

and are so obsolete that they can't compete. He contended that is why they closed, the price of logs notwithstanding.

We have had testimony in this case, as to the Bohemia company, as an example. The record will speak for itself, but testimony on the part of some of the witnesses for the larger companies points out the very difficult competition they get from the small mills, because the small mills are so modern, and they aren't wasting a chip in their processing.

What do you have to say about the argument, the allegation, that exportation of logs to Japan bears no causal relationship to the closing of plywood mills and sawmills that the record shows have been closed, and the witnesses have said have been closed in some instances wholly or partially because of log prices?

Mr. McCracken. I couldn't disagree more with anything than the fact that log exports is not a major causal factor in the closing of most mills that have closed. This is not the first time this argument has been used. This is the type of argument that has been used for 7 years in this issue.

It is of course, true, Mr. Chairman, that there are other problems. The log export problem is not the only problem. There has been a problem that the plywood industry has faced recently because of the opening up of a large new plywood industry in the Southeastern area of the United States.

There is the problem of the increase of Canadian lumber exports to the east coast, the Jones Act and the cabotage laws. There have been the problems of tight money. These are ups and downs in the short range.

But, first, a mill, any profitmaking corporation will stay in business if it is making money, and it will quit if it is not. I think you have it on your record that for sawmills and plywood plants in the Pacific Northwest, the cost of the log is the most significant cost item. Indeed, I believe the record now indicates that the cost of the log is over 60 percent of the cost of producing the end product.

Now, if the aggregate of costs, compared with the return for the product you sell out of those logs, allows you to make a profit you will stay in business. If the cost and the return don't allow you to make a profit, you are not going to stay in business very long.

I think it is well respected by Federal officials as well as the industry, that for the Pacific Northwest, the log export problem has caused an increase in the price of logs of substantially over \$10 a thousand. Our market has been low. Not for anyone to say that an increase like that in our major cost component would have no bearing on the closing of a mill. I don't know what to say about it, except to say that it is not true.

Secondly, this argument of obsolescence has particularly distressed us, because it is misleading.

I can only point out, Mr. Chairman, that not many weeks ago a brandnew plywood plant in Olympia, Wash., that had not been in operation even 2 years was auctioned off, piece by piece. To say that that was obsolescent mill is fiction.

I can speak of a plywood mill in Mr. Dellenback's district, in Coos Bay, Oreg., that is closed and is going to be auctioned off. To say that is obsolescent, is ridiculous.