

Forecasts of future log demand for export to Japan shows a substantial increase. At the meetings with the official delegation from Japan that were held in Washington in December, the Japanese forecast that by 1970 their requirements for logs and lumber from the United States and Canada would more than double. Therefore, we anticipate that if nothing is done to change the present trend, log exports from the United States could grow to 3 billion board feet or better by the end of 1970.

STUMPAGE PRICES

The timber supply in the Douglas-fir region is inelastic, given present access facilities. In contrast, mill and plywood plant capacity is highly flexible and when operated at maximum capacity it exceeds long-range timber supplies. Hence, log export intensifies competition bringing on increases in stumpage prices to all mills heavily dependent on public timber.

The rise in log exports from the Douglas-fir region has been accompanied by a substantial increase in stumpage prices of hemlock and Douglas-fir. The following table shows this information compared to southern pine and ponderosa pine for national forest timber sales.

(The table referred to follows:)

Year	Stumpage prices per thousand board feet, Scribner			
	Hemlock	Douglas-fir	Southern pine	Ponderosa pine
1958-60 (average).....	\$8.90	\$29.90	\$33.60	\$19.60
1960.....	10.50	32.00	34.50	19.10
1961.....	9.70	27.60	26.80	12.10
1962.....	8.90	24.80	26.00	16.10
1963.....	10.40	27.90	25.10	15.80
1964.....	13.30	38.10	27.80	19.00
1965.....	19.10	42.60	31.70	19.80
1966.....	20.50	50.00	38.60	19.80
1967 (3 quarters).....	19.70	41.40	38.10	21.40

Mr. CLIFF. Prices for hemlock timber more than doubled, rising from an average of \$8.90 per thousand board feet, log scale, in 1958-60 to \$20.50 in 1966, with a small decline in the first three quarters of 1967. Prices for Douglas-fir stumpage increased about 66 percent, from a 1958-60 average of \$29.90 per thousand board feet, log scale, to \$50 in 1966. It should be noted that in the first three quarters of 1967, Douglas-fir stumpage prices dropped largely because of a decline in domestic demand for lumber and plywood. The average for these three quarters is \$41.40 per thousand board feet.

The rise in stumpage prices of hemlock and Douglas-fir compared with the level of prices prevailing in the 1958-60 period was significantly greater than the increase in stumpage prices for ponderosa pine and southern pine. These latter species have not been directly affected by log exports.

There are, of course, a number of factors that influence stumpage prices, such as: Whether the domestic market is expanding or contracting; whether there is strong competition from other regions; and whether the construction industry is booming or in the doldrums. However, it seems reasonable to suppose that the rise in log exports to Japan on top of a fairly high level of domestic demand is a factor