports. We handle all types of cargo—logs and lumber, grain, containers, and general cargo.

We are an important part of and depend on international maritime trade for our living. We don't export jobs. Exports create our jobs. The direct jobs on the waterfront from log exports generated a payroll of $36 million in the Oregon Customs District in 1972.

I am speaking today not only for my own company, but on behalf of the Pacific Rim Trade Association, composed of shipping firms, stevedoring firms, exporters, lumber manufacturers, loggers, log-truck operators, longshoremen, teamsters, towboat operators, wheat farmers, refractory metal manufacturers, and others who play a significant role in the international trade that is so important to Oregon and the United States.

We believe that our prosperity lies in greater trade rather than restricted trade. We are consumers, too, and abhor the high prices of finished lumber, but we note that prices of all commodities and services have risen dramatically. We believe that high lumber prices are the result of many factors of which the volume of log exports is one of the least.

We believe it is important to recognize that the problem of log exports involves not simply the lumber and plywood processing industry in the Pacific Northwest, but affects the economic health of the entire State, the wheat producers of eastern Oregon, the direct and supportive businesses involved in international trade, all of whom are substantial employers, as well as the jobs of fallers, buckers, and haulers in the wood products industries.

Further, it has implications of substantial import and impact on the overall position of this nation in foreign trade. It has an impact on the balance of payments, the balance of trade, and on the value of the dollar itself. The quantity of trade and relative freedom with which nations trade with each other affects the quality of life in this country and the prices consumers must pay for the commodities they need in their day-by-day living. It is not simply a question of jobs in sawmills or plywood plants, as important as that is.

We believe that banning log exports as S. 1033 proposes would be most unwise. In Oregon there are many communities and thousands of workers whose livelihood is directly dependent on log exports. This includes loggers, truckers, longshoremen, and various port and stevedore activities. It is no exaggeration to say that millions of dollars of investment in equipment by our ports would become worthless and many of the port regions would revert to the tragic depressed-area atmosphere that prevailed prior to exports.

The West, and particularly Oregon, enjoys very substantial export trade in agricultural and industrial commodities with Japan. One-fourth of U.S. agricultural production is for export. A massive and increasing amount of grains, fruits, vegetables, and other agricultural produce, for example, is being exported from the Northwest to Japan.

It is estimated that 85 percent of the wheat grown in eastern Oregon moves to the export market, much of it to the cash market of Japan. A total ban on a commodity as vital as logs to Japan cannot help but trigger reciprocal trade restrictions against this country by Japan at a time when the trend has been in the other direction.

Restrictions on trade have historically been unsuccessful in achieving the professed goals and have led to further economic difficulties. There is little dispute, for example, that the Smoot-Hawley Tariff Act of 1930, the highest in the U.S. history, was designed to lower imports, curb unemployment, and stimulate domestic production. We believe there is likewise little dispute that instead it resulted in similar protectionist activities on the part of the trading nations of the world and contributed great to the Great Depression of the 1930's.

By 1932, world trade had sunk to one-third of the 1929 level, and U.S. exports had correspondingly declined. It took only 4 years for this Nation to reverse its policy and embark on the reciprocal trade route.

By 1961, average U.S. tariffs had dropped from 47 percent to 13–14 percent and American international trading had increased 15 times. (Source: Japan, the Common Market and the U.S. Foreign Policy Association—1972.)

The value of log exports has been running at about $400 million annually. It is a significant amount when considered in the context of our trade deficit and the declining value of the American dollar internationally. I cannot understand the contention that loss of this $400 million will somehow help our balance of payments. To make the statement is to refute it.

I am not a lumberman, but I do know that the lumber industry is cyclical. I know that exports have kept fallers, buckers, loggers, and longshoremen working during lumber recessions.

I do know that the export of chips and logs has generally permitted greater utilization of our lumber harvest, reduced waste and increased production per acre. I do know that export has permitted the cleanup of the havoc wreaked by the Columbus Day storm without losing the logs to fire and bugs and rot.

I cannot speak authoritatively with respect to the increased capacity, if any, of our mills, but I believe that with local exceptions, the mills are generally running to full practical capacity with allowances for efficiency, maintenance and overhaul. It is suggested that those that aren't are held back by a lack of logs.

Yet we know that the restrictions on profit margins and prices by the administration's economic controls has had some effect on production. And the Forest Service tells us that there is presently under contract and uncut in the national forests of Oregon and Washington 12.5 million board feet of timber, or 2.8 years of the full annual allowable cut. Why aren't those logs cut and delivered to the mills?

Here is a source of logs to fill what the homebuilders tell us is an unused, if unusual, additional mill capacity for over 6 years. Here are logs to fill our domestic needs, and furnish employment to the woods products industry without disrupting our international trade, causing unemployment in the maritime industry, and further aggravating our balance of payments and the value of the dollar.

The Forest Service further tells us that millions of feet of timber are wasted every year because of their inability to properly manage the forests for maximum production. Here, too, is a supply of logs that will help us to avoid an either/or choice and permit us to satisfy our domestic need and export the surplus.

The Pacific Rim Trade Association has among its members lumbermen and shares the concern of those members for a healthy lumber industry. We search, and are searching—as we know the members of this committee are, for a solution that will help all, not one which helps one at the expense of the others.

Accordingly, we support Congressman Wyatt's proposal for a massive reforestation program adequately financed to bring into production lumber-producing lands presently lying fallow.

We would go even further, however. We propose a series of actions that will result in the more practical utilization of our renewable natural resource, timber, for the benefit of our workers, our consumers, our economy, and our commerce.

1. Improved management of National, State, and commercial forests, utilizing the most modern practices of silviculture, including thinning, fertilizing, reforestation, aerial logging, and total use of species and age mix to increase the allowable cut within a sustained yield concept, within the concept of public esthetics, recreation, watershed, and erosion protection and wilderness set-asides.

2. That the Forest Service budget for such improved management and that the funds required therefor be provided from and within the receipts from the sale of timber and other resources of the National Forests with the surplus only being covered into the Federal Treasury. We believe such to be a wise investment that will, in the long run, pay substantial dividends both to the national welfare and to the national treasury. We believe this technique has been proven in the Bureau of Land Management's administration of O & C forest.

3. We would not object to the extension of the Timber Supply Act of 1969 containing some limitation in the export of logs from Federal lands, with an enforceable no substitution provision for the protection of historic log buyers, within traditional economic-geographic localities.

Timber on Federal lands is our Nation's only nationally owned renewable resource. As a vital segment of our export market, the responsible utilization of logs in the export market is essential to the economic well-being of thousands of workers in our region, the impact of which is felt by our communities large and small.

To ban the export of this renewable resource would create economic havoc in many communities, would further and dangerously erode our balance of payments, impair our ability to export and import in other areas, and would create such a demand for lumber in Japan that domestic and foreign lumber prices would skyrocket. We hope you will defeat S. 1033. We are also against House bill No. 2641.

Senator CRANSTON. Thank you very much.

You indicate, I believe, that Japan would retaliate against any further log export controls. What do you think they might do, and what is your basis for that belief?

Mr. HERING. Well, historically in the past, we have had retaliations on the buying of grain.

Senator CRANSTON. Have there been retaliations against export controls? I do not know of any in relation to exports.

Mr. HERING. I do not say this is definite, but I say it is a probability, and maybe the Chinese and all the Asian countries. They all

stick together on certain things. And other countries, too. We open ourselves to retaliation.

Senator CRANSTON. Bob, do you have any questions?

Senator PACKWOOD. Mr. Hering, you made some reference to our deficit balance of payments, and the fact that log exports are helping to improve the deficit. We have had testimony from a number of witnesses today, and in prior hearings, that we would be infinitely better off if we cut our exports to zero and reduced by a similar amount the lumber imports from Canada. I think the figure was actually $75 million that someone testified to this morning, that we would improve our balance of payments if we cut off log exports.

Do you have any comment on that?

Mr. HERING. I'm not an expert on that, and I don't think I'm qualified to comment.

Senator PACKWOOD. OK.

I have no more questions.

Senator CRANSTON. Before we have to suspend momentarily for a vote, there are some witnesses from Idaho that want to get on very briefly that have to get a 4 o'clock plane.

It will have to be 2 minutes, because Senator Packwood and I have to make a rollcall.

Will that be satisfactory?

We will take your full statements in the record, of course. Whatever you say does have to be 2 minutes, because we'll miss the rollcall.

Please identify yourselves for the record.

STATEMENTS OF JOHN E. MARTIN, EXECUTIVE DIRECTOR, IDAHO FORESTRIES COUNCIL, ACCOMPANIED BY ROBERT J. DeARMOND, CHAIRMAN OF THE BOARD, IDAHO FORESTRIES COUNCIL, AND RICHARD BENNETT, BENNETT LUMBER PRODUCTS, PRINCETON, IDAHO

Mr. MARTIN. I am John E. Martin, executive director of the Idaho Forestries Council. Our organization represents the membership of the north and southern Idaho forestry associations, whose combined members account for nearly 90 percent of the processing of timber harvested from Federal, State, and private commercial forest lands in the State of Idaho.

All of the factors mentioned here have an effect on the lumber plywood supply and price situation wood products produced in Idaho, but the major problem in Idaho is timber supply. It is to this problem that the two gentlemen with me, Mr. Robert J. DeArmond, chairman of the board of Idaho Forestries, and Richard Bennett, owner of the Bennett Lumber Products, Princeton, Idaho, would like to address their remarks today.

Just briefly our problem is much different than most of what you have heard today where you are concerned with do they have mill capacity to expand production. In Idaho timber supply reduction has shut down six mills in the past 9 months. We definitely have unused mill capacity. Given a timber supply we can quickly increase lumber production.

Let's pause here just a minute to look at the facts on timber harvest performance. In a bulletin published in September of 1972 by the

Division of State and Private Forestry of the Forest Service region 1 office in Missoula, comparing timber harvest in 1969 with 1972, we find the following statistics regionwide: Forest Service sales were down 16.4 percent; other Federal land timber sales were down 5.2 percent; State, county, and city timber land harvest was up 27.7 percent; private timber land harvest was up 10.8 percent.

Turning to our north Idaho forest lands in the 1969–1972 period. we find Forest Service timber sales were down 27.1 percent, other Federal timber land sales were down 15 percent, State timber land sales were up 90.4 percent, private timber land sales were up 9.8 percent.

At this point, I would like to turn the remainder of the time over to my two associates, first Mr. Dick Bennett.

Senator CRANSTON. There are about 20 seconds left.

Mr. BENNETT. I think that probably we had better just put our statements into the record.

I would like to make one brief comment. The comment is that I do not believe that just limiting Federal log exports is the answer to the log export problem. I'm afraid all we are doing is chasing the exporters from the coast in the State of Idaho and we already have enough problems there.

Mr. DEARMOND. I am Bob DeArmond. What do I have? 10 seconds now?

Senator CRANSTON. I'm afraid so.

Mr. DEARMOND. You faced the same problem back in 1968 and 1969. You made several recommendations, one of which was to take on the Timber Supply Act, which you predicted there was going to be no problem, and here we are again.

Senator CRANSTON. I'm sorry. We'll have to put it in the record.

Mr. BENNETT. Yes.

Mr. DEARMOND. We thank you for being here.

[The complete statements and additional information follow:]

STATEMENT OF JOHN E. MARTIN, EXECUTIVE DIRECTOR, NORTH IDAHO FORESTRY ASSOCIATION

Mr. Chairman, Members of the Subcommittee: I am John E. Martin, Executive Director of the Idaho Forest Industries Council. Our organization represents the membership of the North and Southern Idaho Forestry Associations whose combined members account for nearly 90 percent of the processing of timber harvested from federal, state and private commercial forest lands in the State of Idaho.

All of the factors mentioned here today have an affect on the lumber-plywood supply and price situation of wood products produced in Idaho. Periodic shortage of railroad cars, economic controls and log exports affect Idaho forest products producers in several minor ways; but the major problem in Idaho is timber supply. It is to this problem that the two gentlemen with me, Mr. Robert DeArmond, Chairman of the Board of Idaho Forest Industries, Coeur d'Alene, Idaho and Richard Bennett, owner of Bennett Lumber Products, Princeton, Idaho would like to address our remarks today.

The forest products industry is one of the major job-producing industries in the State of Idaho today. Thirteen thousand people are employed directly. Adding related employment in services and trades, a total of 39,000 jobs are supported by this industry. The prime factor affecting this contribution to Idaho's economy is timber supply, and availability of this resource continues to be the number one concern to the industry.

Based on the foregoing facts, we see withdrawal of areas of National Forest Land from growing and harvesting of timber and over-restrictive environmental

requirements as a major concern of timber producers and forest products manufacturers. Producers in the State dependent in varying degrees on National Forests for their wood needs are: 188 sawmills, 141 shake and shingle mills, 5 plywood and veneer plants, 35 pole, piling and post plants, 1 pulp and paper plant, and 2 pulp chip plants.

In total, 345 of these plants receive over one-half of their wood needs from the National Forests. Of these, 294 require over two-thirds of their raw material from National Forest timber.

While there are forest products processing plants throughout the state, the big majority of them are located in North Idaho where timber harvesting and processing is the largest job producer providing the largest payroll. Growing and harvesting timber to supply them . . . and the manufacturing and marketing of their products . . . provides basic economic stability for communities throughout the state, and in North Idaho over eighty percent of the communities are basically dependent to a major degree upon their forest products industry.

There is sincere disagreement between Forest Service and industry leaders over whether or not the timber supply in a particular area is being curtailed by the increasing number of areas being set aside for single purpose uses which exclude timber harvesting and by over-restrictive harvesting procedures, but one fact remains clear, nationwide and particularly in the west, both the Chief of the Forest Service and industry leaders agree that there has been a curtailment in the amount of timber being put up for sale on the National Forests.

Let's pause here, just a minute, to look at the facts on timber harvest performance. In a bulletin published in September of 1972 by the Division of State and Private Forestry of the Forest Services Region One office in Missoula, comparing timber harvest in 1969 with 1972, we find the following statistics:

Regionwide: Forest Service sales were down 16.4%. Other Federal timber land harvest was down 5.2%. State, county and city timber land harvest was up 27.7%. Private timber land harvest was up 10.8%.

Turning to our north Idaho forest lands in the 1969–1972 period, we find: Forest Service timber land sales were down 27.1%. Other Federal timber land sales were down 15%. State timber land sales were up 90.4%. Private timber land sales were up 9.8%.

It is hard to pinpoint all the reasons for the apparent failure of the timber sale program thus far. In response to recent environmental concerns and legislation initiated as a result of that concern, the Forest Service sales program has been slowed. In order to conform with requirements of the Environmental Protection Act, the Forest Service has been forced to redesign sales ready for offering to meet new quality standards imposed by this new law. Court suits, brought by preservation groups, have further curtailed timber sale activity, and have served to reduce the allowable annual cut. These actions have added to the cost of sales preparation and logging costs. They have delayed important sales for many months, have resulted in serious reduction of timber sales offerings or, in many instances, have completely cancelled some planned sales upon which industrial production is based.

In Idaho, undeveloped areas on National Forest land 5,000 acres and larger contain over eight million acres, and much of that total area is classed as productive forest land. This is the land being deferred from timber harvesting by court suits and prolonged studies and kept from any type of management while insects and disease and over maturity take an increasing toll of the wood values therein. These lands provide the basis for about twenty-five percent of the National Forest annual cut in Idaho.

Growing and harvesting timber based on these areas being maintained under management have the following social and economic effects annually:

1. Provides the basis for annual allowable cut of 400 million board feet. While these lands are not now being harvested, their capacity for timber harvest is used in establishing the annual allowable cut for the area on the basis that when presently opened areas are harvested that these areas will then be available while trees on other areas reach maturity. And remember that these figures for allowable cut set earlier by the Forest Service were the basis upon which present milling facilities were built.
2. Creates and maintains employment opportunities for 3,200 people directly and generates 6,400 jobs in services and trades; a total of 9,600 jobs in Idaho.
3. Generates family support for 35,200 people in Idaho.
4. Develops a total income of $168,960,000 annually in Idaho. (Direct and indirect or induced spending.)

5. Returns to the counties for schools and roads over a quarter of a million dollars annually . . . these from the 25 percent receipts from the National Forests returned by the Federal Government to the counties.

The economic effect of reduced harvest levels may be even greater than the above figures would indicate. Reductions in log supply would cause plants to operate at less than efficient capacity and would create general raw material uncertainty throughout the existing industry. Capital investments to modernize might be drastically curtailed. Many investments planned to meet environmental pollution control standards, to improve utilization and to increase efficiency would become uncertain business risks. Failure to meet these standards will force some plants out of business as we have seen already in Clearwater, Latah and Benewah counties where some six mill closures or curtailments have seen over 300 sawmill and logging workers laid off.

To illustrate the problem I would like to cite the example of Diamond International's plant at Albany Falls in North Idaho. In order to better utilize timber and similar materials, an extensive survey was made of the timber supply in the area based on National Forest, State and private holdings. This survey depended largely on National Forest Lands. Eventually, the companies agreed to a 5½ million dollar modernization program. The program is moving ahead and the new facilities are nearing completion, but just a few months ago the Kaniksu National Forest announced a 25% reduction in the annual timber sales estimates. The company, of course, is in no position to halt its modernization at this time, but is concerned about the economic feasibility of the plant because of the National Forest timber reduction. Other companies in the area contemplating plant modernization for better utilization are deferring their plans for the present.

The removal of large blocks of National Forest Lands from growing and harvesting trees is a major threat to raw material availability, but is by no means the only log supply concern. New Forest Service landscape policies, streamside leave strips and other practices for forest environment protection which the forest products industry generally endorses necessarily curtails supply.

This regard for high quality forest management is a must and something that the industry and the state and federal timber management agencies sought within the bounds of existing technology, over the past years long before concern for the environment became publicly popular.

The forest products industry, working with timber management agencies on the state and federal levels has been striving toward better harvesting methods, more complete utilization of the timber obtained from the National Forests and improved and greater reforestation efforts to meet genuine environmental concerns of the public.

The Chief of the Forest Service at the semi-annual meeting of the Western Wood Products Association in Seattle in September of last year made reference to the need for the cleaning up of forest residues. The problem in our area, particularly in our White Pine stands, is that the Forest Service is so concerned with intensive utilization that much of the manpower and funds that should be utilized getting into overmature stands is being used elsewhere while these stands are rapidly going out of the picture as a result of old age, insects and disease. When you eventually get into one of these areas there may be as much as 50 percent of the volume that is no longer merchantable due to mortality. And, of course, a lot of this volume remains on the ground after logging. It disturbs me considerably when we argue over conflicts between agencies on who has what responsibility for setting and enforcing environmental protection regulations while trees, needed to supply the Nation's wood demands, are dying due to lack of ability to set up sales programs for these areas. There is a need for extensive management that opens up commercial forest stands as well as emphasis on intensive management of some areas.

If man does not harvest mature and overmature forest areas, nature will harvest them with wildfire, insects or disease, none of which can be said to be environmental protection devices and certainly must be considered to represent waste of a renewable natural resource.

Unrealistic restrictions on use of the renewable resources of our forests are not going to attain a high quality of life for rural communities in Idaho or the Nation. Nor will it contribute much to improving the quality of life in urban America in need of low cost, quality housing to replace its slums.

More funding and more manpower for federal land management agencies is not necessarily the whole answer to stepping up the timber sales program and cer-

tainly it will not have any effect on maintaining the allowable cut base against new wilderness demands. What is needed is a greater public understanding and concern for quality forest management and most important more specific direction to public land management agencies from Congress and the Administration.

We were pleased to learn upon our arrival here last night of Dr. John T. Dunlop's announcement that the Administration will develop and implement plans to assure sale of 11.8 billion board feet in calendar year 1973 from the Forest Service lands, and set higher output goals and specific action plans for 1974 and 1975. The timber industry in Idaho can not only provide immediate facilities to process any increase that comes from the national forests of our state but needs additional timber supply to prevent further mill closures and employment reductions in our industry in Idaho.

The time is at hand to disperse the smoke of emotionalism and let the public view timber harvest and forest management as the really beneficial endeavor it is. Unless we all bend our efforts to point out what is good with productive forest management, the growing trend to answer all environment and wilderness demands with a "Stop Logging Now" declaration will prolong the already disturbing phenomenon of silence at Forest Service timber auction tables.

One of the most critical needs of our nation today is for low and medium income housing. It is estimated that our housing needs for the next decade will be 26 million family units. Wood will be important in housing and should be a major component because of its versatility and production cost. The future does not look bright unless the intensity of management is increased to obtain greater productivity levels and reduce mortality losses. In Idaho alone, increased management intensity based on adequate research could, over time, reduce mortality and increase timber production by 1.3 billion board feet annually. Increased research efforts leading to better logging systems and more complete utilization of woods residues could add another .7 billion board feet annually. These increases are equivalent to the raw materials required for 200,000 new homes annually.

STATEMENT OF ROBERT J. DEARMOND, CHAIRMAN OF THE BOARD, IDAHO FOREST INDUSTRIES

Mr. Chairman and Members of the Committee: My name is Robert J. De Armond, and I am chairman of the board of Idaho Forest Industries, headquartered in Coeur D'Alene, Idaho. Our five small sawmills in northern Idaho produce approximately 85 million board feet of lumber annually, mainly for consumption by this nation's housing industry. In this figure, we have an unused capacity of another 40 million board feet of annual production.

As you will no doubt hear many times today, the lumber and plywood price spiral we are experiencing is the inevitable result of a rapidly accelerated demand coupled with a shrinking supply. This is the classic situation found in free markets. The wood products industry, with its thousands of producers selling their products through an extremely volatile auction market system, is a classic example of the free market system in operation.

We experienced a similar situation in 1968–69, which was resolved by a decrease in home construction and wood products demands, leading to a downward spiral in prices. At that time this committee held similar hearings and reported their findings. In its report, this committee made several recommendations to the Executive and Legislative Branches that would have prevented the current crisis. You predicted recurring timber supply crises and price increases if the recommendations were not implemented. They were not. And as you predicted, here we are again.

You will hear today many legitimate reasons contributing to the lack of wood product availability, including log exports, price controls and box car shortages. But it is a timber supply shortage that presents the major barrier to any plan to increase lumber and plywood volumes and stabilize prices. It is to this problem I would like to direct my comments.

How can we overcome this barrier? Where can we make some gains? The forest industries in our area are heavily dependent on timber from National Forest lands. In 1969, 54% of the logs processed came from the National Forests. Between 1968 and 1971, sawtimber harvest on the northern Idaho National Forests declined 28%, while total decline in harvest from all northern Idaho forest land was only 6%. This slack was taken up by increased harvests from private and state lands.

Why did these northern Idaho National Forests suffer such a major decline? A review of the actual timber sale performance as it relates to annual allowable harvests and funding provides some insights.

For several years prior to 1969, the Forest Service performed admirably in their timber sales programs for Region 1, which includes northern Idaho. They were funded for their annual allowable harvests and sold timber according to schedule.

Starting with fiscal year 1971 we have seen alarming reductions in the timber sales program for the region, although funding has not been reduced. The Coeur D'Alene, St. Joe and Clearwater National Forests in northern Idaho sold in fiscal years 1969 and 1970, 85% of their funded and planned sell. In fiscal years 1971 and 1972, actual sales dropped to 65% of the planned sell. These reductions resulted from several causes. But the key ones were changes in management dirction and the increased costs of planning and preparing timber sales, both primarily due to increasing environmental considerations.

However, whatever the reasons, the cold, hard facts are that National Forest timber sale volumes were drastically reduced during this period. And what is even more alarming is that in the face of projected increased demands for timber, the Forest Service has received orders to cut personnel and its budgets have been reduced.

The immediate past has been bad, but the future is even bleaker when we contemplate these conditions. We must have a reversal of this trend if we are to carry out our responsibilities. Our nation must increase the intensity of management of its commercial forest lands, not the reverse as is now happening. With the knowledge we now have, we could tremendously increase the sustainable yield of this renewable resource, all within sound environmental considerations. With adequate personnel and funding, and proper direction, these northern Idaho National Forests can provide the raw material so that we can do our part. With the necessary "management, manpower and money", the Forest Service can not only provide the National Forests' fair share of wood to supply the nation's consumers, but can return added dollars to the Federal treasury—a double benefit.

In order to meet the demand for wood products and stabilize prices, the timber supply must be increased. In northern Idaho and throughout the nation a major portion of this increase can come from Forest Service timber sales by providing that agency with adequate direction, manpower and funding.

Let's put common sense back into the management of our resources.

Thank you for the opportunity to present my views.

NORTH IDAHO FORESTRY ASSOCIATION,
Coeur D'Alene, Idaho, March 31, 1973.

ROBERT PACKWOOD,
U.S. Senator, New Senate Office Building, Washington, D.C.

DEAR SENATOR PACKWOOD: On behalf of myself, Mr. Richard Bennett and Mr. Robert J. DeArmond, I want to express our personal appreciation and that of the North Idaho Forestry Association for the courtesies which you and your colleagues on the Housing Subcommittee on the Senate Banking, Housing and Urban Affairs Committee afforded us Tuesday, at the hearing on the lumber and plywood price and supply problem.

We regret that the time and situation did not afford us an opportunity to present a more informative briefing of our presentation and give you an opportunity to question us. Having been associated as a staff member to the late Senator Henry Dworshak and Administrative Assistant to former Senator Len Jordan for nearly 12 years, I am both aware and appreciative of the fact that despite the desires and arrangements which dedicated committee members have, that occasions such as the 3:30 p.m. vote arises to upset your plans to fully hear all witnesses. I know that we, personally, should have requested time more in advance, but we do appreciate the efforts of Joseph McCraken and Joseph Miller of Western Forest Industries and Doug Smith of Senator McClure's staff to give us the opportunity to at least personally introduce our statements into the hearing record.

As I mentioned in my brief remarks, we in Idaho have a different problem than most witnesses who appeared before you Tuesday. The problem of Idaho loggers and sawmills is almost entirely one of timber supply. We now have unused

94-218 O - 73 - 39

capacity to process timber as the declining allowable cut has resulted in the closure of the Alf Johnson mill near Orofino, the Schmidt Brothers mill at Weippe and Potlatch Forests, Inc. mills at St. Maries and near Orofino; the closure of the Bennett Lumber Products mill at Moscow; the cutting of one shift at the Boise Cascade Corp. mill near Boise and the recently announced reduction of one shift at the Potlatch unit of PFI with a reduction in force from 240 to 100 employees at this mill as of June 1. All these actions have been since July 1, 1972. During this time only one new lumber processing operation has started—that, a cedar products plant by PFI at Jaypee near Pierce, Idaho. The net affect of these actions has been to curtail employment in the timber industry in Idaho by over 300 employees. Furthermore shortage and uncertainty of timber supply has cancelled several mill modernizations and expansions which would procede if a dependable timber supply were available. It is estimated by those familiar with Idaho mills that only minimal new expansions coupled with resumption of operations at presently closed mills could increase Idaho lumber production substantially in less than 90 days.

As mentioned in the closing paragraph of my statement, submitted Tuesday, timber supply in Idaho could almost be doubled with intensive management of healthy forests and stepped up salvage operations on diseased and over-mature stands. Furthermore, this could be done within acceptable forest environment production standards and on a sustained yield management program.

Yes, Idaho offers an excellent opportunity for the Cost of Living Council, the Forest Service and Congress to get speedy results from their announced intention to increase timber supply and translate it, with a minimum of delay or disruption, into badly needed lumber products to meet the housing demand at acceptable prices.

Mr. Richard Bennett, who did not have time to get his statement prepared and typed, prior to your subcommittee hearing, had three issues he wished to discuss with you and your subcommittee colleagues.

The first was a proposal to withdraw between 200 and 300 thousand acres from the national forest lands in north Idaho and burn it periodically in a single use management program for elk browse. We feel that a properly utilized timber management program could provide the needed browse with much less burning and accompanying air pollution, and not take these acres out of the annual allowable cut base which ultimately means more lumber supply.

Mr. Bennett's second issue was to have been the relating of the results of a timber review on the Potlatch Ranger District of the St. Joe National Forest. Mill owners who utilize timber from that area were told that because of the Administration's impoundment of funds that the timber sales on the St. Joe National Forest would necessarily have to be cut from the previously programmed for FY 73 of 82 million feet to 50 million feet. Bennett also notes that the established annual cut on the St. Joe National Forest is 102 million feet. The Potlatch ranger also reported that the necessary groundwork to increase sales this fiscal year could not be done at this time for FY 73 even if funds were now released.

The third issue which Mr. Bennett wished to bring to the subcommittee's attention was that total restrictions on log exports in the Pacific Coast states could drive log export seekers to seek lower cost stumpage in the Inland areas such as Idaho where higher transportation charges could be offset by this lower-cost stumpage. And, with the soon-to-be-realized slack water transportation to Lewiston, Idaho, even the high transportation costs will be significantly lowered, thus further inducing export trade.

Mr. Robert J. DeArmond, the third member of our North Idaho Forestry Association panel, has operations not only in Idaho, but also in Washington, Oregon, California and British Columbia in Canada. Because of his knowledge of timber supply in this entire area, and because of the fact that public timber in each of these areas in the basis for his company's operation, Mr. DeArmond had hoped to expand his statement to outline the extremely short public timber supply in North Idaho.

In all of the areas in which Mr. DeArmond's company, Idaho Forest Industries, operates, the public land timber supply is more acute in the north Idaho area of the U.S. Forest Service Region One than elsewhere. Furthermore, Mr. DeArmond has found that this Forest Service region appears more engulfed in confusion, contradiction and conflict resulting in more uncertainty in timber supply than in other areas in which his company operates.

Senator, if it is possible, we would like to have this letter, which we are also sending to your subcommittee colleagues present at the March 27th hearings, inserted in the hearing record folowing the personally presented testimony of Mr. DeArmond and myself.

Sincerely yours,

JOHN E. MARTIN, *Executive Director.*

STATEMENT OF MORGAN F. MURPHY, REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

I am pleased to submit the testimony of the Lumber Trade Association of Greater Chicago on behalf of Senate Bill 1033. The Association offers cogent arguments for an embargo on the exportation of U.S. timber and against the imposition of price controls.

The National Association of Home Builders reported recently that 45 million log feet of timber was committed to Japan for the first three months of this year, a considerable increase over a comparable period of time last year. This peak demand for forest product exports coincides with the peak demand in the U.S. housing market. Both demands cannot be met. One must be sacrificed for the sake of the other.

The Lumber Trade Association of Greater Chicago feels the U.S. housing market is not expendable. The financial burden to the average American homebuyer is too great. My office has been inundated with letters from builders charging that the cost of softwood lumber, used in homebuilding, increased eight percent in February alone. Prices are thus 56 percent higher than in January 1971.

The Association's testimony argues that the U.S. overextended itself in terms of log exports to Japan and the time is now to rearrange our priorities.

The Lumber Trade Association of Greater Chicago joins the ranks of builders, contractors and environmental groups in favoring passage of S. 1033, the Timber Export Administration Act of 1973. I believe the voice of the Association should be heard and I thank the Committee for the opportunity to submit their statement for the record.

LUMBER TRADE ASSOCIATION—POSITION PAPER ON LUMBER SUPPLY AND PRICE CRISIS

The Lumber Trade Association of Greater Chicago is made up of both retail lumber dealers and other firms closely allied to the lumber industry. In this capacity we represent approximately 110 prime locations and 36 line yard and store locations.

As spokesman for our members, we are deeply concerned about the critical shortages of softwood lunmber and plywood. We are also concerned that necessary steps be taken to alleviate these lumber and plywood shortages and reduce the rising construction costs.

We feel the following are probable causes for shortages and tremendously high prices:

a. Conflicting federal policies presently restricting the supply of raw materials.

b. Federal policies allowing an increasing volume of log and lumber exports in spite of the growing domestic wood product shortages [exports up 40% from 1971 to 1972].

c. All time high volume of U.S. housing starts for two successive years now extending into the third year, plus growing lumber demands from other countries [U.S. housing volume up 61% from 1970 to 1972].

d. Federal economic control policies which have hampered normal production and distribution of lumber and plywood.

e. A growing shortage of freight cars further restricts lumber product availability in many areas.

We feel these probable causes have had the following effects on construction and on consumers:

a. Because of shortages and resulting high prices, customers can not be assured when, at any price, or even whether lumber products can be delivered for home construction, commercial and industrial use.

b. In many areas, certain lumber and wood items can not be obtained at any price . . . yet the demands for lumber increases almost daily. Inventories are dangerously low at mill levels also.

c. As a consequence, the building industry is in a turmoil of uncertainty, as has been reported in the news media.

We further feel the proposed Forest Service budget for 1974 will result in a reduction of timber offered for sale from Federal lands. The proposed budget would also cause a reduction in Forest Service personnel. With approximately one half of the nations' available softwood timber in Federal hands, the harvest permitted and achieved becomes vital to the lumber supply. For example: in 1971 of the 11.5 billion planned, only 9.7 billion board feet were sold; in 1972, of the 10.5 billion planned, only 9.3 billion board feet were sold; in 1973 of the 9.6 billion planned only 8.8 billion board feet are expected to be sold. The timber harvest could be increased substantially, if sound, accelerated forest management had been countinued as recommended by a Department of Agriculture Task Force on Lumber in August 1969. The prime reasons the Forest Service has not even achieved the allowable timber sales are (1) lack of adequate funding and (2) reduction in personnel. In spite of the scarcities, due to an inadequate supply of raw material as noted, the proposed budget for Federal 1974 would further reduce the funds available to the Forest Service.

An immediate re-evaluation and upward adjustment of the Federal Forest Service budget for Fiscal Year 1974 and beyond, is essential. Only through an increase in that budget can appropriate forest management programs be provided to offer the harvest of lumber from our Federal lands needed to relieve the immediate crisis.

There are currently an estimated 24.9 million board feet of contracted for and uncut Federal land timber inventory under control of the mills. Means must be found to accelerate the conversion of this purchased stumpage resource into needed lumber as quickly as possible.

Necessary assurance to the mills of replacement of such inventories could be provided by immediate increase of the Federal timber harvest and its implementation of the Forest Service budget increase. Mills could thus be encouraged to produce more lumber immediately. Certainly, this strategy should be adopted before even considering the alternative of rigid, counter-productive price controls.

Particular consideration should be given to the reforestation of certain Federal forest lands. There is also a need to salvage the dead and dying timber stands. Acceleration of access road construction would reduce costs of maintenance and hauling, as well as providing proper conservation of the lands and timber involved. Every effort must be made to maximize the multiple use of timber—our major renewable natural resource.

Assistance should be provided to State and private land owners largely through State forestry agencies, for forest management planning and development, harvesting and processing of forest products and for necessary research.

Consideration should also be given to implementing the recommendation of the 1969 report of the Forest Service to the Cabinet Task Force on Lumber. This report outlines future lumber and wood product needs, future supply requirements, and the substantial revenues from timber sales that could be provided the U.S. Government.

Rigid economic controls of lumber products have proven to be counter-productive due to the impact of the net-profit margin test on all sectors of the industry. Net profit limitations have, in effect, imposed ceilings on lumber production. Congress is urged to give careful consideration to the need of maintaining and increasing lumber production, not limiting it through rigid net profit control mechanisms.

In view of the recent increase in log exports, the Department of Commerce, should be required to limit log exports as necessary to protect the domestic economy and construction needs. In this respect we strongly urge the passage of Senate Bill 1033, the Packwood Bill.

We recommend that Congress and the Interstate Commerce Commission take immediate steps to seek ways by which our nation can eliminate the chronic rail car shortages. This disrupts west-to-east lumber and wood product shipments. We urge steps be taken to increase freight car production to meet the demands of the future, and that ICC regulations be stiffened to improve the traffic flow of cars to and from the timber producing areas.

We recognize the efforts of the ecologists to improve and preserve our environment. However, because the demand for lumber will increase in the decades ahead, those who would immobilize vast tracks of timber in museum-like isolation are contrary to public interest. Modern forest management including plant-

ing improved species, fertilization, thinning, insect and fire control, etc., if authorized and funded, would stimulate marked additional fiber growth, preserve game cover and food and permit recreational use by the public as well as the harvesting of mature trees otherwise destined for death and decay. Thus, as a nation we could, while serving ecological and recreational objectives, also provide needed lumber for residential and commercial use by our expanding population.

The re-accruing lumber supply crisis will not fade away. Essential to the public interest are decisive, long-term Governmental policies and programs dedicated to the principal of more intensive multiple use of our forest resources.

The Lumber Trade Association of Greater Chicago is in total support of the National Lumber and Building Material Dealers Association in its efforts to bring about better timber management, as well as their efforts to eliminate the shortages in our Industry and to control the spiralling prices.

NORTH AMERICAN WHOLESALE LUMBER ASSOCIATION, INC.,
New York, N.Y., April 17, 1973.

Senator JOHN SPARKMAN,
Chairman, Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: In the course of the hearings conducted by the Subcommittee on Housing and Urban Affairs, the National Association of Homebuilders offered testimony and documentation which was subsequently also submitted at the Cost of Living Council Hearings the following week.

We recognize the enormous problem faced by Congressional Committees and government agencies in attempting to get all of the information submitted in proper prospective. We believe therefore that a copy of a letter to the Cost of Living Council analyzing some of the submissions of the National Association of Homebuilders would be useful in making such an appraisal. A copy is enclosed, for your information.

Respectfully,

J. J. MULROONEY, *Executive Vice President.*

NORTH AMERICAN WHOLESALE LUMBER ASSOCIATION, INC.,
New York, N.Y., April 17, 1973.

Mr. JAMES W. MCLANE,
Deputy Director, The Cost of Living Council, Washington, D.C.

DEAR MR. MCLANE: While I realize that the deadline for supplemental statements in the hearing record has passed it occurred to me that an analysis we have made of the National Association of Homebuilders' testimony might be useful to the Council in its effort to appraise all of the information it has received.

For many months the homebuilders have complained to the Price Commission, the Cost of Living Council and the public about the effect of increasing prices of lumber and plywood on the home buying public. As stated in our testimony, we do not quarrel with the homebuilders right to make such complaints. The complaints have been based on mill sales prices reported by Random Lengths and Crow's. The builders have claimed certain levels of increased lumber and plywood costs based on these reports. They have raised serious questions as to whether the distribution system in our industry is the cause of these higher prices.

By their own testimony and supporting documents what has long been known by the lumber industry is now revealed for government and public scrutiny.

The homebuilders have documented to the U.S. Senate, the House of Representatives and the Cost of Living Council that they have not been paying the prices about which they have vociferously complained to the same government bodies. The credibility of their nationwide press propaganda campaign—by their own figures—is questionable, to say the least.

Except in the lumber and plywood producing regions, the homebuilder is served by a retail lumber dealer. Such dealers are usually set up to provide delivery in "house bill" lots to minimize the cost of handling at the job site. The dealer maintains an inventory in order to service the homebuilder at the time each site is ready for the material. The builders have recognized the true

economy of this service in their testimony when they said "We obtain most of our supply from the retail dealer". Both the wholesaler and the retailer provide functions, which in fact add value to the product and therefore involves certain costs which are naturally reflected in the wholesalers and dealers markups.

Even in the most recent testimony the homebuilders have complained about the increased cost of lumber and plywood based on the price reporting publications. As noted by the publishers, these figures represent some sales by some manufacturers. They do not represent all sales by all manufacturers. At any rate, with the exception of Western White Spruce from Canada, these reported prices are on an FOB mill basis. To these figures must be added the freight cost for moving the product from the mill to the market area, as well as the distribution markups. Obviously, these will vary, but to illustrate the exaggeration of the builder complaints we will use a conservative 20% total markup at the distribution levels. Then compare these figures with what the builders submit in further substantiation of their camplaint. This further substantiation is found in the attachment reporting on what their members have paid for specific items in various locations around the country We suggest that the easiest comparison can be made by selecting those localities taking Eastern blanket freight rates from west coast mills and comparing the results with the figures they have actually paid, which reveals that the discrepancies are often glaring. For example:

½" CDX Plywood quoted by the publications in January and February at $163 and $184 mill would convert to dealer selling prices including a conservative 20% wholesale and retail combined markup of $234 to $257. This is the figure the builders have been complaining about, but by their own testimony we find that, in fact, in Wilmington, Delaware a builder paid $215. In Baltimore, Maryland, he paid $203 to $247. In Hyanis, Mass., $230. In Troy, Michigan, $204. In Freehold, New Jersey, $220. In Cleveland, Ohio, $210. In Lancaster, Pa., $205.

If we turn then to 2 x 4 Construction Fir, which incidentally, has a higher value than the standard and better price quoted in the publications at $172 and $182 FOB mill in January and February. These would convert to selling prices of $261.50 and $271.50, but the homebuilders report that their member was paying $210. They also show Fir Studs in Freehold, New Jersey at $230.

Little did we realize when preparing our statement for the record illustrating similar facts from Northern New Jersey and Long Island, New York, the information would be instantaneously confirmed by no less a source than the complaining homebuilders.

The use of the wholesale price indexes to further substantiate the builders complaint must be considered in its proper context, in order to have any validity. For example, the index submitted uses 1967 as 100 and shows Plywood in 1973 at 134.1 and 149.4 in January and February. A substantial increase to be sure, but it completely conceals the fact that the preceding index, which used 1957–59 as 100 showed that 1967 index for Softwood Plywood was 82.2. Therefore, if we were continuing to use the 1957–59 index the figure for February 1973 would actually be 122.8. A less than 23% increase in a 15 year period shows clearly that Plywood pricing has advanced at a substantially lower rate than the inflation factor. In 1967 the Lumber Index was also below 100. In another attachment the homebuilders show that rough Lumber and Plywood accounts for 15.6% of the total material cost of a single family home in 1972. Based on the wholesale price index, we might liberally allow a 50% increase since 1957, which would mean that the material cost went up 5.6% during that 15 year period, which by no stretch of the imagination explains the fact that the home buyer is paying double in 1973 what the same house and property would have cost him in 1957, particularly when you consider that the cost of all materials in the home represents something in the vicinity of 25% of the selling price.

Although the builders have questioned whether the distribution system in the lumber industry is the cause of the high level of prices their own documentation proves that, in fact, that same distribution system has provided the builders with considerable insulation from the level of prices about which they are complaining.

It is unfortunate that the crescendo of criticism of the Council's effort to cope with inflation should reach its peak at the precise moment when the Council's faith in the action of the market to correct itself is being substantiated. In my testimony and in response to questions from CoLC panel members, the statement was made that we had peaked and that prices would be heading downward. Price declines have been recorded in each of the last three weeks on Ply-

wood with an even more marked decline from the peak prices than was anticipated 10 days ago. Similarly, Lumber is pointed in a downward direction. We suggest that continual tracking by CoLC is now, and will continue, to substantiate the correctness of the Council's posture with respect to Lumber and Plywood pricing.

Yours very truly,

J. J. MULROONEY, *Executive Vice President.*

CENTER FOR STUDY OF RESPONSIVE LAW,
Austin, Tex., April 2, 1973.

Senator JOHN J. SPARKMAN,
Chairman, Committee on Banking, Housing & Urban Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am a law student at the University of Texas at Austin and the author of *The Last Stand*, the Nader Study Group Report on the U.S. Forest Service. Released last December in Washington by the Center for Study of Responsive Law, the report discusses National Forest management problems in the light of the current timber supply squeeze.

A copy of *The Last Stand's* table of contents is enclosed. The full report is on its way to Mr. Carl Coan.

I am sorry not to have been able to attend the hearings on "Lumber-Plywood Price and Supply" held last week by your Subcommittee. If it is not too late, I would like to submit the enclosed statement for the Subcommittee's consideration. I would appreciate its being made part of the hearing record.

In the enclosed statement, I express concern over recent proposals to increase the cutting of National Forest timber as a stop-gap measure to alleviate lumber shortages. I also urge that since the ultimate objective of the Subcommittee's present inquiry appears to be to dampen the rise in *new home* prices, the scope of the inquiry should be enlarged to include consideration of all of the factors contributing to this rise—and not merely the upward spiral of lumber prices.

Sincerely,

DANIEL R. BARNEY,
Director, Forest Service Project.

STATEMENT OF DANIEL R. BARNEY, DIRECTOR, FOREST SERVICE PROJECT, CENTER FOR STUDY OF RESPONSIVE LAW, WASHINGTON, D.C.

I am Daniel R. Barney, a law student at the University of Texas at Austin and the author of *The Last Stand*, the Nader Study Group Report on the U. S. Forest Service. Released last December in Washington by the Center for Study of Responsive Law, the report discusses National Forest management problems in the light of the current timber supply squeeze.

I am concerned by the narrow scope of the present inquiries by the Cost of Living Council and the Senate Subcommittee on Housing. In response to the trumpeting of the timber and homebuilding industries, CLC and the Senate Subcommittee appear to be limiting their probes to the issue of soaring lumber prices. The other major sources of the steady rise in new home prices are receiving little or no consideration. The average consumer could care less about lumber shortages; what he is concerned about is the scarcity of reasonably priced new homes. If the present official inquiries are to cope with *his* problem, they must be expanded to encompass all aspects of the housing crisis—not just rising lumber prices.

The loggers and lumber dealers have long argued that the principal cause of new home inflation is the upward spiral of lumber prices. To permit this spiral to continue, they claim, is to sabotage the present boom in home construction. Higher lumber prices mean higher construction costs, which in turn mean higher price tages on new homes, fewer home buyers, and before long a disastrous reduction in housing starts. The solution, they say, is merely to augment the supply of raw timber, thus forcing down the price of lumber and, with it, the price of new homes.

But the economics of new housing are not that simple. The price of a new home varies chiefly with the cost of construction labor, land, and financing—not lumber. According to government statistics, lumber accounts for only 17 per-

cent of the construction cost, and only 9 percent of the fully financed cost, of the average single family dwelling. It makes up an even smaller percentage of the cost of most multi-family dwellings. Consequently, without accompanying restraints on the other important cost factors, measures to dampen lumber inflation can do little to hold down the price of new homes. As Eugene A. Gulledge, Assistant Secretary of Housing and Urban Development, pointed out at hearings before the Senate Subcommittee on Public Lands in June 1971, "factors other than lumber may very well have a greater inflationary impact on housing costs." In particular, he cited construction industry wages and the prices of land and financing, both of which "have been increasing more rapidly than prices of most other goods and services."

In fashioning a remedy to the housing problem, Congress and the Cost of Living Council should take into account these non-lumber factors. Perhaps controls should be imposed on wages, prices, and profits in the construction industry, and on interest rates and land prices as well. Perhaps the federal government should further subsidize home building and purchasing. Whatever the action taken, it should be as comprehensive as the problem itself—and not limited to halting lumber inflation.

WOOD SUPPLY IN THE SHORT RUN

To the extent that stabilized lumber prices can inhibit housing inflation, Congress and the Cost of Living Council should impose wage, price, and profit controls on the logging and lumber retail industries. They should also take steps to discourage the export, and encourage the import, of logs.

Any increase in the timber yield of the National Forests, however, should come only after the most careful consideration of its potential impacts on the environment and on non-timber forest uses. And no increase should be allowed without additional Forest Service funding sufficient to cover the cost of preventing and mitigating these adverse impacts. Increases beyond the designated increment to the planned 1973 harvest should be obtained from, and limited to, the 25 billion board feet of uncut timber already sold to logging companies. In particular, the Administration should resist the demand of some timber industry officials that annual sales of National Forest timber be increased to the 13.7 billion board foot level of "allowable cut" (about 10 billion board feet were actually sold in 1972). The accuracy of this figure—supposedly the amount of timber which can be harvested each year in perpetuity without diminishing the productivity of the forests—has been called into question repeatedly, and the Forest Service is in the process of revising it. Harvesting the entire "allowable cut" now would only multiply and aggravate the many existing conflicts between timber production and the other uses of the National Forests—such as recreation and watershed—provided for by statute.

WOOD SUPPLY IN THE LONG RUN

The long-term nature of tree growing suggests the need for a longer-range consideration of lumber supply problems than either the Senate Subcommittee or the Cost of Living Council apparently contemplates. Historically, America's private forest lands have supplied the bulk of its timber needs. But 200 years of "cutting and running" by the timber industry has severely depleted the once vast reservoir of private timber. A 1969 Forest Service study, for instance showed that continued cutting at current rates on the private old-growth forests of western Oregon and Washington and northern California "would lead to a 65 percent reduction in annual private harvests within 30 years." The result of the industry's shortsightedness is today's lumber supply crisis.

Eager to keep its mills operating, with the supply of private timber dwindling, the timber industry has been pressing for greatly increased timber cutting in the National Forests. But, despite their large inventory of standing sawtimber, the National Forests cannot assume from the private forest lands the burden of supplying the country with timber. Comprising mostly upland areas with inferior soils and climates, their productive capacity does not approach that of the 365 million acres of private timberland. More importantly, the statutory requirement that the National Forests be managed for "multiple use" and in accordance with the National Environmental Policy Act *prevents* their conversion into "tree farms." The Forest Service itself reached this conclusion in the recent draft report of its 1970 Timber Review.

The solution, then, to the continuing lumber price spiral would seem to be to expand as quickly as possible, by reforestation and other forestry measures, the

timber yield of the millions of acres of productive forest land in private ownership. The last session of Congress considered legislation to offer financial incentives to small private owners to improve the management of their timberlands. The feasibility of federal purchase and management of some of the more productive private lands also deserves study. Actions which could yield results sooner include governmental efforts to achieve fuller utilization of timber now being harvested, more recycling of paper and other wood products, and a more favorable ratio of wood imports to exports.

In the decades before private timberland production once again assumes major proportions, the timber industry would like to see the liquidation of the National Forests' reserves of big timber. Only this drastic action, it argues, can keep Americans supplied with cheap new homes. Besides, it says, the forests are "renewable."

This logic has an appealing simplicity, but only because it sidesteps the main issue which Congress and the Cost of Living Council must grapple. The public clearly has an interest both in maintaining an adequate supply of reasonably priced housing and in conserving the unique treasures of the National Forests for wilderness, recreation, wildlife habitat, watershed, and range, as well as timber production.

These interests are by no means irreconcilable. But the latter interest will be sacrificed if the method used to realize the former is a major acceleration of National Forest timber cutting. Many of the over 50 million acres of National Forests containing valuable old-growth timber are also the most scenic. They abound with majestic pines, redwoods, and Douglas-firs—yards in diameter, hundreds of feet tall, and hundreds of years old. Beneath them flourish ancient, intricate ecosystems of plants and animals. The trees themselves are generally "renewable." The forests as a whole are not. Even assuming that they are in fact replanted and regrown, these forests, once cut down, will be lost to generations. And the loss will be not merely aesthetic, recreational, or ecological; it will also be economic. The nation will be deprived of its last substantial reserves of softwood timber—reserves which it took nature centuries to accumulate and which it would take man almost as long to replace.

The public's interest in maintaining an adequate, reasonably priced housing supply, however, can be achieved without leveling the old-growth National Forests. All that is required is vigorous governmental control of rising land, financing, and construction costs, and the rationalizing of the present subsidization of new home purchasing.

The federal government already subsidizes the purchase of new homes indirectly through National Forest timber operations. Because of their relatively low productivity, the harvesting, regrowth, and second harvesting of many National Forest lands now under timber management entail dollar costs far exceeding returns. When the costs (not always measurable) of avoiding and mitigating damage to the environment and to opportunities for non-timber use are figured in, the excess of costs over benefits applies to most, if not all, National Forest lands under timber management. Under such circumstances, managing these lands for timber production keeps nationwide lumber prices artificially low at the expense of the taxpayer and the the forest environment. Moreover, most of this subsidy ends up in the pockets of logging companies, lumber dealers, and home builders. Very little, in the light of the small proportion of home construction costs attributable to lumber, trickles down to the home buyer.

The American public, through its elected representatives, may well deem it to be in the national interest to subsidize the purchase of new homes. If so, the subsidy should come not out of the uneconomic, environmentally destructive logging of the National Forests, but out of general federal revenues—collected by income tax from those best able to pay. And the subsidy should go directly to those home *buyers* who need financial assistance.

In conclusion, the Senate Subcommittee and the Cost of Living Council should conduct their inquiries with the recognition that rising lumber prices, although a contributing factor, are not the principal cause of rising new home prices. If measures are taken to ease lumber shortages, they should be tailored to meet the precise need identified, with a thorough consideration of their potential economic, social, and environmental impacts. Moreover, any short-term action should be accompanied by a detailed study of long range national wood needs and of private and public strategies—which recognize the far-reaching social, economic, and environmental constraints on timber production—capable of meeting them.

CHAIRMAN, NEWPORT, OREG., *April 15, 1973.*
Committee on Banking, Housing and Urban Affairs,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN: I urge your committee to give strong support to Senate Bill 1033 regarding lumber exports.

We should sell our natural resources only if there is a surplus (not needed in the country at reasonable prices). We need a national inventory of any resource that is going to be sold to other countries to be sure we have adequate supplies for the future before selling to the highest bidder. Please enter this in your hearing records.

Sincerely,

H. R. LUTZ.

SOUTHERN LUMBER EXPORTERS ASSOCIATION, INC.,
Mobile, Ala., March 19, 1973.

Senator JOHN J. SPARKMAN,
Chairman, Senate Subcommittee on Housing and Urban Affairs, New Senate Building, Washington, D.C.

DEAR SENATOR SPARKMAN: On March 17, 1973 the Southern Lumber Exporters Association, Inc. sent you a telegram, copy of which is attached. The telegram, and this letter are in connection with the scheduled Hearing of the Senate Subcommittee on Housing and Urban Affairs to be held March 26th and 27th relating to the National Home Builders Association's proposed ban on the export of logs and lumber. The statistical information referred to in the telegram is herewith enclosed.

The Southern Lumber Exporters Association, Inc. represents the fifteen exporters listed on this letterhead. The member companies engage in the export of Southern forest products from the Gulf and Atlantic Coasts to principal markets in Scandinavia, Northern Europe, the Mediterranean, Spain, and the Caribbean Islands. The Association represents the principal exporting companies for the Southern Pine producing region which extends from Texas to Virginia.

Our presentation deals solely with the impact of export of Southern Pine logs and lumber as it affects the building industry in the United States.

At the presnt time, or in the past ten to fifteen years, there has been little or no exportation of Southern Pine logs; and therefore would have no influence on the available supply of material for the domestic market. It is unlikely at this time that there will be any future demand for exported Southern Pine logs unless some method is developed which will prevent blue stain from developing in logs shipped in a green or unseasoned state. Blue stain permanently discolors the log, preventing its use for the purposes intended.

The impact of export materials on the available supply of domestic lumber is shown in Enclosure (1), Table 1 (Production) and, Enclosure (2), Table 3 (EXPORT)—Source: National Forest Products Association.

Year	Production (million board feet)	Export (million board feet)	Percentage
1965	6,628	100.5	1.52
1966	6,609	99.2	1.50
1967	6,511	87.4	1.34
1968	6,901	90.5	1.31
1969	7,243	75.9	1.05
1970	7,295	78.4	1.07
1971	8,432	65.0	.77
1st quarter of 1972	2,203	14.5	.66

Source: From the preceding comparison of production to exports from 1965 through the 1st quarter of 1972, it is evident that exports have not exceeded 1.52 percent of production.

The majority of export grades of Southern Pine differ from domestic grades contained in the 1970 Standard Grading Rules for Southern Pine Lumber published by the Southern Pine Inspection Bureau. For the most part, export grades are established between the individual buyer and seller, and are generally high grades representing a negligible percentage of production. For example, 82% of production of Southern Forest Products Association member mills is in common dimension lumber—2 inch nominal thickness, No. 1, No. 2 and No. 3 grades. Mist export grades are comparable to the domestic finish grades of "D" and Better, and account for a small percentage of the domestic market. According to the Southern Forest Products Association Special Marketing Committee Survey

No. 6, June, 1972, Page 10 (Enclosure 3) shows that only 5% of the total production reported falls into the grades of "D" and Better.

The attached graph (Enclosure 4) visually dramatizes the small percentage of Southern Pine lumber exported as compared to the total production of Southern Pine lumber during the years 1960 through 1971. Please note the necessity of graphing export shipments in millions of board feet and production in billions of board feet to reduce the graph to a usable size.

In summary, we believe that the exportation of Southern Pine logs and lumber is not a significant factor to the available domestic supply of lumber. As previously stated, no Southern Pine logs are being exported at the present time, and due to the inherent characteristics of unseasoned Southern Pine, future exportation is unlikely. The amount of Southern Pine forest products being exported is negligible, and has little or no effect on the availability of lumber to the domestic market. Those grades which make up export products account for a very small percentage of the total Southern Pine production, and have limited demand in the United States. Also, certain export grades permit the producer to realize maximum utilization of our natural resources by manufacturing the log into its highest end use. While the total quantity of Southern Pine exported is negligible compared to production and domestic sales, it does for the most part, return a large dollar volume. This lumber is primarily exported to European countries and does contribute to the U.S. balance of payments.

Respectfully submitted,

JOHN B. FLYNN,
Secretary-Treasurer.

RESOLUTION

Whereas, the members of the Birmingham Association of Homebuilders are seriously concerned over their ability to furnish quality housing for members of the public in the Birmingham metropolitan area because of the astonishing increase in the cost of lumber and wood products to builders, and

Whereas, this situation shows every indication of causing a critical situation which would deprive members of the public of desperately needed housing at a reasonable cost, and

Whereas, we are informed and do believe that one of the reasons for the crisis now existing is the serious shortage of lumber and wood products occasioned by the apparently uncontrolled export of logs, lumber and other wood products to Japan and other foreign countries, and

Whereas, we are informed of what appears highly irregular handling of the sale of logs from Federal forests, and

Whereas, we are deeply concerned over practices involved in the production, marketing, and distribution of lumber which cause unnecessary and often intolerable shortages, in addition to higher prices.

Now, therefore, be it hereby resolved by the members of the Birmingham Association of Homebuilders that we do hereby petition the Congress of the United States to immediately launch a full-scale investigation into the exporting of logs, lumber, and wood products and respectfully request that the Congress of the United States implement legislation to impress an embargo on logs, lumber, and wood products until such time as adequate supplies at reasonable prices are available to domestic users.

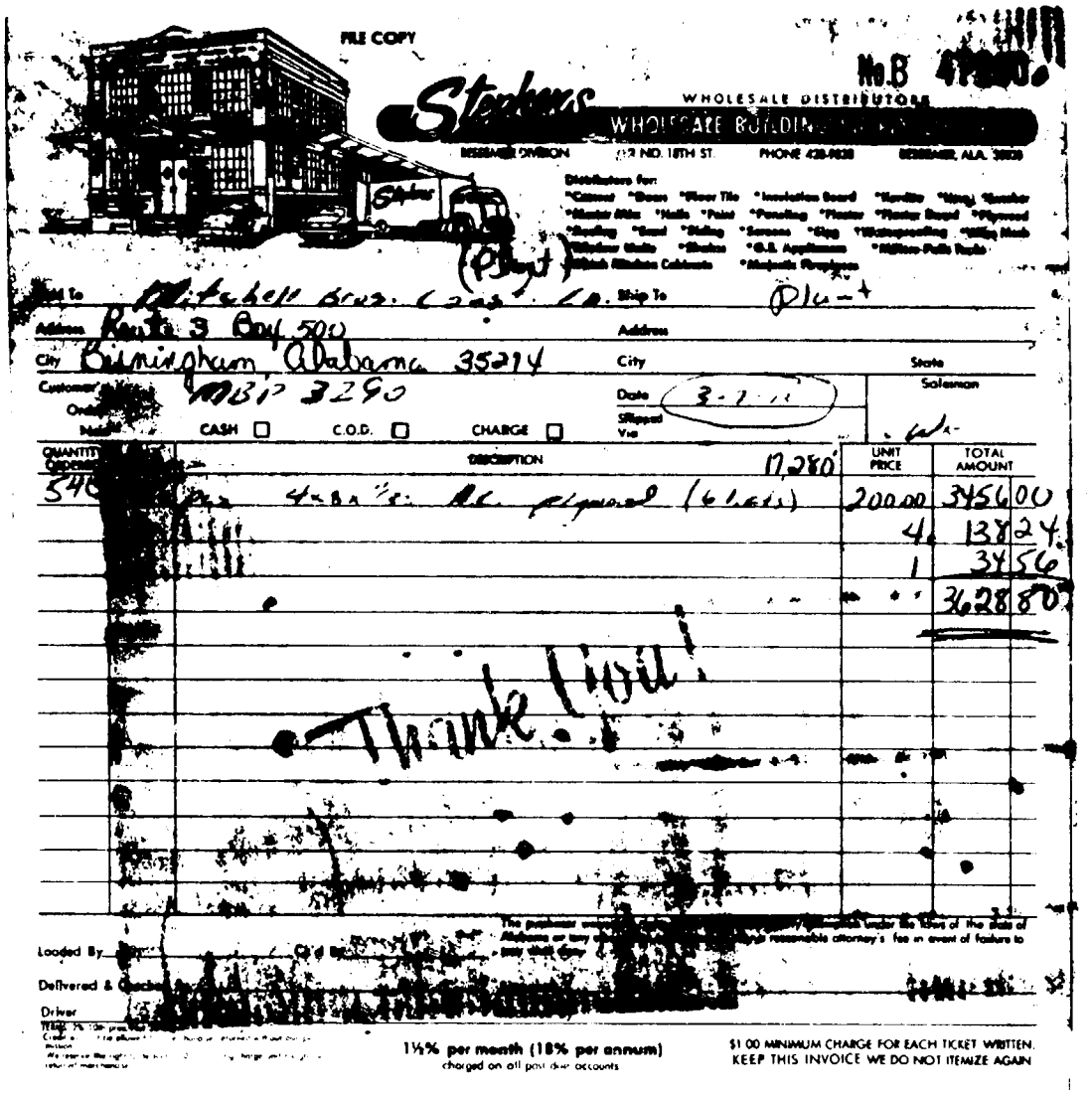
Be it further resolved by the members of the Birmingham Association of Homebuilders that we respectfully petition the Congress of the United States to also immediately begin a full-scale investigation into the system of sales of logs from Federal sources, including pricing and distribution to the ultimate consumer.

Be it further resolved that the members of the Birmingham Association of Homebuilders do hereby respectfully offer their full and complete co-operation in the furtherance of this Resolution to the Congress of the United States or any of its committees or subcommittees.

Be it finally resolved that the officers and directors of the Birmingham Association of Home builders are authorized and instructed to transmit copies of this Resolution to the appropriate members of the United States Congress, including Honorable John Sparkman, Honorable James Allen, Senators from the State of Alabama, and to the Honorable John Buchanan, Member of Congress from the Sixth Congressional District of the State of Alabama.

This Resolution adopted unanimously by the membership of the Birmingham Association of Homebuilders on this 14th day of March, 1973.

WILLIAM H. TRIMM,
President.



FILE COPY

No. B 47[illegible]

Stephens

WHOLESALE DISTRIBUTORS

WHOLESALE BUILDING [illegible]

BESSEMER DIVISION [illegible] 2 NO. 18TH ST. PHONE 428-[illegible] BESSEMER, ALA. 35020

Distributors for:
*Cabinet *Doors *Floor Tile *Insulation Board *Kerrite *Vinyl *Leather
*Master Mike *Nails *Paint *Panelling *Plaster *Plaster Board *Plywood
*Roofing *Sand *Siding *Screens *Stag *Waterproofing *Wire Mesh
*Window Shade *Shutter *G.E. Appliances *Million-Pulls Racks
*Mirrors Kitchen Cabinets *Majestic Fireplaces

(Plant)

Sold To: Mitchell Bros. Const. Co. Ship To: Plant

Address: Route 3 Box 500 Address:

City: Birmingham Alabama 35214 City: State:

Customer's Order No.: MBP 3290 Date: 3-7-[illegible] Salesman:

Shipped Via:

Terms: CASH ☐ C.O.D. ☐ CHARGE ☐

QUANTITY Ordered	Shipped	DESCRIPTION	UNIT PRICE	TOTAL AMOUNT
540		17,280' 4×8×1/2" AC plywood (6 lots)	200.00	3456.00
			4.	138.24
			1	34.56
				3628.80

Thank You!

Loaded By: Checked By:

Delivered & Checked:

Driver:

The purchaser [illegible] under the laws of the state of Alabama or any [illegible] reasonable attorney's fee in event of failure to [illegible]

1½% per month (18% per annum) charged on all past due accounts

$1.00 MINIMUM CHARGE FOR EACH TICKET WRITTEN. KEEP THIS INVOICE WE DO NOT ITEMIZE AGAIN

QUOTATION

Stephens WHOLESALE DISTRIBUTORS
BUILDING SUPPLY COMPANY

BESSEMER DIVISION: #2 NORTH 18TH STREET BESSEMER, ALABAMA PHONE: 428-9837
MAIN OFFICE: 4709 - 1ST AVE., NO. BIRMINGHAM, ALA. 35222 PHONES 595-5411-2-3-4-5

Distributors for:
*Cement *Doors *Floor Tile *Insulation Board
*Kordite *Lime *Lumber *Mortar Mix *Nails * Paint
*Paneling *Plaster *Plaster Board *Plywood
*Roofing *Sand *Siding *Screens *Slag
*Waterproofing *Wire *Window Units
*Shakes *General Electric Appliances

SHIP IN ABOUT ____ DAYS
DATE: 3-16-73
JOB:
TERMS: ____ F.O.B. Plant

TO Mitchell Bros. Const. Co.
ADDRESS
Gentlemen:

In reply to your inquiry we are pleased to quote on furnishing the following:

QUANTITY	DESCRIPTION	UNIT	TOTAL
6	units 4x8x 3/8 A.C. plywood @ 90 per unit 17,280'	359.40	6210.43
	tax		310.52
	Total		6520.95
6	units 4x8x 11/32 A.C. plywood @ 100 per unit 17,280	335.00	5788.80
	tax		289.44
	total		6078.24
	6078.24		
	3628.80		
	$ 2,449.44 Increase on 540 pieces		

We thank you for this inquiry and will appreciate the opportunity of serving you.

STEPHENS BUILDING SUPPLY COMPANY

by William H. Clark

WASHINGTON STATE SCHOOL DIRECTORS' ASSOCIATION,
Olympia, Wash., March 17, 1973.

Please wire the following night letter to:

Senator JOHN SPARKMAN,
Chairman, Housing and Urban Affairs Sub-Committee, of the Senate Committee on Banking, Housing and Urban Affairs, Senate Office Building, Washington, D.C.

We respectfully request that you arrange for the following to be read to your committee at its hearings on March 26 and 27, 1973:

WHEREAS, The Washington State School Directors' Association is concerned with continuing to receive revenues from school lands for the financing of school construction, and

WHEREAS, The major source of financing for building schools in the State of Washington derives from the sale of logs from school lands, and

WHEREAS, the sale of those logs at public auction to the highest bidder in a free and open market results in maximum revenue, and

WHEREAS, Senate bill 1033 in the Congress of the United States referred to as the "Timber Export Administration Act" would, by forbidding the export of logs from state lands, greatly reduce this revenue by restricting sales to local buyers, and

WHEREAS, the proposed legislation would also create extensive unemployment and hardship in log-oriented communities as well as substantial major capitalization losses on port facilities and log equipment,

NOW, THEREFORE, BE IT RESOLVED, by the Executive Committee of The Washington State School Directors' Association that it opposes passage of Senate Bill 1033.

LLOYD E. COOLEY, JR.
President.

STATEMENT ON BEHALF OF POTLATCH FORESTS, INC., PRESENTED BY JOHN RICHARDS, VICE PRESIDENT, WOOD PRODUCTS

We are grateful for the opportunity to offer testimony on the problems of supply and prices facing the lumber and plywood industry in its efforts to meet the requirements of the U.S. housing industry.

This testimony is being made on behalf of Potlatch Forests, Inc., a diversified forest products company with headquarters in San Francisco, California. Potlatch owns in fee 1,293,000 acres of forestlands in Arkansas, Idaho, and Minnesota. Potlatch manufactures lumber, plywood, wood pulp, paper, paperboard, packaging and tissue products.

We, too, are deeply troubled by the extremely high prices of lumber and plywood. As the members of this Committee know well, lumber and plywood are commodity products. Prices are established in a marketplace of 20,000 distribution firms serving many more thousands of buyers and users on the basis of supply and demand. Our problems today arise from an unprecedented demand for lumber and plywood coupled with a disastrous restriction in the availability of public timber because of a lack of adequate funding of the Forest Service and environmental programs which place heavier people and cost demands upon the Service. Although Potlatch owns 1.3 million acres, it must purchase large quantities of its timber supply from other commercial forestlands—both private and public—to provide lumber and plywood for the U.S. housing and building industry.

Our greatest restriction in timber supply from outside sources is in Idaho where most lumber and plywood manufacturers are heavily dependent upon the U.S. Forest Service as a source of timber. The federal government owns 63 percent of the land in Idaho. And 70 percent of the commercial forest land is administered by the U.S. Forest Service. In Idaho, Potlatch depends upon outside sources for about one-half of its supply of logs, the vast majority coming from Forest Service lands.

To demonstrate the severity of our timber supply crisis, we can look at the shocking drop in timber sales from Region I of the Forest Service and some of the National Forests it manages in northern Idaho.

In fiscal year 1972, Region I had an established annual allowable cut (the

volume of timber that can be harvested each year in perpetuity) of 1,675,000,000 board feet. That same year they sold only 999,000,000 board feet—not quite 60 percent of the allowable figure. Potlatch and other mill operators in northern Idaho began to feel the squeeze in 1971, when sales on national forests began to drop beneath the allowable cut. Let us cite two examples:

On the Clearwater National Forest the allowable cut is 212 million board feet. In fiscal 1971, sales dropped to 108 million board feet; 106 million board feet in 1972; and in the first half of 1973 only 52 million board feet were sold.

On the St. Joe National Forest the allowable cut is 99 million board feet. In fiscal year 1971, sales dropped to 74 million feet; in 1972 to 65 million; and in the first half of fiscal year 1973 this national forest has sold only 5 million board feet of timber from its allowable cut of 99 million board feet. (See Appendix A)

Declining timber sales can be attributed to two primary reasons. Added rules and regulations resulting from the National Environmental Policy Act require more personnel to prepare a timber sale. Added considerations must be given to soil, water, and aesthetic values which require multi-disciplinary teams.

This need for more personnel is greatly complicated by the reduction in funds being allocated to Forest Services. At the very time when more money and personnel are required to meet current needs, reductions are implemented instead.

Even if Forest Service timber sales were increased immediately, this would not solve the lumber and plywood supply problem in the near future.

It must be noted that most timber now purchased from the Forest Service cannot be harvested immediately. Delays of two years or more are not uncommon. Roads have to be engineered and constructed. Environmental considerations are causing additional delays in preparation of harvesting activities such as the requirement of total disposal of road right of way materials before timber harvesting can begin. These mean added delays—added costs.

Declining Forest Service timber sales, shrinking volumes of timber under contract, and stringent environmental requirements have prevented the forest products industry from fully responding to the current high demand for plywood and lumber products. Surges in demand for such products, traditionally associated with increased housing starts, have been met with corresponding increases in production. For example, increased demand and related higher prices for these building products in 1965 and 1968 were followed by increased production and the return to normal levels of supply and prices in 1966 and 1969.

Lumber and plywood producers were able to meet this increased demand by adding shifts at their plants, working longer hours, and operating on weekends. A good supply of timber under contract made these practices possible.

It is an anomaly today that forest products companies must close mills during a period of high market demand. But due to timber shortages, six sawmills were closed during the last 18 months. Soon Potlatch will have to lay off more than half the work force at another mill.

Other mills have continued to operate at or near capacity levels to respond to current market demands with the consequent reduction in supplies of timber under contract. Because of increasing delays and limitations on timber harvesting activities, effective supplies of timber under contract are even less than published figures.

The current increased demand and related high prices for lumber and plywood is only partially being met by the industry because of inadequate timber availability. Some increased production of these products has been possible by increasing timber harvest rates on state and private lands and by digging into supplies of timber under contract where not limited by environmental restrictions. These are only partial and short-term propositions and are obviously not adequate to meet the Nation's increasing demands for housing materials.

In summary, the timber availability problem in north Idaho has become critical because of declining sales of timber from U.S. Forest Service lands. The federal government is the major timber owner in this region and as such has a major responsibility of supplying its share of timber for processing. More than 50 percent of the log supply in this area traditionally comes from this source.

The long-term solution to the lumber and plywood supply and price problem involves adequate funding for the Forest Service. Funding is needed now to procure the manpower needed to prepare timber sales up to the point of the allowable cut. Funding is needed now to intensify forest management practices that will increase the growth of timber and boost the allowable cut.

A balanced ration between supply and demand for lumber and plywood cannot

be attained until the federal government meets its responsibility of offering its share of timber for processing. As this happens a greater stability of prices will occur to the benefit of all concerned with lumber and plywood-producers, distributors, buyers and users.

NATIONAL ASSOCIATION OF FURNITURE MANUFACTURERS, INC.,

Chicago, Ill., April 5, 1973.

Senator JOHN SPARKMAN,
Chairman, Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: The lumber short supply and price problem is *not* merely a softwoods problem. It applies with equal force to hardwoods and hence it affects the furniture manufacturing industry.

For this reason, the National Association of Furniture Manufacturers supports the objectives of S. 1033, which would limit the exports of timber from the United States.

Our members during the past year have been experiencing extraordinary increases in the prices of the various types of lumber they require for furniture manufacturing. We believe that one cause, though not the sole one, is the unrestricted export of logs and lumber during a period of high demand and short supply for domestic needs.

The solution to the entire supply/demand situation requires action in three areas; (1) Increasing supplies, (2) Controls on prices during the period of extreme tightness of supply, and (3) Restriction of exports.

To help you see how the lumber cost situation on hardwoods is getting out of hand for furniture manufacturers, we attach a compilation of random sampling of members of NAFM indicating the cost changes they have been experiencing.

The tremendous percentage increase in hardwood lumber prices going as high as 57%, and the shortage of supply, has created a very serious problem for all manufacturers in our industry. If allowed to continue, it will have a drastic effect on both the price and availability of our products to consumers.

Critics of the recommendation for an embargo on logs fail to turn the domino over and see that the price and shortage problem is forcing the furniture manufacturing industry to seek foreign sources as a lumber supply and this could have an adverse effect on our balance of payment problem.

It is significant to note, however, that last fall the West African and Malaysian countries placed embargoes on log exports and this left Indonesia as the only country with an ample hardwood log supply. The surge of demand from free-world log buyers forced Indonesian lumber prices from $22. to $60. per cubic meter during the 60-day December '72/January '73 period.

All lumber suppliers are telling our members that prices will be even higher on their next purchases. These escalating lumber costs and the unstable price situation are causing furniture manufacturers great difficulty in pricing their products while staying within Cost of Living Council Guidelines on actual and anticipated raw material costs.

We wold like to emphasize again that we believe there is no single answer to the lumber supply and price problem. After the situation is studied by a technical advisory committee, export restrictions may be recommended, and if they are, we would favor such restrictions being imposed. We also believe that for the short term action on pricing is needed from the Cost of Living Council. The Council appears to be moving in this direction in line with its announced intention to reimpose mandatory controls when an exceptional inflationary situation develops which requires mandatory controls.

Further, we believe that the Federal Government should take the needed action through the Forest Service to improve their lumber yield and to increase the lumber supply from Federally-owned forests, as both a short term and longer term solution to the supply problem, so that the need for export restrictions would only have to be a temporary expedient.

The National Association of Furniture Manufacturers is an organization of approximately 350 manufacturing firms located throughout the country. Our Association was established in 1929. Currently, household furniture sales are running at an annual rate of over $10 billion, which indicates the extent to which a runaway hardwood lumber price situation adversely affects consumers in a significant section of the economy.

We would appreciate this statement being made part of the record of your Washington hearings on S. 1033. We would also like to receive a copy of the printed hearing record when it is published.

Sincerely

JOHN M. SNOW,
Executive Vice President.

APPENDIX, MARCH 1973

NATIONAL ASSOCIATION OF FURNITURE MANUFACTURERS

Data submitted by NAFM members showing actual and percentage increases in costs from March 1, 1972 to March 1, 1973 for lumber used in furniture manufacturing:

ARKANSAS

	March 1972	September 1972	January 1973	March 1973	Percent increase
Ash:					
4/4	$212	211		265	25.0
5/4	235	235		275	17.0
6/4	251	246	261	323	28.7
8/4	275	260	319	327	18.9
10/4	294	294		309	5.1
12/4	293			321	9.55
Banak wood No. 1:					
4/4		235	235	253	7.6
5/4		245		263	7.3
6/4		255	255	274	7.4
Gum:					
4/4	156	168	173	190	21.8
5/4	168	171	184	187	11.3
6/4	178	176		218	22.6
Maple:					
4/4	191	188	197	214	12.0
6/4	215	215	210	226	5.1
10/4	240	240		256	6.7
Mixed hardwoods: 4/4	88	98	123	122	38.6
Oak:					
4/4	151	187	205	221	46.0
5/4	168	204	209	216	28.5
Lauan, drawer stock from Taiwan: 7/16	200	184		[1] 320	60.0

	June 1, 1972	October 1, 1972	January 1, 1973	March 15, 1973	Percent increase
Prices paid for 4/4 oak[2] during past year:[3]					
Firsts and seconds	$190	$200	$240	$270	42.1
1C	135	155	175	190	40.7
2C	80	90	105	120	50.0
3A	70	80	95	110	57.1

[1] Cannot be obtained even at this quotation.
[2] Cost of oak up over 57 percent from June 1, 1972.
[3] Other thicknesses and species have increased in price as much or more.

ILLINOIS

	March 1972	September 1972	January 1973	March 1973	Percent increase
1⅝ fir	$194	206	217	217	11.9
Pine, common	125	135	135	145	16.0
¾ pine, common	104	140	153	210	154.0

	Mar. 1, 1972	Sept. 1, 1972	Jan. 1, 1973	Mar. 1, 1973	Percent increase
Soft maple 4/4 per 1,000 board feet:[1]					
Firsts and seconds	$250	$250	$260	$260	
Select	230	230	250	250	
No. 1 common	190	190	200	200	

[1] Suppliers indicate another price increase on next purchase

94-218 O - 73 - 40

INDIANA

	March 1972	September 1972	January 1973	March 1973	Percent increase
Hard maple:					
4/4	$250	$275	$297	$303	21.2
5/4	283	284	297	303	8.5
6/4	274	325	347	334	21.9
8/4	310	323	331	359	15.8
Hard maple squares:					
2 by 2 by 19	471	526	551	642	36.3
2 by 2 by 26	475	549	535	650	36.8
2½ by 2½ by 31	591	683	749	791	33.8
3 by 3 by 31	707	758	860	884	25.0
3 by 3 by 46	765	852	.....	1,046	36.7

Note: These are average prices of lumber received, including some kiln dried.

KENTUCKY [1]

	[2] 2C	[3] 3A
Oak 2A and 3A, green:		
July 1, 1972	$105	$95
Oct. 1, 1972	115	105
Jan. 1, 1973	120	110
Mar. 1, 1973	125	115

[1] Quality is poorer, with minor shortages in measurement and differences in grade. Some mills are now cutting much thinner lumber. These are subtleties which are particularly important if the government should insist on price ceilings. Also, we used to buy considerable amounts of air-dried lumber at these prices, today everything is green, and the shrinkage is, of course, a big factor in net cost.
[2] Up 19.4 percent from July 1, 1972.
[3] Up 21 percent from July 1, 1972.

LOUISIANA [1]

	Percent increase		
	Apr. 4	May 4	Oct. 4
Elm	61.9	41.8	16.9
Frame	60.0	.....	.....
Oak	63.0	.....	.....

[1] Cost increase up as high as 63 percent from February 1972 to February 1973.

	March 1972	June 1972	September 1972	January 1973	February 1973	March 1973	Percent increase
4/4 oak No. 2 common	$91	$96	$103	$109	$120	$125	37.3
4/4 beech No. 2 common	92	.....	.....	102	110	115	24.9
4/4 pecan No. 2 common	.....	(12/72)	86	89	92	96	11.6
5/4 oak No. 2 common	91	97	102	109	120	125	37.3
5/4 pecan No. 2 common	.....	(12/72)	86	89	92	96	11.6
4/4 ash No. 1 common	220	.....	225	235	274	252	14.5
8/4 ash No. 2 common	116	119	119	119	124	125	5.9
8/4 gum No. 2 common	100	102	.....	102	110	115	15 5

MASSACHUSETTS

	March 1972	September 1972	January 1973	March 1973	Percent increase
Maple	$280	$300	$310	$340	21.4
Pine	110	135	155	170	54.0

MICHIGAN [1]

	Percent increase	
	Apr.	May
Elm	14.3	32.1
Frame	44.3	11.3
Oak	19.8	57.6

[1] Cost increase as high as 57.6 percent from February 1972 to February 1973.

Note: Using January 1972 as base, our cost up 46 percent as of March 1973, 27 percent as of January 1973, up 19 percent as of September 1973.

MISSISSIPPI

	March 1972	September 1972	January 1973	March March 1973	Percent increase
Gum No. 1 common:					
4/4	$153	$152	$183	$198	29.4
5/4	165	176		219	32.7
6/4	199	186		261	31.1
Gum, No. 2 common: 4/4	79	92	112	124	56.9
Red oak, No. 1 common:					
4/4	184	214	206	252	36.9
5/4	234	258	242	299	27.7
6/4	244	267	274	(1)	13.0
Red oak, No. 2 common:					
4/4		102	100	147	44.1
5/4		97	134		38.0
6/4			111	140	27.0
Ash:					
4/4	251	252	264	314	29.0
5/4	267	266	298	299	11.9
Locust, No. 1 common and better: 4/4	110	116	126	159	47.2
Face veneer:					
Pecan		120	120	130	8.3
Walnut		158	158	170	7.5
Maple		170	170	185	8.8
Gum faces		31	31	34	9.6

[1] Not available.

OHIO

	Mar. 1, 1972	Mar. 1, 1973	Percent increase
Poplar	$127	$172	35.2
Gum (14 various species)	229	265	14.8
Soft maple	231	263	13.2
Oak	228	280	19.3

Note: Percentages are exact. Dollars are averages for varieties of thicknesses ordered.

[All KD–No. 1 common or better]

	4/4 hard maple	6/4 soft maple	8/4 soft maple
Jan. 1, 1972	$368	$473	$512
June 1, 1972	429		
Jan. 1, 1973	510	475	514
Current	[1] 575	500	520
	4/4 poplar	**6/4 poplar**	**9/16 oak**
Jan. 1, 1972	$260	$351	$460
June 1, 1972	285	394	475
Jan. 1, 1973	327	423	528
Current	[2] 390	[3] 535	[4] 600

[1] Up 34 percent from June 1, 1972, up 56.2 percent from Jan. 1, 1972.
[2] Up 36.8 percent from June 1, 1972, up 50 percent from Jan. 1, 1972.
[3] Up 35.8 percent from June 1, 1972, up 45.8 percent from Jan. 1, 1972.
[4] Up 26.3 percent from June 1, 1972, up 30.4 percent from Jan. 1, 1972.

OREGON

	March 1972	September 1972	January 1973	March 1973	Mar. 19, 1973	Percent increase
D better Fir, cut to size KD:						
2/4	$164	$173	$184	$197		20.1
2/6	184	193	205	220		19.5
2/8	264	278	317	340		28.7
Common pine, random length:						
1/4	114	119	119	187	205	79.8
1/6	114	118	118	182	200	75.4
1/8	118	120	122	182	200	69.4

PRICES INCREASED ON THE 3 PRIMARY SPECIES OF LUMBER THAT WE USE

	Period	Percent increase
25/16 by 25/16 random length turning squares	July 1972 to March 1973	6.4
Vertical grain hemlock	do	5.8
Virola (mahogany)	do	6.3

WISCONSIN

	1970	1971	1972 1st quarter	1972 2d quarter	1972 3d quarter	1972 4th quarter	1973 January	1973 February	Percent increase from 1st quarter 1972
Average cost for hard maple lumber delivered:									
4/4	$186	$195	$201	$206	$223	$216	$229	$234	16.4
5/4	187	208	214	221	225	233	238	246	15.0
6/4	220	233		219	248	258	260	272	24.2

	January/February 1973	Mar. 15, 1973
Prices on 4/4 hard maple orders placed:		
Firsts and seconds	$313	$320
Select	293	300
No. 1 common	217	230

Note: 4/4 hard maple has increased 8.3 percent in just the last quarter. 5/4 hard maple has gone up 5.6 percent in the last quarter. There is a continuing increase of approximately 6 percent on the No. 1 common which is the bulk of the lumber.

FURNITURE MANUFACTURERS ASSOCIATION OF CALIFORNIA,
Los Angeles, Calif., March 20, 1973.

Senator ALAN CRANSTON,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR CRANSTON: Our members are intensely aware of your concern over the present serious shortage of softwoods. Because of your awareness of the problems in softwoods, we hope to impress upon you that an identical situation exists with regard to hardwood logs and lumber, and to broaden your efforts to include all types of lumber products.

To that purpose, we enclose a statement (25 copies) for inclusion in the records of the hearings which you are holding on March 26–27, according to Mr. Lucien Haas of your Los Angeles office.

We are initiating a campaign by our member companies to inform the President of the need for an immediate embargo of lumber exports, as suggested during your press conference on February 15.

If there is any way in which this Association or its members can be of service to you in this effort, please be assured of your continuing desire to cooperate.

Cordially,

LEE HAHN,
Executive Vice President.

STATEMENT OF THE FURNITURE MANUFACTURERS ASSOCIATION OF CALIFORNIA

This statement is filed on behalf of the members of the Furniture Manufacturers Association of California, some three hundred and fifty furniture manufacturers and their suppliers, with over thirty thousand employees engaged in the production and distribution of home furnishings commodities. We believe, however, that it is relevant to the manufacturers of furniture throughout the United States.

The furniture manufacturing industry bears no exemption to the contemporary economic problems facing U.S. industry. However, it faces an additional problem which may be unique. Our industry finds it ever more difficult to secure raw materials; there is a scarcity of hardwood lumber used in the production of home furnishings which threatens the ability of this industry to continue. Accompanying and closely related to this acute shortage is a series of price increases varying from 15% to as high as 47% which will, if it continues unabated, eventually price most furniture out of the reach of a very large segment of the U.S. population. Under present conditions there is no stabilization of hardwood lumber prices anticipated in the foreseeable future, nor can there be a realistic reliance upon Phase 3 to control the runaway inflation which presently characterizes the U.S. lumber industry and which, in turn, forces furniture manufacturers to unwillingly participate in spiraling price increases.

Shortages result from heavy demand, from poorly conceived lumber harvesting and reforestation practices and from escalating and uncontrolled exports of U.S. hardwoods to foreign nations. Of these elements, we address ourselves to the export problem because an immediate and realistic solution exists. To provide background, it should be understood that there is presently an intensive effort being made by foreign nations, particularly Japan, to capture the world hardwood lumber market. Armed with exceptional financial resources (including government support) and fortified by the devaluation and instability of the dollar, these nations are able to outbid their U.S. competitors and to effectively freeze out the U.S. on a long-term basis in market after market *including domestic producers.* Not only is the U.S. furniture manufacturer effectively cut off from foreign sources which could supplement the present short domestic supply, but he now finds himself unable to effectively hold his own right in his own backyard. He must watch the raw materials he sorely needs being sent abroad at the same time that he is unable to secure sufficient hardwoods to maintain his production and satisfy the needs of the domestic home furnishings market. The irony of this situation is further compounded by the fact that a substantial portion of hardwood lumber exports are returned to the U.S. in the form of finished or semi-finished products which not only compete with U.S. producers but add further to the imbalance of payments.

As a result of this uncontrolled export policy, American furniture manufacturers are purchasing an ever-increasing quantity of hardwood lumber from Canada with a further detrimental effect upon the balance-of-payments situation which offsets to a considerable degree what advantages in this area may accrue from the unrestricted lumber trade with Japan.

Nor is the lumber shortage an isolated and self-contained economic situation. A raw material shortage sets off pervasive and far-reaching economic aftershocks which may affect this industry for years to come. When lumber is not available, production is curtailed, partial employment or unemployment results and markets are lost, perhaps forever. For California manufacturers, the problem is particularly acute since hardwood lumbers are not indigenous to this area and the reliance upon out-of-state sources is total.

Our members are accustomed to the interaction of the market as a controlling economic element and have grown and prospered because they have physically and philosophically supported supply-and-demand as the dominant factor in self-governing free enterprise. However, they have no defense against overpowering circumstances involving world trade, the devaluation of the dollar and our continuing balance of payments deficit. Their remedy must be to look to government to correct inequities for which national economic and trade policy must take a major share of the blame.

Therefore, we propose the following steps to alleviate the hardwood lumber shortage:

1. That an immediate embargo against exports of hardwood lumber and lumber products be imposed by the President under powers given to him by Section 3(2)(A) of the Export Administration Act of 1969.

2. That Congress adopt, both as policy and in specific legislation, the concept that at times of domestic shortage the export of raw materials be prohibited until domestic supplies are sufficient to meet U.S. needs.

3. That the Federal government take every step to permit responsible harvesting under proper controls of hardwoods on timber lands which are now restricted.

We urge the members of the Congress to impress upon the President the urgency of the need for an immediate embargo on hardwood exports and then, to act favorably and expeditiously to pass legislation which will regulate exports of raw materials on the basis that domestic needs receive first priority in times of shortage.

STATEMENT OF CLIFFORD B. O'HARA, CHAIRMAN, COMMITTEE ON FOREIGN COMMERCE, THE AMERICAN ASSOCIATION OF PORT AUTHORITIES

Mr. Chairman, members of the subcommittee. This statement is submitted for your consideration on behalf of the U.S. Corporate Members of the American Association of Port Authorities, including the 74 principal public port agencies concerned with the planning, development and operation of the facilities through which flows virtually all the ocean-borne foreign commerce of the nation.

With over half of the American people living in counties within 50 miles of coasts fringing the Atlantic, Pacific, Gulf of Mexico and Great Lakes, ports are major factors in the economic well-being of most of the nation's population centers. Specifically, as shown in a recent Association study of the economic impact of individual port-generated employment on the surrounding communities, some 1,138,000 persons residing in U.S. port hinterlands earn their livelihood *directly* from the handling, documentation, promotion and financing of foreign trade. The range of their jobs is endless—from longshoremen to ship pilots to foreign exchange dealers to marine insurance brokers and international bankers.

According to economists, every dollar of incremental income earned generates two dollars of additional income. Thus, activities attributable to international trade and waterborne transportation in U.S. port regions can be viewed as ultimately responsible for providing employment opportunities for at least 2,500,000 persons. On the basis of 2.5 dependents per job (the employee and 1.5 family members), a total of 6,253,000 port area residents throughout the United States—men, women, and children—ultimately rely upon the waterborne commerce of the nation for their livelihood.

Obviously, this port-generated employment income impact is directly related to the massive investment in facilities by American ports, which, by providing for the efficient and economical transfer of goods between ocean and inland carriers, help keep the cost of transportation down and thus directly contribute to the ability of U.S. products to compete in overseas markets. Since 1946, the U.S. ports have spent a grand total of $5 billion for the purpose of developing the facilities to accommodate U.S. ocean-borne exports and imports.

Clearly, the ports of the U.S. have a tremendous stake in the trade policies of this nation which would have an immediate effect on the utilization of these facilities and livelihoods of port area residents.

Consequently, the U.S. Corporate members of the American Association of Port Authorities have adopted a standing resolution favoring reciprocal international trade liberalization on a fair and equitable basis, and have endorsed negotiations and legislation which implement this goal. Trade restrictions, which curtail the level of international trade, represent a serious threat to the economic well-being of port regions where great many people depend on the movement of exports and imports for their jobs and income.

We recognize that in trying to solve two very serious problems—inflation and the foreign trade deficit—the United States may at times have to choose among inherently conflicting courses of action. To improve the trade account, the government naturally will want to make a maximum effort to expand and not restrain the flow of exports. To halt the price spiral, the government logically would want to build up domestic supplies of scarce materials. Attempts to attain both objectives simultaneously can bring the means to these ends in conflict with each other.

We agree as consumers that the Government should give high priority to containing price inflation, particularly with respect to food and shelter—the most basic human needs. And further, we would be prepared to concede that con-

trolling the cost of living might be given a higher priority than correcting our international accounts. But we would concede this *only* if it were clearly demonstrable that the tools proposed to control price inflation were realistic.

Now with respect to the issue of logs, we strongly reject the proposition that an embargo on exports as proposed in S. 1033 would have the purported impact of reducing housing costs. Indeed, we are of the opinion that such an embargo could have the opposite effect—namely, cause lumber prices to rise with concomitant higher homebuilding costs—and simultaneously generate increased unemployment in the Pacific Northwest where joblessness already is greater than in many other parts of the nation.

The price of lumber appears traditionally to bear little relationship to log prices; rather, it seems dictated by supply and demand. Obviously, the record-setting pace of U.S. housing starts over the past two years has dramatically increased the demand for lumber products. It is this demand-pull against limited production capacity that has caused the notable rise in lumber prices.

In our judgment, an embargo on log exports could not be expected to result in increased lumber production as proponents in the embargo contend. An inherent factor is that over 62 per cent of all U.S. log exports are harvested in the State of Washington, with another 24 per cent originating in Oregon, and the lumber industry is already operating at or beyond full manufacturing capacity in these states. Indeed, industry spokesmen have noted that it would take several years to convert the quantities of logs presently being exported into lumber products. Moreover, it is important to note the relative geographic isolation of these product origins from major domestic markets. Logs simply cannot be economically transported overland to sawmills in whatever areas might occasionally experience shortages.

It is logical to conclude then, that were an embargo on exports to go into effect, most of the logs which would have been sold abroad from the Pacific Northwest would simply remain unharvested, since manufacturing capacity is not available and transportation costs to mills in many other parts of the U.S. are prohibitive.

Hence, while an export embargo on logs might lower log prices in isolated geographic regions, this would not mean lower prices on U.S. lumber products. In fact, the likely consequences would be quite different.

As the major recipient of U.S. logs exports (85%), Japan would be forced to seek alternate sourcing in order to meet its current housing construction needs. If the Japanese were to increase their purchases of U.S. lumber as a substitute for the currently available logs, the result would be an exacerbation of price pressures on U.S. lumber products. Should Japan switch its sourcing requirements to Canadian origins, which now supply 30 per cent of U.S. home construction lumber, it could divert most of the Canadian supply away from the U.S. market with the remainder obtainable here only at a much higher price.

Thus, U.S. lumber prices would increase rather than decrease and at the same time our balance of payments account would be deprived of the substantial export earnings from log exports which now help offset our serious trade deficit.

Because of the transportation cost advantage afforded British Columbia lumber moving to the U.S. East Coast (as a result of the Jones Act), lumber markets served by Atlantic Coast ports can be expected to be among the foremost to feel the resultant price pressures.

But the economic impact of an export embargo would doubtlessly hit hardest at the State of Washington, where most log exports originate. It has been estimated that some 8,000 directly dependent jobs—or 16,000 including indirect jobs—would be jeopardized. This would add substantially to the already high prevailing unemployment rate (10.2% in 1972) in that state.

Small log export-oriented port communities already classified as "persistent unemployment" areas would be particularly hard hit with major capitalization losses in port facilities and logging equipment. The damage would be further amplified if this resulted in the default of local community-port bond issues.

Obviously, there are no simple solutions to the current problem of demand-induced lumber price inflation. It is our conviction, however, that an embargo on log exports would be counter-productive in that it would actually increase lumber prices, destroy jobs and weaken our balance of payments. Surely this is a course of action that our nation should not follow.

MACMILLAN BLOEDEL PRODUCTS INC.,
Pine Hill, Ala., April 10, 1973.

Senator JOHN SPARKMAN,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR: I have just read your report bulletin of March 31, 1973 and the article "Lumber Shortage" caught my attention. You quote Weyerhaeuser's tree planting program as an excellent example of re-forestation as a means of supplying our future wood demands.

For your information, I am enclosing a recent issue of our *Perpetual Harvest* which highlights MacMillan Bloedel's Alabama tree planting program. Since you said, "More projects of this kind are needed," I thought I should make you aware of one of the largest tree planting operations in Alabama.

Best regards,

ERNEST DYESS,
Editor, Perpetual Harvest.

[From Perpetual Harvest, Pine Hill, Ala., Winter 1973]

MACMILLAN BLOEDEL PLANTS 30-MILLIONTH TREE

The MacMillan Bloedel Forest Management and Development Section recently reached a milestone in its reforestation program when the 30-millionth tree was planted on lands belonging to the J. F. Suttle Estate in Perry County.

This tract, under a long term timber cutting contract with MacMillan Bloedel, was recently harvested by the clear-cut method, then site prepared with heavy equipment for the season's planting.

Bill Carrigan, Manager of Forest Management and Development while commenting earlier about the Company's mammoth tree-planting program said, "We will plant 10,250,000 seedlings on 14,000 acres during the current season. This will add up to a grand total of 37,196,000 which have been planted since we first began these operations on a limited basis in 1966-67."

Carrigan also pointed out that 6,384 acres have been regenerated by direct seeding during the same period—either by aerial sowing with a helicopter or by hand seeding on small tracts.

"The Suttle tract is typical of many others that are now under the management of MacMillan Bloedel," said Al Schober, Chief Forester, who drew up the management plan. "The land originally had an overstory of mature trees but the ground had become covered with hardwood brush which made it impossible to regenerate a new stand by natural means; therefore it was necessary to clear and replant the land to get it back into maximum production," said Schober.

MacMillan Bloedel now owns a total of 16 wildland tree planters to carry out its annual planting operation, which usually begins in late November and continues until mid-March. Some of the planting is performed by Company crews, but much of it is carried out by contractors using MB planters as well as their own. Donnie Henderson supervises the planting activities of the contractors and Company crews.

When a management forester determines that a tract cannot be regenerated by natural methods, he maps a management plan which usually includes clear cutting of all merchantable timber, followed by site preparation prior to machine planting. All site preparation work is contracted but is also supervised by Henderson.

J. F. SUTTLE, Jr. of the Suttle Estate in Perry County. plants the 30th million tree which MacMillan Bloedel has regenerated since its initial planting in the winter of 1966-67. The Suttle Estate owners were among the first to enter into a long term timber growing and cutting contract with the Pine Hill based company. On hand to witness the special occasion are: (L. to R.) Angus P. MacBean, Chief Forester MBL; Bill Carrigan, Manager Forest Management; A. J. Gardner, President MacMillan Bloedell Inc.; R. E. Mitchell, General Manager Woodlands; Kenneth Dumas, Manager Land Administration; and Freeman Suttle III, Suttle Estate.

Improvement of our natural environment is also an objective of MB Foresters. Bill Carrigan, in talking about management practices said, "When we clear cut an area, we leave strips of timber along creek bottoms to provide shelter for wildlife while the new stand is becoming established. We have also found that wildlife habitat can be improved by leaving some windrows of piled brush. These provide nesting and cover areas for quail, rabbits and other game, a principle similar to the split rail fence corners of our forefathers time.

"The overall goal of our reforestation program," said Carrigan "is to establish 15,000 acres of pine and hardwood plantations each year to insure a perpetual wood supply for our mill."

MORE TREES ON FEWER ACRES IN THE SOUTH

Here's a happy paradox: In the South, area of forest land suitable for growing industrial wood is 4% smaller than in 1963. Output for industrial wood products has increased almost 50% in the last 10 years. And timber growth is substantially greater than timber removals.

It does make sense. Land area has been decreased—primarily by withdrawals for reservoirs and farming. But thanks to modern forest management practices and prompt reforestation, there are more trees growing in the Southern forests than at any time since 1935. Further, improved harvesting practices permit a higher yield. The end result is that in 1970 (latest available data), net annual softwood growth was 35% greater than removals, and hardwood growth was 28% more than removals.

Southern pine, which has increased 20% in the past 10 years, is expected to continue to grow faster than it is cut, and to support continuing expansion of softwood-using industries (pulp, and pine plywood). However, if land withdrawals continue (withdrawals have been mostly hardwood lands), expansion of industries requiring high-quality hardwood timber will be restricted unless there is large-scale intensive hardwood forest management, says a USDA Forest Service study.

But, overall, if present trends in land use and other needs continue, commercial forest land in the U.S. is expected to decline by about 5 million acres per decade—and much more intensive forest management will be needed to fill the gap.

Senator PACKWOOD. All right. Who is next?

Is the forestry panel next?

Who else has to catch a plane?

OK. Go right ahead.

STATEMENT OF RICHARD L. EBERHARTER ON BEHALF OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC., ACCOMPANIED BY DON A. GIAMPAOLI, DIRECTOR OF LEGISLATION AND SPECIAL PROGRAMS

Mr. EBERHARTER. Mr. Chairman and members of the committee, my name is Richard L. Eberharter. I appear before you today in behalf of the Associated General Contractors of America, a trade association representing 9,500 member firms engaged in all forms of construction in the 50 States, Puerto Rico, and the District of Columbia.

Our membership performs approximately $100 billion worth of construction annually and we also represent 100,000 associate members who are engaged in supplying——

Senator PACKWOOD. You don't need to read whom you represent and so forth. That will be in the record. So if you would get to the meat of your statement I would appreciate it (see page 633).

Mr. EBERHARTER. Fine. I will depart from my written text here in a few minutes.

I might add that in addition to being president of my own construction firm, I am also the president of the Pacific Northwest branch of AGC representing all of the general contractor members of the association in the States of Washington, Idaho, Alaska, and Oregon.

Accompanying me is Don A. Giampaoli, director of legislation and special programs for the AGC.

I have here a copy, and I believe you have a copy before you, of our official statement. I would like it filed for the record and I would like to discuss with you a few excerpts from the testimony, together with a few extemporaneous remarks.

This association has, since 1969, in appearances before this and other committees of the Congress, advocated in the strongest terms some of the things which the Cost of Living Council said yesterday. We only regret that action has not been taken earlier; perhaps the situation might not be as critical as it is today.

I think we are all familiar with the rapid increase in lumber and plywood prices, and coupled with this has been the marked decrease in the quality and in the availability of these products.

In fact, some of these products, as we all know, are not available today at any price.

We have given this problem serious study. Some of the basic data which we have developed is before you today.

We recognize that this is an extremely complex issue. It involves issues which transcend both the construction and the timber industry such as balance of payments, the international trade problem, and also preservation of our natural resources, just to name a few.

Also, I might add that those of us who are from the Pacific Northwest recognize that this industry is one with which we must live and which does make a major impact in our area.

Nevertheless, we have taken the position of publicly opposing the unlimited exportation of logs and therefore support the intent of the Packwood bill.

Our national convention met in San Franciso earlier this month and passed the following resolution:

1. Place an immediate ban on further export of cedar and Douglas-fir until domestic supply can meet domestic demand;

2. Make further provision for long-range solutions to our recurring problem of shortage of timber products, and attendant price fluctuation, by releasing impounded funds to the Forest Service; the creation of additional and adequate funding to insure Forest Service management capability to complete reforestation of our national forest cutover lands, including utilization of high growth species; and development of required road and fire-fighting facilities, and

3. Make additional Government timber available to the lumber industry by expeditious and effective sale of the allowable cut.

Now, I would like to point out some facts which might be helpful in your deliberations on this bill.

About halfway through our written submission is a chart showing the ownership of commercial forest land. I would like to bring that to your attention.

Senator PACKWOOD. What is the chart number?

Mr. EBERHARTER. Chart No. 1A. And it is—there is a number at the bottom that says page 2.

Senator PACKWOOD. All right.

Mr. EBERHARTER. This shows the ownership of 500 million acres total commercial forest land. You will notice that in the States of Oregon and Washington there is a definite split in the way this is owned; whereas in Oregon most of the timber land is owned by the Federal Government, in the State of Washington the preponderant ownership is with the private interest, and that coupled with the State-owned lands, provides a formidable group in terms of actual land ownership.

Now, the Weyerhaeuser Co., which is, I suppose, the largest single private owner, owns about 5.7 million acres in the United States, representing slightly over 1 percent of total 500 million acres.

Pacific Coast States contain only 12 percent of the commercial forest land in the United States, but they produce over 50 percent of the softwood harvest.

So I would agree with the representatives of that group that the problem does reside to a large extent, at least its impetus is within the Pacific Northwest States.

Two-thirds of all U.S. log exports come from the State of Washington.

I would like to point out chart 1B on page 3, and I think this is a crucial point.

The fact that according to the Department of Commerce we are removing timber faster than it is growing and in the Pacific Coast States, this rate is almost 2 to 1.

In other words, we are cutting and removing our timber at the rate twice that of natural growth.

Now, I might also point out that the amount of lands which are available for commercial timber harvesting are being reduced in number and according to a recent survey by the Forest Service, which I would like to read: "The 1970 total of 500 million acres of commercial forest is 8.4 million acres less than in 1962. This trend of decline is assumed to continue at the rate of 5 million acres each decade for the next 50 years, a total area greater than the State of Nebraska. This means that considerably fewer acres will be available for timber growing in the future."

I would like to point out the next chart on page 4, chart No. 2.

This, I think, is really the crux of what is happening to our log exports.

Nobody in the last few years has made a reasonable and correct type of analysis as to just how much the Japanese would be importing. Even the Japanese themselves, back in 1968, predicted a decline in rate of imports; where, in fact, the imports, as we all know, has increased drastically.

Now the Japanese construction industry is predicting an increase at the rate of 17.1 percent compounded annually, through 1985.

Now, this is even higher than their predicted growth of annual gross national product which is about 10 to 12 percent.

With that kind of demand on our lumber resources, I think it is even more imperative that we look to the bill which Senator Packwood has introduced and what we are discussing today.

I would like to point out the next chart, 3, on the next page, which I believe all of you are familiar with, and there is no sense going over, and that is the increase in the cost of lumber and plywood.

I might say that in the Pacific Northwest States the figures are more like twice what has happened nationally. In other words, the cost of lumber and plywood has gone up at least 100 percent during the same period of time that the price has gone up nationally 30 to 35 percent.

In fact, I got a quote on some plywood just this last week, $450 a thousand was the best I could get for 3-quarter-inch plywood in truckload lots, and 2 years ago I paid less than $200 a thousand for it.

I think one other point that needs to be brought out, and that you asked questions about is, what is the capacity of the mills in the Pacific Northwest?

I have appended to this outline a survey made in the middle of last month which indicates that there is considerable capacity available in the Pacific Northwest mills, and that it could be utilized if logs were available at a price that they could live with.

It seems that the mill capacity question depends upon who makes the survey, and I think it is a very crucial question.

Senator CRANSTON. What does your survey show?

Mr. EBERHARTER. Our survey indicates there is approximately 2 billion board feet of material in this country available, most of it being in the Pacific Northwest, if the logs were available at a reasonable price.

Senator CRANSTON. Does that include Washington, Oregon, and California?

Mr. EBERHARTER. That is correct.

Senator PACKWOOD. Where is that survey? Is it attached to your testimony?

Mr. EBERHARTER. It is attached to the statement following chart 3. I would also like you to refer to page 9 of the attachment which is a log supply and lumber production survey, a random mill sampling taken February 16 by the Western Forest Industries Association.

They list some 25 or 30 mills who are having real difficulties in obtaining the raw material in order to produce.

Senator PACKWOOD. Is that what you base the 2 billion board feet total on? That study starting on page 9?

Mr. EBERHARTER. This is a portion of it. The remainder of it is not in this.

Senator PACKWOOD. Could I have the full one? Do you have it? Could you get it for me?

Mr. EBERHARTER. Yes. I don't have one, but I will get it.

Senator PACKWOOD. Thank you.

Mr. EBERHARTER. The last chart on the last page compares some of the many things that have been talked about today, namely, the log exports over the years with housing starts, the plywood and Douglas-fir price index, and softwood lumber production and plywood production.

It is pretty obvious that everything peaked last year. In other words, exports peaked. The demand peaked for housing. And right along with that went the availability and prices.

I would say that those who advocate complete freedom in the marketplace, when it comes to this raw material, are really failing to look at the total picture.

They talk about the demand curve, but they fail to look at the supply curve, and I dispute the contention that the price of the stumpage has nothing to do with the ultimate price of the lumber.

It is kind of like expecting a housebuilder to set a final price on his housing with nothing to do with the cost of the materials that go into that house. It certainly does. If he can't get a price for his house, he simply won't build. The supply of new housing will go down and the price will tend to stabilize and the same is true in the lumber industry.

So, with that, sir, I complete my statement.

[The complete statement and additional information follows:]

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.

1957 E STREET, N. W. WASHINGTON, D. C. 20006 · EXECUTIVE 3-2040

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
PRESENTED BY RICHARD L. EBERHARTER
BEFORE THE
HOUSING AND URBAN AFFAIRS SUBCOMMITTEE
OF THE
SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE

March 27, 1973

Mr. Chairman and members of the Committee, my name is Richard L. Eberharter. I appear before you today in behalf of the Associated General Contractors of America, a trade association representing 9,500 member firms engaged in all forms of construction in the 50 states, Puerto Rico and the District of Columbia. Our membership performs approximately $100 billion worth of construction annually and we also represent 100,000 associate members who are engaged in supplying and subcontracting for our construction firms as members of the 126 AGC Chapters and Branches.

In addition to being President of my own construction firm, Eberharter and Gaunt, I am also the President of the Pacific Northwest Branch of AGC representing all of the general contractor members of the Association in the states of Washington, Idaho, Alaska and Oregon.

Accompanying me today is Don A. Giampaoli, Director of Legislation and Special Programs of the AGC.

We are here today to urge action by the Congress that will provide immediate relief to the critical lumber supply problem and the enactment of legislation that will lead to a more permanent solution.

THE LUMBER CRISIS PROBLEM

The accelerating price increases for lumber products in this country must be associated with the dynamic supply and demand market where forces are pulling at odds with each other -- demands for timber continue to increase, while the supply continues to decrease.

The public and the construction industry are on a collision course with economic disaster because the current lumber crisis has not been anticipated to the extent that presently exists. The tremendous financial impact on the home-buying public places many potential homeowners out of the buying market while at the same time, construction companies are unable to purchase lumber products at a competitive price or purchase them at all. Lumber suppliers are having extreme difficulty in procuring lumber themselves and manufacturers will not even provide the necessary price quotations for future work.

RUNAWAY INFLATION

The lumber crisis is creating runaway inflation in all areas where the product is used. The ripple effect of the shortage, as well as the economic impact, can readily be seen by noting that non-residential construction, that is industrial and commercial building, heavy highway and utilities construction, consumes approximately 1/3 of the current lumber yield.

We in the construction industry are often told by economists and other professional prognosticators that during the rest of this century, we must build the equivalent of everything that has been built since this nation was founded; that is, to do in approximately 30

years what has been done in over 300. So we think we can see clearly that the demand for wood products is going to keep increasing, probably at an accelerating rate. Our industry is very closely controlled by the law of supply and demand. Contractors have been confronted with a situation of trying to get lumber and plywood at a competitive price, but the supply is short and the prospects are for the shortage to become even more acute in the future.

FEDERAL FOREST SYSTEM

The Federal government controls an important share of existing forest land in this country. It is evident that the current monies available to the Forest Service are not sufficient to provide the increased yield needed in the future from the Federal forest lands.

It is our understanding that funds appropriated for use by the Forest Service have been held back to the extent that the agency is unable to adequately staff or provide the timber management necessary to develop our Federal forest system.

LOG AND LUMBER EXPORTS

The recent soaring increase in log and lumber exports has had a catastrophic effect on the lumber prices in the United States. There is a mounting crisis in lumber and plywood pricing and availability which demands immediate action at the Federal level. I would like to point out the following facts: (1) During 1972, Douglas fir lumber prices increased over 27% and plywood prices increased over 31%. Most of this increase has occurred during the last six months. (2) Foreign shipments of West Coast logs increased by over 40% during 1972. In addition to these points, our alarm has been triggered by

94-218 O - 73 - 41

two recent statements: (1) William Eberle, Special Trade Negotiator for the White House has indicated the Administration is opposed to limiting log exports, and bases this position on the assumption that Japanese demand has peaked (Associated Press, 2/20/73). (2) However, on February 19, 1973, the Japanese Ambassador to the United States, stated in Portland that, "We are seriously considering buying more lumber from your country. We will be buying more quantities of logs and lumber." (Journal of Commerce, 2/21/73).

Attached to my statement are facts and figures on log exports and our timber resources as prepared by the Seattle Northwest Chapter of our Association.

ACTION NEEDED TO HELP STOP THE LUMBER CRISIS

We realize that the present drastic increase in lumber prices is brought about by many factors and that there is probably no one solution which will bring immediate relief. Attached to our statement is a copy of our resolution approved during our 54th Annual Convention of March 9-14, 1973 which urges the Congress and the Administration to:

1. Place an immediate ban on further export of cedar and douglas fir until domestic supply can meet domestic demand;

2. Make further provision for long-range solutions to our recurring problem of shortage of timber products, and attendant price fluctuation, by releasing impounded funds to the Forest Service; the creation of additional and adequate funding to insure Forest Service management capability to complete reforestation of our national forest cut-over lands, including utilization of high growth species; and development of required road and fire fighting facilities, and

3. Make additional government timber available to the lumber industry by expeditious and effective sale of the allowable cut.

LUMBER EXPORTS

The Morse Amendment to the Foreign Assistance Act of 1968 was intended to limit export sales of logs from Federal lands. Its effect has been negligible, partially due to its small impact on the total market and difficulty of its enforcement. In addition, nothing is to prevent private timber owners from exporting their logs, and then purchasing logs from Federal lands for domestic use. There are no measures in effect to prevent this type of substitution.

We support the intent of S. 1033 by Senators Packwood (R-Oregon); Cranston (D-California) and Church (D-Idaho) which places a total ban on log exports from Federal lands by January 1, 1974 and would phase out all stat and private log exports by January 1, 1977. However, an immediate embargo is needed. The lumber export market has a definite effect on the local market in that the export market provides the impetus for all price increases even though it may represent a small percentage of the total market. Under normal conditions, the export market can serve as a stabilizing influence on domestic lumber prices. However, with the great overseas demand, and as long as the present export policy prevails, there will not be the necessary slack in the demand situation to allow any price stability. In other words, this will be a critical factor in the lumber price structure and will serve to permanently sustain the high level of lumber prices unless some action is taken. Though our concern is primarily for our economic survival, the issue of timber export transcends our or any other group's special interest. Our trees are a national heritage which can not be replaced if we continue to supply the voracious appetite of foreign countries who have used up most of our trees. We feel the impact of

log exports is negligible in our own balance of payment problems and will never solve it, even if all our forests are denuded. The simple economic fact is that it takes too many trees to buy a Toyota.

ECONOMIC STABILIZATION

We favor continuation of the President's authority to control prices on lumber as well as other products as established by S. 398 to continue the Economic Stabilization Act of 1970. However, Phase II and III controls under the Economic Stabilization Program have not been effective in this area. Our recent survey of all Chapters of the Association indicates that lumber prices have increased by approximately 30% since January 12, 1973, the starting date for Phase III. In October, 1972 we testified before the Price Commission calling attention to sharp increases in lumber prices as well as shortages that existed under Phase II. In that testimony, the following recommendations were included:

1. The exportation of logs should be halted until domestic shortages are eliminated, and the price structure which has brought about these extensive exports should be investigated.

2. An investigation should be initiated into the reported cessation of production by many mills which have reached the maximum yearly profit allowed by the Price Commission. These mills have apparently ceased production, while continuing to maintain some payroll and overhead expenses, in an attempt to avoid taxes.

MANAGEMENT OF FEDERAL FOREST LANDS

We recommended in 1969, in testimony before this Committee, the establishment of a timber trust fund from the proceeds realized on the sale of timber from Federal forest lands. These monies should only be reinvested to improve timber management and timber growth in our Federal forests. Proper management, including pre-commercial thinning, salvage of mortality, complete roading, the development of super trees and spacing of seedings rather than direct seeding, could increase the timber yield by a considerable amount. In that testimony, we also recognized the many factors causing drastic increases in lumber prices. However, we felt it necessary to make the following recommendations, many of which continue to apply:

1. The Forest Service should offer for sale the unsold allowable cut which has accumulated in recent years. (The U. S. Forest Service is not sufficiently funded to cut and release as much as it could, an executive impoundment further diminishes an already fractional capacity.)

2. The Forest Service should prepare and offer for sale timber in areas where little or minimum access road building is required.

3. The Forest Service should offer the full current annual allowable cut for sale by stepping up road construction and timber sale preparation activities. (Release of appropriated funds would permit this recommendation.)

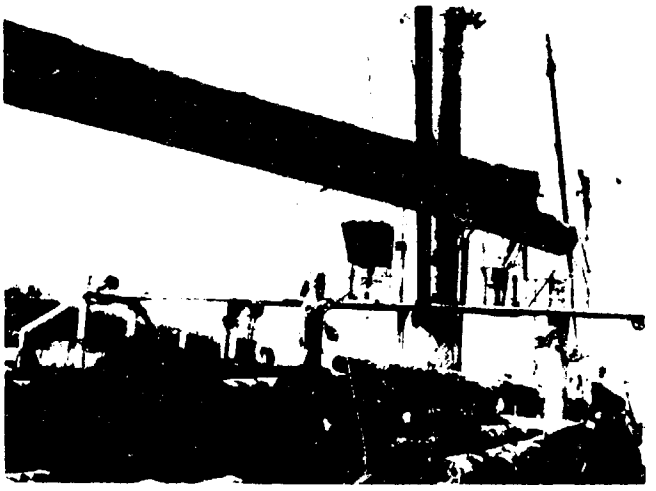
4. The White House be requested to exempt the Forest Service from personnel replacement restraints in order to assure adequate

staff to expedite timber sale administration.

5. The Congress should consider legislation designed to allow funds received from timber sales on Federal lands to be placed in a trust fund for the purpose of constructing access roads in the Federal forest and for the acceleration of programs designed to produce better management of the Federal forest lands.

6. The Congress should consider some restriction on the export of logs from privately-owned timber lands.

While few problems in the construction industry are serious enough to justify Federal intervention, we have reached the conclusion that only through the assistance of the Congress and the Federal government can a solution be found to the problem of accelerating lumber price increases and decreasing availability of lumber products. An immediate solution to this problem is necessary in order to avoid irreparable damage to the buying public as well as the construction industry.



LOG EXPORTS & OUR TIMBER RESOURCES

facts and figures

prepared by:

SEATTLE NORTHWEST CHAPTER

ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1. Who owns the timber in the United States?

This is shown on chart 1A, "Ownership". Over 70% is privately owned. The Weyerhauser Company, the country's largest single private owner owns 5.7 million acres, slightly over 1% of the total 500 million acres. The Pacific Coast states contain only 12% of the commercial forest land in the United States, but they produce over 50% of the United States softwood harvest.

Note particularly the breakdown between the Federal, State, and privately owned lands in Oregon and Washington. The State-owned lands of Washington are much greater than the State-owned lands of Oregon. Oregon contains twice as much Federal-owned land as Washington, and more private land. However, in the State of Washington, the private holdings are greater than the Federal, and nearly equal to the State-owned and Federal combined. Hence, the private producers of logs have a far greater influence on the Washington timber market than they do on the Oregon timber market. When they combine their influence with the State-owned timber interests, their influence is even more dominant. Two-thirds of all U.S. log exports come from the State of Washington.

CHART 1A

[redacted]

COMMERCIAL FOREST LAND

1970

OWNER	TOTAL U.S.	AK	ORE	WASH	CAL	IDA
FEDERAL	107	5.2	14.6	7.2	8.7	11.3
STATE	29	.4	9	2.3	.1	.9
PRIVATE	364	—	10.2	8.9	8.0	3.0
TOTAL	500	5.6	25.7	18.4	16.8	15.2

MILLIONS OF ACRES
SOURCE: Statistical Abstract of U.S. 1972

2. Are we removing timber faster than we are growing it?

Chart 1B, "1970 Saw Timber and Growing Stock", indicates that in the Pacific Coast states, the annual removals by harvesting, land use change, or other means, are over twice as much as the natural growth.

Dr. Josephson, Director of Division of Economics and Marketing Research, U.S. Forest Service has stated (1972), "Timber supply with present management would not be sufficient beyond the next ten years or so to meet rising demands."

An earlier report (1969) by the U.S. Forest Service, concluding an intensive study, stated that "Continuation of current trends of private log production in Western Oregon and Southwest Washington would lead to a 65% reduction in annual private harvests within 30 years or a decline of 2.6 billion board feet in the annual harvest."

CHART 1B

1970 SAWTIMBER & GROWING STOCK

ALL TYPES OF SOFTWOODS AND HARDWOODS
(SAWTIMBER DEFINITION (SOFTWOOD).

ONE SAW LOG 11" MIN. DIAMETER AT BREASTHEIGHT
ANNUAL NET GROWTH: NATURAL GROWTH, EXCL. CATASTROPHIC LOSS
ANNUAL REMOVALS: BY HARVESTING, LAND USE CHANGE, ETC.

STATE	ANNUAL GROWTH	ANNUAL REMOVALS	VOLUME SOFTWOOD
ALASKA	165	1080	178,102
ORE.	4995	9776	434,671
WASH	5559	9108	309,802
CALIF	2422	5637	271,653
IDAHO	2005	2106	130,986

MILLION BOARD FEET

SOURCE: STATISTICAL ABSTRACT OF U.S. 1972

3. Will log exports level off or diminish?

Chart 2 shows the "U.S. Exports of Softwood Logs". The drop in export in 1971 was due to a Pacific Coast shipping strike. 1972 was a record year.

The Japanese economy, the main user of our log exports, has a 10 - 12% annual growth rate which experts predict will continue through the 1970's. Each of their industries which utilizes timber products is expected to grow faster than this remarkable rate. (See Chart 2) The construction and housing industry is expected to grow at the rate of 17.1% compounded annually through 1985. In the past, estimates of the growth of the Japanese economy and their importation of logs has been conservative in comparison to what has actually happened.

The Japanese ambassador to the United States recently stated, "We will be buying more quantities of logs and lumber."

John McGuire, Chief, U.S. Forest Service, stated in 1972, "It is probable that strong Japanese demand for logs, lumber, and pulp from the U.S. and Canada will continue for some time to come."

CHART 2

U.S. EXPORTS OF SOFTWOOD LOGS

MILLIONS OF BOARD FEET

YEAR	TOTAL VALUE [1]	TOTAL EXPORT	FROM WASH	ORE	CAL	AK	OTHER	TO JAPAN	ESTIMATE-SOURCE [2] JAPAN	[3] FOR. SV
1968	$ 238	2473	1321	653	212	47	240	2112	1875	
1969	$ 256	2316	1309	561	207	32	207	1996	1776	
1970	$ 322	2683	1579	637	192	52	223	2372	1545	
1971	$ 264	2233	1320	517	102	43	251	1844	1435	
1972	$ 378	2900	1900	730	75	66	129	2500	1435	2500

1 MILLIONS OF DOLLARS.
2 FROM PACKWOOD HEARINGS JUNE 1972. ESTIMATES BY JAPANESE GOV'T.
3 FROM PACKWOOD HEARINGS JUNE 1972.
ALL OTHER DATA SOURCE: BUREAU OF CENSUS, U.S. DEPT. OF COMMERCE.

JAPANESE INDUSTRIES EXPECTED TO GROW AT A FASTER RATE THAN JAPANESE G.N.P.
1970 - 1985

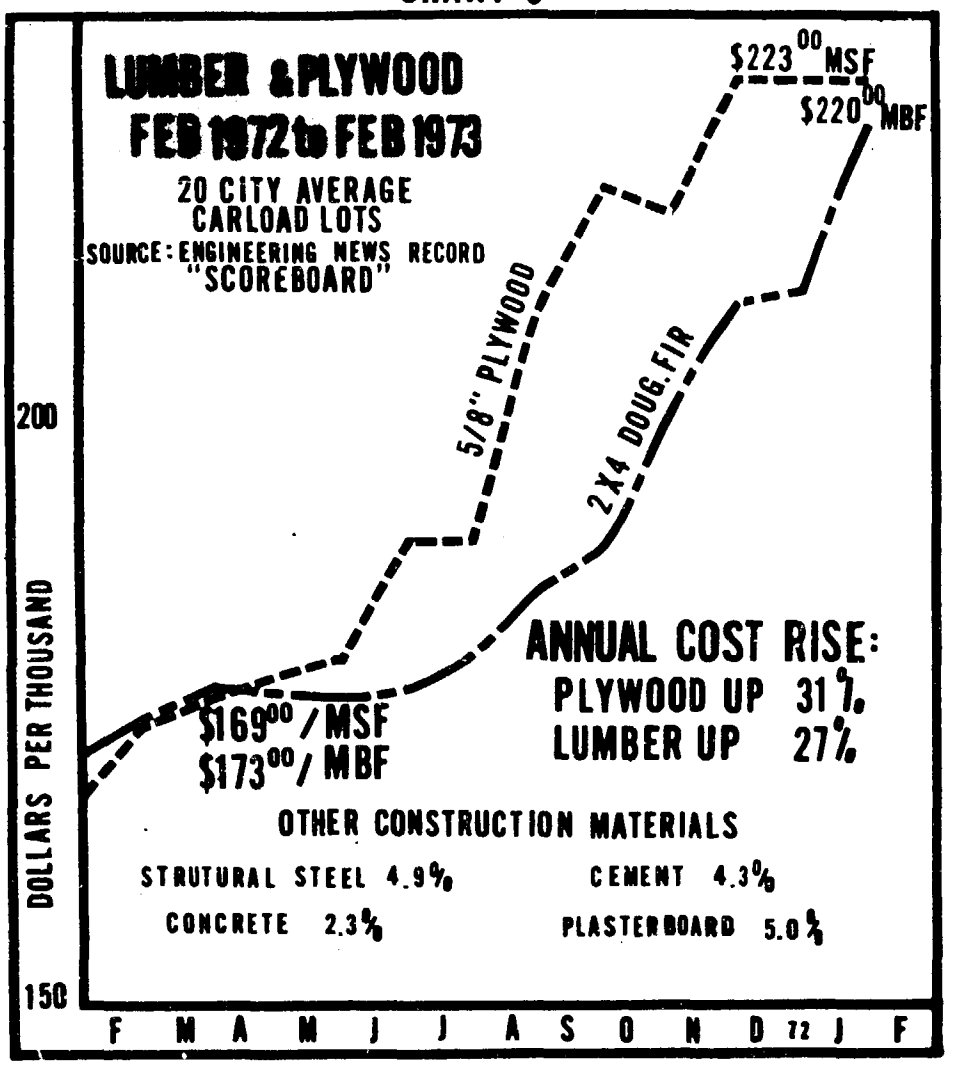
INDUSTRY	ANNUAL RATE
PRINTING & PUBLISHING	18.5 %
CONSTRUCTION	17.1 %
LUMBER, WOOD PROD.	13.2 %
PAPER, PULP	14.4 %

SOURCE: JAPAN ECONOMIC RESEARCH CENTER

4. What has happened to the price and availability of lumber and plywood?

Chart 3, "Lumber & Plywood, February 1972 to February 1973", shows the month by month fluctuation in the price of two widely used plywood and lumber products. These prices are the average carload lot price in twenty large cities throughout the United States, and are compiled by the Engineering News Record. In the State of Washington, prices for these items have risen about 100% during this same period of time. Many times during 1972 neither of these items were available at all. Some plywood and lumber items have been virtually eliminated from inventory even though good demand for the product has been sustained.

CHART 3



5. Are mills at peak capacity?

The answer to this question is extremely difficult. Statistics are virtually unavailable. It depends, apparently, on who makes the survey. Most well-known economists in the Pacific Northwest are accepting statistics from the Weyerhauser Company. These statistics were developed by that company from a survey which scientific reliability is subject to question.

Another survey, conducted by the Western Forest Industries Association in mid-February 1973, indicates unused production capacity of about 25% for those mills who do not own sufficient timber stands to maintain full production. A copy of their survey, entitled, "Log Supply and Lumber Production, Random Mill Sampling", is enclosed herewith.

During 1972, the domestic softwood lumber production in the U.S. was about 32 billion board feet. Analysis of the month-by-month production of softwood lumber will show that, if logs had been available at a reasonable price to the mills, the domestic softwood lumber production might have risen to 34 billion board feet. In short, mill capacity may have been artificially reduced by 2 billion board feet due to unavailability of logs. The 2 billion board feet additional production of soft wood lumber would not only have stabilized the price of lumber and plywood in an expending economy, but would have restored depleted lumber inventories (down 25% or about 1 billion board feet, by the end of 1972.)

6. Will a partial ban on exportation stabilize the market?

The Morse Amendment to the Foreign Assistance Act of 1968 was intended to limit exports sales of logs from Federal lands. Its affect has been negligible, partially due to its small impact on the total market and difficulty of its enforcement.

John McGuire, Chief, U.S. Forest Service, stated last year, "We have not attempted to determine actual amounts of exports of logs derived from Federal lands because of the difficulty of tracing logs through numerous hands." He also stated that under existing legislation the Forest Service is having difficulties with the administration aspects of export controls. "The present law limits the volume to be sold for export but does not prohibit the export of logs which have not been sold for export from Federal lands, and penalties for violation are not prescribed. Thus, it is difficult to take legal action against violators who do not have timber sale contracts with the Federal government, that is 2nd, 3rd, 4th party buyers. Presently, the secretaries are not authorized to require exporters to keep records and provide data on the origin of logs. This makes export log accountability very difficult."

In addition, nothing is to prevent private timber owners from exporting their logs, and then purchasing logs from Federal lands for domestic use. There are no measures in effect to prevent this type of substitution.

Summary

The information presented here may be summarized as follows:

1. The Pacific Coast states provide the major softwood supply for the United States and the major U.S. exporters.

2. In the State of Washington, the timber industry is heavily influenced by the private timber owners.

3. Two-thirds of all log exports come from the State of Washington.

4. The Pacific Coast states are removing timber at twice the rate of annual growth.

5. Japan consumes 80% of logs exported from the United States.

6. Japan will have an increasing need for logs during the 1970's.

7. The price of lumber and plywood has increased 27% and 30%, respectively, in one year's time.

8. While the U.S. housing market has a definite effect on the price and availabili of lumber, export sales of logs has artificially reduced mill capacity, compounding the supply problem.

9. Lumber inventory in the U.S. dropped 25% in 1972, or about 1 billion board feet.

10. Mills in the Pacific Northwest are not at peak capacity. Mills in the United States could have produced 2 billion board feet more than was produced in 1972.

11. The Morse Amendment has not been effective in maintaining a supply of logs to non-timber owning mills.

Recommendation

1. An immediate investigation of the lumber industry to determine, if, in fact, the exportation of logs is the basic reason for the catastrophic increase in lumber and plywood prices.

2. Take appropriate action to curb the price rise and insure continued availability to domestic markets.

3. As a temporary measure, place an immediate ban on any further export sales or exportation of logs or lumber until domestic supply can meet domestic demand and the prices of lumber return to a more reasonable level.

PARTIAL SURVEY

WESTERN FOREST INDUSTRY ASSOCIATION

POTENTIAL ANNUAL INCREASE
Log Scale Scribner

Twin Harbors	48.0 MM
Roesler Timber	2.0 MM
Seattle-Snohomish	30.0 MM
Evans Products Plywood Division-Hoquiam	20.0 MM
Anderson & Middleton	35.0 MM
Mt. Adams Veneer	18.0 MM
C & E Lumber	24.0 MM
Cowlitz Veneer	----
Great Western	----
Everett Lumber Co.	48.0 MM
Garka Mill	18.0 MM
WRO	15.0 MM
Manke	56.0 MM
Dickman Lumber Co.	20.0 MM
Barbee	10.0 MM
Everett Plywood	24.0 MM
Portage Creek Mill	10.0 MM
Seattle Cedar	20.0 MM
Welco	0
Preston Mill	4.0 MM
Packwood Lumber	24.0 MM
Cowlitz Stud	10.0 MM
	436 million board feet logs

This represents about 700 million board feet of unused mill capacity on an annual basis, and is a partial survey only.

WESTERN FOREST INDUSTRIES ASSOCIATION

LOG SUPPLY & LUMBER PRODUCTION

RANDOM MILL SAMPLING

February 16, 1973

Twin Harbors (Stud mill)

Reduced in December from two 9 hour shifts to two 8 hour shifts. Plans to reduce to one 8 hour shift in April. Receiving low grade logs. In April will be operating at 1/3 of normal capacity.

Roesler Timber (Siding & shake)

Reduced in December from two shifts to one shift.

Seattle-Snohomish (Doug fir specialty)

Operating on one shift. Shut down two weeks for equipment repairs. If hadn't done so, would have shut down for lack of logs. At 80% production (one shift) due to low-grade logs. Could operate two shifts if adequate log supply.

Evans Products Plywood - Hoquiam

Cut down 155 people - rehired 55. Now trying to operate on cottonwood. Mill workers (laid off) picketing export years.

Anderson & Middleton

One shift - would operate two shifts if wood supply up. Has one year F. S. standing inventory and 3 to 6 months Indian timber, after that nothing in sight.

Mt. Adams

Operating three shifts. Low inventory. Could start 4-foot lathe with more logs.

C & E Lumber

Shut down for lack of logs. Plan to resume operations as soon as adequate inventory of logs is obtained.

Cowlitz Veneer

Shut down for lack of logs. Liquidating plant.

Great Western

Operating two shifts. Cutting hardwoods. One month supply of logs at hand. Depleting standing inventory. Nothing in line for fall. Production down through production of hardwoods.

Log Supply & Lumber Production
February 16, 1973
Page two.

Everett Lumber

Now operating one side, one shift at 1/4 to 1/3 capacity. Cutting pulpwood (utility logs). If log supply gets better, will change to two shifts - both sides.

Garka Mill

Operating one shift at 70% of normal production. Junk logs. Three weeks supply of logs. Two shifts possible with better log supply.

W.R.P.

Operating two shifts at main standard sawmill, one shift at shake mill, and one shift at chip and saw mill. Would increase production if log supply available. 1 1/2 year standing inventory at present rate of cut. Low log inventory in log.

Manke

Cut from two shifts to one skeleton shift in December. Hopes to start second shift in six weeks. 1/3 capacity now.

Dickman

Cutting junk logs. One shift only. 70% production. Limited log and standing timber supply. Hand to mouth.

Barbee

Operating month to month basis, one shift. Would go to two shifts if adequate log supply available.

Everett Plywood

Operating lath at 65-70% of capacity due to supply and quality.

Portage Creek Mill

Shut down - no logs.

Seattle Cedar

Shut down - no logs.

Welco

Operating in part with Canadian import cants. If high cost logs continue, the price exceeds lumber prices. Raw log supply too costly to operate.

Log Supply & Lumber Production
February 16, 1973
Page three.

Creston Mill

Operating one shift. Have shut down numerous times (one and two days) due to lack of logs.

Packwood Lumber

Operating two shifts. Log inventory on hand for about six weeks. Using low grade logs. Production down. Long term standing inventory critical.

Cowlitz Stud

Operating two shifts on junk logs. Some 30 days inventory on hand. Trucking logs from Longview. Production down 50% due to inferior grade logs.

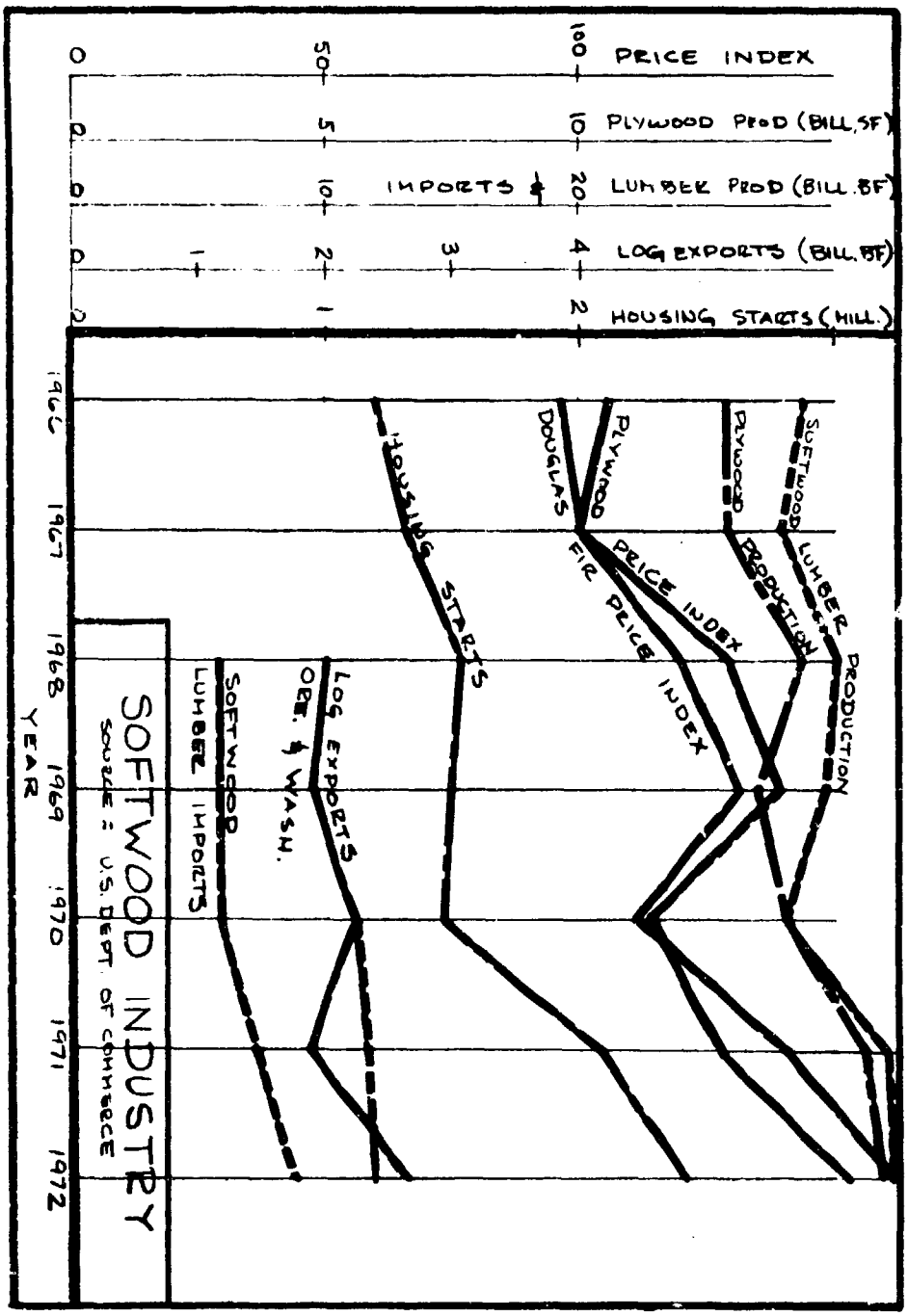
Weyerhaeuser Export Yard - Tacoma

Yard built to handle 80 MMBF per year. Now operating seven days per week, two 12-hour shifts. (Started push in late December - early January.) 1.3 MM average input per day, six days a week. Will exceed 200 MM in first six months. Some 275 truck loads 8 a.m. to 5 p.m. plus 50 loads at night plus 80 railcars per day. About 500% increase over last. Large log truck traffic jams on city streets. One week 280 load overflow went in to Pan Pacific Yark. 50 - 50 hemlock and fir.

Weyerhaeuser - Longview

Big push also.

CHART 4


PRICE INDEX
PLYWOOD PROD (BILL. SF)
LUMBER PROD (BILL. BF)
LOG EXPORTS (BILL. BF)
HOUSING STARTS (MILL.)
IMPORTS
100
50
0
10
5
0
20
10
0
4
3
2
1
0
2
1
0
SOFTWOOD LUMBER PRODUCTION
PLYWOOD PRODUCTION
PRICE INDEX
PLYWOOD
DOUGLAS FIR PRICE INDEX
HOUSING STARTS
LOG EXPORTS OREG. & WASH.
SOFTWOOD LUMBER IMPORTS
1966
1967
1968
1969
1970
1971
1972
YEAR
SOFTWOOD INDUSTRY
SOURCE: U.S. DEPT. OF COMMERCE

RESOLUTION

LUMBER PRICES

WHEREAS, the price of timber products has drastically increased during the past year and the availability of quality timber products has significantly decreased, and

WHEREAS, log export sales during a time of high domestic construction activity have the effect of increasing the price and decreasing the availability of wood products for domestic use, and

WHEREAS, U. S. domestic demand for lumber and timber products is expected to remain at a high level in the foreseeable future, and

WHEREAS, future foreign demand for U. S. logs will further deplete the timber resources of this country, and these resources are needed to sustain existing domestic demands, and

WHEREAS, the U. S. Forest Service is not sufficiently funded to perform the required management of our timber resources, and executive impoundment further diminishes present fractional capacity, and

WHEREAS, Phase II and Phase III profit margin restrictions have created abnormalities in price and supply.

NOW, THEREFORE BE IT RESOLVED, that the Associated General Contractors of America, assembled in its 54th Annual Convention, March 9-14, 1973, urges Congress and the Administration to:

(1) Place an immediate ban on further export of cedar and douglas fir until domestic supply can meet domestic demand;

(2) Make further provision for long-range solutions to our recurring problem of shortage of timber products, and attendant price fluctuation, by releasing impounded funds to the Forest Service; the creation of additional and adequate funding to insure Forest Service management capability to complete reforestation of our national forest cut-over lands, including utilization of high growth species; and development of required road and fire fighting facilities, and

(3) Make additional government timber available to the lumber industry by expeditious and effective sale of the allowable cut.

EBERHARTER & GAUNT, INC.,
GENERAL CONTRACTOR,
Seattle, Wash., April 9, 1973.

ASSOCIATED GENERAL CONTRACTORS,
1957 E. St., NW.,
Washington, D.C.
(Attention: Don Giampaoli).

DEAR DON: Enclosed are two copies of a survey made by the homebuilders in Oregon which purport to show the estimated increased production possible, if logs were available at a reasonable price.

The original figures have been updated to March 30th, and I have been told that more current survey will be submitted at the Packwood bearings in Portland tomorrow.

Note that this survey shows that lumber mills could produce additional 1.892 billion board feet and plywood mills additional .535 billion square feet.

Very truly yours,

DICK EBERHARTER.

SURVEY OF OPERATING CAPACITY AT WEST COAST LUMBER & PLYWOOD PLANTS

March 1973

Sponsored by: Home Builders Association of Metropolitan Portland, 3140 N.E. Broadway, Portland, Oreg.

Analysis by: Hal Mayhew, Forest Products Analyst, Herron Northwest, Inc., 1900 Georgia-Pacific Building, Portland, Oreg.

SUMMARY

A survey of lumber and plywood plants in Oregon, W[illegible]d California in late February and early March 1973 revealed that [illegible]ction could be increased by a substantial margin if sufficient logs were available.

Returns from 102 sawmills had been received by March 16 out of a total of 347 mills surveyed. Out of this total, 54 plants indicated that they were running one shift, or not operating at all. Close to 75 percent of the mills surveyed indicated that they could increase production by means of 9-hours shift or 6-day weeks if logs were available. The 54 plants running at less than two shifts indicated that sufficient labor was available in their areas to add shifts if raw materials were available.

The sawmills replying to the survey indicated they could increase their production by about 40 percent, or close to 148 million board feet per month, with an adequate log supply. The mills reporting had a current production of slightly over 367 million board feet per month. By combinations of extra shifts and longer work days and work weeks, the mills indicated they could produce 515 million board feet per month.

Translated to [illegible] yearly basis, the reporting mills were producing at a yearly rate of 4.39 billi[illegible] board feet. With an adequate supply of logs they could increase this total to approximately 6.18 billion board feet per year. The gain of an estimated 1.7 billion board feet per year would significantly relieve shortages of lumber in the area.

Plywood mills reporting to the survey were operating at closer to rated capacity, or a three shift-five day basis. The 30 mills replying, however, indicated that they could increase production by about 15 percent by combinations of 6-day weeks, 9-hour days and additional shifts. The reporting mills had monthly production of close to 288 million square feet, ⅜-inch basis. With an adequate log supply they could increase production by 45 million square feet, bringing total monthly production to 333 million square feet per month.

On a yearly basis, the reporting plywood mills could add production of approximately 535 million square feet, ⅜-inch basis, if sufficient logs were available.

PURPOSE

The survey was conducted to determine whether log experts from the West Coast were causing domestic mills to operate at less than peak capacity. An estimated 2.78 billion board feet of logs were exported from the Pacific Coast in 1972, mostly to Japan. These exports originated largely in Washington, Oregon and

California. Existing state laws in Alaska prohibit log exports except for minor species such as Alaska Cedar.

There are no industry statistics available to our knowledge to indicate the operating capacity of West Coast sawmills on a weekly, monthly or even a yearly basis. In the case of plywood, however, the American Plywood Association publishes weekly statistics indicating the operating capacity of the plywood industry, and the ratio of production. The American Plywood Association defines capacity as three shifts, five days per week.

The purpose of the survey, then, was to determine facts on lumber operations not available from any source, and to determine whether plywood production could be increased beyond the capacity figures reported by American Plywood Association.

SCOPE OF SURVEY

The mill capacity survey was mailed to 347 lumber operations and 107 plywood operations in the three-state area, using as a source the directory "Crow's Buyers and Sellers Guide". This publication has been in existence for close to 50 years and is regarded as a reliable directory in its field.

The questionnaires were mailed to operations in the areas most likely to be affected by the sales of export logs. This included the manufacturers of lumber and plywood in the areas West of the Cascades, and to certain areas on the east slope of the Cascades where there was a proximity to ports where logs were being exported. The questionnaires were not sent to manufacturers of Cedar shingles and shakes, or to veneer manufacturers.

The first questionnaire was mailed to mills on February 12, and a follow-up was mailed on March 6th.

QUESTIONNAIRE

The questionnaire was worded to determine present production rate in terms of operating days, weeks and shifts; to determine actual monthly production at this time; and to determine what could be produced if an adequate supply of less were available at prices compatible with the domestic market.

The mills were also asked whether they could continue to operate under present log supply conditions.

The questionnaire was worded to determine if production could be increased with the present work force by additional hours of production, or additional work days. The question was also asked whether there was sufficient labor available to add production shifts where mills were not operating at full capacity.

It was recognized that the price of logs was as much a determining factor as their availability in some areas. Prices paid by log exporters in recent months have in many areas been well above the levels which domestic sawmills and plywood plants could pay and still operate at a profit. Hence the questionnaire was worded to determine what the operations could produce if logs were available at price compatible with the domestic market for their finished products.

TYPE OF RESPONSE

Replies from lumber operations were received from companies with monthly production ranging from 400,000 board feet to 12.6 million board feet. Plywood plants replying to the survey had production from two million feet per month to 17 million feet, and included some of the largest integrated operations.

RESULTS: LUMBER

Replies from lumber operations indicated that production could be increased substantially by additional shifts as well as added work days and hours. Less than half of the respondents were operating at capacity, which is generally regarded as two shifts, five days per week, in the lumber segment.

Working shifts. Out of the 102 replies in the lumber category, 54 plants were running one shift or less. All 54 of these companies said they could add production by additional shifts if logs were available. The balance of the respondents were running mostly on a two-shift, five day basis.

Additional days and hours. On the subject of additional production by 9-hour days and 6-day work weeks, about three-fourths of the companies replied that production could be increased in this manner. Out of the 102 returns, 73 said they could increase production by a 6-day week, and 74 indicated they could operate on a 9-hour work day if logs were available. The gain in production by

added days and work hours was not as pronounced as the gain from additional shifts, but a gain of about 54 percent was attainable in this manner.

Footage. The 102 mills replying had monthly production of 366.5 million board feet at the present time. By all methods of increased production, including additional shifts and work schedules, 102 saw mills indicated they could produce an additional 147.4 million board feet per month. This amounts to a net gain of 40.2 percent for the mills replying to the survey.

It is recognized that this 40.2 percent gain could not be applied to mills not replying to the survey, hence no effort has been made to expand these results to an industry-wide basis. The footage gain from the 102 mills replying is substantial, however, and indicates a substantial degree of unused capacity. Out of the 54 plants not running two shifts, 30 were in Oregon, 15 in Washington and 9 in California. One of the plants, Seattle Cedar Lumber Manufacturing Co., revealed through the survey that it was closing indefinitely for lack of logs.

RESULTS: PLYWOOD

Plywood plants replying to the survey were running at close to capacity, but through a combination of methods the 30 mills could increase production by 15.5 percent if sufficient logs were available.

Added shifts. Because some departments in any given plywood operation may be operating two shifts while others operate three shifts, the results of this part of the survey are not as easily defined. A number of the 30 plants were running three shifts in at least a part of their operations, but a total of 6 shifts could be added with available logs. A gain in production of 5 percent could be achieved in this method.

Additional days and hours. On the question of the six-day work week, 17 of the 30 plywood plants said they could add production in this method if logs were available. Only 4 indicated that they could add production by a 9-hour day.

The survey, as it applies to plywood, appears to substantiate the American Plywood Association statistics which show production at close to 100 percent of the rated capacity on a three-shift, five-day basis. If production is to be substantially increased, the six-day work week would be required, and at least 17 plants indicate that this could be done.

CONCLUSIONS

The survey indicates that there is a substantial amount of capacity in the lumber industry on the West Coast not being utilized because of log shortages. In plywood, the survey shows that a substantial gain in production could be achieved only through the six-day work week.

The respondents have indicated that they could produce an additional 147 million board feet of lumber and 44 million square feet of plywood on a monthly basis if the logs were available. Expanded on a yearly basis, this amounts to some 1.7 billion board feet of lumber and 535 million square feet of plywood.

The total volume of logs being exported, or approximately 2.78 billion board feet per year, could not immediately be utilized by the lumber and plywood plants replying to this survey. Allowing for conversion of log scale to lumber and plywood footage, it appears that approximately one-half of the total exports could be utilized by existing operations. Assuming that mills not replying to the survey are operating at close to rated capacity, some additional capacity would need to be built to completely utilize logs now being exported.

The approximate total of 1.7 billion board feet of lumber which could be processed by the mills replying to this survey is substantial, however, in terms of production in the area. Western Wood Products Association has estimated 1973 production for the Coast region as 8.6 billion board feet. A gain of 1.7 billion board feet, if it could be achieved by increased log supply, would represent better than a 20 percent increase in the supply from this area.

MILL CAPACITY SURVEY

	Washington	Oregon	California	Total
LUMBER				
Number of mills reporting	28	45	29	102
Mills operating 1 shift or less	15	30	9	54
Current monthly production (MM)	75.8	161.2	129.5	366.5
Could work 6-day week	20	32	21	73
Could work 9-hour shifts	19	31	24	74
Monthly production which could be added by above means (MM)	10.4	24.5	21.8	56.7
Percent increase	13.7	15.2	16.8	15.4
Could add another shift	14	28	12	54
Production which could be added by additional shifts (MM)	16.9	52.6	26.6	96.1
Percent increase	22.3	32.6	20.5	26.2
Production which could be added by all available methods (MM)	27.0	73.4	47.0	147.4
Percent increase	35.6	45.5	36.3	40.2

Note; Approximate gain possible per year: 147.4×12=1,769,000,000.

PLYWOOD				
Number of mills reporting	8	17	5	30
Current monthly production (MM)	71.0	191.2	25.3	287.5
Could work 6-day week	5	8	4	17
Could work 9 hour day	2	2	0	4
Monthly production which could be added by above means (MM)	10.9	18.0	3.1	32.0
Percent increase	15.4	9.4	12.3	11.1
Monthly production which could be added by extra shifts (MM)	3.5	3.3	8.8	15.6
Percent increase	4.9	1.7	3.5	5.4
Production which could be added by all available methods (MM)	11.4	21.3	11.9	44.6
Percent increase	16.1	11.1	47.0	15.5

Note: Approximate yearly gain possible: 44.6MM×12=535,200,000 square feet.

HOME BUILDERS ASSOCIATION OF METROPOLITAN PORTLAND,
February 13, 1973.

DEAR LUMBER AND PLYWOOD PRODUCER: It's probably no news to you that the log and lumber situation is confusing and chaotic. And you surely will understand that we homebuilders would like to know more about lumber—the basic material of American homes. A successful homebuilding industry absolutely requires a strong, stable, successful lumber and plywood industry. If we can become better informed about the lumber industry we can find ways to work together.

It is our desire to establish a better rapport with lumbermen, but we must have the facts. Well we've tried to get the important facts but find that they just aren't available in a dependable form. They aren't available from individual lumbermen or from industry associations. Furthermore, for almost every "fact" someone gives us, someone else gives us a different or opposing fact.

The enclosed questionnaire has been sent to all lumber and plywood producers in Oregon, Washington and California. The results of this survey will be compiled and analyzed by a qualified forestry research analyst. Perhaps you, too, would like to know more about your industry. Please help us develop the facts and figures and we'll send you a full copy of the final study as soon as it's completed. You will see by the questions that the information is of a current nature so time is important. Your answers are needed right away!

It should only take a few minutes to answer the questions, so please do it now and return it in the self-addressed envelope enclosed. Your reply will be completely confidential.

Sincerely,

ROBERT B. ROGERS,
President.

MILL CAPACITY SURVEY: LUMBER

This survey is being made to determine if there is a substantial amount of sawmill capacity not being utilized at this time because of the log supply situation. We urge your cooperation in filling out this questionnaire to determine what is now being produced, and what could be produced if sufficient logs are made available.

What is your present 8-hour capacity?_____

What is your approximate monthly production now?_____

Please define your present rate of production:

No. of shifts_____ Days per week_____ Hours per shift_____

Under present conditions, how long can you produce at this rate?

Do you have any production units which are now idle because of log supply problems? If so, what is their 8-hour production capacity?

This portion of the survey is to determine how much you could increase production over the short term, assuming *an adequate supply of logs* at prices compatible with the domestic market, and assuming a continued high rate of demand.

With your present work force, could you add production by one or more of the following methods?

Six-day week: Yes_____ No_____ Nine-hour day: Yes_____ No_____

How much production per month could you add in this manner?_____

If you are not running at capacity, do you feel there is a sufficient labor supply in your area to add another shift? Yes_____ No_____

If your answer is yes, about much production per month could be added by the additional shift?

Through all combinations of extra work days or hours, and additional shifts, how much do you feel you could produce per month?

Name and address of your company_____

Signed_____ Title_____ Date_____

Your cooperation is very much appreciated. Please return this questionnaire immediately to:

HOME BUILDERS ASSOCIATION OF METROPOLITAN PORTLAND,
3140 N.E. Broadway, Portland, Oreg.

Senator CRANSTON. Bob, do you have any questions?

Senator PACKWOOD. No, I don't. A good statement.

Senator CRANSTON. A very, very useful statement, with a lot of useful information. I thank you very much. I have no questions.

Is Mr. Baker present?

I am sorry. We are supposed to go to a forestry panel now. If we may we will proceed with the forestry panel first because of plane problems.

Mr. Baker, you are a very patient man. If you will please identify yourselves for the record and I hope you can summarize briefly your prepared statement.

STATEMENTS OF W. D. HAGENSTEIN, INDUSTRIAL FORESTRY ASSOCIATION, AND GEORGE A. CRAIG, WESTERN TIMBER ASSOCIATION

Mr. CRAIG. Mr. Chairman, I am George A. Craig of Western Timber Association in San Francisco.

Mr. Hagenstein is here, and he has been kind enough to yield his seniority position to me since I have to catch a plane.

Mr. Kirkmire had also planned to be here and could not make it, but has sent us some material which I would like to submit for the record.

Our organization processes about 85 percent of the timber bought from the national forest in California and we have recognized that there is common agreement among knowledgeable people that the current high prices for wood products reflect to a large extent the inadequate supply of timber that has been made available from the national forest.

Your own committee concluded the same thing in 1969, and offered a number of practicable recommendations, but they have not been followed.

This was the proposal, for example, to offer salvageable dead and damaged timber. In California alone, in 1970, there was a billion feet in mortality reported by the Forest Service on commercial forest lands of the national forests, and in that year only 54 million feet were sold.

The salvage performance nationally has been shameful for a technically competent forestry organization such as the Forest Service.

Of course, it is because of its lack of funds.

Your report also proposed that roadbuilding be done to get the maximum amount of timber. There is need for 100,000 miles of construction and reconstruction to be built in the next 10 years in the national forest system.

The administration, however, plans only 7,300 miles next fiscal year, and only 10 percent of that will be done with appropriated funds.

Timber purchasers are being asked to take 90 percent of the job.

The President would reduce the construction fund by $62 million and provide about half of what is really needed at this time.

The committee further recommended offering the full allowable cut.

The average deficiency in the sale of saw timber in the past few years has been 2 billion feet each year.

The accrued shortage is close to the total annual cut in the national forest. Saw timber offering should be doubled the planned amount to get back on schedule.

There was also a recommendation regarding the Morse amendment, and specifically to implement the amendment to prevent the substitution of purchased Federal timber for exported private timber as the committee needed at that time, and no action, as you know, has been done on this. It is needed.

The forest management practices have not been intensified as the committee recommended.

Yesterday we heard Chief McGuire say there were 4.8 million acres in planning. Chief Cliff gave the same figure in 1969 when he said another 13 million acres needed thinning or release.

That work would increase the allowable cut by 5 million board feet.

For fiscal year 1974 the President has proposed a reduction of $8.5 million in funds for such work.

There has been only one significant change in timber selling practices in order to stabilize the marketing of timber and reduce upward price pressure.

Within sustained yield principals there could be substantial increases in offerings in the next two or three decades to provide larger yields

where the public's need is great and young stands on private lands are maturing.

There is no doubt that inc[illegible] volumes could be processed if there were assurance they would [illegible]lable. In the past 2 weeks we have made a survey of our members and 78 member plants have indicated that they could increase production by 682 million feet a year; 45 of the 78 plants have room for increased production.

This is 682 million that they could cut; in addition, is one-third of the backlog of unsold timber in California.

Senator CRANSTON. Mr. Craig, could I interrupt for a moment? Just to say that I have to step out for a few moments. I did want to make sure that I thanked you for this very fine statement. And I am particularly glad you point out the penny-wise pound-foolish approach that the administration has taken with regard to the Forest Service by cutting down its funds and, therefore, reducing its ability to step up production.

We will do our best to change that situation.

If I am not back before you finish, I want to thank you both very much.

Mr. CRAIG. Thank you, sir.

I was mentioning that there is room in the 78 plants that we surveyed for an increase in production of 682 million in a year, which would produce roughly 65,000 housing units.

This need for additional timber is equivalent to about 19 percent of the production capacity of the mills sampled.

For California as a whole, I believe that 800 million feet could be processed and made available over the planned supply. The need is particularly acute in the Klamath, Six Rivers, Shasta-Trinity, Sierra, and Tahoe National Forests.

In the Rocky Mountain States, another billion board feet of unused capacity is available according to the Federal Timber Purchasers Association of Denver, Colo.

I would like to submit for the record a summary of this opportunity as prepared by Mr. Nicholas Kirkmire, executive vice president of that organization.

Our conclusion at this time, Mr. Chairman, is the same as what we gave in 1969.

> In summary, we urge you to (1) give the Forest Service a strong directive to produce the timber the national forests can and should produce; (2) ask for realistic short-term and long-term goals; (3) provide the funds and manpower that are needed; and (4) periodically review performance.

I would add, we cannot help but wonder if we will be going through the same exercise 4 years from now.

We hope that Congress will have the will to see that it doesn't happen again.

Thank you for the opportunity to express these views.

Senator PACKWOOD. Thank you very much. I have no questions.

Mr. CRAIG. Would you excuse me, sir?

Senator PACKWOOD. Yes. Good luck.

[The complete statement of Mr. Craig and the material submitted for Mr. Kirkmire follow:]

WESTERN TIMBER ASSOCIATION

212 SUTTER STREET, SAN FRANCISCO, CALIFORNIA 94108

Statement to Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs
Washington, D. C. -- March 27, 1973

Mr. Chairman and members of the Committee, I am George A. Craig, a professional forester and executive vice president of Western Timber Association, an organization of timber purchasers dependent on the National Forests. Our members buy and process 85 percent of the timber sold by the Forest Service in California.

There is common agreement among knowledgeable people that current high prices for wood products reflect to a large extent the inadequate supply of timber that has been made available from the National Forests. The situation has similarities to that existing four years ago this month when a number of us testified to this Committee, and the Committee concluded in part that to meet the long-range problem the President and the Federal agencies should cooperate with the Forest Service on the following:

(a) Offer for sale all accessible salvageable dead and damaged timber.

(b) Concentrate road building where it will generate the maximum timber.

(c) Offer for sale the full allowable cut on the National Forests.

(d) Implement the Morse Amendment to prevent substitution c public timber for exported non-Federal timber.

(e) Aggressively pursue intensive forest management practices to increase timber yield, including the salvaging of dead and decaying timber.

(f) Reexamine present methods of selling and pricing Federal timber to prevent instability and upward pressure on lumber prices resulting from Federal dominance of the market.

OUR NATIONAL FORESTS' RECORD IS DISMAL

Let's see how well we have done on these points since the Committee issued its report in June of 1969:

(a) In 1969, we submitted a Forest Service report of the year before showing that without major access problems 73-1/2 million board feet of additional salvage timber could be sold annually from just three of the twelve California National Forests having substantial commercial timber. Twelve men would be needed for the project. At an average stumpage rate of $30 per MBF, the government would receive more than $2 million per year for material that is going to waste. However, the Forest Service sold only 54 million in salvage sales from all California National Forests in 1970, and a recent Forest Service report shows that one billion board feet of sawtimber died in the commercial portions of those forests in that year. Nationally, the 1970 mortality in the commercial timber areas on the National Forests was nearly 6 billion board feet, about half of the average annual allowable cut. Our salvage performance has been shameful.

(b) The Forest Service has a 10-year plan to construct or reconstruct 104,000 miles of roads as part of the permanent road system for the National Forests. These roads are needed for all resources and are essential to the timber program. Under the plan, timber purchasers would build 70 percent of the approximately 10,000 miles of road each year. The remainder would be built with the appropriated funds and construction contracts. Last fiscal year, there were only 7,746 miles of such roads built and 89 percent of the mileage was built by timber purchasers. In California, timber purchasers built nearly 97 percent of the 1,754 miles constructed. The Forest Service asked for an increase of $60 million last fiscal year for roads and trails; however, the Office of Management and Budget reduced road funds by $4 million. There are currently bills in the House to reduce the authorization for forest development roads and trails from the current $170 million to $75 million or to zero for the next three years. (It is expected that unused authorizations at the end of this fiscal year will total $280 million.) The Congress should reject these proposals to retreat from the Government's responsibility to make the resources of the National Forests accessible for protection and wise use.

(c) The allowable cut of sawtimber on all of the National Forests is a little over 11.5 billion board feet. Additional volume is harvested as pulpwood. The average annual cut over the past two fiscal years has been 10.0 billion or 1.5 billion feet less each year than the conservative management plans permit. The Forest Service controls the rate of cut by the volume it sells each year.

The average volume sold in these two years was 9.5 billion or 2 billion below the average annual allowable amount. The allowable cut level is determined for 10 year periods, so the accrued undercut (undersell) should be picked up in subsequent years. Thus, an additional 4 billion board feet should have been offered in the current fiscal year just to capture the falldown in the previous two years. However, sales programmed for this fiscal year will probably add another 2 billion feet to the accrued undercut. In California alone, the accrued undercut at the end of FY 1972 was estimated by the Forest Service to be just under 2 billion board feet which is approximately the average annual allowable cut for that region. Such failure to regularly offer the allowable cut means not only higher prices for wood products; it means wasted timber growth potential, loss to insects and disease, reduced revenues, underemployment, etc. In sum, it means intolerable waste.

(d) There has not been implementation of the Morse Amendment to prevent substitution of public timber for exported non-Federal timber. We believe that this should be done immediately by a combination of law and regulations to ban the export of Federal timber sold after July 1, 1973 and to impose substantial penalties for willful violations of the anti-substitution measures. Such action is needed to give better assurance that there will not be unnecessary disruption of operations needed to process Federal timber into products for the Nation's needs.

(e) Instead of aggressively pursuing intensive forest management practices to increase timber yields, the Government is cutting the Forest

Service's budget for such work and withholding appropriated funds. In October 1969, Forest Service Chief Cliff told the Senate Subcommittee on Soil Conservation and Forestry of the need for reforestation and timber stand improvement work. He said:

> "This backlog consists of 4.8 million acres in need of reforestation and over 13 million acres of young timber stands needing thinning or release. Accomplishment of this backlog of work would cost nearly $900 million at present costs with an expected harvest of some 5 billion board feet annually."

At the presently conservative stumpage rate of $30 per MBF, that 5 billion board feet would yield $150 million each year forevermore. However, the funds are not being provided. Back in 1966 and 1967, the budget for such work was about $17 million and the agency asked for another $11 million each year, but the request was denied. Such appropriations stayed at $17 million or less until 1971, when the Forest Service asked for an additional $16 million. The Secretary of Agriculture agreed, but the Bureau of the Budget permitted the total to reach only $20 million. In FY 1972, the request was for another addition of nearly $13 million, and the Congress did raise the appropriations to $31 million. A small increase in the current fiscal year did not cover increases needed for pay increases. For Fiscal Year 1974, the President has proposed a reduction of $8-1/2 million to a $23 million level. Penny wise and pound foolish, the Government is failing to harness the timber production capacity of the National Forests. The public will continue to suffer losses through

such mismanagement, because trees not planted yesterday will not be available for harvest when needed in the future.

(f) With one exception, there have been no significant changes in methods of selling and pricing Federal timber to prevent instability and upward pressure on lumber prices resulting from Federal dominance of the market. A change has been made in contracts with stumpage rate adjustment provisions to make greater reduction in rates during a declining market. Another practice that offers considerable possibility for easing current high prices would be to increase offerings of Federal timber for the next two or three decades with a clearly stated announcement that annual offerings from public lands in future decades may have to be reduced below the average annual level for the next 20 or 30 years. Allowable cut levels are usually calculated for rotation periods, often of 120 to 140 years. By varying the harvest in early periods a greater net yield is possible over the rotation period, since stagnate stands of old growth timber will be more promptly replaced with vigorous young stands. Such a practice would provide increased yields from Federal lands while the public need is great and young stands on privat lands are maturing.

THERE IS MORE MILLING CAPACITY

There is no doubt that additional timber could be processed if it were available in many parts of the West. For example, we have surveyed our membership within the past two weeks and found that 45 of 78 plants could

raise their production if logs were available in the near future. On an annual basis, these 78 plants are cutting 2,846 million board feet of logs into lumber and plywood. They report they could increase their annual log consumption by 682 million board feet or more than 19 percent. The sale of a third of the accrued undercut would just about supply this need. The additional volume would be about enough wood for 65,000 housing units.

Association executives from other parts of the country report similar opportunities to raise production.

CONCLUSION THE SAME

We concluded our testimony in 1969 with this statement:

> "In summary, we urge you to (1) give the Forest Service a strong directive to produce the timber the national forests can and should produce, (2) ask for realistic short-term and long-term goals, (3) provide the funds and manpower that are needed, and (4) periodically review performance."

It appears that this Committee could end this hearing with much the same conclusion as it offered four years ago. Tragically, we cannot help but wonder if we will be going through the same exercise four years from now. I hope the Congress will have the will to see that it doesn't happen again.

94-218 O - 73 - 43

ADDITIONAL MILLING CAPACITY AVAILABLE IN ROCKY MOUNTAIN STATES

Amount of capacity if:

(1) Timber supply available within next 6 to 9 months
(2) In addition to regular program
(3) Solve access, design and engineering problems

	Additional Capacity (Million bf)	Accrued Allocable Cut Undercut (Million BF)
Forest Service Region 1		
Montana		
Beaverhead	20	138.3
Bitterroot	30	31.7
Gallatin	20	138.5
Lolo	100	226.4
	180	534.9
North Idaho	305	719.1
Forest Service Region 2		
Colorado		
Arapaho	2	101.5
Grand Mesa-Uncompahgre	20	293.5
Gunnison	20	307.4
Rio Grande	30	358.7
Roosevelt		165.9
Routt	30	202.2
San Juan	100	472.4
White River	15	253.6
	245	2,155.2

SOURCE: Federal Timber Purchasers Association
Denver, Colorado
March 26, 1973

Eastern Wyoming		
Bighorn	20	56.7
Medicine Bow	30	310.7
Shoshone	5	47.5
	55	414.9
South Dakota		
Black Hills	50	170.5
Forest Service Region 4		
South Idaho		
Boise	45	195.0
Challis	5	362.9
Payette	30	8.7
Salmon	10	22.7
Sawtooth	5	16.6
Targee	20	86.1
	115	692.0
Western Wyoming		
Teton	20	270.6
Utah		
Ashley	5	124.2
Dixie	15	19.6
Wasatch	10	77.7
	30	221.5

Region 1	485	1,254.0
Region 2	350	2,740.6
Region 4	165	1,184.1
	1000	5,178.7

Region 2 is $200 mi' .on short of its fiscal year 1973 road constr' .ction needs and is unsu' e where the funds will come from.

Region 4 will get about $5.4 million for roads in fiscal year 1974. Previous years' allotments have been $11 to $12 million. A service wide proportionate reduction in FR&T funds would give Region 4 $8.5 million)

of the $5.4 million, $4 million is for maintenance and the remainder for RIF (reduction in force costs) or the Purchaser assistance on road construction The region's normal sell is 350 to 400 million board feet. The best guess for 1974 is 100 million board feet

Mr. HAGENSTEIN. Mr. Chairman, members of the committee, I am W. D. Hagenstein of Portland, Oreg. I have really only one or two points that I want to make today.

I would like to emphasize that timber supply is our association's only function, and everything we do is directed to that end.

Industrial Forestry Association consists of 130 companies and individuals in the business of growing and harvesting timber and manufacturing lumber, pulp and paper, plywood and veneer, shingles and shakes, hard and soft boards, poles and piling, doors, furniture, and other forest products.

Our members operate more than 400 wood-processing plants and conduct more than 20 different logging operations in our region. They employ more than 85,000 people. The annual payroll of their employees exceeds three-quarters of a billion dollars.

Mr. Chairman I'm here today to discuss timber supply with you briefly and to suggest how you can do something positive to overcome the artificial shortage we apparently have.

First, let me emphasize we have plenty of timber growing in the United States—nearly 2½ trillion board feet. The problem is that some ownership, correction, one ownership—the Federal Government which today owns more than one out of every two softwood trees in the Nation—is not providing its share of the current woodbasket.

Four years ago this month when this committee was investigating problems in lumber pricing and production, I testified that the Government's own data showed that in the national forests of the West, exclusive of Alaska, there was annual mortality of 10 billion board feet. These are the trees which die of old age are blown over, lose out in the competition for light and moisture or are killed by bark beetles or defoliators, disease, and fire. Unless these dead trees are salvaged they are a sheer waste to the American people who own them.

When questioned by the committee as to what needed to be done to salvage this tremendous loss of potential homebuilding materials for the American people, I stated "Access." I estimated that in a reasonable length of time and I said "5, 6 or 7 years" extension of the national forest road system would make it possible to reach and salvage for use half of this tremendous loss.

Your committee was interested then in enough building materials at reasonable prices to fulfill the housing goal of a decent home for every family adopted by the Congress in 1968. So, translating the salvage of 5 billion board feet of timber per year, made possible by accessibility, into building materials would mean a half million homes. With proper roads, this could be continued year after year and provide from one-fifth to one-fourth of all building materials for American homes.

Later in the same hearings, the chairman asked the Chief of the Forest Service what was needed to salvage the mortality and he responded:

> If we had a road system to all of our stands (forests) that we are managing for commercial production . . . could move in and pick up the mortality.

He also estimated that with such access half the annual mortality could be salvaged and thus saved for use.

Senator PACKWOOD Let me stop you a second. I want to ask you a couple of questions on this subject. Yesterday, when Dr. Dunlop was testifying, were you here?

Mr. HAGENSTEIN. No, I was not.

Senator PACKWOOD. We have $518 million in the Forest Service budget this year for roads and so forth. They indicated they needed substantially more; $18 million of it is being impounded. Next year, for the fiscal year starting July 1, the administration is asking for $71 million less for roads.

When we pressed Dr. Dunlop on this question, he said, well, you are backing me into a corner. There is a difference of philosophy between the Forest Service and the Office of Management and Budget. He finally said what we are hoping to do is shift the cost of the road onto the purchasers of the timber. Is this a rational policy? Will the purchasers go ahead and build all these roads? Will we get to the salvage timber on that type of theory?

Mr. HAGENSTEIN. No. Both the Government itself and the purchasers have got to build the roads. It is a combination that we have been using for more than 25 years. Regardless of who puts up the money when it is put up, the trees themselves pay for the road. To the extent that the Government advances its moneys to build these roads, the appraised value of the timber is increased to reflect that accessibility.

Senator PACKWOOD. But the theory of Dr. Dunlop was that we could place it all on the purchasers. I realize the consumer eventually pays for it. But will we get to the objective we want?

Mr. HAGENSTEIN. I'm afraid Dr. Dunlop's advice is poor. I would say if we don't continue to appropriate in the neighborhood of $150 million to $170 million a year for the continuation of the road system in the national forests, then we're going to continue to have this tremendous loss of timber that we now have each year.

Senator PACKWOOD. This was the Chief's argument. He says there are some timber sales for which a purchaser can't justify building the road.

Mr. HAGENSTEIN. That's what is called a deficit sale. If the value of the stumpage won't justify the cost of the road.

Senator PACKWOOD. Go ahead. When the bells ring five times, Bill, I've got to run.

Mr. HAGENSTEIN. Three and a half years later, the Forest Service revised its estimate of annual mortality on the western national forests to 6.2 billion board feet. Despite this reduction from the 10 billion board feet mortality figure previously used and cited above, it is still an astronomical amount and if only half of it were salvageable, it would furnish enough building materials to build 300,000 homes per year. To let it continue to remain inaccessible and unsalvageable is not only sheer waste, but a national disgrace.

This points up both the problem and the opportunity the Government itself has to accomplish two of its goals through an adequate transportation system in the national forests—first, salvage the public's timber so that its own forests can contribute what they should to the country's building needs; and second, enhance the supply of building materials of which we now have an artificial short supply.

To show you that the Forest Service is not insensitive to the need for getting on top of the mortality problem, I'd like to submit as part of my statement one of its publications as an example of constructive analysis. The publication is entitled "Saving Timber Values—A Program To Salvage Tree Mortality on National Forests in Western

Oregon and Washington," and was prepared by the Division of Timber Management in the Portland, Oreg., regional office in November 1968. I inserted this in the record of the similar hearings, this committee held on lumber pricing and timber supply in March 1969. No need to include it again in the record, surely not if in the committee's files.

Briefly, the report showed that in 6 of the 10 national forests west of the Cascades in Oregon and Washington, that 721 million board feet of Douglas-fir timber was dead from bark beetle attack and that only one-third of the dead timber was accessible for salvage.

The Forest Service estimated that an investment of $2⅓ million in roads and manpower was needed to put these dead trees on the market.

Examples like this can be developed for almost any western national forest because with their predominance of overmature timber, the western national forests are havens for diseases, insects and where difficult to protect because of inaccessibility, prone to the ravages of lightning fires.

All this points up the need for better accessibility of the national forests not only for salvage of the huge annual waste of their timber mortality, but also for their improved protection and management. With completion of the national forest transportation system, the Forest Service can also sell its full annual allowable harvest of green timber. It can also increase its allowable harvest dramatically by the more intensive forestry access will allow. The Forest Service knows how to practice a lot better forestry than it is doing today. It has learned this from the half billion dollars the Congress has invested in forestry research. What it needs more than anything is the encouragement to bring the great national forest system up to snuff as the strongest and largest timber-growing enterprise in our Nation.

If you'll permit me to suggest it, we need to get the national forest timber show back under the big top. It seems we're so busy attending sideshows where the attractions are really distractions—arguments about wilderness, timber harvesting methods, single use versus multiple use, ad infinitum—that we forget what Congress said were the purposes of national forests more than 76 years ago.

Among other things, those were

> * * * securing favorable conditions of water flows and to furnish a continuous supply of timber for the use and necessities of citizens of the United States * * *

These purposes have not been altered by either the Multiple Use-Sustained Yield Act of 1960 or the Wilderness Act of 1964—both of which we supported. We believe the latter act, by authorizing withdrawal of national forest lands deemed justified by the Congress for wilderness preservation through inclusion in the national wilderness preservation system through 1974, established a policy of de facto forestry areas for the balance of the national forest system.

With a potential of supplying the American people with a fourth to a third of their total forest products requirements, the Congress needs to remotivate the executive branch to want to and to accomplish the kind of multiple-use forestry on the national forests it knows how to perform.

This means adequate and continuing funding for the national forests, constant monitoring of their performance and less response to

the handful of the media and the Congress which is trying to make the American people believe that intensive forestry on most of their national forests is somehow bad. Gentlemen, it's not bad—it's good—good for people, good for the environment, and with capable management, will put money into our sadly depleted treasury.

To reinforce my case for better forestry on the national forests. I'd like to ask that immediately following my statement that an article by myself which was solicited by and published in the Southern Lumberman last December under the title "Artificial Timber Famine" be included in your record. It portrays briefly the opportunities and responsibilities for my profession to serve the American people better by keeping them supplied with their only renewable source of building, packaging, and communication materials.

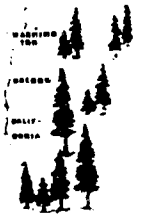
[The complete statement of Mr. Hagenstein and the article referred to are reprinted as follows:]

INDUSTRIAL FORESTRY ASSOCIATION

SERVING FOREST OWNERS, LOGGERS, WOOD USERS
THROUGHOUT THE DOUGLAS FIR REGION

1410 S. W. MORRISON STREET
PORTLAND, OREGON 97205

Telephone:
222-9508



STATEMENT OF

W.D. HAGENSTEIN, EXECUTIVE VICE PRESIDENT
INDUSTRIAL FORESTRY ASSOCIATION
PORTLAND, OREGON

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C.

March 27, 1973

Mr. Chairman and Members of the Committee:

My name is W.D. Hagenstein and I reside in Portland, Oregon. I am a professional forester and a registered professional engineer in the States of Washington and Oregon. I am Executive Vice President of the Industrial Forestry Association which has been working for a permanent timber supply for the forest industry of the Douglas Fir Region in Western Washington and Western Oregon for 39 years. I would like to emphasize that timber supply is our association's only function and everything we do is directed to that end.

Industrial Forestry Association consists of 130 companies and individuals in the business of growing and harvesting timber and manufacturing lumber, pulp and paper, plywood and veneer, shingles and shakes, hard and soft boards,

poles and piling, doors, furniture and other forest products. Our members operate more than 400 wood processing plants and conduct more than 200 different logging operations in our Region. They employ more than 85,000 people. The annual payroll of their employees exceeds three-quarters of a billion dollars.

Mr. Chairman, I'm here today to discuss timber supply with you briefly and to suggest how you can do something positive to overcome the artificial shortage we apparently have. First, let me emphasize we have plenty of timber growing in the United States -- nearly two and one-half trillion board feet. The problem is that some ownerships, correction one ownership -- the Federal Government, which today owns more than one out of every two softwood trees in the nation, isn't providing its share of the current woodbasket.

Four years ago this month when this Committee was investigating problems in lumber pricing and production, I testified that the Government's own data showed that in the National Forests of the West, exclusive of Alaska, there was annual mortality of 10 billion board feet. These are the trees which die of old age, are blown over, lose out in the competition for light and moisture or are killed by bark beetles or defoliators, disease and fire. Unless these dead trees are salvaged, they are a sheer waste to the American people who own them.

When questioned by the Committee as to what needed to be done to salvage this tremendous loss of potential homebuilding materials for the American people, I stated "access". I estimated that in a reasonable length of time, and I said "five, six or seven years", extension of the national forest road system would make it possible to reach and salvage for use half of this

tremendous loss. Your Committee was interested then in enough building materials at reasonable prices to fulfill the housing goal of a decent home for every family adopted by the Congress in 1968. So, translating the salvage of five billion board feet of timber per year, made possible by accessibility, into building materials would mean a half million homes. With proper roads this could be continued year after year and provide from one-fifth to one-fourth of all building materials for American homes.

Later in the same Hearings, the Chairman asked the Chief of the Forest Service what was needed to salvage the mortality and he responded, "If we had a road system to all of our stands (forests) that we are managing for commercial production,.... could move in and pick up the mortality." He also estimated that with such access that half the annual mortality could be salvaged and thus saved for use.

Three and one-half years later the Forest Service revised its estimate of annual mortality on the western National Forests to 6.2 billion board feet. Despite this reduction from the 10 billion board feet mortality figure previously used and cited above, it is still an astronomical amount and if only half of it were salvageable it would furnish enough building materials to build 300,000 homes per year. To let it continue to remain inaccessible and unsalvageable is not only sheer waste, but a national disgrace.

This points up both the problem and the opportunity the Government itself has to accomplish two of its goals through an adequate transportation system in the National Forests -- first, salvage the public's timber so that its own forests can contribute what they should to the country's building needs and second, enhance the supply of building materials of which we now have an artificial short supply.

To show you that the Forest Service is not insensitive to the need for getting on top of the mortality problem, I'd like to submit as part of my statement one of its publications as an example of constructive analysis. The publication is entitled "Saving Timber Values - A Program to Salvage Tree Mortality on National Forests in Western Oregon and Washington", and was prepared by the Division of Timber Management in the Portland, Oregon Regional Office in November, 1968. Briefly, the report showed that in six of the ten National Forests west of the Cascades in Oregon and Washington, that 721 million board feet of Douglas Fir timber was dead from bark beetle attack and that only one-third of the dead timber was accessible for salvage. The Forest Service estimated that an investment of $2 1/3 million in roads and manpower was needed to put these dead trees on the market. Examples like this can be developed for almost any western National Forest because with their predominance of overmature timber, the western National Forests are havens for diseases, insects and where difficult to protect because of inaccessibility, prone to the ravages of lightning fires.

All this points up the need for better accessibility of the National Forests not only for salvage of the huge annual waste of their timber mortality, but also for their improved protection and management. With completion of the National Forest transportation system, the Forest Service can also sell its full annual allowable harvest of green timber. It can also increase its allowable harvest dramatically by the more intensive forestry access will allow. The Forest Service knows how to practice a lot better forestry than it is doing today. It has learned this from the half billion dollars the Congress has invested in forestry research. What it needs more than anything is the encouragement

to bring the great National Forest System up to snuff as the strongest and largest timber-growing enterprise in our nation.

If you'll permit me to suggest it, we need to get the National Forest timber show back under the big top. It seems we're so busy attending sideshows where the attractions are really distractions -- arguments about wilderness, timber harvesting methods, single use vs. multiple use, ad infinitum -- that we forget what Congress said were the purposes of National Forests more than 76 years ago. Among other things, those were ".... securing favorable conditions of water flows and to furnish a continuous supply of timber for the use and necessities of citizens of the United States..."

These purposes have not been altered by either the Multiple Use-Sustained Yield Act of 1960 or the Wilderness Act of 1964 -- both of which we supported. We believe the latter Act, by authorizing withdrawal of National Forest lands deemed justified by the Congress for wilderness preservation through inclusion in the National Wilderness Preservation System through 1974, established a policy of de facto forestry areas for the balance of the National Forest System.

With a potential of supplying the American people with a fourth to a third of their total forest products requirements, the Congress needs to remotivate the Executive Branch to want to and to accomplish the kind of multiple-use forestry on the National Forests it knows how to perform. This means adequate and continuing funding for the National Forests, constant monitoring of their performance and less response to the handful of the media and the Congress which is trying to make the American people believe that intensive forestry on most of their National Forests is somehow bad. Gentlemen, it's not bad --

it's good -- for people, for the environment and with capable management, will put money into our sadly depleted Treasury.

To reinforce my case for better forestry on the National Forests, I'd like to ask that immediately following my statement that an article by myself which was solicited by and published in the Southern Lumberman last December under the title "Artificial Timber Famine" be included in your Record. It portrays briefly the opportunities and responsibilities for my profession to serve the American people better by keeping them supplied with their only renewable source of building, packaging and communication materials.

Artificial Timber Famine

By W. D. HAGENSTEIN

When I was first a forestry student nearly 40 years ago, the prophets of gloom and doom were preaching and predicting timber famine. They really saw the United States running out of trees. They held up the South as the most horrible example and said that my own Douglas Fir Region wasn't far behind.

The forecasters, like most other dopesters, didn't understand some of the in-puts they needed to plug into their crystal balls so that their out-puts would be somewhere within the ball-park.

Not many of them knew much about timber growth. In fact, some of them didn't really believe that trees grew. They knew little about fire, except that they didn't like it. They didn't understand that in time public opinion would force improved prevention and control of the Red Demon.

Another thing they didn't understand was changing consumer appetites and a changing population pattern in the United States which sent people scurrying from the boondocks to town where most of them would be satisfied with smaller living quarters, which would have a profound effect upon consumption of forest products. Best indicator of this is the continuous decline of *per capita* lumber consumption for the last 65 years. Of course, we've got a lot more *per capitas* now, so total lumber consumption is still rather high, so *per capita* figures aren't really much of an indicator of absolute consumption or demand trends.

Of course, some of the timber famine prophets had an ulterior motive, just like advocates of some religions who are always predicting the end of the world. This kind of prophet always wants to run things, so if enough people could be made to believe a timber famine was imminent, then public opinion would demand imposition of controls of the kind the New Dealers were seeking in the early '30's by which the Federal Government would be telling the private timber-land owners how to run their business.

These guys, however, were never able to convince a majority of the Congress that Uncle Sam knew more about John Smith's woods than he did himself, even though we were then in a period when most of our forest practices didn't measure up. However, we were beginning to see the light that the country couldn't stand to continue burning over 25 to 30 million acres of forest-land each year.

The educational value alone of the Civilian Conservation Corps probably had more to do in making Americans aware of their opportunities in forestry than any other single act in our time. The CCC provided the impetus for thousands of young men to make forestry their life's work, including this writer.

Neither did any of the forecasters have any clear understanding that when timber went from $1 to $5 a thousand the best incentive of all was provided private land-owners to use their capital, brains and energy to manage their lands to perpetuate the timber crop. When timber went from $5 to $10 a thousand that many more converts would be brought into the fold. And now, with timber selling for $50 to $60 per thousand, he who owns the land and doesn't expend his utmost efforts to manage it within its full capacity for growing trees, is not only a poor businessman, but a plain damned fool.

That brings me around to the theme of this article—artificial timber famine.

500,000,000 Acres Of Land

The United States has at least 500 million acres of land whose clearly highest use to society is the perpetual growing and harvesting of trees under multiple-use forest management. About a fifth is owned by Uncle Sam, about five per cent by the states and the balance by millions of individuals and several thousand corporations.

If the United States Government itself would practice the kind of forest management it has learned

---

Mr. Hagenstein is executive vice president, Industrial Forestry Association, Portland, Oregon.

Reprinted from SOUTHERN LUMBERMAN DECEMBER 15, 1972

how to do from its own half billion dollars worth of forestry research during the last half century, it could provide at least 20 billion feet of timber a year to help satisfy the housing, packaging and communication needs of the people of the United States, the owners of these far-flung citizen forests. The states could provide another two billion feet and the private owners somewhere between 65 and 80 billion feet. Of course, the strong ownership—the United States, the state governments and the industrial owners—are those which have the best chance to perform, because of their long-term tenure.

However, for the short run it looks as though the strongest ownership of all, the United States Government, will not allow its own professional managers to do the kind of job they know how and want to do to serve the American people fully through top-notch management of their own forests. Somehow, the "Board of Directors," the Congress, responding to some of their own pronouncements in law, such as the National Environmental Protection Act, the Multiple-Use and Sustained Yield Act, the Wilderness Act and the statute which created the Council on Environmental Quality, seem hell-bent on creating a completely unnecessary and unwarranted artificial timber famine in the United States. There is plenty of evidence everywhere in the country that trees can be grown, harvested and grown again, while maintaining and enhancing the environment. But, somehow, because of carefully dished up propaganda, largely through our public educational system and the public media, the man in the street who is so dependent upon forests for his daily essentials, comforts and conveniences, doesn't think that trees can be harvested without adversely affecting his environment. In fact, he's been hit so hard so often by the same bunk that he doesn't really understand or believe any more (and he once did) that trees are renewable through forestry.

Therefore, if the United States fails to live up to its pledge to provide every family with a decent home—and this has been our national policy since the Housing Act of 1968—it will be due primarily to an absolutely unnecessary artificial timber famine which should never occur because of the inherent ability of our 500 million acres of multiple-use forests to provide all the wood we need and then some forever. It's up to us. We can prevent a timber famine or create it. If we do help create it, it's because the forestry profession has yielded to extraneous pressures rather than living up to the spirit of its founders to serve mankind through better forestry.

The early-day timber famine predictions never came to pass because forestry got started in earnest in the United States before there was any real danger of running out of trees. Through protection against fire and insects, through planting trees, through better utilization, through manufacturing technology which has vastly extended our timber supply, the United States at this point in history is in better shape for a forest future than any nation has ever been.

Warning Signal

But the warning signal of the last five years that we may reverse this trend—by not wanting to practice forestry, by practicing half-hearted forestry, by making it impossible to practice forestry—is the greatest threat we have to an adequate and bountiful timber supply.

When attending the VII World Forestry Congress at Buenos Aires in October, the writer was appalled to find the same artificial timber faminists active around the world as has been evident in the United States in the past decade. Representatives of countries where wood is short and, consequently, the standard of living low, were recommending more "parks for the poor," "wilderness for the weary," etc. They said little about intensifying forestry to provide the sinews of a strong economy that can only come from more jobs, better homes, more food and better education. It was only the representatives of a few new African countries, and a few of the rest of us, who spoke out strongly for the need of homes, jobs and food and for better forestry to bring them about.

The anti-Christs of forest conservation are more vocal than those of us who believe in forestry and who believe in what it can do for people. Isn't it strange that for a generation in the United States the detractors of forestry—and some of them members of the federal bureaucracy—and a few elected officials, hollered at the private owners to practice forestry? Now that the time is here for the strong Federal ownership of forestlands, principally the National Forests, to play their part in providing their rightful share of the wood needs of the United States, these people and their "successors in interest" have become the "inactivists" in forestry. What we need are strong, vigorous, activists in forestry who believe in it, who not only want to but will practice it, because this is the only way that an artificial timber famine can be prevented. It is the only way that the 11 million families with inadequate housing can be provided with what everyone wants for them, all without diminishing in any way either the long-term timber resource or the environment for future Americans.

This writer, privileged to live through the Golden Age of American Forestry and to have known personally most of forestry's pioneers, believes implicitly in the future of American forestry. We foresters will do the job. We foresters will provide the wood for America. We foresters will keep the country green and growing. We foresters will maintain our forests and watersheds. We foresters will rotate our wildlife habitat. We foresters will protect and enhance America's forest scenery. And, we will do it all because there is no way for America to survive without a never-ending supply of renewable trees which will always serve us well if we want them. Otherwise, the future of America will be mortgaged beyond its ability to pay by an artificial timber famine of our making and an artificial timber famine future generations just can't stand.

Further copies may be obtained from

INDUSTRIAL FORESTRY ASSOCIATION
1410 S.W. Morrison Street
Portland, Oregon 97205

Senator PACKWOOD. Bill, thank you. I'm going to run. Let me ask, who is left to testify besides Mr. Baker, Mr. Evans, and is Mr. Kerr here? Those three. We will take them in that order.

Excuse me. What is your name?

Mr. KERR. Mr. Kerr.

Senator PACKWOOD. We are going to finish these hearings tonight, even if we have to go to 5:30.

And I'll be back hopefully in about 15 minutes.

[Recess.]

Senator PACKWOOD. I might announce we have another vote tonight, but I think we may get through the rest of the witnesses before we have it. So, let's start out.

Mr. Baker, I apologize for keeping you waiting since 10 o'clock this morning.

STATEMENT OF RAYMON BAKER, BAKER INDUSTRIES AND NATIONAL WOODEN BOX ASSOCIATION, ACCOMPANIED BY B. N. RUSSELL

Mr. BAKER. Senator Packwood, I am Raymon Baker of Baker Industries, and appearing with me is Mr. B. N. Russell, our vice president of manufacturing.

We are here today to talk primarily about the problems being encountered in the industrial community concerning lumber and plywood prices, and particularly with reference to the use of plywood and lumber in containers.

In addition to representing the interest of Baker Industries and our customers, we have been asked to speak in behalf of the National Wooden Box Association today.

I would like to open our statement by reading the following telegram from one of our customers. I think this statement is pretty well representative of the problems that are being encountered in industy today.

We have received the following telegram from Mr. L. B. Neubert, vice president of purchasing, Aluminum Co. of America. I quote as follows:

> We advise you as president of National Wooden Box Association—that we are experiencing severe shortages of supply of industrial grade lumber and allied wood products. Some suppliers have placed us on allocation, which adversely affects our ability to ship aluminum products to our customers. Price increases for lumber in the past few months have ranged from 25 percent to 75 percent depending upon grade and location, which adds appreciably to our product cost.

Container and packaging problems in industry are extremely severe. The current crisis and the resulting dislocations in industry are the worst in our memory. These problems are contributing substantially to inflation—and only prompt action by Congress and the administration can prevent further deterioration.

We do not come here as experts in forestry, environmental problems—imports/exports. But the members of NWBA do have substantial experience and a good record as volume producers in the field of industrial packaging.

According to the numerous task force studies relative to timber and ecology—it seems obvious that we have adequate timber resources to

meet domestic needs without disturbing our environment. This is assuming we have intensive forest management especially on Federal timber lands.

Since many national goals are in jeopardy, we are alarmed and cannot understand why actions have not been taken regarding timber availability from public forest lands. This has been repeatedly suggested by congressional committees and a special Presidential task group since the 1969 crisis.

As a result of the timber shortage, prices of plywood and wood products in general have soared to unprecedented heights.

Our firm operates four cable reel plants using 35 million board feet of softwood lumber annually and 15 million square feet of plywood. The box and cable reel industries use a total of 356 million feet of lumber annually and 130 million square feet of plywood. These figures represent only a small part of the total of industrial requirements.

With regard to recent trends, our experience closely parallels the price trends shown by "Random Lengths" and other recognized market reports. The price increases of lumber and plywood are unparalleled. During phase 2, we experienced a 23 percent increase in SYP boards—and in 2 months since the beginning of phase 3, the market has advanced an additional 12 percent, or an annual rate of increase of 70 percent.

Many NWBA members experienced 30-percent price increases under phase 2 and in 2 months under phase 3 have experienced an additional alarming increase of 30 percent.

The price escalation by some mills has been much more severe than the averages indicate—in 2 weeks after the beginning of phase 3, one plywood producer raised the quotation on delivered ½-inch sheathing by 17 percent, and again in about 2 more weeks to a total increase of plus 35 percent. Within 2 weeks of the end of phase 2, one major lumber producer increased their price on boards by 17 percent.

As critical as price trends are—we are unable to buy some industrial dimensions at any price. This forces us to substitute dimensions which cause substantial increases in waste. This fact, plus the use of lower quality lumber, has resulted in higher manufacturing costs generally.

The use of green, unseasoned lumber in reels and containers is causing a variety of problems for our customers; for example, damage to their finished products and increased freight cost.

[Complete statement follows:]

94-218 O - 73 - 44

– BACKGROUND PAPER –

THE LUMBER AND PLYWOOD CRISIS AND ITS EFFECT ON THE INDUSTRIAL CONTAINER & PACKAGING MARKETS

Prepared by:
BAKER INDUSTRIES, INC. – HAFTSELLE, ALABAMA

Presented to:
U. S. SENATE BANKING, HOUSING & URBAN AFFAIRS COMMITTEE

BY
Raymon J. Baker & Bill Russell

March 29, 1973

The opportunity to appear before this committee today in behalf of industrial users of lumber and plywood is greatly appreciated. Our problems in the Container and Packaging markets are extreme – and we sincerely desire to be of help and assistance.

In addition to representing the interest of Baker Industries and our customers, I have been instructed to speak in behalf of the National Wooden Box Association.

The current lumber and plywood crisis and the resulting dislocations in industry are the worst in our memory. It looms as a national crisis and these problems are contributing substantially to the inflationary spiral. Only prompt and drastic action by Congress and the Administration can prevent further deterioration.

We do not come here today as experts in forestry, environment or in the field of export imports. We the members of the National Wooden Box Association do have substantial experience and a good record as volume fabricators in the field of industrial packaging.

There have been numerous task force studies by Congressional and Administration Committees relative to timber resources and ecology . . . and it would appear that the public is well informed of the facts and issues. Since major national goals are in jeopardy, we are alarmed and cannot understand why action has not been taken regarding timber availability from our Federal forest lands.

We have been assured time and time again by the experts that this country has the timber resources to meet the domestic requirements for lumber and fiber products and in doing so, an intensive forestry management program would actually enhance our environmental qualities.

In our opinion, industrial leaders endorse and support the concept of multiple use of Federal forest lands. Additionally, we believe all Americans want assurances that forests and trees will continue forever to be a major part of the American landscape and culture.

PACKAGING CRISIS IN INDUSTRY

Our firm operates four wood manufacturing plants in the South, producing primarily cable reels for the manufacturers of electrical and communication cables and the wire rope industry. Our lumber and plywood requirements are typical of many other National Wooden Box Association member companies. Our annual requirements total 36,000,000 board feet of softwood lumber and 15,000,000 square feet of plywood. The Wooden Box and Reel Industries require annually 367 million board feet of hardwood and softwood lumber and 130 million square feet of plywood.

With regard to recent trends, our experience as a reel producer closely parallels the price trends shown by "Random Lengths" (see enclosed chart) and other recognized market reports. The increases have been unparalled. During Phase II, we experienced a 23 precent increase in the price of southern pine boards and the first two months of Phase III, the market has advanced an additional 12 percent, or an annual rate of increase of 70 percent.

Box members have experienced 30 percent price increases under Phase II and in two months under Phase III have experienced an additional increase of 30 percent.

As critical as price trends . . . we are unable to buy industrial dimensions at any price. To supply a customer, this forces us to use substitute dimensions which causes substantial increases in waste. This fact, plus the use of lower quality and unavailability of dry lumber has resulted in higher manufacturing cost generally. We are also incurring increased freight costs due to green lumber.

The necessity of using green unseasoned lumber in reels and containers has created a variety of problems for our customers, e. g., damage to their finished products and increased freight costs.

Through the years the container industry has had a history of stable prices. However, since 1969 the continuing lumber crisis has resulted in a rapid escalation in our prices. Also, it should be pointed out that many plants have ceased operating because of the shortage or raw material and inability to make a profit.

MANAGEMENT OF TIMBER RESOURCES CAN PROVIDE DOMESTIC NEEDS AND ENHANCE THE ENVIRONMENT

We believe that it is the consensus of experts that we can have healthy - - abundant forests - - adequate for good environment, recreation, aesthetic beauty - - and at the same time, provide housing, newspapers, furniture, industrial containers and many other wood items at reasonable prices. To accomplish this however, dramatic changes in attitudes, priorities, and commitments within the Federal government will be necessary. Today, fears are rampart over the sufficiency of our timber resources. Only prompt action by Congress and the Administration in the adoption of legislation which will assure sufficient acreage in perpetuity for the production of timber will avoid a national catastrophe.

I would like to quote a statement that the President made on June 19, 1970 relative to increasing the supply of softwood and hardwood timber.

> "The Secretaries of Agriculture and Interior should formulate plans to improve the level and quality of management of forest lands under their jurisdiction in order to permit increased harvest of softwood timber consistent with sustained yield, environmental quality, and multiple use objectives. As recommended by the Task Force, such plans should take cognizance of the increased requirements for timber to meet our housing goals. They should be developed in consultation with the Council on Environmental Quality with the aim of not only protecting but also enhancing the quality of the environment in our forest lands. . ."

It is the opinion of many leaders in the lumber industry that this directive has not been fully and sufficiently implemented. We believe that there are many disturbing misinterpretations and misconceptions that must be resolved. The current acceleration of dialogue between different groups is encouraging and we trust that this will lead to prompt action.

To be more specific, there is an urgent need for continuous Federal funding to assure an intensive forest management program for Federal forest lands. The harvest each year will be dependent upon a continuing commitment of funds and an assured level of intensive forestry.

Federal forest lands contain more than 50 percent of all the merchantable softwood timber in the United States. These lands have not produced their proportional share of growth and yield. Their potential contribution . . . economic, social, and environmental . . . is being neglected. In a recent report by the National Forest Products Association the Chief of the U. S. Forest Service was quoted as stating that timber harvests could be increased by 50 percent if adequate funds were available for tree - growing programs.

To achieve vigorous, healthy and flourishing forests . . . for multiple use, requires agressive programs for the removal of dead, dying, mature, and over-mature timber and the prompt introduction of vigorous new trees. Too many people do not recognize the fact that forests are alive. Like people, trees get sick, diseased, suffer infirmaties from age and ultimately die. Like people, trees need care . . . intensive care . . . and this costs money. Unless these facts are recognized by Congress and the Administration . . . and unless more money is injected into forestry programs, many of our major national goals will not be met.

Because of climate, technology, economics and political conditions, the United States can have the most productive forests in the world. The key will be intensive forest management of Federal lands adequately funded by the U. S. government.

For many years, industry has demonstrated that forest lands can be managed to yield substantially increased volumes of timber through judicious investment, constant care and attention, and a clear understanding of basic objectives.

OUR CUSTOMERS STATE: "HIGHLY INFLATIONARY"

We have received the following telegram from Mr. L. B. Neubert, Vice President, Purchasing, Aluminum Company of America; "We advise you as President of the National Wooden Box Association that we are experiencing severe shortages of supply of industrial grade lumber and allied wood products. Some suppliers have placed us on allocation, which adversely affects our ability to ship aluminum products to our customers. Price increases on lumber in the past few months have ranged from 25% to 75% depending upon grade and location, which adds appreciably to our product cost."

We have talked to many other customers just last week and they regard price increases on reels as wholly inflationary . . . they know that actual COSTS in each step of conversion from standing timber to finished reels could not have increased as much as reel PRICES have increased. They know, however, that over 50 percent of the reel price is in lumber cost and that we cannot offer substantial buyer resistance to lumber prices since the aggregate demand for lumber is so high. If we do resist, we cannot get lumber to supply them with reels. Even with these high packaging prices, reel delivery times are so extended that mills have suffered production delays and line shut-downs. In talking with them, some have mentioned they expect reel costs to increase as much as 25 to 30 percent in 1973. Price increases by some of their reel suppliers are coming at the rate of one every two weeks.

Beyond that, two customers were quite concerned that the small reel suppliers will be forced out of business as they do not have the ability to even purchase adequate supplies of lumber. They just cannot compete for lumber in the marketplace as it exists today.

RECOMMENDATIONS

In response to this Committee's request that we make recommendations, we hereby submit the following suggestions:

1) Reimpose mandatory price controls –
   a) roll back price to December 1972
   b) enforce profit guidelines on all lumber producers
   c) add standing timber to the list of price controlled commodities.

   We have been advised that price controls on lumber and plywood during Phase II and Phase III have not been effective because large timber owning producers have been able to allocate profits to their timber divisions rather than the manufacturing facilities. For these companies high timber prices can produce windfall profits and there is adequate incentive to intentionally influence cost escalation.

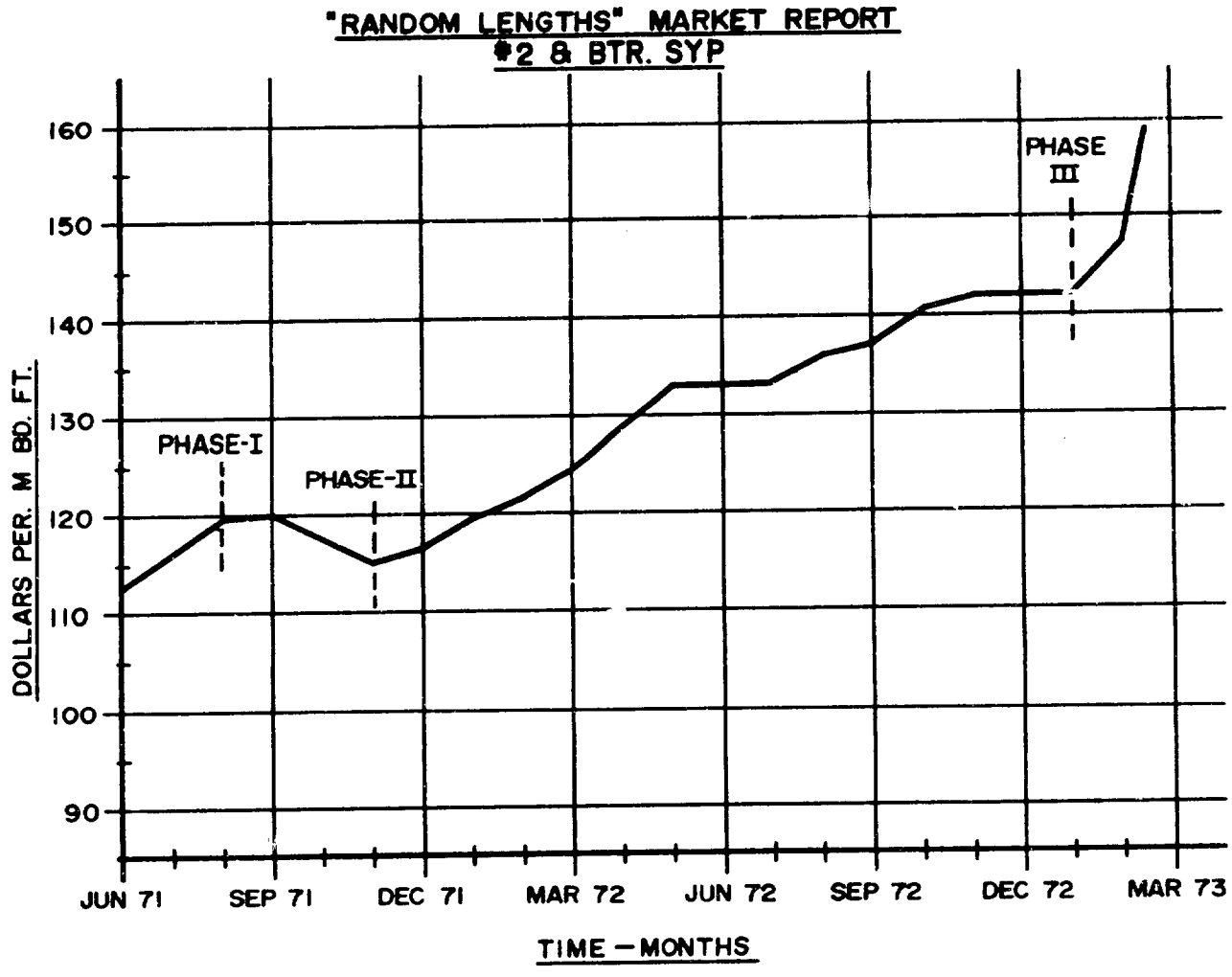
2) Assure intensive forest management on public lands by providing adequate and continuous funding for a long range program. Such a program is in the interest of ecology as well as providing the needs of housing and industry.

3) Develop an adequate incentive to stimulate intensive management of privately owned timber lands. An alternate to this is to provide aid to underdeveloped countries i. e. Central America, to develop their forest resources. But the cost of such program would likely far outweigh that required to assure a vigorous domestic management program.

4) Encourage the sale of finished timber products as a substitute for the logs that are now being exported in tremendous quantities.

5) Ban the use of saw log size timber in the production of paper pulp.

In summary, we cannot overemphasize the urgent need for drastic measures. Many of the true solutions will not bear immediate results – but, action must be taken now to stop the unparallel escalation of lumber and plywood prices.


"RANDOM LENGTHS" MARKET REPORT
#2 & BTR. SYP
DOLLARS PER. M BD. FT.
160
150
140
130
120
110
100
90
PHASE-I
PHASE-II
PHASE III
JUN 71
SEP 71
DEC 71
MAR 72
JUN 72
SEP 72
DEC 72
MAR 73
TIME — MONTHS

Mr. BAKER. Now at this time I am going to ask our vice president of manufacturing to discuss and propose to you some recommendations that we have.

At this time, Bill Russell.

Mr. RUSSELL. Senator, we fully agree with many of the recommendations that have been made here today.

I think all of us agree that the true solutions to problems that we are encountering are long-range that most of these such as the intensive forest management proposals are recommendations that will just not bear fruit in the short term.

We do feel that immediate action is required now in order to stabilize prices and to improve the supply. 1. We recommend that mandatory controls be reimposed on the lumber and plywood industry immediately. (*a*) This should include rollback of prices to December 1972, or earlier levels. (*b*) Included should be an enforcement of profit guidelines on all lumber producers, all sizes.

There was an interesting article that you may have noticed in the Wall Street Journal just last week that I would like to show you. It was a full-page advertisement, taken by one of the major lumber suppliers in the country. In it they boast that net income in 1972 was up 49 percent over the previous year. Their profit curve is shown here, and it shows very readily that their income responds dramatically to times of crisis.

In the 1969 crisis, there is a dramatic hump in the profit curve, a tremendous increase in profits, and with the beginning of the current crisis, there is another tremendous acceleration in their profits.

We wonder when we see ads like this, how companies with 50-percent increase in net income could be meeting the phase 3 guidelines. So we would like to see those guidelines enforced for companies of all sizes.

(*c*) We further propose that standing timber be added to the list of price-control commodities.

We have been advised by major lumber producers that the price controls on lumber and plywood during phase 2 and phase 3 were largely ineffective because some large timber-owning producers have been able to allocate profits to their timber divisions rather than their manufacturing facilities. For these companies high timber prices can produce windfall profits and there is adequate incentive here for the companies to intentionally influence cost escalation.

2. Our recommendation is that something be done immediately to insure intensive forest management on public lands by providing adequate and continuous funding for a long-range program. Such a program is in the interest of ecology as well as providing the needs of housing and industry.

3. Develop an adequate incentive to stimulate intensive management of privately owned timberlands.

An alternative of this would be to provide aid to underdeveloped countries, such as the Central American Republics, to develop their forestry resources. But we feel that the cost of such a program as this would likely far outweigh that required to assure a vigorous domestic management program.

4. We would encourage the sale of finished timber products as a

substitute for the logs that are now being exported in tremendous quantities.

5. We strongly support the remarks of Mr. Bingham in his testimony this morning that there is a lot to be improved as far as utilization of southern pine is concerned. He remarked that there were tremendous quantities of southern pine sawlogs going out in pulp chips.

In this regard we would propose a complete ban on the use of sawlog-sized timber in pulp chips.

Now, there are efficient means of processing logs down to a diameter of 5½ inches, so there should be some size range that would be prohibited as far as going into a pulp mill.

In the South, we see everyday a very significant percentage of the roundwood moving that would be very economical when processed into lumber.

That concludes our testimony and we thank you, sir.

Senator PACKWOOD. A couple of quick questions, and again I apologize for your having to wait so long.

Much of the testimony we had several weeks ago when we were considering wage and price controls on the lumber industry, lent itself to the conclusion that wage and price controls are not going to increase supply.

We are operating at the moment with a relatively fixed supply. Price controls on stumpage would simply force rationing.

If you say that stumpage can only be sold for $80 a thousand, and you have 20 companies all bidding $80 a thousand, you have to decide which one is going to have to get it. You are going to have to decide which needs in this country are priority needs.

Do you have any comment on that conclusion?

Mr. RUSSELL. Senator, we don't know how to control it. I am sure it would be a very complex program as far as controlling a ceiling price on stumpage. But we feel that any control that is imposed without that ceiling is going to be just a replay of what we encountered in phase II and phase III.

So we can't make a recommendation on the method of controls.

Senator PACKWOOD. You don't agree with Mr. Bingham that stumpage is irrelevant to cost?

Mr. RUSSELL. Not at all.

We cannot speak for southern producers, but we do know that in the South stumpage has a direct bearing on the selling price of lumber. There is no question; we buy regularly from more than 100 mills, most of them in the South. So we are in contact with a broad spectrum of producers from Texas to North Carolina, and we know that stumpage affects the final selling cost of lumber.

Senator PACKWOOD. I appreciate that.

Mr. RUSSELL. As you made the point very well earlier, when there is incentive due to capital gains treatment on stumpage on the profits, and you can pass along higher timber prices as increased cost of manufacturing and still make a manufacturing profit, there is no question that it is in the corporation interest to run those stumpage prices up.

Senator PACKWOOD. Thank you very much, and thanks once more for your patience.

Senator PACKWOOD. Mr. Brock Evans.

STATEMENT OF BROCK EVANS, FEDERATION OF WESTERN OUTDOOR CLUBS, SIERRA CLUBS

Mr. EVANS. Thank you, Mr. Chairman. I was the first witness this morning in the Alaska pipeline hearings, and I see I'm about the last witness now.

I know time is running late. I am here as the representative of the Sierra Club and the Federation of Western Outdoor Clubs to talk about this important subject, and others of our people would like the opportunity to speak to you when you have field hearings on the same subject.

I'll try to summarize as the other witnesses have done.

We know that there has been a great deal of talk these days about an alleged "lumber price crisis"; many representatives of homebuilders, lumber dealers, and spokesmen for the timber industry have been in Washington in recent weeks in an effort to educate decisionmakers to the view that there is in fact such a crisis at the present time, and that something must be done about it.

To those of us with somewhat long memories, it sounds very much like the situation and crisis atmosphere which prevailed in 1969, when similar claims and comments were made. In fact, many of us appeared before this same committee to testify on the same subject and on proposed remedial legislation, then called the National Timber Supply Act.

As we all know, the "lumber price crisis" of that period eventually passed, and prices declined. The National Timber Supply Act, which environmentalists felt to be little more than an attempt to raid the national forests was defeated in Congress about a year later. We are here today to urge some solutions to what may be a temporary price problem, and to most strongly urge that this body does not respond in a panic form to the crises of "crisis" in such a manner that Congress will be forced to face a repeat battle over the fate of the national forests, along the lines of the highly controversial Timber Supply Act.

INCREASING THE CUT FROM THE NATIONAL FOREST

We are all aware that one of the methods proposed for alleviating the present lumber price situation is to greatly increase the amount of timber now being cut from our public forests. This is one of the major remedies recommended by the timber industry and its spokesmen.

It is our position that such a remedy, if adopted, would do grave violence and injury to the purposes for which the national forests were created and to the statutes under which it operates, which plainly recognizes that wood is only one of the uses and purposes of national forests; they must be managed in an equal manner to protect such values as wilderness, recreation, wildlife, water supply, and forage. I disagree with Bill Hagenstein's remarks that these are just "sideshows" to the main job of the logs out. I have a great deal of respect for Bill, but would like to point out that one of the purposes of the national forest systems, as spelled out in the 1897 act, was to protect the forests. He should not have left that phrase out when he attempted to tell you that the main purpose is to provide timber.

We further would like to bring to your attention the fact that a great body of documented evidence exists to the effect that the national forests, in many portions of the country, have been and are being overcut at the present time, at present rates of cutting.

The much-publicized stratification report, conducted by the Forest Service itself last year. documented the fact that at least 22 percent of the land area formerly classified by them as commercial, and capable of producing crops of trees was in fact misclassified, and was not commercial. This amounts to one-fifth of the land area involved, a figure which closely corresponds with that estimated by independent professional and nonindustry foresters, as a measure of the amount of land being wrongly opened to timber cutting on the national forests.

Further, a special committee of the National Academy of Sciences—the Environmental Studies Board—conducted a series of hearings on the question of clearcutting practices and overcutting in the national forests last year.

Its own conclusion was that the national forests had directed insufficient attention on the long-range consequences of forest management, especially for the forest soils. It expressed concern about the irreversible harm to environmental and other public values which might be occurring due to excesses in present timber cutting. If this committee desires, we could furnish ample evidence about specific instances of overcutting in many of the western national forests.

The whole point is that if present cuts can be demonstrated to be too high in many instances, any remedy to the current price situation which results in an acceleration of the present cut would be a disaster for the entire Nation, in both long and short terms. It would also be a violation of existing laws and statutes.

With all of that noted, it is still agreed at the current time, lumber prices are obviously higher by a good deal than they have been in the recent past and that it may be possible to consider remedial legislation which will not do violence and damage to other important public values. We submit, and would like to point out that it is also possible to finally come to grips with the realities of the current timber situation on private lands, a subject which has been much too much neglected by the Congress in recent years.

The log export solution: Others have already pointed out to this body that in terms of exports of raw materials in the form of logs, this country currently sends abroad at least 3.7 billion board feet lumber equivalent at present rates. Depending upon whose estimates are being used, we are at the same time importing from 5 to 9 billion board feet of finished lumber from abroad, mostly Canada, to meet our own housing needs.

Others have documented in detail the effect of this unbelievable situation on jobs and employment in American timber mills, on our balance of payments, and on other economic factors. We would like to bring to your attention some of the environmental adverse consequences which constitute one of the primary reasons why we support S. 1033.

I was the Northwest representative of the Sierra Club and the Federation of Western Outdoor Clubs, based in Seattle, for 6 years, until February of this year. My area of jurisdiction embraced all of the tim-

ber growing lands from the southeast Alaska panhandle to northern California, and as far east as northwest Wyoming. It embraced, in other words, the area from which almost all log exports are taking place at the present time. It embraced the area of the large private timber holdings of giant timber companies, as well as those State lands, State of Washington, which are primarily responsible for most log exports at the present time.

The subject of forestry and good forest management was a very important concern of this office, and we spent a great deal of time looking into the subject, not just on public lands and on the national forest, but on State and private lands as well. Starting about 2 years ago, we employed a full-time consulting forester, who spent a great deal of his own time going on to private forest lands, and attempting to document with pictures, places, and dates examples of good and bad forestry practices. This was felt to be an essential activity in order to ascertain whether reforms in forest practices were needed, or whether in fact all was as well as the great timber companies claimed.

The results of such surveys were almost always uniformly shocking. Contrary to the barrage of statements about "sound forestry" repeated every day to the public in media advertising, we found examples of immense clearcuts, sometimes joining together so that thousands of acres were cut almost all at once; examples of whole valleys completely stripped bare, and no streamside protection left for fish and wildlife; of streams and larger rivers choked up with sediment and silt and logjam from the devastating logging on the so-called tree farms upstream; of greatly increased floods and devastation of private property lower down because of irresponsible logging on the so-called industry tree farms.

Some of the worst examples seen occurred on the lands of one of the major exporters of logs, the Weyerhaeuser Corp., in the so-called Snoqualmie Tree Farm and the St. Helen's Tree Farm. We can furnish documentation in the form of pictures and places and dates, if you wish.

These practices are current practices, and are continuing at the present time; they are not practices of the past. It is our conclusion that what we are seeing as a liquidation of the remaining reserves of old growth timber on private industry lands in the Northwest, primarily for the purpose of sending logs overseas to Japan, where they will reap a higher profit.

Indeed, according to Mr. Harry F. Morgan, Jr., senior vice president for wood products for Weyerhaeuser Corp., the current large expansion of Weyerhaeuser facilities—to our knowledge, hardly any of it in the Northwest—will be "financed by sale of logs and chips surplus." (Wall Street Journal, Nov. 24, 1969, p. 35.)

Weyerhaeuser lands are not the only ones which appear to be stripped in a manner so that the old growth timber is liquidated, so that streams are ruined and damaged, so that floods are caused downstream, so that the soil itself may never be truly productive again. All of the other giant corporations in the Northwest must also share some of the blame. And the total effect, the impact, on all values is devastating. Sooner or later, the public is going to have to pay the cost of building flood control works to control the floods which have been caused by

irresponsible logging upstream. We may already be facing this situation in the Snoqualmie River Valley near Seattle.

Sooner or later the public is going to have to do something about reforesting lands, which have been devastated, if the industry gambles on high-yield forestry do not succeed because of too much cutting too fast. And right now the public is paying the price in terms of floods, ruined fisheries, scoured-out streambeds, and damage to scenic values.

The fundamental point that we must consider when we are talking about log exports is this: We are not just talking about exports of logs. We are also talking about exports of scenery, fisheries, of wilderness, of wildlife values, of the land itself, since the soil is washing down to sea. This is one of the major and most disastrous environmental consequences of the current rate of log exports. This is why it must be curbed, and very soon. Already too much has been lost.

It is important for this committee to know, on an ironic note, that as of last summer, according to Forest Industries magazine, Japan is no longer cutting any of its virgin timber on its own forests. And further, according to Random Lengths, a forest products marketing report dated November 29, 1972, "early in 1972, it was announced that the allowable cut from Japan's national forests would be reduced 12 percent; this fall, a 15 percent cut in the important Hokkaido National Forests harvests due in the years 1973–77 was announced."

In other words, Japan has stopped cutting of its virgin forests, and has scaled down its cutting of the rest of its forests. It is going to conserve its resources, not drain them. We are following just the opposite policy, a policy of liquidating our reserves, of draining dry not just our timber resources, but also our land, our scenery, our fisheries, to supply Japan. Other countries would consider us insane. Only we permit log exports on such a large scale. It must be stopped, and very soon.

Other remedies. Even though this hearing primarily relates to log exports, we wish to bring to your attention the immense possibilities inherent in better utilization of existing timber cuts and timber supplies. We particularly wish to bring to your attention two documents on the subject:

(1) Project Stretch. This document can be obtained from the Forest Service. It is a research program which has already demonstrated that yields of lumber can be increased greatly. Through one method alone, known as "best opening face" sawing, they state that "yields of softwood dimension lumber can be increased by 10 percent. If such a method were applied across the board in this country to all the timber currently being cut, it might in itself equal the entire amount of lumber now being exported. Other methods being discussed by Project Stretch are known as Edge-Glue-and-Rip system which promise an increased recovery of at least 15 percent, plus undetermined quality increases. There is also a system known as press-lam, a system for producing lumber-type products from today's saw timber, which can increase yields of up to 40 percent in softwood lumber, by combining research developments in knife cutting, gluing, and drying into a single system.

(2) The second document is one published by the Thrasher Corp. of Ukiah, Calif., called 11 Million Trees Wasted Annually. It documents very well that by changing our present methods of sawing, and

using better and finer saws, we can increase lumber production by up to 11 billion board feet per year—more than the entire present cut of all the national forests.

The time alloted does not permit a full examination of this subject at the present time. But we do want to bring it to your attention, so that you can be aware that there are other ways of increasing timber supply for important and essential needs, without raiding the national forests.

To summarize, one of the great unknown questions in the timber field at the present time is the exact state of wood supply on timber industry lands, particularly on the lands of the few giant corporations in the West, who are exporting most of our timber. Statistics are difficult to find, and are often clouded in a barrage of rhetoric, about "sound forestry," and "tree farms." We submit that it is high time we know more about what is really going on on our private forest lands, particularly if the preliminary research conducted by our own foresters on them is any indication of the true situation everywhere. Even the U.S. Forest Service admits that private forest lands are being severely overcut.

We warn now that all of our public forest lands, both timber producing and those managed for other values, may be faced with a terrible crisis in the next 5 to 10 years, if private lands are in fact completely cut out. Then there will be immense pressure to log off parks and wilderness areas, as well as to overcut even more the national forests.

This situation should not be permitted to occur. We need to know more immediately about what is really going on on private timber industries' land. Many conservationists in the Northwest feel that we are nearing the end of a long "cut and get out" cycle on the part of the same industry which followed the same practice in New England, then in the Midwest, then in the South, and finally out to the west coast.

Now, there appears to be growing evidence that few new investments in sawmills are being made in the Northwest, and that the big investments are flowing back to the South once more. While it is not our position to dictate market economics, it is certainly very much in the public interest to have some idea of what is really going on, and to prevent irreparable damage to the public forests.

We therefore urge this committee to pass log export legislation, to immediately urge greater efforts for better wood utilization, and to require specific and accurate data on the real state of existing saw timber reserves on private lands.

Senator CRANSTON. Thank you very much.

Bob, do you have any questions?

Senator PACKWOOD. Brock, I am unfamiliar with this sawing process. Can you explain it to me?

Mr. EVANS. I should have brought the book with me, and I almost did.

Senator PACKWOOD. It concludes that we can increase our production by 10 percent by just changing the method of sawing?

Mr. EVANS. They have the method they call the best opening face, and I would urge you to invite them to present their experts on this.

I can present a speech given by a Mr. Fleischer for the record, if you like, on this precise subject.

But this one method here, they say would increase the yields of softwood lumber by 10 percent, for example. They talk about others, such as the edge-glue-and-rip system promises an increased recovery of at least 15 percent. A system known as press-lam increases yield of up to 40 percent on certain lumber. All of these things are part of the package, I think, in addition to what the Thrasher people are saying.

Senator PACKWOOD. I would like it in the record.

Bill [Hagenstein, a previous witness], do you know about that project?

Mr. HAGENSTEIN. Yes.

Senator PACKWOOD. Will it do what Brock says it will do?

Mr. HAGENSTEIN. I am really not that familiar with it.

Senator PACKWOOD. I have no further questions.

Senator CRANSTON. I would like to ask you if you would comment on a few of the statements that have been made concerning first, the building of more roads to permit more harvesting. Some of the witnesses said that this was necessary, or at least would be very helpful in relationship to controlling forest fires more effectively. Would you comment on that?

Mr. EVANS. To speak to the question of forest fires first: When I was in the Northwest office, we did a little bit of research about where forest fires were occurring, and what difference it made. One of the things we found out was that if the climate is right, the temperature is right, the wind is right, you can get forest fires much more severe in roaded areas as you can in areas unroaded.

For example, in Sundance, Idaho, in 1967, a fire burned about 70,000 acres in an area laced with logging roads. Another one occurred—the Raft River fire in Washington State—ran from clearcut to clearcut, down the logging roads, because the slash had been exposed to a hot sun for a long time—the basic point being the mere fact that having roads is not going to guarantee you are going to have less forest fires. You may have many more severe ones. The research that we saw indicated that while you have a greater number of fires, say, caused from recreation users, you get far more acres and far more volumes burned as a result of logging operations.

Again, I can get some data on that for you.

Senator CRANSTON. Would you supply that for us?

Mr. EVANS. I certainly will.

Senator CRANSTON. What is your position on the statements that better access to logging is better or advisable to harvest trees which are otherwise about to die and will be lost?

Mr. EVANS. Here, I think that depends on the place. I would agree with Mr. Hagenstein and others that in areas where we agree there is going to be logging, then this would be a sound way of getting some of that salvage material out.

This is, of course, assuming that there are going to be meaningful environmental constraints so that the logging roads themselves don't damage other values, and this is agreed to be a timber-producing area. But one of the basic problems we face, and one of our main points of difference with the industry and the Forest Service has been over the amount of these roads.

Many of these roads are going into areas we feel are critical to areas of preservation, or wildlife habitat or whatever. So we have serious arguments and disagreements with the vast scope and size of the advocated road building system. We presented testimony before the House Public Works Committee on the same subject. We think that the number of access roads should be really scaled down quite a bit to go to only those areas where we all agree there should be logging. Many of the places they have named are not.

Senator CRANSTON. What is your feeling about the sustained yield policy as it is now working?

Mr. EVANS. We think at the present time, there has been considerable evidence that the present rate of the allowable cut of the national forest is too high. They themselves in their own in-house studies have documented certain instances of this. Our foresters have documented it in other places.

To name some, the Six Rivers National Forest in northern California, for example, is one where the present allowable cut is too high. So the sustained yield is based on these present computations of allowable cuts. In many cases, we think it is easy to point out that they are too high.

Senator CRANSTON. Does the requirement that environmental statements be filed in connection with new developments in the national forest alleviate any of the problems that we are talking about?

Mr. EVANS. I think a lot of that depends on the attitude with which the Forest Service approaches it. If they are approaching it as a pro forma thing, to be overcome on their way to log the area that they already wanted to log, then it is not going to overcome these problems. If it is approached with an idea of finding out what the environmental impacts are and reducing them, or eliminating them in certain cases, then it may overcome some of the problems.

Right now we have seen instances where it is just a pro forma thing to be gotten through with on the way to logging what they already decided they were going to log.

Senator CRANSTON. Public hearings are required, as I understand it, where there is a requirement for the environmental impact statement.

Mr. EVANS. Are you referring to the Sierra Club lawsuit and the decision there?

Senator CRANSTON. I don't know whether it stems from that. But there is a requirement. There is a requirement for public hearings.

Mr. EVANS. Well, I will answer that in two parts: The Sierra Club lawsuit settlement is the only place I know where a public hearing was mentioned as a possibility for these environmental impact statements. They talk about roads and developments into new roadless areas. Even there the judge said that he expected us as the plaintiff to come back if we disagreed with the way the Forest Service was handling the situation, but he didn't require specifically a hearing. But I would like to point out on the subject of hearings that our experience before the Forest Service is that this may or may not be a pro forma thing, too. They can hear all the evidence and then say, well, we have considered it, now we go ahead with our own conclusion.

Senator CRANSTON. What is your position on the matter of the funds that have been impounded from the Forest Service for various purposes on the one hand, and the desire for the Forest Service to have

a larger budget on the other, and the President's cut way back in those requests?

Mr. EVANS. I certainly agree in part with many of the industry witnesses here, and feel that some of the very important and very bad things from a long-range standpoint are being done by these impoundments. We are specifically concerned about the impounding of funds for reforestation, and for thinning, and for certain things like this. On the impounding of funds for access roads, to us, this is a matter of place, case by case. A number of places we would agree with the industry that these access roads are in obvious places where they should be, and probably in many other cases we would disagree.

So I have more of what I call a rule of reason, or a case-by-case approach there.

Senator CRANSTON. We have had some contradictory evidence presented to us regarding the forestry practices of the private industry.

Is it your feeling that private sustained yield practices are sometimes merely preliminary to abandoning the land?

Mr. EVANS. I think that our research to date, and our surveys to date have indicated this may be going on more places than we realize. Another example, which is disputed by the industry, but we feel is accurate, is the example of the Molalla River in Oregon, where a whole, I think, 24,000 acres was all cut in one block and has now been sold by the company.

Forest Service figures indicate a dropoff, if I recall the figures correctly, of about 4.5 billion board feet in the allowable cut of all the forests in the Northwest, public, and private. This indicates some serious overcutting is going on on many private lands, and not just Forest Service.

Senator CRANSTON. It has been mentioned by other witnesses that Federal incentives to small timberland owners to improve their management and yield might be advisable.

Do you have a feeling about that?

Mr. EVANS. We certainly have supported that in the past and I am sure will in the future. We would like to join with the industry and find a system that will work, because we think there is a great opportunity here to increase yields of wood from these owners who would like to log their lands anyhow and where the impact on public values will not be nearly as great as on public forests, so, yes.

Senator CRANSTON. If it were the case, which it is not now, obviously, but if it were the case that we had enough timber to supply both the United States and Japan, would you still favor banning log exports?

Mr. EVANS. I guess I would have to require a more precise definition of what "enough timber" is. If it is possible to have enough timber to supply these wood demands, plus protect the needed wilderness areas and the wildlife habitat and fisheries, I think that is the question. Our basic concern is not really so much who buys it, but the rate at which it is cut, and the damage to other values that are so obviously being done right now because of this.

So, given the Utopian suggestion, I would have to say, sure.

Senator CRANSTON. Thank you very much. You have been very helpful.

Senator PACKWOOD. No other questions.

[Complete statement of Mr. Evans follows:]

STATEMENT OF BROCK EVANS, WASHINGTON, D.C. REPRESENTATIVE, SIERRA CLUB AND FEDERATION OF WESTERN OUTDOOR CLUBS

Mr. Chairman, I am here to present in somewhat abbreviated form the basic views of the Sierra Club and the Federation of Western Outdoor Clubs on the important subject of lumber prices, and one of the methods for solution—log export restrictions. We note that you are conducting field hearings on this subject as well, and other of our representatives will wish to appear there, to present some of our views in more detail.

The lumber price "crisis." We know that there has been a great deal of talk these days about an alleged "lumber price crisis;" many representatives of home builders, lumber dealers, and spokesmen for the timber industry have been in Washington in recent weeks in an effort to educate decision-makers to the view that there is in fact such a crisis at the present time, and that something must be done about it. To those of us with somewhat long memories, it sounds very much like the situation and crisis atmosphere which prevailed in 1969, when similiar claims and comments were made. In fact, many of us appeared before this same committee to testify on the same subject and on proposed remedial legislation, then called the National Timber Supply Act.

As we all know, the "lumber price crisis" of that period eventually passed, and prices declined. The National Timber Supply Act, which environmentalists felt to be little more than an attempt to raid the National Forests was defeated in Congress about a year later. We are here today to urge some solutions to what may be a temporary price problem, and to most strongly urge that this body does not respond in a panic form to the cries of "crisis" in such a manner that Congress will be forced to face a repeat battle over the fate of the National Forest, along the lines of the highly controversial Timber Supply Act.

Increasing the cut from the National Forests. We are all aware that one of the methods proposed for alleviating the present lumber price situation is to greatly increase the amount of timber now being cut from our public forests. This is one of the major remedies recommended by the timber industry and its spokesmen. It is our position that such a remedy, if adopted, would do grave violence and injury to the purposes for which the National Forests were created and to the statutes under which it operates, which plainly recognizes that wood is only one of the uses and purposes of National Forests; they must be managed in an equal manner to protect such values as wilderness, recreation, wildlife, water supply, and forage.

We further would like to bring to your attention the fact that a great body of documented evidence exists to the effect that the National Forests, in many portions of the country, have been and are being over-cut at the present time, *at present rates of cutting.* The much-publicized *Stratification Report*, conducted by the Forest Service itself last year, documented the fact that at least 22% of the land area formerly classified by them as commercial, and capable of producing crops of trees, was in fact misclassified, and was not commercial. This amounts to ⅕ of the land area involved, a figure which closely corresponds with that estimated by independent professional and nonindustry foresters, as a measure of the amount of land being wrongly opened to timber cutting on the National Forests.

Further, a special committee of the National Academy of Sciences—the Environmental Studies Board—conducted a series of hearings on the question of clear cutting practices and over-cutting on the National Forest last year. Its own conclusion was that the National Forests had directed insufficient attention on the long range consequences of forest management, especially for the forest soils. It expressed concern about the irreversible harm to environmental and other public values which might be occurring due to excesses in *present* timber cutting. If this committee desires, we could furnish ample evidence about specific instances of over-cutting in many of the Western National Forests.

The whole point is that if present cuts can be demonstrated to be too high in many instances, any remedy to the current price situation which results in an acceleration of present cut would be a disaster for the entire nation, in both long and short terms. It would also be a violation of existing laws and statutes.

With all of that noted, it is still agreed at the current time, lumber prices are obviously higher by a good deal than they have been in the recent past and that it may be possible to consider remedial legislation which will not do violence and damage to other important public values. We submit, and would like to point out that it is also possible to finally come to grips with the realities of the

current timber situation on private lands, a subject which has been much too much neglected by the Congress in recent years.

The log export solution. Others have already pointed out to this body that, in terms of exports of raw materials in the form of logs, this country currently sends abroad at least 3.7 billion board feet lumber equivalent at present rates. Depending upon whose estimates are being used, we are at the same time importing from 5–9 billion board feet of finished lumber from abroad, mostly Canada, to meet our own housing needs.

Others have documented in detail the effect of this unbelievable situation on jobs and employment in American timber mills, on our balance of payments, and on other economic factors. We would like to bring to your attention some of the environmental adverse consequences, which constitute one of the primary reasons why we support S. 1033.

I was the Northwest Representative of the Sierra Club and the Federation of Western Outdoor Clubs, based in Seattle, for six years, until February of this year. My area of jurisdiction embraced all of the timber growing lands for the southeast Alaska panhandle to northern California, and as far east as northwest Wyoming. It embraced, in other words, the area from which almost all log exports are taking place at the present time. It embraced the area of the large private timber holdings of giant timber companies, as well as those state lands (state of Washington) which are primarily responsible for most log exports at the present time.

The subject of forestry and good forest management was a very important concern of this office, and we spent a great deal of time looking into the subject, not just on public lands and on the National Forest, but on state and private lands as well. Starting about two years ago, we employed a full time consulting forester, who spent a great deal of his own time going on to private forest lands, and attempting to document with pictures, places and dates examples of good and bad forestry practices. This was felt to be an essential activity in order to ascertain whether reforms in forest practices were needed, or whether in fact all was as well as the great timber companies claimed.

The results of such surveys were almost always uniformly shocking. Contrary to the barrage of statements about "sound forestry" repeated every day to the public in media advertising, we found examples of immense clear cuts, sometimes joining together so that thousands of acres were cut almost all at once; examples of whole valleys completely stripped bare, and no streamside protection left for fish and wildlife; of streams and larger rivers choked up with sediment and silt and log jam from the devastating logging on the so-called "tree farms" upstream; of greatly increased floods and devastation of private property lower down because of irresponsible logging on the so-called industry "tree farms." Some of the worst examples seen occurred on the lands of one of the major exporters of logs, the Weyerhauser Corporation, in the so-called "Snoqualmie Tree Farm" and the "St. Helen's Tree Farm." We can furnish documentation in the form of pictures and places and dates, if you wish.

These practices are current practices, and are continuing at the present time; they are not practices of the past. It is our conclusion that what we are seeing is a liquidation of the remaining reserves of old growth timber on private industry lands in the Northwest, primarily for the purpose of sending logs overseas to Japan, where they will reap a higher profit. Indeed, according to Mr. Harry F. Morgan, Jr., senior vice-president for wood products for Weyerhauser Corporation, the current large expansion of Weyerhauser facilities (to our knowledge hardly any of it in the Northwest) will "be financed by sale of logs and chips surplus." ((Wall Street Journal, November 24, 1969, p. 35)

Weyerhauser lands are not the only ones which appear to be stripped in a manner so that the old growth timber is liquidated, so that streams are ruined and damaged, so that floods are caused downstream, so that the soil itself may never be truly productive again. All of the other giant corporations in the Northwest must also share some of the blame. And the total effect, the impact, on all values is devastating. Sooner or later, the public is going to have to pay the cost of building flood control works to control the floods which have been caused by irresponsible logging upstream. We may already be facing this situation in the Snoqualmie River Valley, near Seattle.

Sooner or later the public is going to have to do something about reforesting lands, which have been devastated, if the industry gambles on "high yield forestry" do not succeed because of too much cutting too fast. And right now, the public is paying the price in terms of floods, ruined fisheries, scoured out stream beds, and damage to scenic values.

94-218 O - 73 - 45

The fundamental point that we must consider when we are talking about log exports is this: we are not just talking about exports of *logs*. We are also talking about exports of scenery, fisheries, of wilderness, of wildlife values, of the land itself, since the soil is washing down to sea. This is one of the major and most disastrous environmental consequences of the current rate of log exports. This is why it must be curbed, and very soon. Already much too much has been lost.

It is important for this committee to know, on an ironic note, that as of last summer, according to *Forest Industries Magazine*, Japan is no longer cutting any of its virgin timber on its own forests. And further, according to *Random Lengths*, a forest products marketing report dated November 29, 1972, "early in 1972, it was announced that the allowable cut from Japan's National Forests would be reduced 12%; this fall, a 15% cut in the important Hokkaido National Forests harvests due in the years 1973–77, was announced."

In other words, Japan has stopped cutting of its virgin forests, and has scaled down its cutting of the rest of its forests. It is going to conserve its resources, not drain them. We are following just the opposite policy, a policy of liquidating our reserves, of draining dry not just our timber resources, but also our land, our scenery, our fisheries—to supply Japan. Other countries would consider us insane. Only we permit exports in such a large scale. It must be stopped, and very soon.

Other remedies. Even though this hearing primarily relates to log exports, we wish to bring to your attention the immense possibilities inherent in better utilization of existing timber cuts and timber supplies. We particularly wish to bring to your attention two documents on the subject:

(1) *Project Stretch.* This document can be obtained from the Forest Service. It is a research program which has already demonstrated that yields of lumber can be increased greatly. Through one method alone, known as "best opening face" sawing, they state that "yields of soft wood dimension lumber can be increased by 10%." If such a method were applied across the board in this country to all the timber currently being cut, it might in itself equal the entire amount of lumber now being exported. Other methods being discussed by Project Stretch are known as Edge-Glue-and-Rip system which promise an increased recovery of at least 15%, plus undetermined quality increases. There is also a system known as press-lam, a system for producing lumber-type products from today's saw timber, which can increase yields of up to 40% in soft wood lumber, by combining research developments in knife cutting, glueing, and drying into a single system.

(2) The second document is one published by the Thrasher Corporation of Ukiah, California, called "11 million trees wasted annually." It documents very well that by changing our present methods of sawing, and using better and finer saws, we can increase lumber production by up to *11 billion board feet per year*—more than the entire present cut of all the National Forests.

The time allotted does not permit a full examination of this subject at the present time. But we do want to bring it to your attention, so that you can be aware that there are other ways of increasing lumber supply for important and essential needs, without raiding the National Forests.

Summary. One of the great unknown questions in the timber field at the present time is the exact state of wood supply on timber industry lands, particularly on the lands of the few giant corporations in the West, who are exporting most of our timber. Statistics are difficult to find, and are often clouded in a barrage of rhetoric, about "sound forestry," and "tree farms." We submit that it is high time we know more about what is really going on on our private forest lands, particularly if the preliminary research conducted by our own foresters on them is any indication of the true situation every where. Even the U.S. Forest Service admits that private forest lands are being severely over-cut.

We warn now that all of our public forest lands, both timber producing and those managed for other values, may be faced with a terrible crisis in the next five to ten years, if private lands are in fact completely cut out. Then there will be immense pressure to log off parks and wilderness areas, as well as to over-cut even more the National Forests.

This situation should not be permitted to occur. We need to know more immediately about what is really going on on private timber industries' land. Many conservationists in the Northwest feel that we are nearing the end of a long "cut and get out" cycle on the part of the same industry which followed the same practice in New England, then in the Midwest, then in the South, and

finally out to the west coast. Now, there appears to be growing evidence that few new investments in saw mills are being made in the Northwest, and that the big investments are flowing back to the South once more. While it is not our position to dictate market economics, it is certainly very much in the public interest to have some idea of what is really going on, and to prevent irrepairable damage to the public forests.

We, therefore, urge this committee to pass log export legislation, to immediately urge greater efforts for better wood utilization, and to require specific and accurate data on the real state of existing saw timber reserves on private lands.

STATEMENT OF P. DOUGLAS KERR, EXECUTIVE VICE PRESIDENT, SOUTHERN FURNITURE MANUFACTURERS ASSOCIATION, ACCOMPANIED BY EDWARD T. STEVENSON AND THOMAS W. POWER

Senator CRANSTON. Our final witness is P. Douglas Kerr, executive vice president, Southern Furniture Manufacturers Association.

Mr. KERR. Mr. Chairman, Senator Packwood, I am Douglas Kerr, executive vice president of Southern Furniture Manufacturers Association, and with me is Ed Stevenson, our director of government relations and our general counsel, Thomas W. Power.

Senator CRANSTON. Excuse me one moment, Bob, do you want to go and vote and then come back?

Senator PACKWOOD. Yes. I will head over now.

Senator CRANSTON. I will leave when the second bells ring.

Proceed. One or the other of us will be with you.

Mr. KERR. We have filed a complete statement for the record and we will be quite brief in summarizing our statement.

Our major concern is that the committee will fail to recognize that the current problem of rising lumber prices is greater for hardwood than it is for softwood.

We are afraid that the committee will overlook the hardwood problem and in giving its needed attention to the softwood problem alone will aggravate the hardwood situation.

First and foremost, we urge that any recommendation of this committee in any manner curtailing the export of softwoods be amended so as to include similar treatment with respect to the export of hardwoods.

Let's for a moment compare the export of softwoods with the export of hardwoods. As Dr. Dunlop yesterday pointed out, 1972 exports of softwood were 27 percent higher than in 1971, and 7 percent higher than in 1970. Hardwood export, however, in 1972 was 63 percent higher than in 1971 and 104 percent higher than in 1970.

These figures alone suggest that the hardwood problem is 5 to 10 times greater than the already serious problem with respect to the export of American softwood.

The price increases experienced over the last year have been much more serious with hardwood. From August 1971 to December 1972 hardwood prices are up 50.4 percent. During the same period softwoods increased 14.7 percent.

The incredible increases experienced since January for hardwood closely parallels the price rise of softwoods. Between January and February, the price of softwood lumber went up approximately 8 percent, while hardwoods went up 7 percent.

We are not asking for any special treatment for hardwoods. However, we do urge that the committee not overlook the identical problem experienced with respect to hardwood.

If an embargo is placed on softwoods and hardwoods are ignored, an increased demand will be created for the export of American hardwoods.

In conclusion, Mr. Chairman, our association urges an immediate embargo on all hardwood and softwood exports until such time as the domestic shortage has ended. At the very least, we urge that the President be authorized to place an embargo in effect should other countries, notably Japan, fail to respond suitably to the Nation's present problem.

Second, we urge immediate attention of our Congress to insure adequate funding of the Forest Service programs. Appropriations should be increased, impounded funds released and Federal lands reforested.

Thank you, Mr. Chairman, for the opportunity to appear here today.

[The full statement follows:]

STATEMENT OF P. DOUGLAS KERR, EXECUTIVE VICE PRESIDENT, SOUTHERN MANUFACTURERS ASSOCIATION

Mr. Chairman, distinguished members of the committee, my name is Douglas Kerr, I am the Executive Vice President of the Southern Furniture Manufacturers Association. I am accompanied by Edward T. Stevenson, our director of government relations, and Thomas W. Power, our Washington counsel.

This national association is the largest furniture manufacturers' association in terms of members' dollar volume and its members operate over 300 plants across the country. Our part in the $12 billion-a-year future industry is a significant contribution to the well-being and comfort of the citizens of this nation.

U.S. furniture manufacturers are currently faced with an unprecedented shortage of raw materials and resulting higher prices which have combined to produce an economic squeeze of major proportions.

We wish to compliment the Congress for its desire to look into this serious economic problem and to study its solutions. But we urgently recommend that the Congress include in its study of the softwood lumber shortage the equally serious problems confronting the consumers of *hardwood* and we specifically recommend that Senator Packwood's bill, S. 1033, be amended by the committee to cover hardwood log exports as well as softwood. You are well informed on the softwood shortages and the related price increases, but the same situation is parallel in the hardwood industry and is in some areas a greater problem.

Hardwood is the major raw component of furniture and this industry is the larget single user of hardwood lumber, consuming approximately 35% of the total annual supply. The serious shortage and increasingly higher prices, a 50% increase in the last 5 months of 1972 alone, threatens to curtail future production and further increase prices.

A primary factor contributing to the shortage of hardwood lumber is the increasing exports of logs to other nations. Last year U.S. log exports totaled 3,143.3 million board feet. This was up from 1,192.8 million board feet in 1965, and up from 266.3 million board feet in 1960. At the same time we imported in 1972, 9.4 billion board feet of processed lumber.

We seem to be the only nation willing to export our raw logs and then have to import our processed material.

Among other problems this creates is the serious contribution to the balance of payments deficit.

By continuing to export raw logs to other nations and importing high-valued finished lumber from others, our nation's overall balance of payments in 1972 was seriously undermined. The total net deficit in this exchange is reported to be more than $400 million for 1972 alone.

In addition to this is the inflationary factor related to log exports. Desperate bidding by foreign interests in the west has pushed prices out of the reach of domestic consumers. As a result, the nation was forced to import 17.5 million board feet of lumber from Canada. Lumber that was free initially from price control or profit margin restrictions.

Since furniture purchases are usually expensive items for most American households, it is readily seen that upward movements in raw material costs

are soon reflected in increased furniture prices at the retail level, thereby creating a negative effect in efforts to slow down run-away rises in the cost of living.

The price of the plywood on the January order was 13.5% above their previous order. The latest quote which they received in March for the same plywood was 102.5% above their last purchase in January, and 149.3% above the price they paid in June, 1972.

In addition to these problems, the mills in Taiwan are five months behind in shipping orders. Importers say that the mills want a new higher price authorized or they will not ship. Not only this, the mills in Taiwan are not producing the lauan plywood as ordered and are, instead, producing a thinner plywood for the Japanese market at a higher price.

Another item being affected by Japanese activity is the buying of domestic oak logs. A veneer mill manager says that the price has gone up 2 and 3 times, and the supply in the Virginia-North Carolina area has greatly diminished because logs are being bought for export to Japan.

So competitive is the demand for lumber that foreign ships carrying lumber and veneer for U.S. furniture factories have been diverted on the high seas to Japan when Americans have been out bid in the international market. This became even more critical with the most recent dollar devaluation.

In the face of this serious domestic hardwood shortage the U.S. continues to export millions of board of timber to foreign nations. In 1972, for example, the U.S. exported 261.3 million board feet of hardwood. Canada, W. Germany, and Japan were the highest users. At the same time the U.S. imported 445.2 million board feet from Canada, South America and other countries. Imports of hardwood plywood for 1972 totaled 6,427.3 million square feet. Of this total, 69.5 million square feet was from Canada and 6,215.9 million square feet was from Asia.

The U.S., despite its need to import 445.2 million board feet of hardwood, continues to export 261.3 million board feet.

Reportedly, the national forests' allowable cut for both hardwood and softwood is set at 13.6 billion board feet (1/5th to 1/6th is hardwood) with about 11 billion board feet being cut. The 2 billion board feet difference is classified as inoperable wood; wood which may not be economically feasible to harvest. It is not likely that the current national yield can be increased enough on a short-term basis to alleviate the present shortage; though increased forest management is part of the answer for future needs.

Despite the increasingly chronic shortage of timber the Forest Service continues to operate at 1964 manning levels at a time when work loads have doubled. In addition to this, Forest Service funds are among those impounded by the President.

This association therefore recommends the following action:

1. Continued Study by the Congress with an eye to solving the lumber pricing and distribution problems plaguing the country; recommendations should be made and legislation enacted;

2. The immediate embargo on all hardwood and softwood exports until the domestic shortage is ended; and

3. Adequate funding to the Forest Service programs to ensure the maximum present and future harvest. Appropriations should be increased for forest management, impounded funds should be released, and fallow lands should be reforested.

We have enclosed, for the record, some U.S. government statistical tables and industry data for the committee's use.

Mr. Chairman, this concludes our statement. We appreciate this opportunity to testify and hope we have made a contribution to the committee study. We will be happy to answer any questions you might have.

LUMBER WHOLESALE PRICE INDEXES AND PERCENTAGE INCREASES, AUGUST 1971–DECEMBER 1972

Commodity	Wholesale price indexes				Percentage changes			
	August 1971	October 1972	November 1972	December 1972	August 1971 to December 1972	October 1972 to November 1972	November 1972 to December 1972	Monthly average August 1971–December 1972
All commodities	114.9	120.0	120.7	122.9	7.0	0.6	1.8	0.4
All lumber	146.7	166.1	166.8	167.9	14.5	.4	.7	.9
Softwood lumber	154.5	175.1	176.0	177.2	14.7	.5	.7	.9
Douglas-fir lumber	150.9	167.9	168.1	168.3	11.5	.1	.1	.7
Southern pine lumber	141.4	154.8	156.3	156.3	10.5	.1	0	.7
Other softwood lumber	161.2	186.3	187.2	189.3	17.4	.4	1.1	1.1
Hardwood lumber	87.1	130.3	130.4	131.0	50.4	.1	.5	3.2
Millwork	123.8	130.7	130.9	130.7	5.6	.2	−.2	.4
Soft plywood	138.7	159.9	157.4	155.2	11.9	−1.6	−1.4	.7
Hardwood plywood	100.3	107.0107	107.0	107.0	6.7	0	0	.4

HMR PRICES—FOB MILL

	Jan. 1, 1972			July 1, 1972			Jan. 1, 1973			Mar. 17, 1973		
	FAS	1-C	2-A	FAS	1-C	2-A	FAS	1-C	2-A	FAS	1-C	2-A
Hackberry:												
4/4	170	150	94	195	175	98	200	180	98	230	210	113
Percent					[1] 16.6			[1] 2.9			[1] 16.6	
5/4	200	180	100	230	210	105	235	215	105	265	245	120
Percent					[1] 16.6			[1] 2.4			[1] 13.9	
6/4	230	210	110	250	230	115	260	240	118	290	270	130
Percent					[1] 9.5			[1] 4.3			[1] 12.5	
8/4	255	235	112	270	250	120	280	260	123	310	290	135
Percent					[1] 6.4			[1] 4.0			[1] 11.5	
	FAS	1 face	1-C	FAS	1 face	1-C	FAS	1 face	1-C	FAS	1 face	1-C
App. Red Oak:												
4/4	250	240	155	270	260	180	270	260	180	315	305	21
Percent						[1] 16.1						[1] 16.6
5/4	255	245	170	275	265	200	275	265	200	320	310	230
Percent						[1] 17.6						[1] 15.0
6/4	265	255	195	285	275	210	285	275	210	335	325	250
Percent						[1] 7.7						[1] 19.0
8/4	295	285	227	320	310	250	340	330	250	385	375	285
Percent						[1] 10.0						[1] 14.0
App. Ash:												
4/4	300	290	195	325	315	210	340	330	220	360	350	235
Percent						[1] 7.7			[1] 4.8			[1] 6.8
5/4	320	310	220	340	330	235	355	345	245	375	365	260
Percent						[1] 6.8			[1] 4.3			[1] 6.1
6/4	345	335	250	355	345	255	370	360	265	400	390	295
Percent						[1] 2.0			[1] 3.9			[1] 11.3
8/4	365	355	265	380	370	270	395	385	275	420	410	309
Percent						[1] .8			[1] 2.4			[1] 10.5
	FAS	1-C	2-A	FAS	1-C	2-A	FAS	1-C	2-A	FAS	1-C	2-A
Delta Pecan:												
4/4	170	150	78	175	155	83	185	165	88	200	180	93
Percent					[1] 3.3			[1] 6.4			[1] 9.0	
5/4	198	178	81	203	183	83	208	188	88	225	205	93
Percent					[1] 2.8			[1] 2.7			[1] 9.0	
6/4	230	210	82	240	220	83	245	225	88	255	235	93
Percent					[1] 4.8			[1] 2.3			[1] 4.4	
8/4	255	230	83	270	245	85	275	250	88	280	255	93
Percent					[1] 4.3			[1] 2.0			[1] 2.0	
	FAS	1 face	1-C	FAS	1 face	1-C	FAS	1 face	1-C	FAS	1 face	1-C
App. Hickory:												
4/4	160	150	140	175	165	155	185	175	165	200	190	180
Percent						[1] 10.7			[1] 6.5			[1] 9.0
5/4	188	178	168	195	185	175	205	195	185	225	215	205
Percent						[1] 4.2			[1] 5.7			[1] 10.8
6/4	215	205	195	225	215	205	235	225	215	260	250	240
Percent						[1] 5.1			[1] 4.9			[1] 11.6
8/4	240	230	220	250	240	230	260	250	240	285	275	265
Percent						[1] 4.5			[1] 4.3			[1] 10.4
Poplar:												
4/4	235	225	170	250	240	177	250	240	180	285	275	215
Percent						[1] 4.1			[1] 1.7			[1] 19.4
5/4	250	240	178	265	255	190	265	255	193	300	290	220
Percent						[1] 6.7			[1] 1.6			[1] 13.9
6/4	255	245	187	270	260	195	270	260	195	305	295	230
Percent						[1] 4.3						[1] 17.9
8/4	270	260	192	285	275	200	285	275	200	325	315	235
Percent						[1] 4.2						[1] 17.5

[1] Percentage increase 1-C.

LUMBER PRODUCTION, BY SECTION AND/BY SOFTWOODS AND HARDWOODS 1950–72 [1]

[Billion board feet]

Year	All sections			North			South			West total [2]
	Total	Soft-woods	Hard-woods	Total	Soft-woods	Hard-woods	Total	Soft-woods	Hard-woods	
1950	38.0	30.6	7.4	4.9	2.0	3.0	14.6	10.2	4.4	18.6
1951	37.2	29.5	7.7	5.0	1.7	3.3	13.3	8.9	4.4	18.9
1952	37.5	30.2	7.2	4.1	1.4	2.7	13.7	9.2	4.5	19.7
1953	36.7	29.6	7.2	5.0	1.5	3.5	11.8	8.1	3.7	19.9
1954	36.4	29.3	7.1	4.6	1.7	3.0	11.7	7.7	4.1	20.0
1955	37.4	29.8	7.6	4.5	1.5	3.0	12.2	7.7	4.5	20.7
1956	38.2	30.2	8.0	5.1	1.6	3.4	12.7	8.2	4.5	20.5
1957	32.9	27.1	5.8	4.1	1.8	2.2	10.3	6.7	3.5	18.6
1958	33.4	27.4	6.0	3.9	1.4	2.5	9.8	6.4	3.4	19.7
1959	37.2	30.5	6.7	4.2	1.5	2.7	11.0	7.0	3.9	22.0
1960	32.9	26.7	6.3	3.9	1.2	2.7	9.3	5.9	3.4	19.6
1961	32.0	26.1	6.0	3.7	1.2	2.5	9.1	5.8	3.4	19.2
1962	33.2	26.8	6.4	3.9	1.2	2.7	9.5	5.9	3.6	19.9
1963	34.7	27.6	7.2	4.2	1.3	2.9	10.2	6.1	4.1	20.3
1964	36.6	29.3	7.3	4.4	1.1	3.2	10.5	6.6	3.9	21.7
1965	36.8	29.3	7.5	4.4	1.1	3.3	10.8	6.8	4.0	21.6
1966	36.6	28.8	7.7	4.5	1.1	3.4	10.8	6.7	4.1	21.2
1967	34.7	27.3	7.4	4.4	1.1	3.4	10.5	6.6	3.9	19.8
1968	36.5	29.3	7.2	4.5	1.1	3.4	10.7	7.0	3.7	21.3
1969	35.8	28.3	7.5	4.6	1.1	3.5	11.1	7.3	3.8	20.1
1970	34.7	27.5	7.1	4.4	1.0	3.4	10.8	7.2	3.6	19.4
1971 [3]	37.0	30.0	6.9	4.4	1.1	3.3	11.3	7.7	3.5	21.3
1972 [3]	39.4	32.2	7.2	4.9	1.3	3.6	11.9	8.4	3.5	22.7

[1] Data may not add to totals because of rounding.
[2] Includes small volumes of western hardwoods—about 0.2 billion board feet in recent years.
[3] Preliminary estimates.

Note: Estimates for 1972 are based in part upon data published by the National Forest Products Association (17) and related associations (23, 24, 62).

Sources: U.S. Department of Commerce Bureau of the Census (42); U.S. Department of Agriculture, Forest Service. Data for selected years 1899–1949 in "The demand and price situation for forest products, 1964," table 9.

U.S. EXPORTS OF LUMBER, BY SOFTWOODS AND HARDWOODS AND COUNTRY OF DESTINATION, 1950–71 [1]

[Million board feet]

Year	All species [2]						Softwoods						Hardwoods					
	Total	Canada	Europe [3]	Central and South America [4]	Japan	Other	Total	Canada	Europe [3]	Central and South America [4]	Japan	Other	Total	Canada	Europe [3]	Central and South America [4]	Japan	Other
1950	517.7	88.6	123.5	145.7	5.8	154.1	406.8	41.7	83.1	136.8	5.7	139.4	110.9	46.9	40.4	8.9	0.1	14.7
1951	997.6	134.5	336.5	176.0	18.7	302.0	875.7	71.4	324.2	164.6	18.7	296.8	121.9	63.1	42.2	11.3	----------	5.2
1952	727.3	168.6	171.8	165.3	12.0	209.7	565.7	84.7	109.4	155.3	11.9	204.2	161.6	83.8	62.3	10.0	----------	5.5
1953	643.1	161.2	93.6	144.6	58.2	185.5	512.6	75.8	71.2	136.8	58.0	170.8	130.5	85.5	22.3	7.8	.2	14.7
1954	718.0	161.1	116.3	147.5	16.0	277.2	584.7	86.3	97.4	139.3	15.9	245.9	133.3	74.9	18.9	8.2	.1	31.3
1955	841.0	218.7	145.3	173.3	29.6	274.1	652.4	119.1	95.8	147.6	29.5	260.4	188.6	99.6	49.5	25.7	.2	13.7
1956	761.3	268.6	133.5	164.2	32.9	162.2	570.7	158.9	85.8	136.6	32.8	156.6	190.5	109.7	47.6	27.5	.1	5.7
1957	811.1	237.4	122.8	171.5	47.6	231.8	623.4	138.6	88.1	148.8	47.4	200.4	187.7	98.8	34.7	22.7	.1	31.4
1958	727.2	262.1	105.2	124.3	34.6	201.0	550.1	154.8	64.5	113.2	34.4	183.2	177.1	107.3	40.7	11.1	.2	17.8
1959	787.3	333.6	98.3	120.3	52.9	182.1	607.9	198.5	80.5	104.2	52.6	172.2	179.4	135.1	17.9	16.2	.3	9.9
1960	860.7	252.9	162.9	118.5	56.3	270.1	693.8	144.7	134.6	101.2	55.7	257.7	166.9	108.2	28.4	17.4	.5	12.4
1961	773.1	232.5	152.7	87.4	147.5	153.1	618.2	150.2	108.4	80.3	146.8	132.5	154.9	82.3	44.3	7.0	.6	20.7
1962	759.7	196.9	172.0	103.7	74.1	212.9	628.6	119.3	142.3	95.6	73.5	197.9	131.1	77.6	29.7	8.1	.6	15.1
1963	874.9	186.1	232.0	99.0	114.5	243.4	743.1	107.9	198.9	92.0	112.5	231.7	131.8	78.1	33.1	6.9	2.0	11.7
1964	955.6	282.2	243.5	111.7	131.0	187.2	811.5	180.3	214.5	103.9	128.5	184.4	144.1	101.9	29.0	7.8	2.5	2.9
1965	919.1	285.1	249.4	118.8	105.7	160.1	778.9	184.0	229.3	104.8	103.1	157.7	140.2	101.1	20.1	14.0	2.6	2.4
1966	1,022.6	309.0	250.1	123.8	174.4	165.2	867.9	186.5	230.3	113.3	171.3	161.5	154.7	122.5	19.9	5.5	3.1	3.7
1967	1,129.5	338.0	261.0	116.7	265.8	147.9	965.2	207.6	241.0	112.5	260.7	143.5	164.3	130.4	20.0	4.3	5.1	4.5
1968	1,161.6	295.4	304.3	110.3	288.5	163.0	1,048.1	210.4	288.9	105.3	284.8	158.6	113.5	85.0	15.4	5.0	3.8	4.4
1969	1,142.3	285.0	278.3	109.6	317.2	152.2	1,023.8	198.3	264.6	102.5	309.6	148.9	118.4	86.7	13.7	7.1	7.7	3.3
1970	1,288.9	269.9	302.4	127.2	429.2	160.2	1,161.1	202.6	284.0	112.4	405.2	156.9	127.9	67.3	18.4	14.8	24.0	3.3
1971 [5]	1,096.6	289.3	238.7	100.5	323.1	144.7	936.2	206.3	213.8	87.6	287.4	141.1	160.3	83.0	25.2	12.9	35.7	3.6
1972	1,452.1	419.5	288.1	105.2	502.8	136.5	1,190.3	290.1	269.2	90.9	407.1	133.5	261.3	129.5	18.9	14.3	95.7	2.0

[1] Data may not add to totals because of rounding.
[2] Excludes mixed species (not classified as softwoods or hardwoods) for the years 1950–59.
[3] Including the United Kingdom.
[4] Including Mexico.
[5] Preliminary.

Sources: 1950–59, National Forest Products Association; 1960–72, U.S. Department of Agriculture, Forest Service, reporting statistics published by U.S. Department of Commerce, Bureau of the Census (46). Data for selected years 1929–49 in "The demand and price situation for forest products, 1964," table 12.

U.S. IMPORTS OF LOGS BY MAJOR REGION OF ORIGIN, 1950-72[1]

[Million board feet, log scale]

Year	Total	Canada	Mexico and Central America	South America	Africa	Asia	Other
1950	268.5	173.0	29.1	4.1	41.4	20.8	0.1
1951	212.0	104.0	24.6	4.2	38.3	41.0	.1
1952	190.8	127.0	24.2	1.2	17.8	20.7	.1
1953	227.1	132.5	19.3	5.2	36.1	33.9	(2)
1954	220.9	139.1	13.5	10.1	26.5	31.6	.1
1955	198.8	92.0	15.0	13.7	39.5	38.6	(2)
1956	160.3	52.8	14.0	19.5	35.5	38.4	.1
1957	131.3	49.1	13.1	16.4	18.6	34.0	.2
1958	95.3	27.7	15.7	15.6	17.6	18.6	.1
1959	98.2	31.9	4.7	13.1	21.5	26.3	.7
1960	112.5	39.2	5.5	19.8	27.4	19.9	.7
1961	105.7	62.5	7.0	13.3	12.7	9.7	.6
1962	100.1	42.6	8.8	21.9	10.9	15.6	.3
1963	97.9	51.5	3.5	20.3	13.5	8.8	.3
1964	65.1	18.1	4.5	16.7	17.5	7.8	.4
1965	68.1	20.3	3.5	18.0	14.1	11.7	.6
1966	95.6	49.4	3.7	21.3	17.4	3.6	.2
1967	76.9	40.6	3.0	18.3	9.7	4.9	.3
1968	85.3	46.2	3.1	26.8	6.8	2.1	.3
1969	81.8	49.5	2.1	18.3	8.3	3.5	.2
1970	144.4	114.9	2.3	17.6	8.3	1.0	.3
1971[3]	84.0	64.6	1.9	13.1	3.2	.9	.3
1972[3]	39.3	17.5	2.6	13.9	3.8	1.4	.3

[1] Data may not add to total because of rounding.
[2] Less than 50,000 board feet.
[3] Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census (47).

U.S. IMPORTS OF LUMBER, BY SOFTWOODS AND HARDWOODS AND COUNTRY OF ORIGIN, 1950–72 [1]

[Million board feet]

Year	All species [2]				Softwoods				Hardwoods			
	Total	Canada	Mexico	Other	Total [3]	Canada [3]	Mexico	Other	Total	Canada	Mexico	Other
1950	3,423.5	3,102.2	208.0	113.3	3,140.2	2,899.5	191.4	49.3	283.2	202.7	16.6	64.0
1951	2,511.6	2,240.3	135.5	135.8	2,250.0	2,080.2	119.0	50.8	261.6	160.1	16.5	84.9
1952	2,481.6	2,257.7	106.0	117.9	2,266.9	2,139.9	92.1	35.0	214.7	117.9	13.9	82.9
1953	2,759.4	2,541.2	83.8	134.3	2,562.8	2,409.6	73.0	44.2	232.6	131.7	10.9	90.1
1954	3,063.1	2,844.1	80.0	139.0	2,854.6	2,747.7	74.5	32.4	208.5	96.4	5.5	106.6
1955	3,593.0	3,349.7	75.3	168.1	3,326.8	3,225.9	69.7	31.2	266.3	123.8	5.6	136.9
1956	3,404.5	3,168.3	51.6	184.6	3,131.0	3,060.7	47.8	22.5	273.5	107.6	3.8	162.1
1957	2,958.0	2,754.0	53.0	150.9	2,711.9	2,644.7	48.2	19.0	246.1	109.3	4.8	132.0
1958	3,389.6	3,177.8	49.3	162.5	3,154.5	3,088.0	45.1	21.4	[illegible]	89.7	4.3	141.1
1959	4,063.6	3,785.9	53.1	224.6	3,741.5	3,661.7	49.7	30.2	322.0	124.2	3.4	194.4
1960	3,930.6	3,693.9	41.6	195.1	3,639.3	3,576.1	36.9	26.4	291.2	117.8	4.7	168.7
1961	4,257.9	4,042.6	48.5	166.8	4,013.4	3,943.4	43.7	26.3	244.5	99.2	4.8	140.5
1962	4,892.9	4,637.7	47.8	207.4	4,583.7	4,507.1	40.4	36.2	309.2	130.6	7.4	171.2
1963	5,335.4	5,104.7	28.6	202.0	5,032.0	4,975.6	24.4	32.0	303.3	129.1	4.3	170.0
1964	5,222.6	5,004.1	10.2	208.4	4,917.5	4,872.0	7.0	38.5	305.1	132.0	3.1	169.9
1965	5,232.5	5,016.6	10.1	205.8	4,898.1	4,855.7	8.1	34.3	334.3	160.9	2.0	171.4
1966	5,200.1	4,920.9	5.2	274.0	4,779.2	4,730.4	3.7	45.2	420.8	190.5	1.5	228.8
1967	5,140.7	4,902.5	5.5	232.7	4,798.1	4,747.1	3.1	47.9	342.7	155.4	2.5	184.8
1968	6,154.2	5,899.2	4.0	251.1	5,809.1	5,750.0	3.2	55.9	345.1	149.2	.8	195.1
1969	6,300.6	5,963.4	6.7	330.6	5,854.0	5,784.4	5.8	63.7	446.6	179.0	.8	266.8
1970	6,114.3	5,867.6	7.5	239.3	5,777.7	5,722.5	5.5	49.7	336.7	145.1	2.0	189.6
1971	7,606.8	7,331.9	6.5	268.4	7,249.0	7,189.4	4.9	54.7	357.8	142.5	1.6	213.7
1972 [4]	9,430.1	9,029.1	20.8	380.1	8,984.8	8,877.8	18.9	88.1	445.2	151.3	1.9	292.0

[1] Data may not add to totals because of rounding.
[2] Excludes mixed species (not classified as softwoods or hardwoods) for the years 1950–59.
[3] Includes small volumes of hardwoods for the years 1960–72.
[4] Preliminary.

Sources: 1950–59 National Forest Products Association; 1960–72 U.S. Department of Agriculture Forest Services, reporting statistics published by U.S. Department of Commerce, Bureau of Census (47). Data for selected years 1929–49 in "The demand and price situation for forest products. 1964, table 11.

AVERAGE VALUE OF U.S. IMPORTS OF HARDWOOD PLYWOOD, SELECTED YEARS, 1950–72

[Dollars per thousand square feet, surface measure]

Year	All countries	Japan	Philippines	Taiwan	Republic of Korea	Other
1950	105.30	59.50	124.00			109.20
1955	80.30	64.30	104.80	95.90		115.30
1960	73.90	72.90	66.80	35.30	52.20	94.70
1965	58.30	65.60	58.70	40.50	43.50	88.10
1967	56.20	75.50	50.30	40.10	42.90	88.50
1969	57.80	86.60	53.10	42.60	45.80	91.10
1970	49.90	80.50	42.10	39.10	41.60	92.50
1971 [1]	50.50	90.10	42.60	40.40	43.10	84.50
1972 [1]	51.90	119.30	43.50	39.80	44.10	101.10

[1] Average value, January–October.

Source: U.S. Department of Agriculture, Forest Service, compiled from statistics published by the U.S. Department of Commerce, Bureau of the Census (47).

U.S. IMPORTS OF LOGS BY MAJOR SPECIES, 1950–72 [1]

[Million board feet, log scale]

Year	Total	Softwoods	Hardwoods					
			Total	Mahogany	Cativo	Philippine mahogany or lauan	Birch and maple	Other
1950	268.5	156.5	111.9	56.5				55.4
1951	212.0	84.8	127.2	48.4				78.8
1952	190.8	113.8	77.1	34.8				42.3
1953	227.1	115.5	111.6	47.7				63.9
1954	220.9	128.2	92.6	37.8		29.5		25.4
1955	198.8	79.4	119.3	50.8		33.8		34.7
1956	160.3	39.7	120.6	46.6		37.9		36.1
1957	131.3	40.5	90.9	27.8		33.4		29.7
1958	95.3	21.6	73.8	21.2		17.9		34.6
1959	98.2	25.4	72.8	22.5		23.5		26.8
1960	112.5	32.3	80.2	25.2		16.8		38.3
1961	105.7	57.1	48.6	15.5		9.1		24.0
1962	100.1	38.1	62.1	16.6		15.4		30.1
1963	97.9	44.1	53.9	13.7	4.5	8.7	1.8	25.2
1964	65.1	8.7	56.3	16.1	10.0	7.5	6.9	15.8
1965	68.1	13.5	54.6	12.8	11.4	11.0	6.2	13.2
1966	95.6	42.5	53.1	16.1	14.7	2.8	6.3	13.2
1967	76.9	33.9	43.1	10.5	9.7	4.6	6.6	11.6
1968	85.3	39.4	45.9	8.5	10.2	2.0	6.5	18.7
1969	81.8	41.7	40.2	6.5	7.3	3.1	7.6	15.7
1970	144.4	106.5	37.9	6.8	7.3	.7	8.2	14.9
1971 [2]	84.0	55.7	28.3	3.3	4.3	.2	8.7	11.8
1972 [2]	39.3	11.3	28.0	3.6	2.0	.7	7.9	13.8

[1] Data may not add to totals because of rounding.
[2] Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census (47).

U.S. IMPORTS OF HARDWOOD [1] PLYWOOD, BY COUNTRY OF ORIGIN, 1950–72 [2]

[Million square feet, surface measure]

Year	Total	Canada	Latin America				Asia						Africa	Europe	Other
			Total	Mexico	Central America and West Indies	South America	Total	Japan	Philippines	Taiwan	Korea	Other Asia			
1950	63.3	50.0	6.3	0.8	(3)	5.5	5.4	5.1	0.3	----	----	----	(3)	1.5	----
1951	70.2	47.2	5.6	.7	0.1	4.8	13.1	12.9	.1	----	----	0.1	0.4	3.3	(3)
1952	85.0	57.1	3.7	.9	.1	2.6	17.6	17.3	.1	0.1	----	(3)	.6	6.0	----
1953	220.4	50.8	8.6	2.1	1.9	4.5	106.3	105.0	.5	.4	----	.4	3.6	51.0	----
1954	434.0	71.1	8.0	3.4	.2	4.4	291.8	289.0	1.5	.1	----	1.1	5.3	51.7	6.2
1955	627.6	99.3	8.9	3.6	1.4	3.9	439.1	428.6	9.8	.1	----	.7	10.9	62.5	6.9
1956	708.5	81.2	5.3	.4	1.0	3.9	543.5	527.2	14.9	.4	----	1.0	13.8	53.4	9.3
1957	846.4	64.4	9.2	1.8	1.9	5.6	717.6	679.8	33.2	3.4	----	1.2	11.0	40.4	3.9
1958	911.4	42.4	11.9	6.0	.6	5.3	794.3	669.6	97.4	23.4	----	3.9	15.6	46.3	.9
1959	1,330.2	60.2	32.1	8.6	4.4	19.1	1,083.0	810.9	213.6	37.3	0.4	20.8	25.8	125.1	4.0
1960	1,014.0	43.0	13.8	2.5	1.8	[illegible]	857.1	688.3	118.8	45.4	.2	4.4	16.7	83.2	.2
1961	1,097.4	42.1	17.7	1.4	2.5	13.[illegible]	962.0	660.5	153.4	108.6	15.9	23.7	14.6	58.6	2.4
1962	1,438.9	56.6	15.6	1.3	.7	13.[illegible]	1,269.2	740.1	214.4	212.5	51.4	50.8	13.8	83.7	----
1963	1,620.7	71.9	18.8	1.2	1.2	16.4	[illegible],428.4	739.8	246.7	273.0	120.3	48.6	9.1	92.5	(3)
1964	1,947.2	68.1	13.7	.2	2.2	11.3	1,747.2	680.5	355.7	461.3	205.4	44.4	9.3	108.8	----
1965	2,132.9	64.5	10.9	(3)	(3)	10.8	1,932.3	768.0	307.8	468.2	336.7	51.7	6.8	118.3	----
1966	2,553.8	64.1	8.7	----	----	8.[illegible]	2,329.0	783.4	397.9	528.8	573.6	45.2	6.6	145.1	.2
1967	2,532.7	48.0	8.1	(3)	----	8.[illegible]	2,355.9	632.3	471.5	485.4	702.0	64.8	2.4	118.2	(3)
1968	3,841.2	53.0	12.1	----	1.0	11.2	3,619.1	921.3	802.2	829.6	1,167.2	98.8	1.0	156.0	(3)
1969	4,290.3	40.6	11.7	.1	4.0	7.6	4,043.9	802.3	572.1	936.0	1,580.8	143.6	1.8	192.3	(3)
1970	4,168.2	24.9	10.3	(3)	1.9	8.4	3,996.3	623.6	570.9	939.6	1,787.3	75.0	.5	136.1	.1
1971 [4]	5,182.3	45.9	13.8	(3)	1.3	12.5	4,995.1	599.8	593.3	1,397.4	2,252.4	152.3	(3)	127.4	(3)
1972 [4]	6,427.3	69.5	20.4	----	8.7	11.8	6,215.9	519.1	644.2	2,021.9	2,865.6	165.2	.1	121.3	.1

[1] Includes mixed species (not classified as hardwoods or softwoods).
[2] Data may not add to totals because of rounding.
[3] Less than 50,000 square feet.
[4] Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census (47).

U.S. EXPORTS OF LUMBER BY TYPE OF WOOD[1]

[In millions of board feet, log scale]

Year	Total	Softwoods				Hardwoods		
		Total	Douglas-fir	Port Orford cedar	Other	Total	Walnut	Other
1950	48.2	28.9	1.0	0.3	27.6	19.3	1.0	18.3
1951	79.4	57.9	2.4	.6	54.9	21.5	1.0	20.5
1952	63.7	44.4	4.2	1.9	38.3	19.2	.3	18.9
1953	115.1	86.0	12.4	3.5	70.0	29.2	.5	28.6
1954	139.5	106.4	12.8	13.8	79.8	33.1	.6	32.5
1955	166.2	144.2	9.8	10.7	123.7	22.0	1.2	20.8
1956	187.7	154.9	15.8	13.9	125.2	32.8	1.1	31.6
1957	139.3	107.3	8.1	22.8	76.4	32.0	1.4	30.6
1958	169.8	127.3	12.4	32.3	82.7	42.5	2.3	40.2
1959	204.6	167.6	20.8	39.2	107.7	37.0	3.7	33.2
1960	266.3	210.3	27.5	37.2	145.6	56.0	10.2	45.9
1961	481.8	432.2	66.6	61.2	304.2	49.5	7.2	42.4
1962	522.2	452.7	48.1	41.5	363.1	69.5	10.3	59.2
1963	951.3	879.6	71.6	63.9	744.1	71.8	16.5	55.3
1964	1,086.3	1,022.6	94.6	37.0	891.0	63.7	11.1	52.6
1965	1,192.8	1,111.4	111.3	39.1	961.0	81.4	23.6	57.9
1966	1,393.1	1,317.5	135.5	43.0	1,144.0	75.6	12.8	62.8
1967	1,970.7	1,873.6	272.0	34.6	1,567.0	97.1	16.4	80.7
1968	2,568.1	2,473.2	396.5	38.4	2,038.3	94.9	21.9	73.0
1969	2,397.0	2,316.8	380.6	40.7	1,895.6	80.2	20.6	59.5
1970	2,753.0	2,684.1	487.7	54.1	2,142.3	68.9	17.4	51.5
1971[2]	2,292.4	2,233.4	448.1	40.2	1,745.1	59.0	12.9	46.2
1972[2]	3,143.3	3,049.4	662.2	45.1	2,342.0	93.9	15.2	78.7

[1] Data may not add to totals because of rounding.
[2] Preliminary

Source: U.S. Department of Commerce, Bureau of the Census (46).

U.S. EXPORTS OF LOGS BY MAJOR REGION OF DESTINATION, 1950-72[1]

[In million of board feet, log scale]

Year	Total	Canada	Western Europe	Japan	Other
1950	48.2	42.5	3.6	----------	2.1
1951	79.4	71.8	4.7	1.4	1.6
1952	63.7	53.3	3.0	6.5	.4
1953	115.1	69.2	3.8	41.6	.6
1954	139.5	75.4	4.8	54.5	4.7
1955	166.2	133.4	8.9	18.0	.8
1956	187.7	160.2	5.7	20.5	1.2
1957	139.3	97.1	5.3	36.0	1.0
1958	169.8	112.6	7.7	47.9	1.6
1959	204.6	126.6	7.2	70.1	.7
1960	266.3	150.7	15.9	98.6	1.1
1961	481.8	99.6	16.3	364.8	1.1
1962	522.2	167.3	24.8	329.0	1.2
1963	951.3	209.3	32.2	691.1	18.8
1964	1,086.3	288.5	19.0	755.4	23.4
1965	1,192.8	352.9	29.4	804.4	6.2
1966	1,393.1	266.2	17.3	1,083.0	26.5
1967	1,970.7	335.8	20.8	1,583.6	30.6
1968	2,568.1	341.8	28.8	2,119.2	78.4
1969	2,397.0	324.6	29.9	2,007.6	34.8
1970	2,753.2	291.8	23.6	2,377.3	60.3
1971[2]	2,292.4	343.6	20.8	1,847.1	80.9
1972[2]	3,143.3	519.1	30.6	2,829.1	61.7

[1] Data may not add to total because of rounding.
[2] Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census (46).

LUMBER PRODUCTION, IMPORTS, EXPORTS, AND CONSUMPTION, BY SOFTWOODS AND HARDWOODS, 1950–72 [1]

Year	Billion board feet												Board feet		
	Domestic production			Imports			Exports			Apparent consumption			Per capita consumption		
	Total	Soft-woods	Hard-woods	Total	Soft-woods [2]	Hard-woods	Total	Soft-woods [2]	Hard-woods	Total	Soft-woods	Hard-woods	Total	Soft-woods	Hard-woods
1950	38.0	30.6	7.4	3.4	3.1	0.3	0.5	0.4	0.1	40.9	33.4	7.5	269	219	50
1951	37.2	29.5	7.7	2.5	2.3	.3	1.0	.9	.1	38.7	30.9	7.8	250	199	51
1952	37.5	30.2	7.2	2.5	2.3	.2	.7	.6	.2	39.2	31.9	7.3	249	203	46
1953	36.7	29.6	7.2	2.8	2.5	.2	.6	.5	.1	38.9	31.6	7.3	243	197	45
1954	36.4	29.3	7.1	3.1	2.9	.2	.7	.6	.1	38.7	31.5	7.1	237	194	44
1955	37.4	29.8	7.6	3.6	3.3	.3	.8	.7	.2	40.1	32.5	7.6	242	196	46
1956	38.2	30.2	8.0	3.4	3.2	.3	.8	.6	.2	40.9	32.8	8.1	242	194	48
1957	32.9	27.1	5.8	3.0	2.7	.2	.8	.6	.2	35.0	29.2	5.8	204	170	34
1958	33.4	27.4	6.0	3.4	3.2	.2	.7	.6	.2	36.1	30.0	6.1	206	171	35
1959	37.2	30.5	6.7	4.1	3.8	.3	.8	.6	.2	40.5	33.7	6.8	228	189	38
1960	32.9	26.7	6.3	3.9	3.6	.3	.9	.7	.2	36.0	29.6	6.4	199	164	35
1961	32.0	26.1	6.0	4.3	4.0	.2	.8	.6	.2	35.5	29.5	6.0	193	160	33
1962	33.2	26.8	6.4	4.9	4.6	.3	.8	.6	.1	37.3	30.8	6.5	200	165	35
1963	34.7	27.6	7.2	5.3	5.0	.3	.9	.7	.1	39.2	31.8	7.3	207	166	39
1964	36.6	29.3	7.3	5.2	4.9	.3	1.0	.8	.1	30.8	33.4	7.4	213	174	39
1965	36.8	29.3	7.5	5.2	4.9	.3	.9	.8	.1	41.1	33.4	7.7	212	172	39
1966	36.6	28.8	7.7	5.2	4.8	.4	1.0	.9	.2	40.8	32.8	8.0	207	167	41
1967	34.7	27.3	7.4	5.1	4.8	.3	1.1	1.0	.2	38.8	31.1	7.6	195	157	38
1968	36.5	29.3	7.2	6.2	5.8	.3	1.2	1.0	.1	41.5	34.0	7.4	207	170	37
1969	35.8	28.3	7.5	6.3	5.9	.4	1.1	1.0	.1	41.0	33.2	7.8	202	164	39
1970 [3]	34.7	27.5	7.1	6.1	5.8	.3	1.3	1.2	.1	39.5	32.1	7.3	193	157	36
1971 [3]	37.0	30.0	6.9	7.6	7.2	.4	1.1	.9	.2	43.5	36.4	7.1	210	176	34
1972 [3]	39.4	32.2	7.2	9.4	9.0	.4	1.5	1.2	.3	47.4	40.0	7.4	227	192	35

[1] Data may not add to totals because of rounding.
[2] Includes small volumes of mixed species (not classified as softwoods or hardwoods).
[3] Preliminary estimates.

Note: Estimates of lumber production for 1972 are based in part upon data published by the National Forest Products Association (17) and related associations (23, 24, 62).

Sources: U.S. Department of Commerce, Bureau of the Census (42, 46, 47); U.S. Department of Agriculture, Forest Service, Data for selected years 1899–1949 in "The demand and price situation for forest products, 1964," table 7.

INFORMATION SUPPLIED BY 1 FURNITURE MANUFACTURER IN VIRGINIA

	February 1972	August 1972	February 1973
No. 1 common 4/4 poplar	$175	$195	$235
No. 1 common 4/4 hackberry	205	240	265
No. 1 common 4/4 tupelo	195	215	224
No. 1 common 4/4 oak	140	175	220
4/4 white pine	95	110	170
2A common 4/4 poplar	110	130	160

	February to August 1972	August 1972 t February 197
Percent of increase (by 6 months periods):		
No. 1 common 4/4 poplar	11.4	20.5
No. 1 common 4/4 hackberry	17.1	10.4
No. 1 common 4/4 tupelo	10.3	4.2
No. 1 common 4/4 oak	25.0	25.7
4/4 white pine	15.8	54.6
2A common 4/4 poplar	18.2	23.1
Percent of increase (for 12-month period):		
No. 1 common 4/4 poplar	34.3	
No. 1 common 4/4 hackberry	29.3	
No. 1 common 4/4 tupelo	14.9	
No. 1 common 4/4 oak	57.1	
4/4 white pine	79.0	
2A common 4/4 poplar	45.5	

INFORMATION SUPPLIED BY 1 FURNITURE MANUFACTURER IN GEORGIA

Species	December 1971	Asking price, Feb. 12, 1972	Percent increase
Lumber prices:			
Maple:			
4/4	$102.77	$146.70	42.7
5/4	107.30	147.76	37.7
6/4	92.86	121.85	31.2
Elm:			
4/4	107.97	155.80	44.2
5/4	102.77	154.42	50.2
6/4	108.21	157.06	45.1
Red oak:			
4/4	90.57	150.27	65.9
5/4	99.28	144.53	45.5
6/4	102.47	136.59	33.2

Note: In general, most of the above is No. 1 common.

INFORMATION SUPPLIED BY 1 FURNITURE MANUFACTURER IN VIRGINIA

Species	January 1972	Feb. 17, 1973	Percent increase
Lumber prices:			
4/4 red oak: [1]			
1C	$180	$225	25.0
FAS	275	330	20.0
4/4 pecan 1C [2]	165	210	27.2
4/4 poplar 1C	195	230	17.9
4/4 hack 1C	175	220	25.7
4/4 tupelo 1C	177	205	15.8

[1] In 1971 and early 1972, we could buy straight No. 1C Oak. However, as the lumber became scarce we had to buy a larger percent of uppers (FAS)—causing a considerable increase in price over No. 1 common. On our mix we are paying $236 for 4/4 oak.

[2] We have always purchased what upper grades that developed.

INFORMATION SUPPLIED BY 1 FURNITURE MANUFACTURER IN NORTH CAROLINA

Species	December 1971	Jan. 31, 1973	Percent increase
Lumber prices:			
No. 2A poplar:			
4/4	$111.82	$133.12	19.0
5/4	115.75	143.75	24.2
6/4	122.00	150.00	23.0
8/4	127.00	160.00	26.0
Red Oak:			
4/4	165.87	231.98	40.0
5/4	178.72	252.96	41.5
6/4	212.03	278.26	31.2
8/4	307.90	330.00	7.1
White oak:			
4/4	(1)	227.29	
5/4	(1)	249.09	
6/4	(1)	263.70	
8/4	(1)	320.00	
Ivorywood:	205.99	232.30	12.7
5/4	210.28	235.66	12.0
Banak: 4/4	125.30	132.14	5.4
No. 1 common poplar:			
4/4	183.92	209.75	14.0
5/4	187.43	243.93	30.1

[1] This specie not used during this period.

INFORMATION SUPPLIED BY 1 FURNITURE MANUFACTURER IN VIRGINIA

[In percent]

	June 30, 1971	Dec. 30, 1971	June 30, 1972	Dec. 31, 1972	Feb. 15, 1973
Lumber cost:					
Appalachian Red Oak	100	105	118	134	[illegible]
Hackberry	100	109	127	150	
Poplar	100	101	116	144	[illegible]

INFORMATION SUPPLIED BY A NUMBER OF SOUTHERN FURNITURE MANUFACTURERS

CODE C

4/4 Gum—November, 1971 to January 15, 1973—increased in price 55.6%.

4/4 Elm—November, 1971 to January 15, 1973—increased 46%.

All other species increased 20% or more.

There were some increases on lumber all during 1972, with greater increase the last six months of 1972. Prices have mushroomed in the last 30 days.

H.M.R. Prices—4/4 Hackberry, Feb. 9 shows $190 (on January 20, $180), but the actual price being paid is $260.

Lumber suppliers today are asking from $30 to $100 per M above H.M.R. or so-called list price.

CODE E

H.M.R. prices in 1971 were higher than those being paid and now the prices on Oak and Poplar are much higher than H.M.R. prices.

Lumber manufacturers, when shipping 2A lumber, insist they include 25% 2B lumber and say nothing about it and be paid for the lumber as if it were all 2A lumber.

Oak was up 60% from Fall '71 to the beginning of Phase III, and continues to increase.

CODE F

Completely out of Poplar.

White Pine is more profitable to cut than Poplar, so the price of Poplar and White Pine is soaring. So-called standard price for White Pine is $150, but now the price you have to pay is over $200.

CODE G

Prices on lumber in the last few months have increased 20 to 22%.

Lumber sources are saying that today's price will be at least another 10 to 20% higher by June.

CODE H

10% to 24% increase between 1/1/72 and 1/1/73.

CODE I

#1 Common 4/4 Oak February 1972—$125; February 1973—$235, an increase of 34%.

4/4 Hackberry, $205, February 1972—February 1973—$265, increase of 29%.

Red Oak increased 40%.

CODE C

There has been some talk about placing controls on softwood lumber. You cannot separate softwood lumber from hardwood. So, if controls are placed on softwood lumber, then controls will have to be placed on hardwood lumber, also.

Suggestion: Have notice circulated through the news media, with copies sent to all heads of lumber associations and as far as possible to all members of such associations, letting them know that their prices are to be cost justified the same as anyone else's regardless of size. They are to use the base period years the same as anyone else under Phase III.

Place firm controls on lumber until the matter settles down, and let these be the same as controls on any other items under Phase III.

SOUTHERN FURNITURE MANUFACTURERS ASSOCIATION,
High Point, N.C., April 3, 1973.

Hon. JOHN SPARKMAN,
Chairman, Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Housing, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: On Tuesday, March 26 I testified before the Subcommittee on Housing with respect to the current problems of rising lumber and plywood prices. In that statement, I reported that between January and February, the price of softwood lumber increased approximately 8% while the price of hardwood lumber went up 7%. I would like to expand that statement.

More recent reports through March 17th show that many hardwood species have increased upwards of 20% from January 1, 1972 through March 17, 1973. These figures are reported in Hardwood Market Report, an industry publication.

It is our opinion that these reported prices for hardwoods, as inflationary as they appear to be, significantly understate actual prices currently being paid for hardwood lumber. Company members of the SFMA report that they are required to pay $45–$65 per 1,000 board feet above prices quoted in Hardwood Market Report in order to obtain needed hardwoods. Moreover, reported prices are given for dry lumber. For the most part, only green lumber is currently being shipped to furniture manufacturers today. Green lumber loses 5–10% of its quantity in the drying process. In normal times, green lumber is priced $10–$15 per 1,000 board feet under air-dried lumber. Furniture manufacturers generally estimate that the penalty for the purchase of green lumber is 15–20% over a comparable purchase of dry lumber.

In other words, the consensus among furniture manufacturers is that prices reported in industry publications at which hardwoods are presently being sold are in fact 20% below prices manufacturers are being required to pay. This stresses all the more the need for an immediate embargo on the export of hardwood logs from the U.S.

We would appreciate it if this letter were included in the record of the March 26th hearings as part of our statement.

Sincerely,

P. DOUGLAS KERR,
Executive Vice President.

APRIL 11, 1973.

Hon. JOHN SPARKMAN,
Chairman, Senate Committee on Banking, Housing & Urban Affairs, Subcommittee on Housing, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN. On April 3, 1973, I wrote you on behalf of the Southern Furniture Manufacturers Association regarding recent price increases for hardwoods. In that letter, there was a typographical error which I would like to correct. Recent reports through March 17 show that many hardwood species have increased upwards of 20% from January 1, 1973 (not January 1, 1972) through March 17, 1973.

In addition, I would like to also furnish for the record the latest information we have available on the prices of hardwoods. This information results from a survey made by telephone April 3, 1973 and shows price increases under Phase III alone of up to 55% by one manufacturer. We again urge an embargo on the export of hardwood logs and lumber as soon as possible and a ceiling on the price of hardwood.

Sincerely,

P. DOUGLAS KERR,
Executive Vice President.

Senator CRANSTON. Thank you very much.

Do you have any feelings about the matter of the budget of the Forest Service?

Do you feel that the full amount they sought should be granted to them to carry on the work that they are doing, to increase the supplies?

Mr. KERR. Yes, we do, Mr. Chairman.

Senator CRANSTON. I have no further questions.

Mr. KERR. Thank you very much.

Senator CRANSTON. Our next and final witness will be Mr. James F. Bailey, representing the United Brotherhood of Carpenters & Joiners of America.

Mr. Bailey, you may proceed.

STATEMENT OF JAMES F. BAILEY, LEGISLATIVE ADVOCATE, UNITED BROTHERHOOD OF CARPENTERS & JOINERS OF AMERICA

Mr. BAILEY. Thank you, Mr. Chairman.

My name is James F. Bailey. I am legislative advocate for the United Brotherhood of Carpenters & Joiners of America, which has a very real interest in the matter of lumber supply and lumber prices.

Approximately 100,000 of our members are employed in the primary production of lumber products. The jobs of these members are directly tied to the amount of lumber which is produced. Another 700,000 of our members are construction carpenters. They work with wood to a considerable extent, and their prosperity can easily be affected by the supply and/or price of wood products.

Therefore, we are urging Congress to enact measures which can eliminate or, at least, tone down the wild price fluctuations which have plagued the industry for many years and adversely affected home construction in recent months.

In order to avoid covering ground which has been plowed thoroughly in these hearings, I will try to briefly summarize the current situation in the wood industry as we see it.

1. Lumber prices are not directly related to production costs. Whereas toasters, shoes, and most manufactured products move directly from the production lines into the channels of commerce, lumber products

generally move from mill to storage yard. If demand is high, they move out in short order. If demand is low, they may stay in the yards for a considerable length of time. During that period, the price may go up or down drastically. Therefore, the relationship between the actual production cost and the sales price is somewhat nebulous.

2. A major component of the cost of lumber production is the cost of stumpage. The more a firm has to pay for logs, the basic raw material, the higher the cost of the lumber product will be.

3. The current economic situation in the lumber industry is to a considerable degree a byproduct of the shortage of logs.

4. The shortage of logs stems from two main sources. (*a*) Timber sales from lands owned by the Federal Government are not as close as they should be to what prudent management dictates to be the maximum allowable cut; and (*b*) the fantastic escalation of round log exports in recent years. The shortcomings spelled out in (*a*) stem from the lack of adequate and long-range financing of the U.S. Forest Service. With larger appropriations and long-range financing plans, the Service could do a much better job of producing larger timber supplies, while at the same time insuring adequate reserves for future generations. The most devastating effect on lumber prices stems from point (*b*) above. Foreign log buyers have entered the Northwest market in unprecedented numbers. They have bid up the price of stumpage to fantastic figures. In some instances they have competed against each other long after U.S. buyers have been frozen out of the bidding by sky-high prices. In some cases, mills are selling their inventory of logs to exporters for the simple reason it is more profitable to dispose of the logs in this manner rather then manufacturing dimensional lumber in their own plants. We strongly suspect that much of the timber disposed of in this manner originated in Federal lands.

In light of the facts which I have pointed out, it is our feeling that some stopgap measures need to be taken immediately as a forerunner to a comprehensive program which can lead to permanent solutions.

First, there should be a 90- or 120-day moratorium on all log exports. The executive branch has authority to take such action. The psychological impact of such a move would contribute a great deal toward correcting the existing chaotic conditions in the current log market. At the same time, it would make additional logs available immediately for domestic mills at a fairer price.

Furthermore, some additional policing authority ought to be vested in the Forest Service to prevent companies which export logs from their own lands making up their inventories by bidding on Federal stumpage. The Morse amendment prohibits such a practice, but it seems to be honored more in the breach than in the execution.

Over the long haul, there needs to be a firm policy developed to limit the export of round logs unless and until they are found to be surplus.

There needs to be a funding policy for the Forest Service worked out not only to provide adequate financial appropriations for the immediate future, but also for an extended period of time so that the Service can know that it will have ample funds the year after next as well as next year.

Sound timber management involves long-range planning. Long-range planning requires long-range funding. Therefore, such long-

range funding is a first requirement for enabling the Forest Service to insure that Federal forest lands produce the maximum footage each year in perpetuity.

However, there is little use in upping timber production on Federal lands if exports are allowed to continue gobbling up logs at an ever-increasing rate. It would do little good to up timber production from forest lands by a billion board feet if exports to foreign countries siphon off a billion and a half board feet from private and State lands.

Since the Federal Government controls somewhere between 50 and 60 percent of the current timber inventories, it seems logical to assume that somewhere along the line, Federal policies could be developed to use the Government's near-monopoly of timber supplies to stabilize lumber production and, to a considerable extent, lumber prices.

There is a considerable lag in the time that elapses from the day when a timber sale is made to the day when the log is processed in the mill. This, of course, adds great difficulty to such an idea, but some study should be devoted to learning whether the Federal Government's near-monopoly supply of timber can be used as a stabilizing factor.

In the immediate future, we urge that the Morse amendment, which expires this year, be continued for at least another 2 years.

We support the Packwood bill (S. 1033) and urge its immediate adoption as a first big step toward eliminating the reoccurring crises which plague the lumber industry and adversely affect the jobs of our members as well as the prosperity of the housing industry which has tremendous national goals to meet.

Senator CRANSTON. Thank you Mr. Bailey. You have provided us with a very fine statement and clear outline of your thoughts on this problem. I appreciate your taking the time to discuss the matter with us. I do not have any questions. That will conclude our hearing then. The hearings will be reconvened on the west coast shortly.

We thank all of you for your attention. Thank you very much.

[Whereupon, at 5:20 p.m., the hearing in the above-entitled matter was concluded.]

○