I might just add a further comment here regarding the bidding problem, and that is that when you have within the allowable cut or within the sales being offered on a particular forest, certain sales that have been bid and acquired by interests who are going to export the logs, there may be some sales from time to time that come up upon which there is no pressure to bid by the export bidders. The result is that the remaining mill operators, in the competition to acquire the timber that they may definitely have a chance at, get into a very serious bidding proposition also. So a person should not say that in every instance sales are being bid by export bidders, but then when when they are not present and not bidding on sales, the remaining operators in the area get into real serious contention to acquire the sales.

Senator MORSE. In the last part of the comment on page 4 of your statement you say that occasionally a domestic firm will be forced to sell to them, meaning the Japanese, in order to operate a sale.

Would you amplify that statement? Are you saying to the committee that, in some instances even when a domestic firm outbids the Japanese, they subsequently find that they are going to have to sell the logs they did buy at that high price to the Japanese by private negotiations between that mill and the Japanese?

Mr. JOHNSON. The point here is that as the result of the bid prices that they have paid to obtain the sale, the only way that many of them can come out is to take some of the high-grade logs off the top, the higher or better No. 2 saw logs, sell them to the Japanese at the prices at which the Japanese are willing to buy them, in order to offset their total high log cost from the entire sale. They then put the remainder into their own milling operations at a level which would be economic for them to break even.

Senator MORSE. By that you mean that in some of those instances, the American firm that buys, let us say hypothetically, 500,000 board feet logs, will select out of that purchase the top-quality logs, and then negotiate privately with the Japanese exporters for the purchase of those logs at a price sufficiently higher than the price they paid for the total purchase of 500,000 board feet, in order to cut down the total cost to them, leaving the remaining logs of sufficient quality to go through their mill at a price on their books substantially less than the bid price for the total purchase. Is that the way it works?

Mr. JOHNSON. Yes. In many instances this is what I say has to occur, in order for the successful bidder on the sale to be able to economically operate the sale.

Senator MORSE. Has your company, Mr. Johnson, found itself in a position where, for financial retrenchment purposes or wise economic operation of your business, it has been necessary for you to sell logs to Japan?

Mr. JOHNSON. Mr. Chairman, my company has maintained the policy since 1961 of attempting in every respect to refrain from dealing in the export program. We have, however, on limited instances sold logs to companies which were dealing with or in the Japanese trade, but it is a very minor percentage of our overall log program, either from public stumpage or from our private timber.

We have found that within recent years our best realization is to direct logs into the domestic economy at what are termed "domestic