

prices" with various firms, whereby we are selling them logs that they need within their processing program, and in turn we are able to buy from them lower grades of logs for pulping purposes that they are unable to use in their manufacturing process.

Our need, like many mills of our type, is raw material. We certainly acknowledge the economic principles involved. However, in order to sustain the production of the product that is demanded or is needed by our customers, we cannot run those dollars through those paper machines. It has to be wood, and we have made every effort to remain in this area in our production program.

Senator MORSE. Mr. Johnson, I have elicited this last testimony from you in order to lay the foundation for an observation as well as for a few other questions I am going to ask you, because I fully expect that when the Government witnesses take the stand, they will either point out in their testimony or in their written material and data they file that many of the lumber operators in Oregon and Washington have themselves sold logs to Japan. The record shows that, and the Government representatives have discussed this with me in conferences I have had with them on this problem.

But I want this record to show, as you have just shown it, why American lumber firms in many instances feel that the policies of the Government agencies have left them no other course, if they are to remain in the black or have a chance of remaining in the black. This is a case in which the very problem that you seek to solve sort of grows upon itself.

Yes, they sell logs to—and I want your comment on the observation I am now making—yes, they sell logs to the Japanese, because from the standpoint of the competition problems that the exportation of logs itself creates, in many instances they have no other choice, if they are going to survive economically with respect to the operation of their mill. You have just explained the language that you use on the top of page 4, in which you point out that these domestic firms that pay these high prices at a Government sale are forced to sell some of the logs, the high-quality logs, to the Japanese, in order to average out on an operative basis the cost of the logs, so that they can continue to process lumber in their mill.

But suppose that reasonable restrictions could be placed upon the exportation of logs, so that Japan would get that quantity of logs that could be found to be in excess of the need for mill operation purposes during a given period of time. You and other mill operators would then not be driven into the economic position to which you have just testified, caused, by the failure of the Government itself to apply reasonable restrictions, which could be applied under existing law, upon Japanese log exports. I would like to have your comment on that observation for the purpose of getting into this record for the Government witnesses to subsequently give me a reply to, whether or not you think this failure on the part of our Government to impose restrictions that the law now authorizes them to impose is resulting in this kind of a dilemma that mill operators are placed in, in respect to selling logs to Japanese exporters?

Mr. JOHNSON. Mr. Chairman, we have held this position consistently since 1961. We observed with a great deal of interest the maintenance of the restriction upon export of round logs from Alaska. My com-