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[Agriculture Export Alliance - Private Log Exports - January 1993] [Binder]

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Katie McGinty
Office of Environmental Policy

September 26, 2000

1 box of material recovered from 6th floor storage room

This material labelled as Forest Conference and constituency input and contains letters, brochures and booklets from 1993.

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COPY

AGRICULTURAL EXPORT ALLIANCE

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bc: Kathleen McGinty (w/encl.)

March 19, 1993

BY HAND

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As you and your Administration prepare for the Forest Conference in Portland, Oregon, on April 2, 1993, the Agricultural Export Alliance ("AEA") wants to make clear its strong opposition to any bans, taxes or other restrictions on log exports from private lands. The AEA appreciates and supports your opposition to a ban on private log exports which you stated clearly in Oregon on September 14, 1992.

As you can see from the signatures on this letter, supporters of the AEA include representatives of millions of farmers, ranchers, meat exporters and other members of the agricultural community, as well as tree farmers, ports, unions, and others involved in agricultural trade. All of these groups have joined to fight taxes or embargoes on privately grown agricultural commodities, including logs. We are addressing exclusively exports of logs from private lands -- log exports from public lands (which includes virtually all of the old growth) are already banned.

The AEA has stayed out of the debate over the use and management of public timber lands, and seeks to remain out of that controversy. However, the AEA will aggressively oppose efforts to resolve public timber issues with restrictions on private log exports. A ban on private log exports would eliminate many jobs and would further reduce timber supply by discouraging investment in private forestry. America's farmers must oppose short-sighted policies that jeopardize their markets, further erode their private property rights, and unfairly burden private tree farmers with the costs of policies to preserve public timberlands.

From our perspective, resolution of the public timberlands issues alone is a formidable challenge. Dragging the agricultural community into a bruising fight over private log export restrictions would, unfortunately, make resolution of the public timber issues even more difficult and unlikely. We hope this fight can be avoided.

Past governmental efforts to restrict agricultural exports, such as President Carter's grain embargo and President Nixon's soybean embargo, were public policy failures and disastrous to American farmers. We are not willing to be the victims again of such misguided restrictions.

Export restrictions on American agricultural products, whether directly through bans or indirectly through taxes, undercut the American farmers' image abroad as a reliable supplier. As we have learned from past export restrictions, overseas buyers turn to our trading competitors when they doubt our reliability. If necessary, our customers will also help our competitors develop alternative supplies or will turn to substitute products. Once this happens, it is virtually impossible for American farmers to regain market share lost by the restrictions even after the restrictions are eventually lifted.

Open markets and American agriculture's reputation of reliability have led to a significant positive balance in agricultural trade. We cannot afford government policies that jeopardize our markets, tarnish our reputation of reliability, or otherwise damage our ability to sell privately grown commodities internationally. For these reasons, the Agricultural Export Alliance opposes any proposals to restrict or tax log exports from private property.

We ask for your help in ensuring that tree farmers, and all other farmers, have the ability to sell the commodities they grow on their private property to the buyers of their choice. Please help keep private log exports out of the debate over the management of public timberlands at and after the upcoming forest conference in Portland. We have enclosed a briefing book explaining the reasons why restrictions or taxes on private log exports would be bad public policy.

Please feel free to have your staff contact Michael Zacharia (202) 429-7370 or Sharon Fine (202) 828-4999 if you need any further assistance.

Respectfully,

American Agri Women
American Association of Exporters and Importers
American Association of Port Authorities
American Farm Bureau Federation
American Forest & Paper Association
American Seed Trade Association
American Soybean Association
Citizens for a Sound Economy
Fruit Growers Supply Company
International Longshoremen's and Warehousemen's Union
National Association of Stevedores
National Association of Wheat Growers
National Cattlemen's Association
National Grain Trade Council
National Grange
National Pork Producers Council
National Turkey Federation
National Woodland Owners Association
North American Export Grain Association, Inc.
Northwest Woodland Owners Council
Northwest Horticultural Council
Oregon Commodity Coalition
Oregon Wheat Commission
Pacific Rim Trade Association
Sunkist Growers, Inc.
Washington Agricultural Export Alliance
Washington Citizens For World Trade
Women Involved in Farm Economics

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Oregon's broadcast monitoring service
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97207

CLINTON ARRIVES IN EUGENE

KEZI CHANNEL 9 (EUGENE)

14 SEPTEMBER 1992

11:01 PM

NEWSCASTER AL PETERSON: The Democratic Party's choice for president made a more thorough sweep of Oregon, hitting Portland and then Eugene. And by the time Bill Clinton arrived in Eugene he'd already spoken at a rally in Portland where he'd been pelted with roses after the governor's greetings. He'd already taken a stance against Measure 9, the anti-gay rights initiative, and he said he was amazed that the Bush administration had blocked Oregon's innovative new health care plan. But he did not stop for a prepared speech in Eugene, instead, making a beeline for a suburban setting.

The candidates motorcade dramatically changed the atmosphere of the Eugene neighborhood. Clinton held court in the serenity of Max and Leona Groesbeck's backyard with a gathering of present and past timber workers and their relatives.

AREA RESIDENT: The unemployment ran out, there was nothing. There was no money. We were... how do we save our home? And so, I went out knocking on doors looking for a job.

NEWSCASTER: The governor listened mostly. He explained that timber is important to his state of Arkansas but not like it is here in Oregon. He promised, if elected, to head a timber summit to help ease the timber supply crisis, saying that he's the working class candidate.

GOV. BILL CLINTON: Almost all the growth and wealth in America in the 1980s was from a second person in the home going to work, or from people working longer hours. And we simply can't continue on this path where we let people stay out of work six to eight months, and then when they do get a job they're making five or six bucks an hour where once they made fifteen.

NEWSCASTER: But while he was introduced and ushered in by Representative Peter DeFazio, Clinton took a stand DeFazio might not agree with. DeFazio helped close loopholes to prevent the export of raw logs from public lands, and he has said he would consider doing the same with privately owned logs, but Clinton says he wouldn't.

CLINTON: What I said was, I did not believe that the federal government should ban the export of raw logs from private land, but I do not think that we should continue to give it the tax subsidy we now give it.

(more)

2-2-2-2 CLINTON ARRIVES IN EUGENE, CH. 9, 9/14/92

NEWSCASTER: Clinton says he would eliminate export subsidies and use the money to retool mills, and he blasted President Bush, who called Clinton's timber summit plan a cop-out.

CLINTON: You talk about a cop-out. He's been president for three-and-a-half years, and what has he done? Nothing. The Con... Today, he wants all this credit for letting people go into the woods to get out the dead and dying timber. Congress authorized funding for that a year ago.

NEWSCASTER: Clinton left Eugene this evening for more campaigning in Salt Lake City, Utah.

mew 141, 218f, 248, 256F

The Agricultural Export Alliance

What Is The Agricultural Export Alliance?

The Agricultural Export Alliance is a Washington, D.C.-based national coalition representing the agricultural community, ports, labor, and others who are dedicated to preserving the unrestricted right to export agricultural commodities.

The AEA was formed in September 1990, after Congress enacted a ban on the export of logs from most public lands in the western United States and in response to a bill proposing a ban on the export of logs from most private lands in the western United States.

Who Supports The Aims Of The AEA?

Supporters include the following:

- American Agri Women
- American Association of Exporters and Importers
- American Association of Port Authorities
- American Farm Bureau Federation
- American Forest & Paper Association
- American Seed Trade Association
- American Soybean Association
- Citizens for a Sound Economy
- Fruit Growers Supply Company
- International Longshoremen's and Warehousemen's Union
- National Association of Stevedores
- National Association of Wheat Growers
- National Cattlemen's Association
- National Grange
- National Pork Producers Council
- National Turkey Federation
- National Woodland Owners Association
- North American Export Grain Association
- Northwest Woodland Owners Council
- Northwest Horticultural Council
- Oregon Commodity Coalition
- Oregon Wheat Commission
- Pacific Rim Trade Association
- Sunkist Growers, Inc.
- Washington Agricultural Export Alliance
- Washington Citizens For World Trade
- Women Involved in Farm Economics

What Will The AEA Be Doing In 1993?

The goal of the AEA for 1993 is to continue to defeat any efforts to ban, restrict, or tax private log exports. The AEA's activities in 1993 will be directed toward expanding the coalition, gathering expressions of opposition to private log export restrictions, and communicating those positions to Congress and the Administration.

How Does The AEA Work?

Organizational representatives meet regularly in Washington, D.C. to share information and devise strategy. The AEA's efforts are coordinated by Michael Zacharia of the Washington, D.C. law firm Wiley, Rein & Fielding on behalf of Washington Citizens for World Trade. The AEA is staffed by Sharon Fine, a former Congressional staffer.

How Can I Find Out More About The AEA?

For more information, or to take part in AEA activities, call Michael Zacharia at (202) 429-7370 or Sharon Fine (202) 828-4999.

Private Log Export Briefing Paper

Background

Log exports from federal lands have been prohibited for twenty years. A 1990 federal law made the federal ban permanent, tightened timber substitution restrictions, and banned log exports from western state lands. Some environmental organizations now seek to restrict log exports from private lands.

Political Overview

In Oregon on September 14, 1992, President Clinton publicly stated that he opposes a federal government ban on the export of raw logs from private lands.

Congressional opposition to private log export restrictions is bipartisan, and includes most of the Oregon and Washington congressional delegations and trade policy leaders.

National and state agricultural organizations, unions, ports, and most of the forest products industry are working together against private log export restrictions.

Impact of Private Log Export Restrictions

Jobs — A ban on log exports from private property would eliminate many jobs and cause a net loss of jobs in the Pacific Northwest.

Economy — A ban on log exports from private property would have an annual negative net economic impact of approximately $400 million on private tree growers in Washington State alone.

Industry — Private timberland owner and log exporter revenues would be reduced by approximately $1.5 billion annually. Less revenue would be invested in timber, lumber, pulp, and paper production.

Competitiveness — A March, 1992, article in *Fortune* gave the forest products industry one of only two "A" grades in its measurement of the competitiveness of 13 industries. Log exports are a key ingredient in the marketing success of this industry and contributed 13.5% of the $15.6 billion in exports of U.S. forest products in 1990. Private log export restrictions would impair the competitiveness of this key U.S. industry.

Negotiations — The United States is negotiating to reduce international barriers to forest products and other agricultural commodities. The Commerce Department recently determined that Canada's log export restrictions are a countervailable trade subsidy. Additional U.S. log export restrictions would be inconsistent with this determination.

Additional Policy Rationale for Opposing Restrictions

Timber Supply — As timber harvests are reduced by environmental restrictions, private timber production is increasingly important to the forest products industry and the economy. Export restrictions reduce tree farming revenues and discourage private timber production. Public policy should encourage, not discourage, tree farming.

Environment — Private land owners harvest and export second growth timber that is promptly replanted. Very little old growth timber is exported. Supplying logs from environmentally-regulated private lands in the United States reduces foreign demand for timber from countries with poor environmental records and little regulation.

Trade — Export embargoes don't work and always have a net negative economic and employment impact. Private commodity export bans are inconsistent with U.S. trade policy of promoting commodity exports and reducing trade barriers. Log exports are an important market opening component of U.S. forest products trade, and have lead to a substantial increase in processed product exports.

Agriculture — Farmers remember President Carter's disastrous wheat embargo; are concerned about the precedent of private log export taxes; and fear the reaction of their international customers to private log export restrictions.

Private Property Rights — Bans or taxes on log exports would substantially reduce the value of private timberlands. Tens of thousands of tree farmers have invested in timber production for generations in the Pacific Northwest. It is inequitable to penalize private property owners for policies to preserve millions of acres of public forest land.

Export Volumes

Since 1988, log exports from Washington and Oregon have declined by 39% to 2.2 billion board feet. The Western Wood Products Association forecasts an additional 11% decline in log export volumes in 1993, without additional policy restrictions. In 1992, only about 252 million board feet of unprocessed timber were exported from Oregon, a state suffering from a 4 billion board feet reduction in public timber sales. Over 90% of the private timber harvest in Oregon is already domestically processed. Clearly, restrictions on private log exports are not the answer to the timber harvest issues confronting the Northwest.

AGRICULTURAL EXPORT ALLIANCE
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Briefing Book

Private Log Exports

Printed on recycled paper

AGRICULTURAL EXPORT ALLIANCE
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Briefing Papers:

1. Private Log Export Restrictions Are Not A Solution to Public Timber Issues

2. Jobs and Private Log Exports

3. Agricultural Trade and Private Log Exports

4. Tree Farmers, Timber Supply and Private Log Exports

5. International Trade and Private Log Exports

6. The Environment and Private Log Exports

7. Taxes and Private Log Exports

8. A Case Study: The Impact of the Washington State Log Export Ban

Private Log Export
Restrictions

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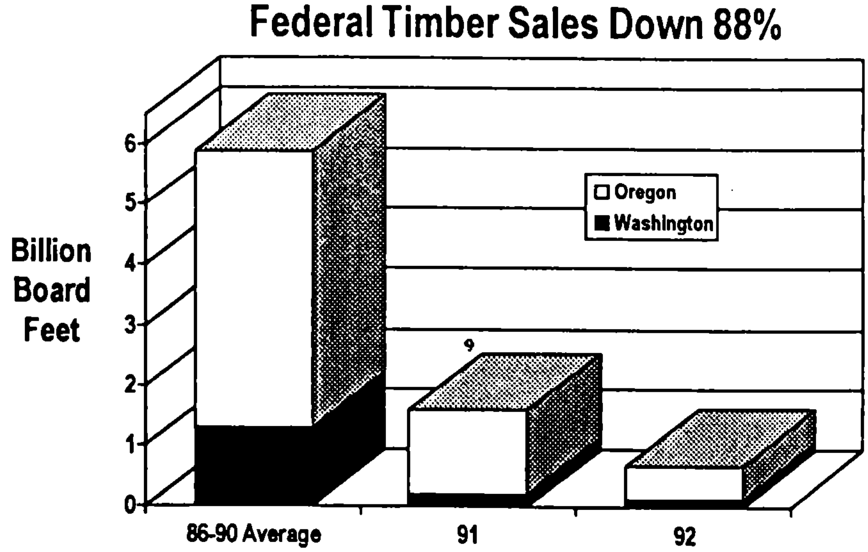
Briefing Paper: Private Log Export Restrictions Are Not A Solution To Public Timber Issues

Litigation and regulatory protection have curtailed federal timber sales and increased the importance of private timber to the industry and our economy, and private log markets are responding — over three-fourths of the timber harvested in the Northwest is now domestically processed. Restricting public log markets was a costly policy response to the decline in public timber sales; but restricting private log markets would be even more costly, unfair, and unwise. Private timber supply can only be fostered by assuring reasonable returns on tree farming investments. Private log export taxes or bans would eliminate jobs and reduce log prices, land values, and tree farming revenues — which would discourage tree farming and, ultimately, further reduce timber supply and eliminate more jobs.

The government suddenly shut off public timber sales.

Litigation, legislation, and regulations to protect species and habitat have reduced federal timber sales in the Pacific Northwest from 6 billion board feet in 1990 to 684 million board feet in 1992,[1] an 88% reduction in federal timber sales volumes in just three years.



Sources: Warren, Debra D., *Production, Prices, Employment and Trade in Northwest Forest Industries*; and Timber Data Company

Public vs. private log market restrictions.

In response to the reduction in public timber sales, Congress, during 1990, made permanent the ban on log exports from western federal lands, directed the Secretary of Commerce to prohibit log exports from western state lands, and severely limited the purchase of logs from state and federal lands by exporters of logs from private lands.[2] These policies are costly — contributing to the loss of 866,023 hours of longshore employment in 1992[3] and costing the Washington state timber trusts up to $919 million by the year 2000.[4] It would be even more costly, unfair, and unwise to shift the cost of reduced public timber sales onto private tree farmers and thousands of export-related workers.

Public lands vs. private property.

If the public chooses to preserve public forests, then those costs should be borne by the public, not by the individuals who have invested their money to grow trees on their private property and the thousands of workers who depend on unrestricted private log markets. The U.S. Constitution recognizes and protects this basic distinction between public and private property.

Private timber is our future supply.

If government policies continue to preserve public lands and permanently reduce public timber sales, public timber cannot possibly meet our future wood needs. If the United States is to maintain or increase its domestic timber supply, public policy must encourage private tree farmers to grow more, not fewer, trees.

Export restrictions reduce and discourage investments.

Environmentally-sensitive forest management costs are expensive and rising. To deny tree farmers a fair return on their long-term investments by restricting their markets is unfair and reduces the ability and incentive of tree farmers to invest in private forestry and remain in the tree growing business — precisely the opposite result from what public policy should encourage.

International markets are vital to Northwest tree farmers and processors.

Because of the Pacific Northwest's proximity to Asian markets, its superior wood growing climate, and the high cost of transporting forest products to major domestic markets, international markets are vital to both tree farmers and processors in the Pacific Northwest. Access to international markets provides higher prices for the products of the processing segment of the industry — lumber, plywood, chips, pulp and paper, just as it does for the products of private tree farmers — logs.

Private log export bans or taxes are not solutions.

Fairness, sound policy, and the importance of international markets aside; private log export restrictions are simply not practical solutions to public timber sales reductions — the timber volumes and locations do not match up. Most of the private log exports are from Washington and the greatest reduction in public timber sales is in Oregon.[5] Annual federal timber sales in Oregon have been reduced by over 4 billion board feet in just three years.[6] If all of the 252 million board feet of private timber that was exported from Oregon in 1992 had been domestically processed,[7] it would have replaced only 6% of the reduction in annual federal timber sales in Oregon. Over 90% of the private timber harvested in Oregon, and over three-fourths of all the timber harvested in the Northwest, is already domestically processed.[8]

While it is unlikely that the supply of public timber will return to previous levels, it is incumbent upon the government to resume timber production at some reasonable, sustainable level. Attempting to resolve public lands issues with private log market restrictions not only won't work; it would further complicate efforts to resolve the public lands debate, would be unfair to those who have invested in private timber production, and would be counterproductive to the long-term timber supply needs of the Pacific Northwest.

Data Sources:

1. *NFRC Timber Facts*, November 1992, data from Timber Data Co.
2. The Forest Resources Conservation and Shortage Relief Act of 1990 (Public Law 101-382).
3. Computed from data compiled by the Pacific Maritime Administration.
4. Washington DNR submission to the U.S. Commerce Department, October 1992.
5. Warren, Debra, *Production, Prices, Employment & Trade in Northwest Forest Industries*, 4th quarter, various years; and export data from Jones Stevedoring Companies.
6. *NFRC Timber Facts*, November 1992, data from Timber Data Co; and Warren, Debra, *Production, Prices, Employment & Trade in Northwest Forest Industries*, 4th quarter, various years.
7. Export data from Jones Stevedoring Companies.
8. *Ibid*; and Warren, Debra, *Production, Prices, Employment & Trade in Northwest Forest Industries*, 4th quarter, various years

Jobs

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(202) 828-4999

Briefing Paper: Jobs and Private Log Exports

Bans or taxes on private log exports will hurt, not help, Northwest timber workers that have already been hit hard by reductions in the federal timber harvest, by restrictions on log exports from public lands, and by increasing environmental regulation of private timberlands. Private log export restrictions would eliminate high-paying export jobs and would not help most mill workers. Faced with restrictions, export customers search for logs from other countries, rather than shift their sawmill production to the United States. Ultimately, private log export restrictions would lead to long-term losses in all timber-related employment.

Private log export restrictions would eliminate jobs.

Timber jobs in Northwest port communities have already been lost due to reductions in federal timber harvests and to export bans on logs grown on public lands. At some timber-dependent ports, log exports are down more than fifty percent in just three years,[1] and jobs are down dramatically as well. According to the Pacific Maritime Association, Washington and Oregon log port longshoremen (not including clerks and foremen) worked 866,023 fewer hours in 1992 than they worked in 1988.[2] And a ban on private log exports could result in a net loss of 3,000 jobs.[3]

Log export jobs would not be replaced.

The jobs created by private log exports — longshoring, maritime, log sorting and handling — are high paying and irreplaceable. For example, log port longshoremen in the Northwest earn an average annual income of about $50,000;[4] and tug boat workers who assist log vessels can earn just as much.[6] These workers and their communities cannot afford to lose their jobs because of government restrictions on private log exports. There are no other export commodities to replace those logs or those jobs.

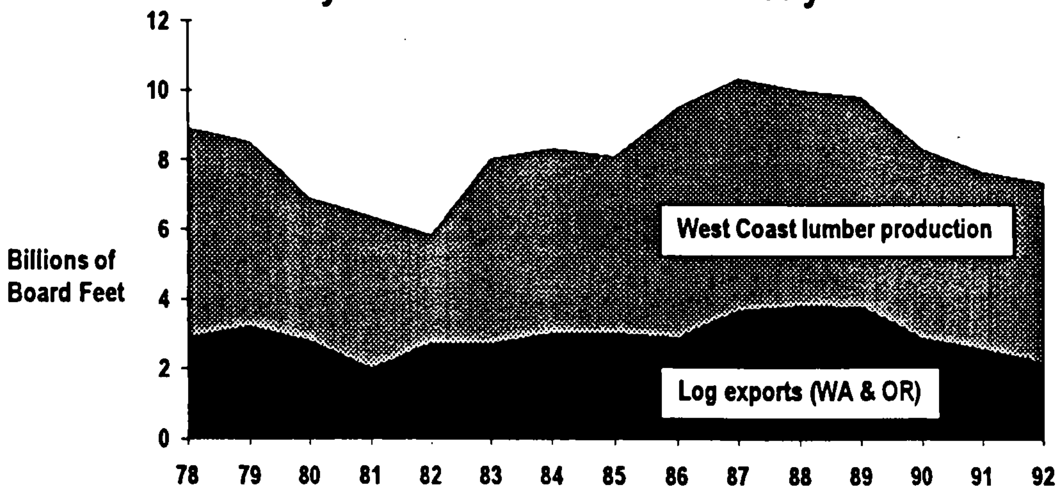
Log exports are vital to Northwest port communities.

Log exports from private lands are a key element in the economies of most timber port communities. These communities are trying to diversify, but it will take time and money to overcome disadvantages of isolation, a narrow skill base, and inappropriate or inadequate infrastructure. Even if, over time, the existing marketing strategies continue to raise the level of exported processed products, the nature of those exports and of shipping economics will dictate that most of those products be shipped from large, urban ports, rather than the small, timber-community ports.

Log exports provide economic stability.

Log exports from private lands are even more important to timber communities during downturns in the domestic forest products market cycle. In a slow domestic market, Northwest timber workers and their communities would be devastated without access to international log markets.

Log Exports Provide Stability to a Cyclic Forest Products Industry



Source: Lumber - Western Wood Products Association
Log Exports - U.S. Dept. of Commerce

Private logs cannot replace old-growth public logs.

Many of the mills hurt by the elimination of federal timber sales depend on large-diameter old growth timber, found almost exclusively on public lands. Yet, almost all of the logs exported from private lands are smaller second-growth logs. Moreover, 90% of the private timber harvested in Oregon and over three fourths of all of the timber harvested in the Northwest, is already domestically processed.[6] There simply is not sufficient volume in the right locations to make up for the huge reduction in federal timber sales. And, if private log exports were banned, private tree growers would, as always, adjust their sales to reflect demand and to realize the best price.

Export customers need logs, too.

International log customers buy logs to meet demand for unprocessed wood. Japan, for example, a country no larger than California, has 16,700 sawmills.[7] Although Japan is the largest overseas customer for U.S. processed wood products, concern about the reliability of U.S. supply is causing Japan and other export customers to buy more logs from other nations.[8] It is folly to assume that overseas log buyers would automatically replace U.S. logs with processed products.

Long-term, restrictions will eliminate jobs throughout the industry.

Restrictions on private log exports will *not* guarantee timber supply to all domestic mills, but they will force some tree growers to convert their private property to non-forestry uses. And in the long-term, less timber land and less timber supply *will* ensure a permanent, overall, loss of timber-related jobs.

Data Sources:

1. Jones Stevedoring Companies.
2. Computed from hours and wages data provided by the Pacific Maritime Association, various years.
3. Economic impact modeling and forecasting by Janet Baker, Northwest Economics Associates, Vancouver, Washington.
4. Pacific Maritime Association 1991 Annual Report.
5. Port of Port Angeles survey, March, 1991.
6. Jones Stevedoring Companies; and Warren, Debra, *Production, Prices, Employment & Trade in Northwest Forest Industries*.
7. Japan Forestry Agency via the Seattle office of the Japan Wood Products Information and Research Center.
8. Japan Wood Products Information and Research Center, *Wood Supply and Demand Information Service*, November, 1992.

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Briefing Paper: Agricultural Trade and Private Log Exports

History shows that U.S. agricultural export restrictions don't work, they hurt American farmers, and they jeopardize international markets for all U.S. commodities. Agricultural export restrictions are also unfair and an investment disincentive for people who grow embargoed commodities. It would be particularly unfair and counterproductive to restrict markets for a commodity that takes 50-80 years to bring to harvest.

Logs are an agricultural commodity.

U.S. and international laws consistently recognize logs as an agricultural commodity. For example, the Department of Commerce has found that logs are an agricultural commodity for purposes of the Export Administration Act; the Agricultural Trade Development and Assistance Act and the Food Security Act, among other programs, define wood and wood products as agricultural commodities; and forest products were included in the agricultural negotiations of the Uruguay Round.

Like other agricultural commodities, privately grown trees are planted and managed by farmers and, after harvest, they are promptly replanted for another growing cycle. Unlike most other agricultural commodities, however, trees in the Pacific Northwest take 50-80 years to grow to maturity.

Farmers must be able to export their products.

Market restrictions substantially reduce the price farmers receive for their commodities. According to tree farmers, export restrictions would reduce the average price of export grade logs about 20—40%,[1] and depress further the price of all domestic logs. By reducing prices, market restrictions reduce the ability and incentive of farmers to replant and grow their commodities.

Commodity markets are critical to U.S. farmers.

Like all farmers, a tree farmer's final products — logs — are unprocessed commodities. In fact, 78% and 83% of all other agricultural commodities exported from Washington and Oregon, respectively, require further processing.[2]

Export restrictions label American producers as unreliable.

A key to the successful strategies used by American farmers to expand international sales has been to build reputations as consistent and reliable suppliers. Unfortunately, agricultural export embargoes imposed by the U.S. government signal to foreign markets that American producers are unreliable. That stigma makes it hard for all American commodity producers to retain and expand markets.

Export bans hurt American farmers most.

Prior to 1973, the United States produced 70% of the world's soybeans. After the 1973 U.S. soybean embargo, our foreign customers helped other countries increase their soybean production. The United States never regained its dominance in the international soybean market. Its current share of world production is 51%.[3]

Congress banned exports of red cedar logs in 1979 to increase mill employment and processed cedar product exports. Rather than increasing purchases of *processed* U.S. cedar products, however, our customers turned to other nations for *unprocessed* wood and other substitute products,[4] causing cedar log prices to collapse. There were 337 cedar mills in Washington before the ban, and only 52 by 1990.[5]

The 1980 U.S grain embargo did not hurt the USSR, but it continues to affect American farmers. Soviet purchases in other countries helped develop and expand grain production elsewhere, with which U.S. farmers must now compete.

Trade restrictions undermine trade expansion efforts.

There is never a good time to impose trade restrictions. But American farmers and taxpayers can least afford to restrict agricultural trade while working so hard to increase U.S. exports, reduce the trade deficit, and strengthen the economy.

Private log export restrictions would undercut U.S. efforts to further open international agricultural markets and would increase the trade deficit. With a $91.1 billion dollar merchandise trade deficit in 1992,[6] the U.S. should adopt polices to expand, not curtail exports.

Data Sources:

1. Gruenfeld & Associates, price survey of Northwest log brokers, January 1993; Washington state export-restricted timber sold for an average of 22% less than unrestricted timber in 1992.
2. Washington State Department of Agriculture; and *Agricultural development and marketing policies*, David Andrews, Oregon Department of Agriculture.
3. *U.S. share of world soybean production*, 1990-92, USDA, FAS, World Oilseed Circular, December, 1992.
4. *Statistical Yearbook*, Western Wood Products Association, 1978-1988; U.S. Department of Commerce; and Zenjiro Kawamura, Japan's leading cedar importer in 1979.
5. *Washington Mill Survey*, Washington Department of Natural Resources; 1990 data compiled by D. Larson.
6. Julie Bishop, U.S. Department of Commerce, Bureau of Economic Analysis, Balance of Payments Division.

Tree Farmers, Timber
Supply, Private Exports

AGRICULTURAL EXPORT ALLIANCE
1776 K Street NW
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(202) 828-4999

Briefing Paper: Tree Farmers, Timber Supply & Private Log Exports

Private tree farmers supply most of the Northwest's wood and are growing our future timber supply. Bans or taxes on private log exports would reduce tree farmer revenues, reduce investments in private forestry, and increase the conversion of private timberlands to non-forestry uses. In the long-term, market restrictions would discourage tree farming and reduce timber supply.

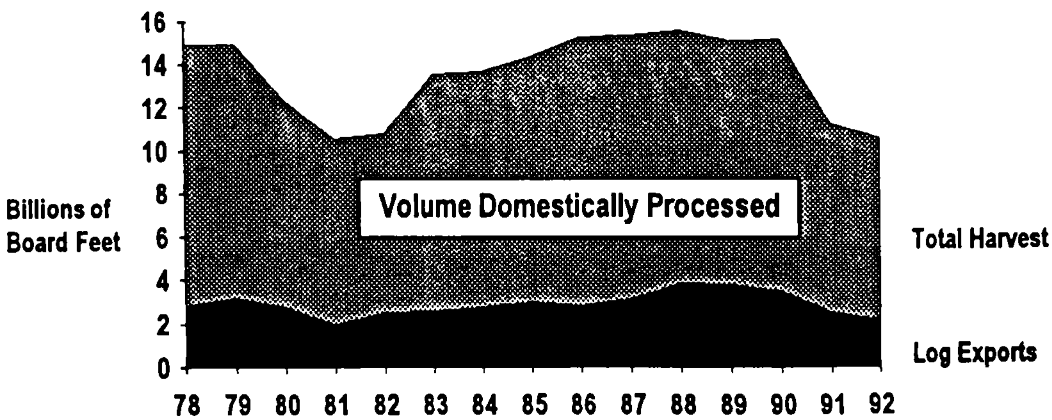
Tree farmers grow most of the Northwest's wood.

In 1991, private forests generated 71% of the timber harvested in Washington and 54% in Oregon, or 62% of the two states' combined 1991 harvests.[1] The 1992 private harvest is estimated to be an even higher proportion because environmental litigation has severely limited Northwest public timber sales. Throughout the 50 states, over 70,000 certified tree farmers and millions of additional private land owners grow and harvest trees on more than 347 million acres of forest.[2] Over decades, they have invested billions to create our wood supply.

Most Northwest timber is domestically processed.

Overall, 79% of the timber harvested in Washington and Oregon in 1992 was domestically processed.[3] In Oregon, the state hit hardest by the reduction in federal timber sales, over 94% of the timber harvested in 1991 was domestically processed.[4] Open markets provide tree farmers with

Processors Mill 79% of Harvest



Sources: U.S. Dept. of Commerce; Washington Dept. of Natural Resources; Oregon Dept. of Forestry marketing options, additional revenues for reinvestment in private forestry, and the ability to provide Northwest processors with their largest source of timber.

Private timber will be even more critical in the future.

Private tree farmers have been good stewards. Consistent private replanting means there are more trees growing today than 70 years ago.[5] But to meet tomorrow's needs, today's public policy must encourage private property owners to keep growing trees.

Public timber cannot possibly meet our future wood needs. Although there are 136 million acres of publicly-owned forests in the United States, millions of these acres are reserved from logging, more are not commercially viable,[6] and Congress is poised to set aside millions more.[7]

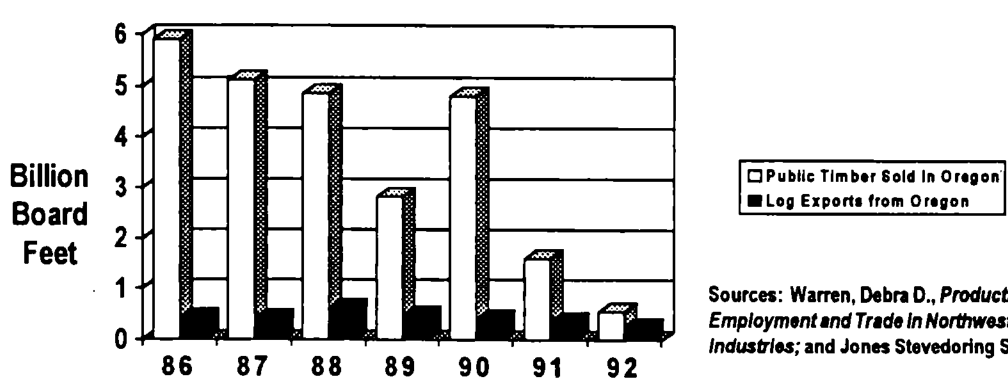
Private market restrictions are not solutions to public harvest reductions.

Litigation and species protection have reduced annual public timber sales in the Pacific Northwest by 6 billion board feet in three years.[8] Private log export bans and taxes have been proposed as solutions to the huge reductions in public timber sales and harvest. It would be extremely unfair and short-sighted to impose the cost of public land set-asides on private tree farmers.

Export restrictions can't replace timber reductions.

Equity aside, private log export restrictions are not a practical solution to public timber sales reductions. In Oregon, for example, public timber sales are more than 4 billion board feet below historic levels,[9] yet private log exports from Oregon totalled only 252 million board feet in 1992.[10]

252 Million Can't Replace 4 Billion



Sources: Warren, Debra D., *Production, Prices, Employment and Trade in Northwest Forest Industries;* and Jones Stevedoring Services

Export restrictions increase the loss of forest land.

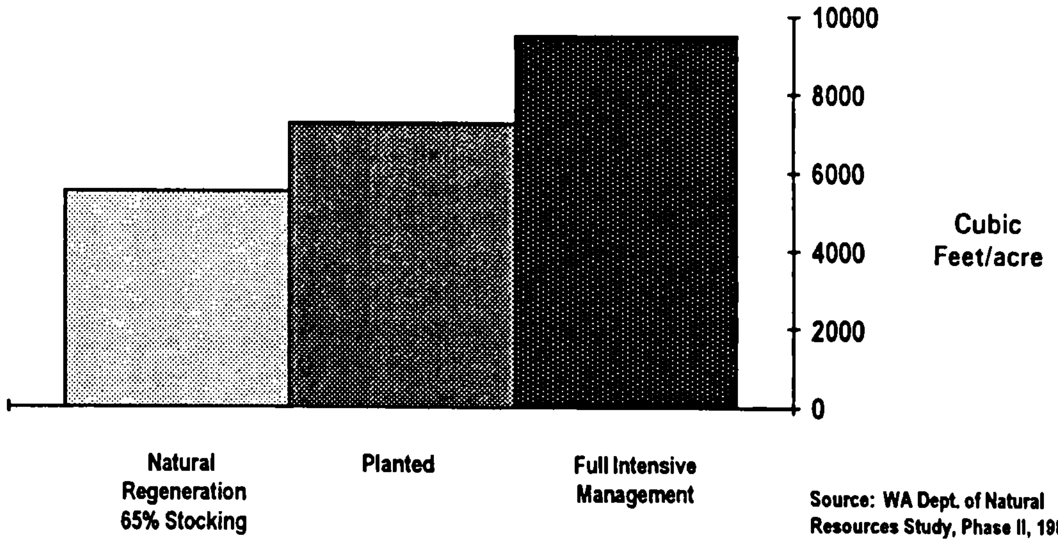
Tree growing disincentives make alternative uses of forest land more attractive, and increase the rate of forest land conversion. Near urban areas especially, tree farmers are confronted with lucrative opportunities to convert their forest lands to non-forest uses or to sell their land to developers. And once timberlands are paved, they are lost forever.

Export restrictions reduce timber supply by reducing forest management.

As market restrictions reduce timber revenues, they also reduce the income available to tree farmers to use in managing their land. Intensively managed forests — in which tree farmers employ rapid replanting, periodic thinning and fertilization — while costly, can produce as much as 75% more wood than unmanaged forests.[11]

The chart below shows the dramatic improvements these management techniques bring to the yield of Douglas Fir at age 60 on a "medium" Pacific Northwest growth site.

Future Timber Supply Requires Investment



Source: WA Dept. of Natural Resources Study, Phase II, 1982

Everyone loses with market restrictions.

If tree growers cannot afford to manage intensively, their lower yields result in cutting more acres of timberland or failure to meet demand for wood products. Less intensive management, more acres cut, and more timberland lost to other uses means fewer trees grown and diminished timber supply. Not only would private tree farmers lose under government-imposed market restrictions, but so would consumers, sawmills, and the environment.

Data Sources:

1. Washington data compiled by D. Larson, Washington State Department of Natural Resources;
   Oregon State Department of Forestry, *Oregon Timber Harvest Reports.*
2. *Forest Fact Sheet*, American Forest Resource Alliance.
3. *Ibid*; and export data from Jones Stevedoring Companies.
4. Oregon State Department of Forestry, *Oregon Timber Harvest Reports.*; and export data from Jones Stevedoring Companies.
5. *Forest Fact Sheet*, American Forest Resource Alliance.
6. *Ibid.*
7. The Thomas Plan, *A Conservation Strategy for the Northern Spotted Owl*, Interagency Committee on the Spotted Owl, Chaired by Jack Ward Thomas, would set aside 8.3 million acres; the Ancient Forest Act of 1991, H.R. 1590, would set aside 6.3 million acres.
8. *NFRC Timber Facts*, November 1992, data from Timber Data Company.
9. *Ibid*; Warren, Debra, *Production, Prices, Employment & Trade in Northwest Forest Industries*, includes volumes from USFS, BLM, BIA, & State lands.
10. Export data from Jones Stevedoring Companies.
11. "Production Study, Phase III," Washington State Department of Natural Resources, 1982.

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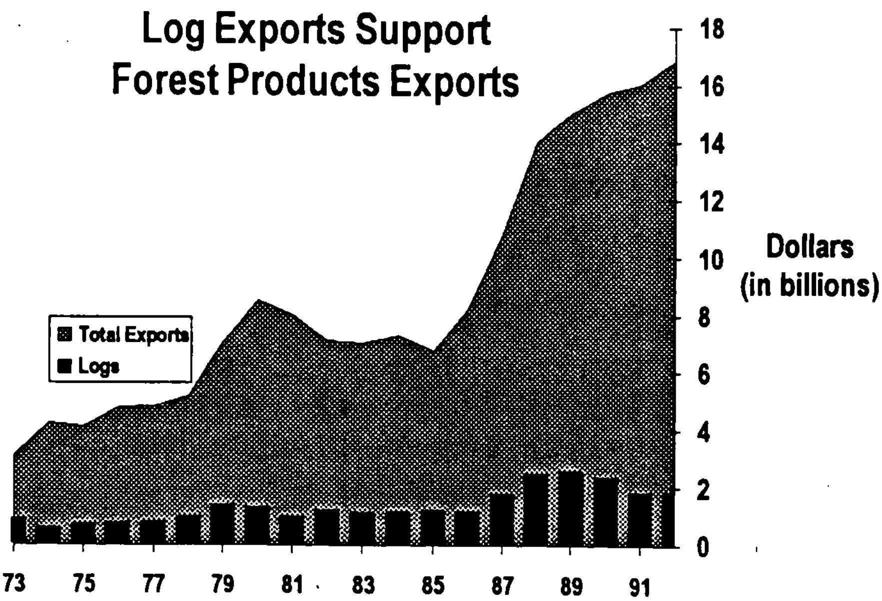
Briefing Paper: International Trade and Private Log Exports

Private log exports have helped open markets for $17 billion in U.S. forest products exports. Banning or taxing private log exports could reduce all U.S. forest products exports; jeopardize the international trade relationships of many other American exporters, especially farmers; and undermine the policies behind U.S. trade law and U.S. efforts to expand international trade.

Private log exports support processed wood products exports.

The United States exports two forms of forest products: logs and processed wood products. Success in marketing processed wood products abroad has always relied on a market mix that includes logs. This strategy of market penetration — first logs, then products — enables forest product marketers to enter foreign markets that have sawmills, to demonstrate the quality and uses of American timber, and thereby create demand for the full array of American forest products. Using logs to open markets works — processed products now make up 89% of $17 billion in U.S. forest products exports.[1]

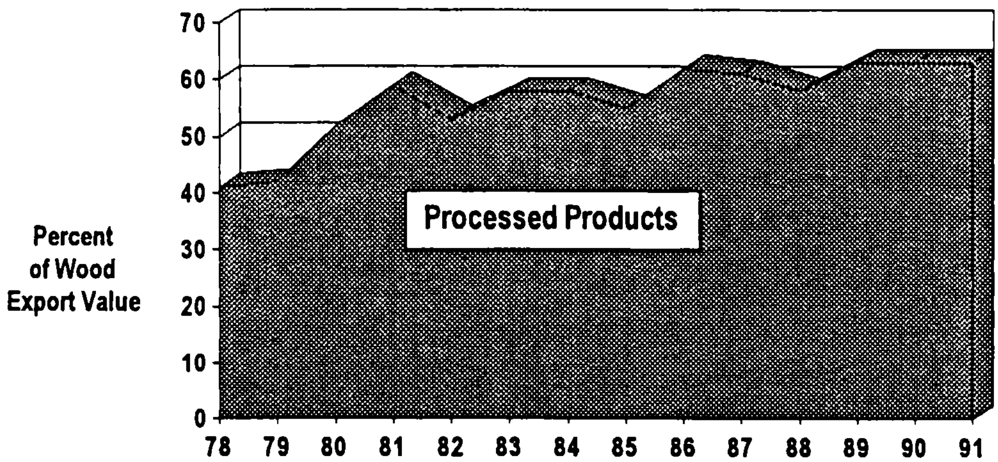


Sources: Warren, Debra D., *Production, Prices, Employment and Trade in Northest Forest Industries*; and U.S. Department of Commerce

Log exports down; processed products exports up.

In 1978, 41% of the value in Washington and Oregon forest products exports was in processed products. By 1991, 63% was in processed products.[2]

Processed Products Dominate Total Value of Wood Exports



Sources: U.S. Dept. of Commerce; Warren, Debra D., *Production, Prices, Employment and Trade in Northwest Forest Industsries*, U.S. Forest Service

From 1979 to 1991, log exports to Japan from Washington and Oregon dropped 43% in volume.[3] At the same time, the volume of lumber exports to Japan from those states rose 137%.[4] Japan had 21,535 sawmills in 1980; by 1992, 4,835 of them had closed.[5] Japan is now the largest foreign customer for Washington and Oregon's processed wood products, buying 59% of the softwood lumber exports, 55% of the hardwood lumber exports, 74% of the softwood veneer exports and 66% of the hardwood veneer exports from those states.[6] Curtailing log exports from private lands would frustrate ongoing efforts to expand exports of U.S. processed forest products.

Processed products exports won't automatically replace embargoed logs.

International customers buy logs from the United States because they need logs. Bans or taxes on logs grown on private property in the United States would simply restrict the ability of U.S. tree farmers to supply that demand, easing the way for competitor countries to export more forest products. In 1991, the federal prohibition on log exports from western state lands took effect.[7] Since then, not only have U.S. log exports to Japan dropped, but U.S.

processed forest product exports have declined as well.[8] At the same time, log exports from New Zealand to Japan have increased.[9]

The U.S. ban on cedar log exports failed.

In 1979, Congress banned the export of Western Red Cedar logs in the hope of saving Northwest cedar mills and increasing processed cedar exports. Processed cedar exports never increased substantially after cedar log exports were banned, and the number of cedar mills in Washington state declined from 337 prior to the ban to 52 in 1990.[10]

The United States must expand, not restrict, international trade.

Restricting the export of logs grown on private lands would unnecessarily and unwisely widen our trade imbalance. With a string of record trade deficits, the United States can ill afford to restrict or jeopardize exports for reasons unrelated to national security or foreign policy. Current domestic economic troubles make world markets more important to American producers and make any export restrictions even more untimely.

Private log export restrictions undermine U.S. trade policy.

Restricting private log exports would undermine ongoing efforts to eliminate foreign trade barriers, particularly barriers to agricultural markets. Such restrictions are also inconsistent with the position U.S. trade negotiators take in opposing foreign export controls on unprocessed materials. Moreover, a tax on private log exports that benefits domestic producers of processed products is the very type of unreasonable practice that, if imposed by a *foreign* government, can trigger a U.S. complaint to GATT under Section 301 of the Trade Act of 1974. In fact, the U.S. government determined in 1992 that Canada's log export restrictions were an unfair trade practice.

Restrictions on private log exports are also inconsistent with the policies behind the Export Administration Act. The purposes, findings, and legislative history of the Act indicate a strong policy against export bans or taxes on American agricultural commodities such as logs.[11] This policy is based on Congressional determinations that these trade restrictions undermine the American farmer's reputation of reliability in world markets, lead to retaliation by foreign nations, and, ultimately, harm American producers.

Banning private log exports would hurt many U.S. exporters.

International customers demand and expect certainty and reliability from their suppliers. Export restrictions destroy supplier relationships, undermine customer confidence, and close doors to new or expanded markets.

In the Northwest, where one job in every five is trade-related,[12] a carefully nurtured reputation of reliability enables Northwest producers to export billions of dollars worth of seafood, forest products, aluminum, aircraft, software and agricultural products — and about 80% of the non-log agricultural exports from the Northwest are unprocessed.[13] Northwest exporters would suffer most from the damage that restrictions on private log exports would inflict on the U.S. reputation of reliability.

A ban or tax on private log exports is inconsistent with GATT.

A ban or tax on private log exports that is designed to protect part of a domestic industry would be inconsistent with GATT.[14] GATT discourages export bans and requires that they be temporary in nature, necessary to relieve a national shortage of essential products or conserve a scarce resource, and apply equally to domestic consumption. A ban or tax on private log exports cannot meet those requirements.

Data Sources:

1. United States Department of Commerce; *Production, Prices, Employment and Trade in Northwest Forest Industries*, USDA.
2. *Ibid.*
3. *Ibid.*
4. *Ibid.*
5. Japan Forestry Agency via Seattle office of the Japan Wood Products & Research Center.
6. *Production, Prices, Employment and Trade in Northwest Forest Industries*, USDA.
7. U.S. Forest Resources & Conservation Act of 1990, Public Law 101-382.
8. *Production, Prices, Employment and Trade in Northwest Forest Industries*, USDA.
9. Japan Wood Products Information & Research Center, *Wood Supply & Demand Information Service*, November 1992.
10. Washington Mill Survey, Washington State DNR, 1976-88, 1990 data compiled by D. Larson.
11. Export Administration Act of 1985, 50 U.S.C.A. app. Section 2401 et seq.
12. Washington State Department of Trade and Economic Development.
13. Washington State Department of Agriculture; *Agricultural development and marketing policies*, D. Andrews, Oregon Department of Agriculture.
14. "General Agreement on Tariffs and Trade," Article XI.

Environment

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Briefing Paper: The Environment and Private Log Exports

U.S. bans or taxes on international sales of privately grown logs would increase harvest pressures, limit the ability of tree farmers to pay for environmentally sensitive forest practices, and force some tree farmers to convert their timberlands to other uses which are less favorable to the environment. If other countries can't buy logs from the United States, they will buy logs from countries with less environmental protection. Restrictions on private log exports from the United States would harm the environment and reduce timber supply.

Private forests contribute to the environment and the economy.

Public policy should support and encourage the maintenance of private forests not only for their obvious environmental benefits, but also for their economic contributions. Private forests provide jobs and *recyclable and renewable* resources for shelter, communication, clothing, and much more. Tree growing disincentives, like market restrictions, would reduce the environmental and economic contributions of private forests.

Private forests are second growth, not old growth.

Private forests grow almost exclusively second and third-growth trees, many of which are hand-planted by tree farmers. *These* trees, not old-growth on public lands, constitute almost all private log exports. Most of the 13.2 million acres of old growth remaining in the United States[1] is on state and federal land, and all federal and state logs are already banned from export.

Restrictions on log markets reduce incentives to grow trees.

All investors need returns that justify their investments. But in the Northwest, tree farmers need 50-80 years to see any return. By lowering prices, restrictions on log markets would lower returns and reduce investments in private forestry, which would undermine the ability and desire of some tree farmers to stay in business.

Private log market restrictions would hasten land conversion.

The ability of tree farmers to continue growing trees depends on the price they receive — and that price depends on open markets. Already, tree growers face higher costs and lower yields as a result of more stringent forest practice regulations. Those economic burdens, combined with the lower prices brought on by log export bans or taxes, would lead more tree farmers to sell or develop their private timberland — a permanent environmental loss.

Private log market restrictions would increase harvest pressure.

To the extent that tree farmers attempt to stay in business when faced with market restrictions, reduced returns present them with two choices: (1) Cut more acres of trees — hardly the response public policy should encourage; or (2) invest in intensive forest management to increase yields. Investing in intensive forest management — fertilizing, protecting against disease, thinning, and pruning — would increase timber supply, but is costly. Losses from restrictions on private log markets, coupled with the costs of new forest practice regulations, would severely limit capital available for investments in private timberlands.

Restrictions on private log exports from the United States would hurt the global environment.

Foreign wood buyers have other sources besides the United States. Taxing or banning private log exports would merely shift demand to suppliers in other countries, many of which have ineffective environmental regulations, do not require replanting after harvest, and produce less wood per acre.

Viewed globally, world demand for wood should be met by countries, like the United States, with the *highest* environmental and forest practice standards — not the lowest. Washington and Oregon, for example, are now implementing new forest practice regulations with even greater species and habitat protection. It would be ironic and counterproductive to restrict private log exports from the United States in the name of protecting the environment, while actually increasing the global rate of harvest and the total adverse impact on the global environment.

Data Source:
1. "America's Forest: A commitment to balance," American Forest Council, 1992.

Taxes

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Briefing Paper: Taxes and Private Log Exports

Opponents of private log exports seek to impose unprecedented export taxes and to eliminate the foreign sales corporation tax provision for private log exports. These discriminatory tax proposals are intended to discourage and reduce private log exports by reducing tree farming revenues. Reducing tree farming revenues is a shortsighted and counterproductive policy objective that, in the long-term, would lead to less tax revenue and less timber supply.

Federal export taxes are not constitutional.

The Exports Clause of the Constitution, Article I, Section 9, Clause 5 expressly prohibits Congress from taxing exports. The Framers knew that such restrictions were divisive and counterproductive, so they extended broad constitutional protection to exports by forbidding federal export taxes.

State export taxes must be approved by Congress and the revenues turned over to the U.S. Treasury.

The Framers also clearly intended to discourage *state* taxation of exports. Article I, Section 10, Clause 2 requires congressional approval of any state tax on exports and directs the states to pay to the U.S. Treasury all revenues raised from such a tax. Export tax proponents claim that the revenues would be returned to the Northwest, but earmarking of funds is forbidden by the 1974 Budget Act, as amended. There is no way to ensure that a log export tax would ever help fund the projects and programs desired by tax advocates.

Export taxes are unprecedented.

Never before in the history of our country has the export of any privately grown commodity been taxed — the Framers made it difficult to impose export taxes for good reasons. U.S. farmers are concerned about the precedent and are united in their opposition to the imposition of export taxes on logs or any other privately grown commodity.

Foreign sales corporations are available to all exporters.

Foreign sales corporations are permitted for all exporters under the 1984 tax bill. Eliminating foreign sales corporations for private log exports would unfairly discriminate against producers of a privately grown commodity — an unsettling precedent for producers of other commodities.

Taxes on foreign sales corporations are not subsidies.

Export income earned by a foreign sales corporation is taxed at an effective rate of 29% rather than 34%. However, since export prices are higher than domestic prices, federal revenue is greater from logs exported through a foreign sales corporation than it would be if those same logs were sold domestically. A 29% tax on income earned from export sales through a foreign sales corporation — on top of other federal, state, and local taxes — is not a subsidy.

More taxes on log exports would reduce tree farming revenue.

Eliminating foreign sales corporations for log exports or imposing unprecedented, congressionally-approved, state-collected, taxes on private log exports won't solve or mitigate any of the problems caused by reductions in public timber sales. Increasing taxes on log exports from private property would only reduce tree farming revenues.

Lower tree farming revenues result in less timber supply and less tax revenue.

Less revenue means less investment in intensive forest management and the conversion of more private timberland to non-forestry uses. Less revenue, less intensive forest management, and more forest land conversion would ultimately result in less timber supply and an overall reduction in timber-related tax revenues.

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A Case Study: The Impact of the State Log Export Ban

We do not have to speculate about the impact of log export restrictions. The 1990 ban on log exports from Washington State lands demonstrates the real failings and the high costs of government-imposed restrictions on log markets. Under this ban: (1) Most sawmills have purchased no state timber sales; (2) at best, few jobs have been saved at a cost of up to $145,000 per job; (3) two-thirds of the export-restricted timber has not been harvested; (4) the state timber trusts have lost $64 million in two years; and (5) port-related employment and port revenues have declined substantially.

Ban of no help to most mills and workers.

The Washington state log export ban has failed to fulfill the congressional promises of saving federal timber-dependent sawmills and thousands of jobs in Washington. Most independent sawmills have not purchased any export-restricted state timber sales.[1] At best, this ban has saved a net 850 jobs at a cost of up to $145,000 per job and, at worst, it has eliminated a net 710 jobs.[2]

Most state export-restricted timber not harvested.

Further proof that the state ban is not helping mitigate the reduction in federal timber sales is that two-thirds of the state export-restricted timber has not been harvested.[3] Most federal timber dependent mills and workers are not helped when state timber is purchased by a few mills and stored "on the stump" in their private inventory.

Some export-restricted sales receive no bids.

The fact that six export-restricted state timber sales received no bids in 1992 is additional evidence that export restrictions are not a solution for mills dependent on federal timber.[4] If these mills needed more export-restricted timber, they would quickly purchase and harvest all of the state timber that is offered for sale. Northwest mills need more federal timber and stronger product markets, not more export restrictions.

The state ban has cost the state at least $64 million.

Export-restricted state timber sold for an average of $82 per thousand board feet less than unrestricted timber in the first two years of this ban (all state timber sales are now export-restricted).[5] The loss of open markets cost the state at least $64 million in 1991 and 1992,[6] and the state estimates this loss will total $919 million by the end of the decade.[7] This lost revenue would have funded school construction projects and vital county services. Washington's projected $1.7 billion budget shortfall makes it exceedingly difficult to replace this lost revenue.

The state ban has reduced employment and wages.

The state ban has contributed to a substantial decline in high paying longshore hours and other export-related employment. According to the Pacific Maritime Association, log port longshoremen (not including clerks and foremen) in Washington and Oregon worked 866,023 fewer hours in 1992 than they worked in 1988.[8]

Timber port communities have been hurt by the state ban.

Log exports from Washington's ports have declined 34% since 1988 — most of that since the imposition of the state ban.[9] The recent increase in the state ban to 100% and the elimination of inventories of unrestricted state timber will further reduce log exports. Log exports are the primary economic activity in many timber port communities. The operating capital of these log ports, and their ability to invest in the infrastructure necessary for diversification and recovery, is severely constrained by reductions in log exports.

Restrictions on private log exports would exponentially increase these impacts.

As much as the state ban has reduced state revenues, employment, and port operations and income, restrictions on private log exports would be far worse. In Washington alone, lost markets could cost private tree farmers $400 million per year, further reduce state revenue, eliminate thousands of high paying jobs,[10] and largely shut down the ports of Grays Harbor, Port Angeles, Everett, Olympia, Longview, and Anacortes in Washington, and Coos Bay, Newport, and Astoria in Oregon.[11]

Data Sources:

1. Washington State Department of Natural Resources' export-restricted timber sales data.
2. *Winners and losers in the log export ban*, Washington Research Council, January 27, 1992.
3. Washington State Department of Natural Resources' export-restricted timber sales data.
4. *Ibid.*
5. *Ibid.*
6. *Ibid.*
7. *Estimation of losses in timber sale revenues of the Washington Department of Natural Resources due to restriction of log exports under the Shortage Relief Act*, July 1, 1991, by Dr. William McKillop, Department of Forestry & Resource Management, University of California at Berkely, prepared for the Washington State Board of Natural Resources.
8. Pacific Maritime Association, quarterly hours reports through 1992.
9. Export data from Jones Stevedoring Companies.
10. Janet Baker, Northwest Economic Associates, January, 1993.
11. Export data from Jones Stevedoring Companies; and log port data from the Pacific Maritime Association.