the period since 1952 your company "has gradually acquired and placed under intensive forest management, approximately 100,000 acres of timberland in several counties of western Washington."

These acres are your private timber holdings, are they not?

Mr. JOHNSON. Yes; they are owned in fee simple.

Senator MORSE. And when you buy Federal timber as you did in the 1967 sale, it being hemlock at $36, the price of that timber really is mixed with your private timber. That is, for bookkeeping purposes you take into account what your total log cost is by averaging in the Federal timber cost with your privately owned timber, which I assume you acquired at a price less than $36 per thousand board feet. Is that correct?

Mr. JOHNSON. Yes; that is correct.

Senator MORSE. You heard other witnesses in this hearing testify in explanation of the prices that they have been willing to pay, prices far and above the appraised value fixed by the Forest Service and BLM. They have paid those prices knowing full well that, if they were to figure their costs based upon those logs alone, they would lose money on the finished lumber producer therefrom, because they could not sell the finished lumber at a high enough price per thousand board feet to balance out the cost of the logs. They buy the logs nevertheless because they have some other fiscal problems that confront them and other obligations that they feel they cannot avoid. For example, there are maintenance costs of just maintaining their mills, whether they are in operation or standing idle; they must avoid the loss that is suffered from an idle mill. They also feel an obligation to their employees, for if they shut down the mill, those men are out of jobs for the duration of the shutdown. Not only is there a loss to the men who suffer unemployment because their mill has shut down, but those men proceed as best they can to find employment elsewhere. If they can find employment elsewhere, they move out of the community into other communities some distance away, and therefore when the economic storm disperses and there is some economic sunshine returning to the community and the millowner decides to reopen his plant, he sometimes is confronted with the fact there is no manpower in sufficient amount to open the plant. He has then a labor-supply problem.

I could go on and list the rest of the arguments that witness after witness has made in explanation as to why he has bid far and above the appraised value, in order to get the logs. You know the accounting. Have I given you in the statement just completed a summary of the position of mill operators generally as to why they have found it necessary to bid far over the appraised value, in order to get the logs?

Mr. JOHNSON. Yes, Mr. Chairman, you certainly have. We being in the locations which we are, causes our company to have operations of one type either on our own tree farm operations or in logging of public timber, as I have pointed out, in many locations throughout western Washington. Accordingly we are acquainted with and rather familiar in many respects with operators of small mills in some of the more remote areas of many of the counties, and this is the dilemma that they find themselves confronted with—to keep these operations going.