

statement, the logs would have sold for a much lower price, and would have been purchased by domestic mill owners. Is that true?

Mr. JOHNSON. We believe this is true.

Senator MORSE. Is it one of the thrusts of your testimony that the record of the prices that the Japanese have paid for American logs shows that they have been willing to pay so high a price that many domestic mills cannot buy logs at those prices and produce lumber from them at a profit? Is that true?

Mr. JOHNSON. Yes. I would say this. The record of the bid results would indicate that, if the domestic firms in the many instances which we have records upon were able to buy those timber sales and operate them with any level of break-even opportunity, they would have remained competitive. However, the bid records indicate that the trading firms were the successful bidders.

Senator MORSE. You say on page 3:

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.

What was the appraised value put upon that stumpage by the Government agency that had jurisdiction over the timber?

Mr. JOHNSON. My recollection is that the appraised value was approximately \$19 per thousand board feet on the hemlock.

Senator MORSE. In the neighborhood of half that much?

Mr. JOHNSON. That is correct.

Senator MORSE. As a general pattern, have the Japanese been willing to pay around twice the appraised value for the logs they purchase?

Mr. JOHNSON. Our experience has indicated this, Mr. Chairman. We happen to be located, of course, in one of the areas which has probably some of the heaviest pressure from the buying of Federal timber for export, this being adjacent to the Snoqualmie National Forest. The general pattern on all of the timber sales that we have attended on the Snoqualmie have seen the stumpage bid prices driven to levels that, based upon what we are aware of in terms of quoted prices by Japanese buyers, have caused us to question how the successful bidder for the trading company might come out at the prices at which he bid.

Senator MORSE. The record of these hearings to date would indicate that, even where there have been no Japanese bidders, it still is true that for some years past the American bidders have been willing to buy logs and have bought logs at Government sales at amounts substantially above the appraised value. Do you agree that that is true?

Mr. JOHNSON. Yes.

Senator MORSE. Is this the reason: That there have not been enough logs offered for sale from Government timber to meet the supply needs of the local mills, and that therefore the result has been to increase the competition among them for the purchase of Federal logs, which has raised the bidding prices to a figure substantially above the appraised value?

Mr. JOHNSON. This is correct. The installed capacity in 1960 and in 1961 was in excess of the available timber supply, and this was at the time that this increased exporting of logs first came into focus. The