

prices that I mention in this paragraph on page 3, the \$16 to \$20 per thousand, were some of the bid prices which perhaps involved four or five bidders, and at which we were sometimes successful bidders in buying timber sales at that time.

Senator MORSE. This raises a question which the chairman, on behalf of the committee, wants to pin down in this record before the Government witnesses testify, because I want the record as clear and factual on this issue as it is possible for the witnesses from the industry to make it. I refer to those parts of the record already made that would seem to indicate that the representatives of the American mills contend that the Government for some time past has not made available for bidding a sufficient quantity of Federal logs to meet the manufacturing needs of domestic mills, if they are to process finished lumber in amounts necessary to meet the domestic demand for lumber. Is that an accurate conclusion, in your opinion, for the chairman and the members of the committee to draw from the testimony thus far presented in this case by many witnesses representing the industry?

Mr. JOHNSON. I think this would be most accurate. The amount of manufacturing capacity that was in existence or came into existence and been maintained over this period of time, indicated there was definitely more installed capacity than the timber sold under the allowable cuts could provide for.

Senator MORSE. In your statement at the bottom of page 3 and the top of page 4 you say:

We have actively attended over twenty Federal sales in Washington State during 1967, at which we acquired one sale (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.

I have two questions on that statement. The first you have already testified to, but I want to reiterate it for emphatic purposes in the record. Your statement reasserts the contention and the testimony of other mill operators in these hearings that at these sales you are frequently forced to drop out of the biddings—in your own case, you were forced to drop out of 19 out of 20 sales—because the Japanese bidders, in their bids, were going above what you call your economic limit.

By that I interpret you to mean that you just could not pay more and have any chance of even breaking even if you bought the timber at such a high price. Is that correct?

Mr. JOHNSON. That is correct, Mr. Chairman. I would like to even qualify that further. My company, if it were necessary to live entirely upon Federal timber at \$36 per thousand for hemlock stumpage would not be able to sustain it, nor would many others, whether in our business or in the sawmilling and plywood business.

The fact of the matter is in this particular case we had to bid this high. We definitely felt we needed this sale to provide for our cutting program not only for this year but for next year and the year after that. Therefore it was what you would term a desperation bid to go to this level to acquire the sale.

Senator MORSE. I am glad that you made that statement, because it lays a foundation for the next question I wanted to raise with you. You had said earlier in your statement, at the top of page 2, that over