Just as this company had to drop out of contention for sales, so did other domestic consumers. In many sales bid prices concluded as high as $48 per thousand for hemlock. Prices of this magnitude far exceeded levels domestic users of logs could afford and remain competitive with their counterparts in British Columbia.

This discouraging dilemma has been constant among domestic log users attending Federal stumpage sales in both Washington and Oregon in recent years.

Further emphasis in the matter of log cost is indicated by Forest Service statistics showing the average value of hemlock, spruce, and true fir exported logs (species used by my company) to have increased 34 percent from $64 per 1,000 to $86 per 1,000 in the 1961–67 period.[1] Obviously these higher raw materials costs, coupled with high wage levels prevailing, create a condition in the regional wood products economy rendering it heavily noncompetitive with neighboring operations in British Columbia, where log exports are permitted only if in surplus and log prices have not risen correspondingly. Compounding this dilemma is the Jones Act as it affects intercoastal shipments of lumber, allowing British Columbia operators a distinct additional advantage over the few remaining green cargo sawmilling operators of this region in the shipment of lumber products to other parts of the United States.

Spiraling raw materials costs have already resulted in many wood processing plant closures, including 25 plywood plants in 1966 and 1967, and if continued unchecked will result in further deterioration of the regional wood processing economy. The decline in the forest products economy is shown by the decrease in employment. In Washington and Oregon the decrease was 6,800 employees from the third quarter 1966 to the same period in 1967.[2] Correspondingly there have been increases in longshore activity indicated such as 640 more employed in that work in 1966 than in 1965—latest figures available—for Washington State, attributable at least in part to increased log export handling activity.[3] This increase in port employment even if sustained in 1967 is not significant when compared to the decrease in forest industries employment.

The facts clearly indicate that a large segment of the region's log-buying mills are increasingly noncompetitive due to the nonrestriction of Japanese log exports from public timber.

(2) HOW CAN JAPAN PAY HIGH PRICES?

The present economic structure of Japan allows it to pay increasingly higher prices for round logs because of low labor costs, less costly and complex industrial installations and a high degree of utilization. This permits the present log price structure to be economically feasible within their active building market strongly protected by the Japanese against American producers of sawn lumber products.

The attractiveness of the lumber sawn in Japan from American round logs, particularly western hemlock, creates a great demand for these woods compared to logs from most other countries. The Japanese

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[1] Source: Production, prices, employment, and trade, third quarter 1967, Pacific Northwest Forest and Range Experiment Station.

[2] Source: Production, prices, employment, and trade, third quarter 1967, Pacific Northwest Forest and Range Experiment Station.

[3] Source: Department of Employment Security, State of Washington.