

acquired and placed under intensive forest management, approximately 100,000 acres of timberland in several counties of western Washington. These lands were acquired to protect the company's long-term raw material needs against periodic or extended open market log shortages such as those being caused by Japanese log exports. Basically, however, we must rely on outside sources of logs which are primarily Federal and State timber. Currently two-thirds of our log supply comes from outside sources, as our tree farm reserves, primarily second growth, are not yet sufficient to supply the company's annual requirements on a sustained basis.

Heavy dependence upon the national forests and other public timber by companies such as ours, or those with lesser timber reserves, is not unique. The national forests and other public lands only within the past two decades have commenced to contribute their share to the wood processing economy of the region. This came about as the result of the private lands earlier heavy cutting, including much overcutting to sustain U.S. efforts in two World Wars. It is upon these expanding allowable annual cuts from the public forests that much of the domestic industry, including small- and medium-sized sawmill and plywood operators have been dependent to maintain operations and provide much of the Nation's expanding needs in wood products.

The questions posed in the announcement of hearings dated January 5, 1968, relate directly to the foregoing matters as they involve the uncertain future of a most important segment of the forest products industry of the Northwest, the independent log buying mill. We will attempt to deal with each question in order.

(1) ESSENTIAL FACTS RE EXPORTING OF LOGS

Log exports since 1961, and their increasing impact upon the total regional economy, jobs, and other interests causes immediate focus upon the increasing difficulty in obtaining logs at a cost which will maintain the competitive status of the domestic log user. Intensifying competition for available market supplies by domestic and foreign interests, primarily Japanese log export agents, has increased average stumpage bid prices more than twofold on timber sold from westside national forests of Washington and Oregon since 1961. During the past year in Washington on some forests these average stumpage bids will be more nearly a threefold increase over 1961 levels.

Our company, like others, bought hemlock stumpage in the early 1960's at from \$16 to \$20 per thousand board feet. Today comparable stumpage exceeds twice these amounts. We have been successful in the purchase of one Federal sale in 1967 at which the successful hemlock stumpage bid price was \$36 per thousand board feet. This was early in the year, and bidding pressure has been much more intense as the year has progressed.

We have actively attended over 20 Federal sales in Washington State during 1967, at which we acquired one sale (as above) but bid upon many more. We were forced to drop out of contention on all but this one sale when the stumpage prices were bid up above our economic limit by Japanese export brokers, or occasionally a domestic firm which will be forced to sell to them in order to operate a sale.