

What we are observing in the Pacific Northwest is that the large corporations that have financial resources, that have options to make the investment elsewhere, are closing down in the Pacific Northwest and making their investment elsewhere, particularly the Southeast. It is unfortunately my members, who don't have those options, who have to go bankrupt. That seems to be what is happening.

The smaller mills are going out of business more slowly because they don't have the option of closing the mills down and going where their money is worth something.

Senator MORSE. Mr. McCracken, I want to thank you very much for the great help you have been in making this record. I am sorry that I have to call another witness even at this late hour.

I understand, Mr. Hodges, that Dr. Muench, forest economist with the National Forest Products Association, will testify, and you will accompany him.

Mr. McCracken. Thank you, Mr. Chairman.

Senator MORSE. Gentlemen, you may proceed in your own way.

STATEMENT OF RALPH D. HODGES, VICE PRESIDENT-GOVERNMENT RELATIONS, NATIONAL FOREST PRODUCTS ASSOCIATION, WASHINGTON, D.C.; ACCOMPANIED BY DR. JOHN MUENCH, JR., FOREST ECONOMIST, NATIONAL FOREST PRODUCTS ASSOCIATION

Mr. HODGES. Mr. Chairman, Dr. Muench will follow up on the testimony of Dr. Sumichrast, translating the National Homebuilders estimate of housing needs into lumber requirements for the future, and the effect on the Northwest in relation to the export problem.

Senator MORSE. We are delighted to have you. I am glad to have you supplement the earlier witnesses' testimony.

Dr. MUENCH. Thank you, Mr. Chairman.

I am Dr. John Muench, Jr., forest economist with the National Forest Products Association. NFPA, with headquarters in Washington, D.C., is a federation of 17 regional, product and species associations representing the forest products industry from coast to coast.

Mr. Chairman, I have been asked to translate the housing demand projections, which have been presented earlier today by Dr. Michael Sumichrast of the National Association of Homebuilders, into demands for lumber. I will also add some thoughts on the ability of the lumber industry to meet these demands.

My work at NFPA involves the lumber industry, its resource requirements and its markets on a nationwide scale. While I do not have first-hand knowledge of the industry in Oregon, Washington, and Alaska, or of the details of their specific log export problems, I am familiar with the general economic problems of the forest products industry and consider that it may be helpful to examine the problem in general economic terms.

Furthermore, there seems to be a gap in the testimony regarding the place of the Northwest lumber industry in the national picture. Building on Dr. Sumichrast's projections, I hope to fill that gap.

Basically, what I have to say is somewhat speculative because it concerns trends, and projections into the future, nevertheless, I believe my statement shows reasonable possibilities.