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PACIFIC RIM TRADE ASSOCIATION

2740 PACWEST CENTER, 1211 S.W. FIFTH AVENUE, PORTLAND, OREGON 97204-3727
ROLF D. GLERUM, EXECUTIVE DIRECTOR
(503) 226-6855 FAX:(503) 226-6860

TABLE OF CONTENTS

INFLUENCE OF LOG EXPORT ACTIVITIES ON PORT OPERATIONS

Introduction

Most of the discussion of the economic impacts associated with domestic processing Northwest timber versus exporting of whole logs has focused on jobs created (or saved) in the processing sector versus jobs lost in the log exporting sectors. While these jobs estimates are an important factor in the development of appropriate public policy, they sometimes overshadow some of the broader implications of restriction on log trade. One of the issues that is often overshadowed is the role that log exports play in Northwest public ports operations.

Many of the ports districts in Washington and Oregon are highly dependent on revenues from the export of logs. Most of these ports have already experienced significant declines in log export volumes over the past four years. Although export volumes are already significantly reduced from historical levels, the log export business is still a significant factor in the economic viability of many ports. This paper presents some background on the influence of the log trade on Northwest ports and makes some general conclusions about the impact on port districts under increased log export restrictions. The information presented here is derived from a variety of sources including annual reports and financial statements for the respective ports as well as recent discussions with port managers. While it is not a fully comprehensive assessment of the impacts of log exports for Northwest ports, the profiles of some representative ports should provide additional insight for public policy decision making.

General Background

Nearly all the Oregon and Washington coastal ports have exported logs at some point in their history. Based only on the share of Northwest log exports the major log exporting ports are the Longview, Grays Harbor, Tacoma, Everett, and Coos Bay. Although these ports are most significant in terms of the overall log trade, the export of logs from some other ports such as Anacortes or Newport, can play a very significant role relative to shipments of other commodities.

There is a range of business roles that a port may play in the log export activities. In some cases, the port may own the actual log export facilities , e.g. the log yard, the docks, even the debarker. At the other extreme, a port's direct involvement may be limited to leasing out land or docks. The alternative arrangements influence the role that log exports play in generating revenues and costs to the port. If the port incurs significant costs to export logs, the net income generated from the log trade may be comparable to that generated by other bulk commodities. If, however, the port receives revenues from land or facility leases but has very little direct costs, the log trade can offer the port very significant margins relative to alternative commodities. Northwest ports involved in log exports extend the full range from being a full service port to that of very limited involvement on the service side.

The next sections discuss specific Northwest ports and the impacts of recent reductions in log trade and general implications for these port if the future holds additional restrictions on log exports.

Northwest Log Exporting Ports

Port of Longview

In 1992, the log export volume at the Port of Longview, which is one of the major log exporting ports, accounted for 45 percent of the total tonnage (including all commodity exports and imports) handled by the port. Operating revenues generated by log exports accounted for about 35 percent of the Port's total operating revenues. However, on a net revenue basis (direct revenues minus direct costs), the log trade was far more significant to the port because the port's margins on log exports are very high.

It is worth noting that 1992 was the first year in recent history that logs accounted for less than half of the Port's tonnage. Shipments of other bulk commodities are increasing at the Port of Longview. This increase is the result of a deliberate attempt to diversify the Ports revenue base. The net revenues generated from the log export trade contribute to capital improvements at the port. In addition, all port tax receipts are dedicated to capital improvements. A continued diversification program requires capital for facility expansion.

Without a continuation of revenues from log export activities, this diversification program would be derailed.

Port of Grays Harbor

In 1988, the Port of Grays Harbor ship 276 million board feet of logs; in 1992 only 132 million board feet left the port[1]. The first quarter 1993 figures indicate that log export volumes have decline an additional 40 percent from the same period in 1992.

Today the port ships a variety of cargoes including aluminum, lumber, veneer, plywood, oriented strandboard, waste paper, newsprint, pulp, machinery, and copper. Recently the port shipped its first containers. Nevertheless, 75 percent of the cargo tonnage that moves through the port is still logs. Revenues from log exports still generate 71 percent of the gross revenues and a much higher percent of the net revenues. Relative to other commodities which have significantly higher capital requirements, logs are a high value commodity for the port.

The port has achieved an impressive degree of cargo diversification in a short period of time but this diversification has been very expensive. The log business has relatively simple facility requirements. The other general cargoes require cranes, storage facilities, rail spurs, asphalt pads, etc. The construction of these port improvements requires financing and time. The port has been faced with both a drastic decline in log export volumes combined and decreased timber harvest tax receipts from the reductions in federal harvest. Continued diversification will require outside sources of financing. The port has requested federal government assistance financing the diversification costs.

Port of Anacortes

The Port of Anacortes exports two commodities - petroleum coke which is a by-product of a local refinery and logs. In 1991 petroleum coke shipments accounted for 52 percent of the tonnage and logs accounted for the other 48 percent. In 1992, log shipments declined to 34 percent of the total tonnage for the port.

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1 All figures cited for Grays Harbor are for the public port only.

Although the port did handle lumber shipments to Hawaii in past years, there have not been in lumber exports for several years. The lumber to Hawaii is now being shipped from other Northwest ports which offered more competitive rates.

The Port of Anacortes owns the log exporting facilities, i.e., the log yard equipment, the debarker, etc. In 1991, net revenues generated by logs as a proportion of gross revenues was about 43 percent for logs and 34 percent for petroleum coke. In 1992, petroleum coke provided slightly better returns than logs. Although the port operates a very large marina, an airport, and industrial property rentals, the marine terminal operation (which is primarily logs and petroleum coke shipments) alone contributed 68 percent of the port's total operating revenues and about that same percentage to net income.

The port would like to expand their operations and purchase an additional pier for cruise ships or other vessel moorage. However, to finance this expansion, they need a continuation of operating revenues from the marine terminal operation.

Port of Everett

For the Port of Everett, log exports represent about 76 percent of the overall tonnage handled and contribute about 80 percent of the marine terminal revenues. Similar to the Port of Longview, the expenses associated with the log export business of the port are minimal, hence logs are a very profitable commodity for the port.

The high margins associated with the log trade have allowed the port to expand into other areas of business. Recently the port built a multipurpose warehouse for export of Washington apples and other fruit crops. The log trade has also allowed to finance a $12 million pier facility for the export of Boeing products.

Port of Tacoma

In 1992, log exports represented 12 percent of the total export tonnage from the Port of Tacoma and about 8 percent of the total tonnage (export plus imports). Although log exports only accounts for approximately 4 percent of gross revenues, the contributions to net revenues is higher because the log deck is already fully depreciated.

According to an independent economic impact study conducted for the port in 1988[2], log exports support a significant number of jobs in the Tacoma area. In 1988 it was estimated that 10 percent of the local longshoremen or 55 jobs are totally dependent on log trade, an additional 90 jobs in the log yard and 128 trucking jobs are supported by logs.

Port of Newport

Like Anacortes, Newport is not a larger player relative to other log exporting ports but from the port's own perspective, log exports are very important to the financial health of the port.

Newport has already seen a severe decline in log export volume. In 1989, there were an average of two log ships per month loading at Newport; now there are only three or four ships per year. Log export volumes have declined because of the ban on the export of state timber and the lockup of federal timber which has diverted logs to domestic markets. For example, Georgia Pacific, which in the past exported logs through the Port of Newport, now sends those logs to their Philomath mill.

The Port of Newport's revenues come from their deep draft shipping terminal and commercial and recreational marinas. The port estimates that the decline in log exports over the past year has cost the port $200,000 in lost revenues. This is a 48 percent decrease in marine terminal revenues. In 1991, the marine terminal contributed about 28 percent of overall port revenues. With the reduction in log volume, the marine terminal now only contributes 15 percent of the total revenues.

Maintenance of the marine terminals and the marinas is highly dependent upon revenues from the marine terminals. With the reduction in log trade, the port has built up a serious backlog of unfunded maintenance needs. In addition, the port cut two staff positions because of reduced revenues.

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2 The port is presently in the process of updating that study but revised results are not yet available.

For the Port of Newport, the impact form the decline in log export revenues is compounded by serious declines in the commercial fishing industry. A poor salmon season last year resulted in reduced moorage revenues. Additional restrictions in the salmon fisheries will continue to reduce marina revenues. In addition, the recent allocation of Pacific whiting to favor off-shore processors over on-shore processors will seriously impact the Newport community which recently invested nearly $15 million in on-shore facilities for processing whiting.

Given the geographic location of Newport combined with poor highway access and lack of rail service, it is not likely that Newport can effectively compete against other Northwest ports for marine trade of many other commodities.

Port of Coos Bay

The Port of Coos Bay, which historically has been a fairly significant log exporting port, does not actually operate the log exporting terminal which they own. However, they do receive a percent of the dock operator's gross revenue. Although log export volumes are down significantly (volume declined 33 percent between 1991 and 1992 alone), the revenue flow has been less volatile because of dramatic price increase.

Although the Port of Coos Bay is less dependent upon revenue contribution from logs relative to some other ports, the log export business provides some of the highest paid jobs in the local community and hence is very significant from an overall economic stability standpoint.

Coos Bay has tried to diversify to other commodities with mixed success. Shortly after startup of a new shipping facility for the import of nickel ore, a worldwide glut of nickel resulted in a shutdown of the operation. Although, the import facility is currently operating again, the past difficulties demonstrate the need for a variety of commodity shipments to provide port stability.

Conclusions

Several consistent themes area throughout the information provided above. In summary these are:

- The ports that handle log exports range in their dependency upon the log export trade.
- For many ports, log exporting is a very high margin business which enables the port to support other businesses at the port.
- All the Northwest ports are attempting to diversity operations to be less dependent upon the log trade but this diversification requires continuation of operating revenues to finance the necessary infrastructure requirements for other cargoes and other businesses. Also diversification of cargoes requires time to develop stable supplier relationships.
- Reductions in log export volumes and associated port revenues have already caused serious financial problems at some Northwest ports.
- Many the Oregon coastal ports are faced with declines in the commercial fishing industry as well as declining log export volumes.
- Many of the smaller ports are at a disadvantage to attract non-log export/import commodities.
- Even those ports which have other export/import cargoes, the high labor input associated with the log export trade means a significant number of local jobs are linked to log exports.

EMPLOYMENT ISSUES/CONSIDERATIONS IN DEVELOPING CREDIBLE ESTIMATES OF EMPLOYMENT IMPACTS UNDER LOG EXPORT RESTRICTIONS

Direct Log Exporting Employment

- Log exporting is an industry in itself - there are jobs associated with logging, sorting in the woods, trucking the logs to the port and between areas at the port, log sorting, log debarking, log handling between different staging areas at the port, log loading, tugboat assist, and export sales and administration.
- The SIC data doesn't allow easy identification of the log exporting jobs like it does for jobs in plywood manufacturing for example. You need to build up the information from an understanding of the various components of the log processing - i.e., trucking jobs are under one SIC code, tugboats are under another, etc.
- You need to understand the ways that the ports manage their log export operations to properly trace the impacts. At some ports the longshoremen handle nearly all aspects of the operation including log sorting and debarking. At other ports, the longshoremen only load logs. So if you simply count longshoremen employment you miss part of the overall employment picture.

Direct Mill Processing Employment

- The location of the timber resources in question and the log quality must be considered in developing employment estimates.
- The export market is almost exclusively second growth timber and hence can only be efficiently milled in a second growth mill. The mills designed to cut this kind of timber have much lower employment factors than the old growth mills that are lacking federal timber. Whereas historically, mills in Oregon may have created 4 to 5 jobs per million board feet of logs (Scribner measure), the new mills create 2.5 jobs or even less. There are numerous examples of mills with labor requirements at this level.

- Although in the very short run, log export restrictions could result in diversion of logs to the old-growth mills in the longer term, basic economics would eliminate this flow. Any credible estimate of job creation (or job retention) should be based upon efficient mills not outdated mills.

- The majority of log export volume comes from Washington forests and if this is diverted to the domestic market, it is most likely to be diverted to Washington or Northern Oregon mills. Milling capacity in these areas should be examined for both appropriate technologies and additional haul distances relative to the export markets (see Revenue Impacts).

Revenue Impacts

- Traditionally, export markets have offered higher prices to the timber owner than domestic markets. This "export premium" varies across grades. Generally speaking, the lower the grade, the less the differential between export and domestic prices. The premium also varies across time, depending upon the economic conditions in each market. While the average premium appears to have declined somewhat from historical times, recent estimates of the premium are $80 per thousand board feet.

- In addition to the loss of export market premiums, restricting logs to the domestic markets would lower the domestic price. This revenue impact for both private and public timberland owners needs to estimated the impact analysis. Also the local tax impacts from lower timber harvest prices needs to be addressed.

- A credible estimate of job impacts under log export restrictions requires an analysis of the changes in revenues to the landowner and to the processors. Higher returns to the landowner that exist with an open export market allow for increased levels of stand investment (thinning, fertilization, etc.) and/or changes in personal consumption, both of create jobs. Likewise, for the corporate owner, the higher prices received for exportable timber results in increased investment in land and/or processing facilities for the integrated firm. It can also yield higher dividends for shareholders.

- Exports of timber to international markets has a long history in the Northwest. Much of the private timber inventory is closer to the coast than the existing milling capacity. If markets are restricted, logs would have to be transported longer distances. This additional haul cost results in a further price reduction for the landowner. The transportation cost factor also needs to be accounted for in calculating revenue and job impacts.

Longer Term Impacts

- In the longer term, the lower domestic stumpage prices associated with market restrictions, will reduce incentives for investment in forestry which will reduce overall timber supply in the region. This impact needs to be quantified to estimate the full range of impacts under log export restrictions.

Other Issues

- To properly address the role that log exports can or cannot play in alleviating the federal timber supply crisis, the impact analysis needs to present the geographic distribution of job losses and job gains. For example, most of the processing jobs are likely to be created north of the areas most lacking in federal logs. While in the aggregate this may look favorable it does little for millworkers in Northern California.

THOMPSON TREE FARM

May 10, 1993

E. Thomas Tuchmann
Special Assistant to the Secretary
Department of Interior
1849 C Street, NW -- Room 6151
Washington, DC 20240

COPY

SUBJECT: WE NEED LOG EXPORTS

Dear Mr. Tuchmann :

Thompson Tree Farm manages Douglas fir plantations on a sustained yield basis in the Coast Range of Oregon. For three generations, this family-owned business has harvested, replanted, and tended their forests, keeping them healthy and productive. Based on the returns private tree farmers get from the sale of their timber, they make important contributions to the economy through severance taxes, income taxes, and property taxes. After making substantial, high-risk, long-term investments in a crop that takes 50 to 70 years or longer to mature, a tree farmer needs to sell it in a competitive market for the best price in order to make costly investments in replanting and management.

Attempts to ban or restrict log exports from private lands are discouraging to tree farmers. Private tree farmers did not create the timber supply crisis, nor are they responsible for "exporting jobs" as opponents of exports claim. There has been a significant decline in log exports since 1988, and most of the difference in volume has gone to domestic mills that once relied on federal timber. The domestic market is, in fact, able to compete effectively with overseas buyers for logs from private lands.

Now, and in the future, maintaining a reliable supply of timber from private lands is important for the economy, jobs, the environment, and international trade relations. Penalizing private tree farmers by restricting trade is not a solution to the timber supply crisis. Please consider this when crafting the Forest Plan.

Sincerely yours,

Judy Lakin

Judy Lakin

6860 S.W. WINDING WAY, CORVALLIS, OR 97333 (503) 929-6849

MASON, BRUCE & GIRARD, INC.
CONSULTING FORESTERS
1000 AMERICAN BANK BUILDING
621 S.W. MORRISON STREET
PORTLAND, OREGON 97205
TELEPHONE:(503) 224-3446
FAX:(503) 224-6524

CARL A. NEWPORT, PH. D.
GLENN A. ZANE**†
DAVID R. COX
KENNETH M. VROMAN*
JAMES D. ARNEY, PH. D.

GWYNNE H. SHARRER*

REDDING OFFICE
1005 YUBA STREET
P. O. BOX 990218
REDDING, CA 96099-0218
TELEPHONE:(916) 246-2455
FAX:(916) 246-7008

May 7, 1993

Mr. E. Thomas Tuchmann
Special Assistant to the Secretary
Department of the Interior
1449 "C" Street, N.W., Room 6151
Washington, D. C. 20240

Dear Mr. Tuchmann:

With the Forest Summit behind us, we must focus rapidly on solutions to providing a dependable supply of timber to Northwest mills. To be able to provide viable solutions, we need to look realistically at what caused the timber shortage. It is evident that the drastic reduction in the public timber supply has resulted in a severe timber shortage and has driven timber prices (and ultimately lumber) to all time highs. The reduced public timber supply is the result of environmental groups using the Endangered Species Act to virtually halt the flow of timber from public lands.

To resolve the situation, we need to reverse this hardline trend and put people, communities, and economics into the equation. We need to focus on the issues that will make a difference, not on red herring issues like log exports. Banning log exports from private lands or creating economic disincentives on log exports will not solve the supply problem facing our Oregon sawmills. This would only serve to infringe on private property rights.

Almost 90 percent of Oregon's private timber harvest is already sold into the domestic market. Restricting the remaining 10 percent from being exported would not save one sawmill from closing or cause one sawmill to reopen. There is little logic and no supportable fact to the environmentalist claim that a ban on log exports would solve the timber supply problem.

This Administration claims to be an administration for change. We would like to see the Administration and members of Congress fight for the constituents who represent a whole industry struggling for survival. The supply shortfall exists primarily on public lands, not on private land, and that should be our focus.

Very truly yours,

Kenneth M. Vroman

*REGISTERED PROFESSIONAL FORESTER-CALIFORNIA
**REGISTERED PROFESSIONAL FORESTER-CALIFORNIA AND MICHIGAN
†MEMBER-ASSOCIATION OF CONSULTING FORESTERS

RECEIVED MAY - 7 1993

BRIX MARITIME CO.

May 5, 1993

E. Thomas Tuchmann
Special Assistant to the Secretary
Department of Interior
1849 C Street, NW - Room 6151
Washington, DC 20240

Dear Mr. Tuchmann:

Brix Maritime Co. operates tugs and barges on the Columbia River along the West Coast and Alaska. We serve the export log industry in a number of ways. We provide ship assist to the vessels calling the Columbia and Willamette rivers, we deliver bunker fuel to them via barge and we move log rafts to these vessels from various log rafting and sorting facilities. Needless to say, our company and its employees are very interested in seeing that the export log business remains sound.

Private log exports seem to be targeted as the reason for all log shortages. This accusation leveled by the environmental groups is totally false.

The reduction of timber harvest has dropped over 50% in four years due to regulations designed to protect habitat and species. The total volume of export logs shipped from Oregon ports is only 10% of the 1992 shortfall caused by the environmental regulations.

All that reducing export from private lands or taxing export logs will do is cause the land owners to sell to domestic mills and not to the highest bidder. This type of legislation would be an infringement on private property rights and should not be allowed to happen in a country that is proud of its freedoms and was founded to protect such freedoms.

We hope that the facts will be reviewed and a decision based on the facts will be forth coming.

Sincerely,

Edward S. Beall
President

ESB/paf
beall:prtaltr.doc

9030 N.W. ST. HELENS ROAD · P.O. BOX 83018 · PORTLAND, OREGON 97283-0018 · 503/286-0631

RECEIVED MAY - 7 1993

GIUSTINA RESOURCES
388 Pearl Street
P.O. Box 529
Eugene, Oregon 97440
(503) 485-1500
FAX: (503) 485-2050

May 4, 1993

E. Thomas Tuchmann
Special Assistant to the Secretary
Department of Interior
1849 C Street, NW - Room 6151
Washington, DC 20240

Dear Mr. Tuchmann:

Our company is a family business that has been involved in the growing and harvesting of timber in Western Oregon for three generations.

At the recent Northwest Forestry Association conference at Scamania Lodge, Stevenson Washington, you urged those in attendance to contact your office with their thoughts and suggestions for the Forest Plan now being drafted by the Clinton Administration. We are happy to comply.

The timber supply crisis in the Northwest has largely been blamed on private log exports. This has been proven time and again to be false and only masks the real reason mills are having difficulty obtaining wood.

The U.S. Forest Service and the Bureau of Land Management have virtually stopped selling timber. Historically, the Forest Service and the BLM have sold 4.5 to 5.0 billion board feet in Oregon. Because of environmental restrictions, the average over the last two years has been less than 0.5 billion board feet. In Oregon the export volume in 1992 totalled only 250 million board feet. This is clearly insignificant when compared to the four billion board feet reduction in federal timber sales.

The timber supply shortfall exists on public lands, not private. Bans or taxes on log exports will not resolve the supply crisis. Conversely, bans or taxes will substantially reduce the value of private timberlands, and the investment that tens of thousands of tree farmers have made for generations in the Pacific Northwest.

It is inequitable to force those property owners to pay for policies that preserve millions of acres of public forest lands.

Sincerely yours,

Dan Giustina

crl

cc: Senator Mark O. Hatfield
Senator Bob Packwood

Representative Elizabeth Furse
Representative Robert Smith
Representative Ron Wyden
Representative Peter DeFazio
Representative Mike Kopetski

bc: Rolf Glerum

RECEIVED MAY - 5 1993

PORT OF ASTORIA

May 4, 1993

E. Thomas Tuchman
Special Assistant to the Secretary
Department of Interior
1849 C Street, NW- Room 6151
Washington, DC 20240

Dear Mr. Tuchman:

Recently at the Northwest Forestry Association conference at Stevenson, Washington, you urged that your office be contacted with suggestions for the Forest Plan now being put together by the Clinton administration. Here are the concerns of the Port of Astoria that we would like to see considered.

We are a public port, with our port district having the same boundaries as Clatsop County, Oregon. Our county is located at the mouth of the Columbia River and is about 87% forested. About two-thirds of our forests are in private ownership. Nearly all our trees are second and third growth. We are growing more than we harvest. One sawmill and one paper mill are located here, but they do not consume all our harvest, so much is available for export.

Because of our strategic location and because the most prevalent species of timber (spruce and hemlock) command a large export premium, our port for over 30 years has been a major log exporter to various markets in the Far East. We have skilled longshore labor force, deep water piers, and port customers who have been able to sell logs to the highest bidders. Any attempt to restrict log exports would not help our local mills, but would drastically reduce the income of our private tree farmers, our longshoremen, and other port employees, and our port.

We urge your continued support of a free market in privately-grown timber. We believe the market should determine who gets the logs. Any attempt to appease the environmental lobby by reducing our income would be very poor public policy, and would not be a "solution" to the timber supply problem.

Port of Astoria

Robert S. Lovell

Robert S. Lovell, President
Port of Astoria Commission

cc: Elizabeth Furse
Mark Hatfield
Bob Packwood

bcc: P.R.T.A.

1 Portway • Astoria, Oregon 97103 • Telephone 503-325-4521 • FAX 503-325-4525
Commissioners: Henry Desler • Robert S. Lovell • R. ADM. Ed Nelson Jr. • June Spence • John McGowan
Executive Director: R.L. (Bob) Miller Marketing / Intergovernmental Relations: David Harlan

RECEIVED MAY - 5

Stevedoring Services of America

Portland

May 3, 1993

E. Thomas Tuchmann
Special Assistant to the Secretary
Department of the Interior
1849 C Street, NW -- Room 6151
Washington, DC 20240

Re: Ban or Tax on Private Log Exports

Dear Mr. Tuchmann:

Referencing President Clinton's forthcoming Forest Plan, the proposed ban or tax on private log exports is not a solution to the Pacific Northwest's short supply crisis. These proposals fly directly in the face of individual private property rights.

As you well know, the small private tree farmer is a solid economic base to our forest products industry. A ban or tax would discriminate against this vital segment of our economy. The private tree growers should be provided the flexibility to maximize the market price for their logs; thus generating a positive return on their investment, as well as contributing to the economy of their local community.

Your support of private property rights will be greatly appreciated.

Sincerely yours,

STEVEDORING SERVICES OF AMERICA

Bruce Whisnant
Senior Vice President

BW/sbf

cc: Senator Mark O. Hatfield
Senator Bob Packwood
Representative Elizabeth Furse
Representative Robert Smith
Representative Ron Wyden
Representative Peter DeFazio
Representative Mike Kopetski

bcc: Rolf Glerum, The Rockey Company

3556 N.W. Front Ave., Suite 360
Portland, OR 97210-1302
(503) 248-0848
FAX (503) 222-3070

April 30, 1993

Letters to the Editor
The Olympian
P.O. Box 407
Olympia, WA 98507

W.M. Fosbre has a lot to learn about log exports, as do many Americans.

First, it should be noted that there are not "billions of board feet of logs" sitting at the Port of Olympia. Only about 1.9 billion board feet of logs were shipped out of the **entire state** of Washington in 1992. Port of Olympia commissioners discourage log exports. Consequently, only 84 million board feet were shipped in 1992, a decrease of over 33 percent from 1991. And the Port is losing revenue as a result.

Second, only private logs, grown on private property can be sent to the Orient. A ban on exporting federal logs has been in effect since 1973.

By further restricting private log exports, we would only be exchanging one set of jobs for another. It would eliminate even more timber revenues from an already economically depressed area.

These logs are from trees grown on tree farms by property owners. They generate revenues for the state in the form of property taxes and excise taxes. The loggers, log haulers, and the longshoremen also generate revenues for the state and our city.

Mr. Fosbre, what is the difference between the religious freedom you want and the freedom of the property owner to sell his property to whomever he chooses? If we allow the federal or state government to dictate to us what we, as private citizens, can or cannot do with that which we own, we will lose all our freedoms.

Sincerely,
Alice A. Kirkmire

Alice A. Kirkmire
2323 Ninth Ave SW, Apt. 5-101
Olympia, WA 98502
(206) 705-4331

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5-13-93

THE REGISTER-GUARD, Eugene, Oregon

OPINION

Oregon congressmen still split over the issue of log exports

WASHINGTON — In politics, a family brawl can be more hard-fought than any round between the same old sparring partners.

LARRY SWISHER

A case in point is the rift between Oregon's Democratic members of the House of Representatives over log export restrictions.

Three liberal Democrats who otherwise vote the same on most issues — Mike Kopetski, Peter DeFazio and Ron Wyden — got down and dirty over a single provision in a proposed new tax break for tree farmers.

When the dust settled late last week, a $500 million reforestation bill was dead, at least for now, and the importance of the export issue in the old growth logging debate was reaffirmed.

All three agreed on restricting the current trade subsidy for U.S. companies with foreign sales offices, which is worth about $80 million a year to major timber growers like Weyerhaeuser Co. Even President Clinton has called for this limitation.

But the Oregonians soon parted company over how to use the savings to benefit all private tree farmers.

DeFazio, who has tried for years to make log exporters an extinct species, wanted to require that in order to get the new tax break, growers would have to sell their timber to domestic sawmills. His position was supported by environmentalists, labor and some small timber companies.

The business- free-trade-oriented Kopetski rejected that approach and said it couldn't pass the tax-writing Ways and Means Committee, on which he sits. One reason is that private forest land owners, large and small, staunchly oppose any government restrictions on their foreign sales and have formed a mutual alliance with agriculture interests, ports and others.

Wyden, in hopes of getting his reforestation package into Clinton's tax bill, sided with Kopetski. Tree farmers lost benefits in the 1986 tax reform act, and they, Wyden and others have been trying to get them back ever since.

DeFazio argued that the Kopetski-Wyden proposal just replaced one log export subsidy with another. "I can't think of anything worse for the Northwest that is so log-short today," he said. He introduced his own version with the restriction, and a companion measure was sponsored in the Senate by Sen. Max Baucus, D-Mont.

After Kopetski's bill appeared to be moving, DeFazio launched an effort to stop it in committee, even urging the White House to intervene. Several labor unions, the National Home Builders Association, environmentalists and a group of timber-starved sawmill owners, the Western Forest Industries Association of Portland weighed in.

"It doesn't make any sense during a time of timber shortages and record lumber prices to subsidize U.S. timber shipped to Japanese mills," James Bledsoe, general treasurer of the United Brotherhood of Carpenters, said in a letter.

"The availability of timber from public lands is dramatically declining for a host of reasons. Thus, supplies of private timber are becoming more critical to meeting the needs of small independent forest product manufacturers in the West," WFIA President David Ford wrote.

On the other side were the major timber companies, the Northwest Woodland Owners Council, which claims 25,000 Oregon members, and 1,000 Friends of Oregon.

Wyden and Kopetski and their staffs took the assault personally and hit back at DeFazio.

"He's attacking Mike's effort in Ways and Means as a big boondoggle," Wyden complained. "In my view, Kopetski is trying to get something that's do-able, to promote growing trees, and the other side is talking about scoring political points."

DeFazio was accused of not being a team player and of trying to further a potential bid for Oregon Sen. Bob Packwood's seat, who may be forced to resign because of sexual harassment charges.

But such back-biting ignores the fact that fighting against log exports has been a top priority for DeFazio since he was first elected to Congress in 1986.

Wyden also suggested that his colleague was being inconsistent since DeFazio co-sponsored an even more generous, unrestricted tax break last year. DeFazio said it took a while to realize it amounted to a hidden log export subsidy.

In the end, Kopetski late last week decided to abandon the project and to concentrate on trying to reduce the impact of the energy tax on the Northwest. The Ways and Means Committee is acting on the tax bill this week.

It wasn't the first time he and DeFazio tangled, however. Last year, they pushed separate old growth bills. On that issue, the interest groups took different positions than they have on log exports. The environmentalists favored Kopetski's approach, while a united timber la- y sided with DeFazio.

The consistency is DeFazio

Peter DeFazio

labor have tended to agree on timber trade issues. Oregon unions also denounced petski last year for backing the North Am can Free Trade Agreement.

Although a bloody confrontation log ports was averted, some hard feelings lin and the intra-party rivalry has intensified.

Larry Swisher is The Register-Gua Washington, D.C., correspondent.

PACIFIC RIM TRADE ASSOCIATION

2740 PACWEST CENTER, 1211 S.W. FIFTH AVENUE, PORTLAND, OREGON 97204-3727
ROLF D. GLERUM, EXECUTIVE DIRECTOR
(503) 226-6855 FAX:(503) 226-6860

April 29, 1993

COPY

E. Thomas Tuchmann
Special Assistant to the Secretary
Department of Interior
1849 C Streeet, NW -- Room 6151
Washington, DC 20240

Dear Mr. Tuchmann,

At the recent Northwest Forestry Association conference at Scamania Lodge, Stevenson, WA, you urged those in attendance to contact your office with their thoughts and suggestions for the Forest Plan now being crafted by President Clinton and his administration. We are happy to comply.

Pacific Rim Trade Association, and its sister organization to the north, Washington Citizens for World Trade, serve the interest of organizations in the Pacific Northwest involved in log exporting As such, we have monitored the Forest Conference proceedings with intense interest, and have offered to various task forces the services and considerable expertise of our members when discussing log exports. Several of our members and allied organizations, as a matter of fact, have already met with you on several occasions.

As we get closer to the June 2 deadline for the Plan, environmental groups such as the National Wildlife Federation, the Oregon Natural Resources Council, and others continue to cloud and confuse the issue of timber supply by blaming the shortage on private log exports. This accusation has been proven time and again to be absolutely false, and to perpetuate this myth is irresponsible and counter-productive.

Consider the facts. (1) Environmentalist-driven regulations to protect species and habitat have reduced the public timber harvest in Oregon from 4.5 billion board feet in 1989 to 2.1 billion board feet in 1992, a 53 percent reduction in volume in just four years. The shortfall is a resounding 2.4 billion board feet.

(2) Because public logs cannot legally be exported, all log exports from Oregon are from privately owned lands. Oregon export volume in 1992 totalled a mere 250 million board feet, about 10 percent of the 1992 shortfall. Industry analysts project continuing reductions in export volumes in 1993, by as much as 11 percent.

COPY

(3) An overwhelming 89 percent of Oregon's private timber harvest is sold to domestic mills. Banning the remaining 11 percent from export will not create one new job, nor re-open one now-closed mill.

(4) The supply shortfall exists primarily on public lands, not private. To force private tree growers to sell their crops at below-market prices in order to recover a small volume of timber for domestic use is unfair, unrealistic and highly discriminatory. This kind of infringement on private property rights cannot be tolerated.

It's time that the media and the public stop accepting these wild claims and unsubstantiated statistics as fact. Environmentalists feed on emotional rhetoric, 30-second sound bites and misleading statements without foundation. They must not be allowed to get away with it.

Sincerely,

Rolf D. Glerum

Rolf D. Glerum
Executive Director

cc: Jeff Rogers, City Attorney, Portland, OR

PACIFIC RIM TRADE ASSOCIATION

2740 PACWEST CENTER, 1211 S.W. FIFTH AVENUE, PORTLAND, OREGON 97204-3727
ROLF D. GLERUM, EXECUTIVE DIRECTOR
(503) 226-6855 FAX:(503) 226-6860

COPY

April 27, 1993

Jeff Rogers
City Attorney
City Hall
Portland, OR 97204

Dear Jeff,

Attached, for your information, is a complete and up-to-date briefing book on the private log export question.

The book is a compilation of documented facts and figures that have been compiled over the past few months by three agricultural/timber associations -- the Agricultural Export Alliance, Washington, DC; Washington Citizens for World Trade, Olympia, WA; and Pacific Rim Trade Association, Portland, OR.

The Ag Export Alliance has already furnished Tom Tuchmann with a copy of this briefing book, so there is no need to forward this copy to him.

I also want to call your attention to a situation concerning log exports that exists in Oregon, and about which there still seems to be great confusion and misunderstanding.

Almost 90 percent of the total timber harvest from Oregon's private lands is sold to domestic mills, not exported, as log export critics constantly imply. So the problem is not to just to make private logs available for domestic processing. That's already happening in 9 out of 10 cases. The problem is simply "to keep tree growers growing trees," rather than selling off their land to shopping mall developers or turning it into farm land for growing some other less-risky commodity.

Three of Oregon's five Representatives -- Congressmen Wyden, Kopetski and Smith -- are supporting a bill to do just that, by offering non-industrial tree growers (who produce about 40 percent of the annual private timber harvest in Oregon) a package of tax-related incentives, including a reduction in their capital gains tax on the timber they harvest and sell. The bill, which is also supported by several key environmental organizations, would be a hundred times more effective in keeping the log supply flowing than would a punitive tax or ban on private log exports.

Yours truly,

Rolf D. Glerum
Executive Director

cc: Tom Tuchmann

PACIFIC RIM TRADE ASSOCIATION
1211 S.W. Fifth Avenue, Suite 2740 Portland, Oregon 97204-3727
Phone: 503-226-6855 Fax: 503-226-6860

MEDIA REVIEW

PUBLICATION: Hood River News

CITY: Hood River DATE: April 10, 1993

Export reality

922 Log exports are a popular scapegoat for many who advocate shutting down the National Forests to sustained yield timber harvests. Rising unemployment in the wood products industry cannot be blamed on log exports, as some assert.

It should be put to rest, or at least put in perspective. First, no logs from federal or state lands can be exported even now. Only private logs which, incidentally, provide jobs in ports and shipping centers.

A drop in timber harvest from 13.8 billion board feet to 7.7 billion factoring in spotted owl protection represents a decline of 44 percent. As one union points out, even if log exports were diverted completely to the domestic market, they would amount only to 2.9 of the 6.1 billion board feet lost to harvest restrictions.

Not only that, an economic survey shows that 4.5 jobs are lost for every million board feet of timber not harvested; while 2.7 jobs are lost per one million board feet lost to log exports. That is because loggers still do the work, they have to be transported and handled by longshoremen.

There is an attack on the tax credits provided for timber companies exporting their logs. But then, the same credits apply to lumber, finished products, airplanes, fruit and other products in the export stream. The United States desperately needs to encourage improving its balance of trade, hence the incentives to export. There are many forces at work.

But there is no way those who argue that the log supply for mills and housing would be solved by termination of log exports should be allowed to get away with it.

Not only would that restriction fail to solve the problem, it would involve a frightening incursion by the government on the rights of private property and its use.

PACIFIC RIM TRADE ASSOCIATION
1211 S.W. Fifth Avenue, Suite 2740 Portland, Oregon 97204-3727
Phone: 503-226-6855 Fax: 503-226-6860

MEDIA REVIEW

PUBLICATION: The Hood River News

CITY: Hood River DATE: March 24, 1993

Something to trade

-102- Someone needs to take Bruce Babbitt aside and review his Economics 101 class. Visiting the Northwest, he offered the newsy quote in the Oregonian: "It is a paradox to have lumber prices going up, to have dwindling supply of logs for mills in the Northwest, and at the same time you can go out to Port Angeles (Wash.) and see logs stacked to the sky, as far as the eye can see, destined for the mills and jobs in Japan."

Like the Secretary, we'd like to see every log harvested in the Northwest go through mills here, but there are some other forces at work. There are already extensive restrictions on exporting logs, as Babbitt is well aware. But it is not at all ironic that lumber prices are going up domestically, while raw logs are heading overseas. High as log prices are here, they obviously would still bring a higher price in Japan, even with transportation costs. Otherwise they would be sold and milled here.

It is understandable the Japanese can offer big bucks for logs. Look at the exchange rates on the financial page. The dollar was bringing less than 116 yen, which is historically really low. It was once pegged at 360 to the dollar, and even in more balanced trade times it was 250 or more. The yens that bought a dollar in those days would be worth over $2 today. Then there's a small matter about trade balance. Depressing and "paradoxical" as at may be to see those logs on their way out, think about the trade deficit and how important it is to get things in balance. As the Secretary checks the time on his Japanese watch, snapping pictures of the log decks with his Japanese camera, sending copies of his statements made on a Japanese copier over his Japanese fax, he needs to pause a moment to think about relationships.

Then of course there is another element in his concerns over rising lumber prices. Legal restrictions prevent logs from much of the public lands from going into the international market, regardless of the price they will bring. They have been taken out of the pure, free international market stream. That is good news for the local mills, who know they don't have to bid against the Japanese, who are obviously willing to pay big prices. They have to compete against each other.

The trouble is, if the supply of the restricted logs is cut down, guess what? The bidding for them from mill owners trying to survive pushes the prices up, thus the price of finished lumber tends to rise. The new Mt. Hood Forest plan, for instance, converts the forest largely to uses other than timber harvest. Even outside the vast wilderness areas, harvest areas have been reduced to a shadow of the potential. It is a recreation area, not a multiple use forest. Mr. Babbitt knows about that. He likes the idea of preserving the forests in their pristine state.

That is all very good, but he should certainly relate in his mind the lack of available raw materials and the increasing scarcity of lumber, and the competition for it among those who need it — hence the higher domestic lumber prices.

Now, Mr. Babbitt's obvious implication was that it would be nice to prevent those stacks of logs from going overseas. If he banned all export of logs from private lands as well as public lands, then it would drive down the prices to mills locally. But that doesn't help the foreign exchange much, and everyone knows about how the American balance of trade stands. It is already in tough shape, even without removing yet another resource.

There are other elements in the complex issue of exports and imports. But Secretary Babbitt certainly shouldn't find it puzzling that reducing domestic supplies, in face of constant or rising demand, tends to push prices up for the scarce supplies available. If they get high enough, they might even absorb those log decks stacked at Port Angeles. But ultimately, at some point we need to have something to trade if we want to keep the cars, stereos, cameras, copiers, etc., coming here from Japan. Mr. Babbitt certainly would relate to that.

OPINIONS

Daily World

Tuesday, March 30, 1993

A cruel hoax or the dawn of common sense?

By Bill Pickell/Hoquiam

IF you're optimistic about President Clinton's forest conference stimulating some meaningful changes in federal policy to help our community, you've got to be a strong believer in the tooth fairy.

It ain't going to happen. Any policy changes by the summit participants will go for naught if the Endangered Species Act is not modified with common sense. The act is the ultimate judicial hammer wielded by the preservationists, and it will override any legislative fix. The politicians know it will not be amended.

You ask, "Why not?"

Let's look at who's running the show in Portland Friday: Vice President Al Gore, mega-preservationist and author of "Earth in the Balance," a Sierra Club handbook, and Secretary of the Interior Bruce Babbit, former 1 of the League of Conservation voters. In the background are Undersecretary George Frampton, former executive director of the Wilderness Society; his associate Jim Baca, former d member of the Wilderness Society, and Deputy Director Alice Rivlin, former chairman of the board of the Wilderness Society.

With people of that persuasion directing the president — people who've appealed most federal timber sales and had their foot on our jugular for years — can you imagine them pleading for any mercy at the timber summit for our side?

I'M CONVINCED that this summit is a cruel hoax on timber-dependent communities, that Clinton is doing it solely to fulfill a campaign promise, that the backroom deals have been cut and private log exports will be the whipping boy — with a fat compensating tax on private logs exported being the quick fix.

In addition, I believe Washington State was spared military base closings because of the Democratic leadership and support for Clinton, and the additional 10,000 to 15,000 new military jobs are the trade off for the timber jobs to be lost.

Having said that, let's look at why the participants should act responsibly, craft a positive solution and prove me totally erroneous and hopelessly cynical.

ONCE upon a time, we had national forests that were actually managed by foresters for multiple uses — things like logging, grazing, mining, wildlife and recreation. We used scientific evidence — real physical evidence from people on the ground, like inventories of wildlife and cruises of the timber supply — to make sound management decisions.

In those days — and that's not too many decades ago — we even had a huge federal land base to manage for those multiple uses, almost 27 million acres here in Washington and Oregon alone.

My, how times have changed. Today federal land management is by judicial fiat. Laws enacted over the past 25 years supposedly for the good of all have been reinterpreted for the good of a few. Confusion reigns amongst the land managers, who are now psychologists, biologists, computer analysts, lawyers and human resources personnel. Critical land management decisions are routinely made on the basis of hypotheses, computer modeling and public opinion.

And, yes, the land has changed as well; there's now only 5 million acres left to manage for multiple uses in Washington and Oregon. The other 22 million acres have een set aside as preserved lands in wilderness and parks for single use — and that's only the results of the las years.

YOU SAY that rely 5 million acres is enough for multiple use.

I forgot to tell you that almost all of that is tied up by the Endangered Species Act, the courts and the species of the month. How much land is left for timber management? For all practical purposes very little — zippo, nothing — until some hard and fast decisions are made on federal forest policies.

Meantime, all over the Pacific Northwest, logging equipment costing millions of dollars — specialized slackline towers and loaders, purchased solely to log to government specifications — sits idle, rusting away, tying up the capital of some of the finest entrepreneurs in the nation.

It's killing them and the economy.

A logging tower costing $750,000 in 1989 is now worth less than $50,000, if you can sell it. The businesses are still trying to make payments on the equipment, or they're in bankruptcy.

GET THE picture, folks. The whole Harbor's economy, the whole Olympic Peninsula's economy, all the rural economies near national forests in the Western U. S., have been built and predicated on a meaningful harvest off of federal lands. We've been following government policy since the creation of the national forest system of providing meaningful products from those lands since 1891. We've followed the rules; we've invested based on federal forest harvest plans, which just a few years ago predicted sustainable harvest levels. We continually adapt to new environmental restrictions. Now, overnight, the government says we are wrong. People no longer matter in the equation. Just like the Wilderness Society says, "Move rural folks, give up your livelihoods, sell your homes, if you can, and move to the city where you can be retrained.

I HOPE and pray that I'm wrong about the fears in the pit of my stomach. I hope and pray that this forest conference becomes the forum for establishment of a policy on our public lands of management by sound, scientifically-based forestry principles. Man can co-exist with nature.

I hope common sense prevails. Not only the future of the forests is at stake, but essentially America's economic future as well.

Pericles said: "Trees, though they are cut and lopped, grow up again quickly, but if men are destroyed, it is not easy to get them again."

Pickell is general manager of the Washington Contract Loggers' Association.

83-15

Closing Comments

Bill Pickell

THE END OF LOG EXPORTS?

On the eve of the timber summit, the envirouses and the politicians are aiming their sights on the quick fix, the answer to all the public land management problems in the northwest; a ban or punitive tax of **private log exports.** Because public policy has deliberately chosen to preserve all federal lands for creatures instead of man's multiple-uses, they, the government, feel the private landowners in America should pay the price for preservation. If successful, that move may cause more damage to private land forest investment in this region than the damage the spotted owl listing has caused on federal land management.

For over thirty years private log exports have been an incentive for forest managers and small landowners to intensively manage their ownership's. The premium paid by foreign markets, sometimes as high as 50% for certain log grades, has enabled owners to capture the top dollar so as to continue investing in a crop which here-to-fore had financial returns less than most bank CD's. It has been an incentive, and alternative market, good to the landowner, the community and the labor force. There was a balance between public logs going to domestic markets and private logs, about 25% of the production going overseas. It has been a good balance.

Because of exports, loggers have worked year round, have financially flourished and have not been held hostage by the local mill, where prior to exporting, they were the only game or market in town. When the domestic economy was poor and the mills were curtailed, the export market was still an option - for the world's economic cycles differed from our country's. The forests have benefited because total utilization of the resource - all the previously wasted fiber and lower grade logs are now being used. In addition, intensive siliviculture has been made possible by the export profits allowing high-yield forestry methods to proliferate. The U.S. private forest lands have become a showcase for the world with their progressive methods and take a back-seat to no one.

I haven't mentioned that the nation's balance of payments has been enhanced by raw log exports and correspondingly, milled, finished wood products have drastically increased because of the inroads the logs have made in the orient. One product builds upon another and opens doors to additional value-added products.

Don't believe that stopping log exports will mean more wood for your local mill. In Oregon, an annual 4 billion feet of federal timber which will not be sold cannot be replaced by the meager 245 million feet of private logs that are exported. Washington's approximately, 1.5 billion bd ft of export logs could fulfill the normal Federal harvest of 1.2 billion bd ft, but it's not the same kind of wood, nor is it assured that landowners would harvest that amount if the market were not available. And to assume that more jobs are available if the logs are milled here, guess again. Modern mills are so automated that the job numbers are about the same as those involved in the export sector. You would simply be trading one workers job for another, and generally for a lower wage. Is that fair?

The politicians must realize that trampling property rights of the 30,000 plus small landowners (Washington alone) is not a viable alternative to the federal timber problem. The only solution is a predictable, sustainable federal timber supply. That's it! Curtailing, or taxing export logs will only be a disincentive for private timber investment and will ultimately lead more landowners to dis-invest, develop or liquidate their timber holdings. The politicians nor the envirouses want this to happen, however, that's the predictable result. As the weeks go on and this topic comes out in the press, **landowners had better contact their Congressmen and Senators,** both with letters and by phone, to express their opposition. It may be too late!

LUMBER & LOG PRICES

Lumber prices on the futures market continue to decline from their peak in mid-March of $465 per thousand board feet. Most traders think lumber prices, which have never been above $400 per thousand before this year, are too high despite the surge in demand for wood and the environmental constraints on supply. Lumber for May delivery is now down to $409 per thousand.

Log prices for the export market continue to escalate, with April 1st increases. Record prices are now being paid for Hemlock ($950 M), and Fir at $1300M. $36 a ton for hemlock pulp and $90 a ton for fir pee wee is fabulous. Higher prices may still be around - it's getting scary. Can you blame a landowner for not cutting with this market?

A 1 ! mill jobs, cut into port workforces.

Seattle Weekly
5/12/93

Stumped

Forests: *Banning log exports has strong political appeal, but it might not save jobs or local timber.*

By **Paul Roberts**

For years, environmentalists have argued that the surest cure for Northwest timber woes is a ban on all log exports. Asia's rapacious appetite for old growth, the greens claim, has systematically stripped Northwest forests. Further, with each exported log, the region ships out timber jobs—up to 18,000, according to the Wilderness Society—even while unemployment shuts down timber towns such as Forks.

Despite the apparent persuasiveness of such arguments, enacting such a ban has proven difficult. While existing laws forbids log exports from federal forests, a similar ban on timber from Washington state-owned forests died in a federal appeals court last week, which ruled that the federal government overstepped its bounds by prohibiting state exports.

Moreover, efforts to stop log exports from private lands are vigorously opposed by landholders, particularly large ones like Weyerhaeuser, who enjoy high foreign log prices. Ban proponents frame the issue as a battle between the public good—saving jobs and ecosystems—and private greed. It may not be that simple, however. According to various economists, the supposed economic and ecological benefits of banning logs have been significantly overstated.

Without question, environmentalists gain political allies by pushing for a ban. By championing domestic forest products, greens can woo workers displaced by spotted owl set-asides. Yet many economists insist that keeping logs at home isn't likely to save jobs or trees. The problem is that much of an export ban's economic and environmental relief won't go where it's needed most.

Consider old growth. True, Japanese contractors love old-growth lumber, and will pay up to 50 percent more than domestic buyers. But most surviving old growth is on federal forests, and cannot be exported in raw-log form. Weyerhaeuser and other private landholders chopped down most of their old trees decades ago. (The glaring exception is Alaska, where Native American corporations export 500 million board feet of old growth annually.)

Rather, the bulk of the Northwest's log exports are second and third growth. Andy Stahl, a consultant with the Sierra Club Legal Defense Fund, says foreign mills often aren't interested in old growth, since centuries-old trees frequently have too much rot or other flaws for profitable production. "They want high-quality, mature second-growth logs, 18 to 28 inches in diameter," Stahl says.

What about the ban's effect on jobs? Certainly, stopping exports will generate some domestic employment, but less than advocates might hope. Richard Haynes, a senior economist with the US Forest Service, estimates that the 2.2 billion board feet of raw logs currently exported from the Northwest—about 25 percent of the region's total timber production—might, if kept at home, add 7,000 jobs at regional mills. But that number is offset by job losses from ports that export logs; Haynes estimates that ports would lose 2,000 to 3,000 jobs.

Haynes and other economists also warn that these new jobs won't be where they're most needed. Most of the timber industry's unemployment centers are in communities that are adjacent to *public* forests. The proposed ban would only affect *private* holdings. Thus, argues Haynes, a ban might persuade Weyerhaeuser to build new mill capacity near its vast Grays Harbor holdings. What the ban wouldn't do, he says, is bring new mill capacity and jobs to a place like Forks.

Such geographic disparity is widespread. Most Northwest timber unemployment is in Oregon, whose industry has been heavily dependent on federal timber. As a result, Haynes says, an export ban would shift timber jobs from Oregon, where they are most needed, to Washington, which has the most private timberland.

Still another mismatch arises for technological reasons. Many hard-hit timber towns only have older, outdated mills. These facilities were designed for large logs; they can, despite a common misconception, process smaller logs, but not efficiently enough to turn a profit. The newer, high-tech mills, which can process small logs profitably, tend to belong to the large private companies. Thus, a deflection of logs from export to domestic supply is likely to aid mills starved for trees.

In strict cost-benefit economics, the proposed export ban holds small promise for preserving old growth and jobs. Environmentalists have other arguments, however. Over the past decade, Asian mills bought much of the Northwest's ancient forests. In the same way, /s Jeff Olson, a Wilderness Society economist, Asia's well-financed appetite for second-growth timber is prompting American timber companies to cut faster than they would if they were supplying only domestic mills. By sucking up private timber, Olson adds, Asia " pressure on the federal forests to up for exported private timber. It has a direct bearing on old growth and the condition of the remaining forest."

Ban opponents concede that Asian purchasing power contributed mightily to past overharvesting. Yet Haynes and others insist that an export ban could drive up harvest rates. By keeping logs at home and expanding domestic supply, domestic prices could fall. Cut off from foreign buyers, timber companies might make up for the low domestic price by cutting more domestic timber. Further, according to industry watchers, Northwest timber companies may, in the of an export ban, move some production to places like Siberia, where environmental regulations are meager.

At this point, the export question goes global. It may be true that an export may do little to help the Northwest's forests. Moreover, shunting our environmental worries to other parts of the world isn't very globally responsible. Accordingly, environmentalists concede that the hoopla over exports is what myopic. "In the long run," says Rick Brown of the National Wildlife Federation, "unless we deal with the more fundamental questions of timber use, consumption, and waste, it really won't make much difference who processes these logs. A stump is a stump." ■

LETTERS

DAILY WORLD - 4-12-93

RECEIVED APR 1 4 1993

Log exports have never been the problem, and shouldn't be a scapegoat

Editor, *The Daily World* —

WILL Steiner was correct in his observation that I did not mention log exports in my criticism of President Clinton's Forest Conference. It was for a very good reason:

Log exports have never been the problem; therefore, they shouldn't be the scapegoat.

Because public policy has deliberately chosen to preserve all federal lands for creatures instead of multiple uses, the government feels the private landowners should pay the price for that preservation.

If successful, that move may cause more damage to private land investment in this region than the damage the spotted owl listing has caused on federal land management.

For Steiner's benefit, my definition of private landowner also includes the 30,000 small family owners who have invested their meager dollars in timber stands in this state and run the risk of seeing it all lost.

At the same time I don't deny the right to export to the "big barons," as Steiner refers to them. Barons they may be, but they certainly haven't done it at the expense of our locale as he indicated.

The companies on the Harbor have a track record here of over 50 years of good stewardship. They pay or have paid their local taxes (witness ITT Rayonier and Hoquiam); they pay some of the best wages on the harbor; they practice some of the best forestry in the world; they have profited from exporting and they've plowed a lot of their money back into their land, not knowing if the laws will change, which may severely limit future harvest.

I don't always agree with the "barons," but you can't argue with their commitment and their forest practices.

BECAUSE of exports, loggers have worked year round and have not been held hostage by the local mill, where prior to exporting, they were the only game in town. It's called competition.

The forests have benefited because of total utilization of the resource. Much of the previously wasted fiber and lower grade logs are now being used.

The premium from export logs has allowed intensive forestry methods to proliferate, and the big thing for the nation is the positive balance of payments that exports bring to the U.S. Treasury.

Correspondingly, milled, finished wood products have drastically increased because of the inroads logs have made along the Pacific Rim. One product builds upon another and opens the door to additional value-added products.

DON'T believe the assertion that stopping log exports will mean more wood for your local mill. In Oregon, an annual 4 billion feet of federal timber, which will not be sold, cannot be replaced by the meager 245 million feet (6 percent) of private wood exported.

Washington's approximately 1.5 billion feet of export logs could fulfill the normal federal harvest of 1.2 billion feet, but it's not the same kind of wood, nor is it assured that landowners would harvest that amount if the export market were not available. And to assume that more jobs are available if the logs are milled here, guess again. Modern mills are so automated that the job numbers are about the same as those involved in the export sector. You would simply be trading one worker's job for another.

Is that fair?

Remember this: Federal logs have not been exported for over 20 years. State logs are not exported any longer. The only logs exported are *private logs* and trampling the rights of private landowners, little ones or the big barons, is not a viable alternative to a federal timber problem.

THE only solution to our crisis is a predictable, sustainable federal timber supply. That's it! Curtailing, or taxing export logs will only be a disincentive for private timber investment and will ultimately lead more landowners to dis-invest, develop or liquidate their timber holdings.

Neither politicians nor the envirouses want that; however, that's the predictable result.

For Mr. Steiner's supply of cedar, perhaps he should look at some of the 25-30 million feet of blowdown timber on the Olympic Forest and concentrate on solving a real biological problem — our federal forests' health.

BILL PICKELL/Hoquiam
General manager
Washington Contract Loggers Assoc.

GEORGIA - PACIFIC

TIMBER SALE VOLUME

G-P Position for a Solution --

G-P supports a plan that includes a specific, numerical timber sale target (annually) with a legislative provision to prevent abuse of the legal process designed to stop or delay sales. G-P is skeptical of a plan to free timber sales that does not have certainty of (supply) performance.

SUPPORTING POINTS:

* The 1993 Update of the Renewable Resources Planning (RRP) Assessment prepared by the Secretary of Agriculture projects a rise in demand for all major wood and paper products through the year 2040. It also projects a decline in the public timber supply from national forests because of decreased emphasis on timber production. This will result in a downsizing of the forest products industry in the Pacific Northwest, USFS Regions 5 and 6. In future years, it is critical for planning purposes and community stability to have Forest Service timber sale targets set and met on a predictable and generally stable basis. Without certainty of timber supply from public land, investments in plant facilities cannot be made, job security is threatened, the marketplace suffers price distortions, and forest-based communities have their social and economic base undermined.

* Unnecessary use of administrative appeals and litigation, designed to seek delays and add to the expense of timber sales, should not be permitted. In the past, the appeal system has been abused. The Administration and the Congress should address this problem through legislation to provide a predictable time frame for legitimate appeals and litigation.

* When the USFS has been given authorized timber sale targets through the appropriation process, Forest Service personnel should be held accountable to meet these targets. Unfortunately, annual sales continue to fall short of the targets with no apparent effort on the part of the Federal government to explain its failure. When targets are not met the government loses revenue and shortages of wood fiber often occur.

ECOSYSTEM MANAGEMENT/FOREST HEALTH

G-P Position for a Solution --

G-P supports an ecosystem management plan in the Northwest that includes all federal lands not Congressionally set aside for other purposes. Ecosystem management should allow for harvesting within merchantable stands over the entire landscape while guaranteeing the protection of fish and wildlife habitat and other public resources. Untouched forest areas (the true virgin "old-growth" forests) defined as having a stand age greater than 200 years with no previous harvesting history should be managed to minimize, to the maximum extent practicable, threats of fire, disease and insect infestations.

Second-growth forests that reach 200 years of age should remain in the ecosystem management plan and continue to be available for harvesting. Private lands, including adjacent and in-holdings, should be managed for needed fiber with environmental impacts minimized to the extent practicable.

G-P supports an emergency action provision in the Administration's plan to salvage dead and dying timber in the Northwest. Failing to salvage this timber poses a threat to the long-term health of the forests including the threat of wildfire to public and private forests, fish and wildlife habitat, and forest communities. This would have an immediate, beneficial effect on timber availability. During the last 50 years, U.S. forest policy substantially reduced the threat of fire in our forests. The failure to salvage dead and dying timber increases the fuel load in forests significantly above normal, background levels. This increased fuel load on public land puts adjacent private lands at risk. It also reverses, in effect, the fire protection policy that has reduced annual Northwest losses to wildfire from 30 to 50 million acres per year in the 1930's to less than 5 million acres in recent years. An increased fuel load also threatens the very habitat the wildlife federal policy seeks to protect.

SUPPORTING POINTS:

* G-P owns 120,000 acres of fee timberland on the northern Oregon coast and 170,000 acres of fee timberland on the southern Oregon coast, both of which have common boundaries with federal timberland. In California, 190,000 acres of timberland are owned in fee on the northern coast with an additional 125,000 acres in the Sierra mountain range. The Sierra timberlands have common boundaries with federal timberland. These timberlands support G-P manufacturing facilities. Federal ecosystem plans must recognize the role of private lands in timber management.

* Ecosystem management is a natural resource management system designed to maintain or enhance ecosystem health and productivity while producing essential commodities and other values to meet human needs and desires within the limits of acceptable social,

economic, and biological limits. Proper ecosystem management will foster forest health.

* A strong salvage program would provide an excellent start toward a healthy ecosystem. Increased fuel loading caused by years of drought and insect damage eventually will lead to major conflagrations if an aggressive salvage program is not pursued. The great amount of G-P timberland that is adjacent to federal lands is a cause for great concern in this regard.

* Due to fire, insects and disease, and weather events, natural ecosystems consist of timber stands of all ages. A good management plan that includes a variety of silvicultural techniques can mimic these situations without the catastrophic events that destroy timber, fish and wildlife habitat and water quality.

* The federal land base offers a tremendous opportunity to manage on an ecosystem basis. Once a <u>desired forest condition</u> has been defined on a local basis, commodity output targets, land allocations and management constraints can be evaluated. Ecosystem management must be technically, economically, politically and socially acceptable. Once implemented, the economic health and vigor of local dependent communities will be strengthened. G-P will require some federal timber to supplement its forest base for the continued operation of G-P manufacturing facilities in the Northwest.

* Ecosystem management should apply to all non-congressionally set-aside federal lands. Single species and single-use management schemes (other than those congressionally set-aside) have no place in ecosystem management planning.

* Private landowners should retain the option of utilizing ecosystem management techniques if so desired. However, there must be a recognition that private timberlands should remain available for needed fiber production, consistent with state and federal law. Minimizing the impacts of protection and recovery of threatened and endangered species should allow private lands to fill the gap in federal timber supply.

ENDANGERED SPECIES

G-P Position for a Solution --

G-P accepts its responsibility under the Endangered Species Act to protect threatened and endangered species on its property. The recently signed voluntary agreement with the U.S. Fish and Wildlife Service to protect habitat for the endangered Red-cockaded woodpecker as part of G-P's timber management program demonstrates this commitment as well as the compatibility of timber management and wildlife protection. G-P's "Forestry for the 90s" recognizes endangered species' needs and wildlife habitat in its forest plans. G-P believes, however, that private forest lands have the obligation to maintain species populations and that public lands must assume population recovery responsibility for endangered species.

G-P supports amendments to the Endangered Species Act that improve the science in listing species, provide flexibility to the wildlife agency in developing recovery plans, encourage consultation and cooperative agreements with private landowners and consider balancing human needs with species protection.

SUPPORTING POINTS:

* G-P has incorporated protection of threatened and endangered species on company properties into its corporate environmental policy. This means all G-P employees are required to conduct business operations in compliance with management policies as well as government regulations. Implementation of corporate environmental policy has the commitment of G-P's top management and its board of directors.

* The Memorandum of Agreement on the Red-cockaded woodpecker with the Federal wildlife agency is an example of G-P going beyond the legal requirements of the Endangered Species Act. It demonstrates that cooperation and enforcement flexibility can benefit both species protection and timber management objectives. More cooperative programs between wildlife officials and landowners should be encouraged.

* In Ft. Bragg, California, wildlife biologists have documented 60 pairs of Northern Spotted Owls occupying sites on 190,000 acres of G-P forest land. In 1992, 40 young spotted owls were produced by these owl pairs. In 1988 before the owl was listed as "threatened," it was believed to occupy only old-growth habitat, yet all of the G-P acreage is second-growth managed forests. The density of owls on G-P land is more than twice the number identified as viable by government scientists. Ft. Bragg demonstrates that the managed forest offers suitable habitat. Perhaps, more flexibility should be recognized in the restrictions on harvesting on private land.

* G-P believes experience under the Endangered Species Act indicates the need for procedural changes that provide administrative flexibility and balance without compromising the act's objective of species protection. For example:

---Apply greater scientific data standards for listing species coupled with scientific peer review.

---Require faster development of species recovery plans that could include several protection options and more public participation in the process.

---Allow private landowners the option of consulting with the Fish and Wildlife Service about proposed actions and the affect such actions would have on a species. Only Federal agencies are permitted to use the consultation process.

---Encourage cooperative agreements with private landowners to mitigate the effects of forestry and other activities on species protection. The law has no incentive features for landowner cooperation, only punitive actions.

* The U.S. Fish and Wildlife Service, environmental groups and provate landowner interests should be encouraged to initiate a dialogue on the effectiveness and equity of the Endangered Species Act.

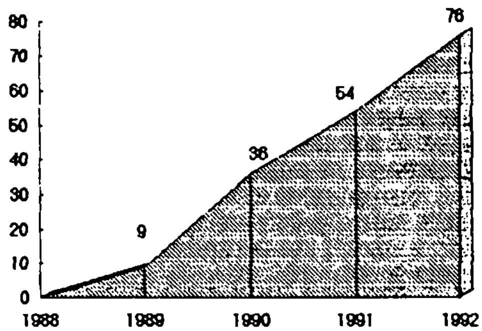
John Turner
5/17

A COMPARISON OF THE ISC REPORT AND THE OCCURENCE OF THE NORTHERN SPOTTED OWL IN A MANAGED SECOND-GROWTH REDWOOD FOREST. GEORGIA - PACIFIC CORPORATION, FORT BRAGG, CALIFORNIA. 1992.

ISC Report - Assumption for a viable population of Northern Spotted Owls. (Thomas et al., 1990)	**Georgia - Pacific Corporation** lands Fort Bragg, California approximately 200,000 acres
0.11 owls/mi^2	**0.42 owls/mi^2** (1992 inventory sites only) 1 mi^2 = 640 acres 200,000 acres / 640 acres = 312.5 mi^2 131 individual owls in 312.5 mi^2 = 0.4192 owls/mi^2
2 owl pairs/township	**6.91 owl pairs/township** (1992 inventory) 1 Township = 23040 acres 200,000 acres / 23040 acres = 8.68 townships 60 owl pairs (1992)/ 8.68 = 6.91 prs./town.

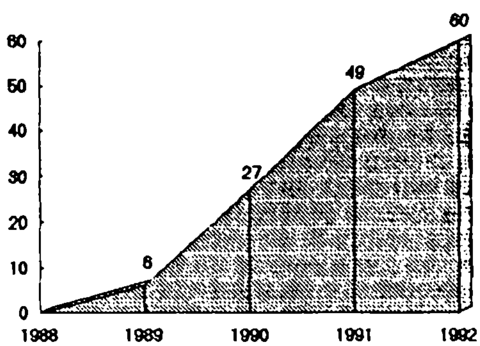
Thomas, J.W., E.D. Forsman, J.B. Lint, E.C. Meslow, B.R. Noon, and J. Verner. 1990. A Conservation Strategy for the Northern Spotted Owl. Interagency Scientific Committee to Address the Conservation of the Northern Spotted Owl. U.S. Department of Agriculture, Forest Service; and U.S. Department of the Interior, Bureau of Land Management, Fish and Wildlife Service, National Park Service. Portland, OR.

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



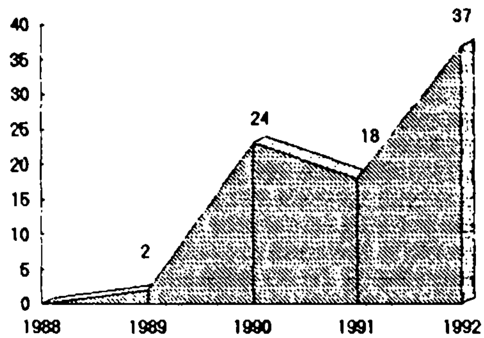
□ KNOWN SPOTTED OWL LOCATIONS ON GEORGIA-PACIFIC LANDS NEAR FORT BRAGG, CA

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



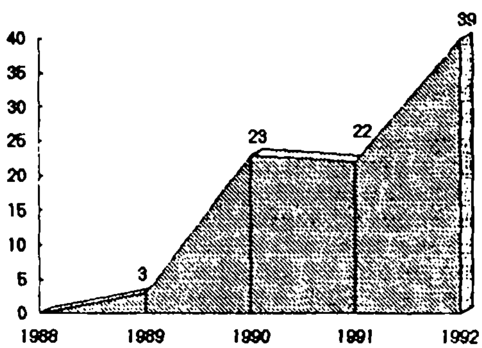
□ NUMBER OF KNOWN SPOTTED OWL PAIRS OCCUPYING SITES ON GEORGIA-PACIFIC LANDS.

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



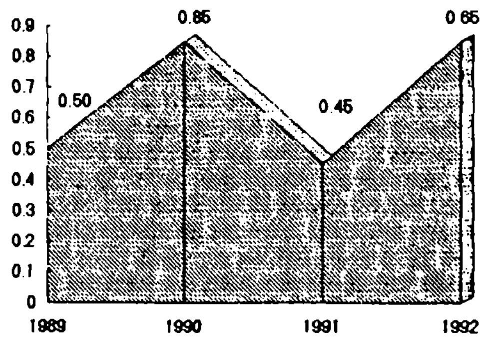
THE NUMBER OF KNOWN SPOTTED OWL NEST SITES OCCURING ON GEORGIA-PACIFIC LANDS NEAR FORT BRAGG, CA

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



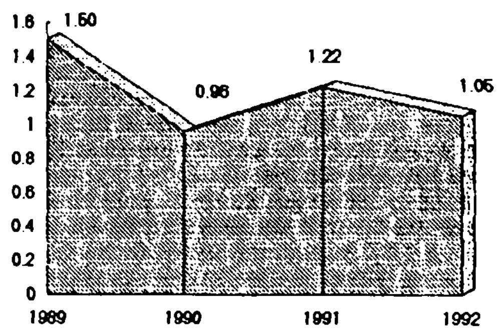
THE NUMBER OF KNOWN YOUNG PRODUCED FROM SUCCESSFUL SPOTTED OWL NEST ON GEORGIA - PACIFIC CORP. LANDS NEAR FORT BRAGG, CA

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



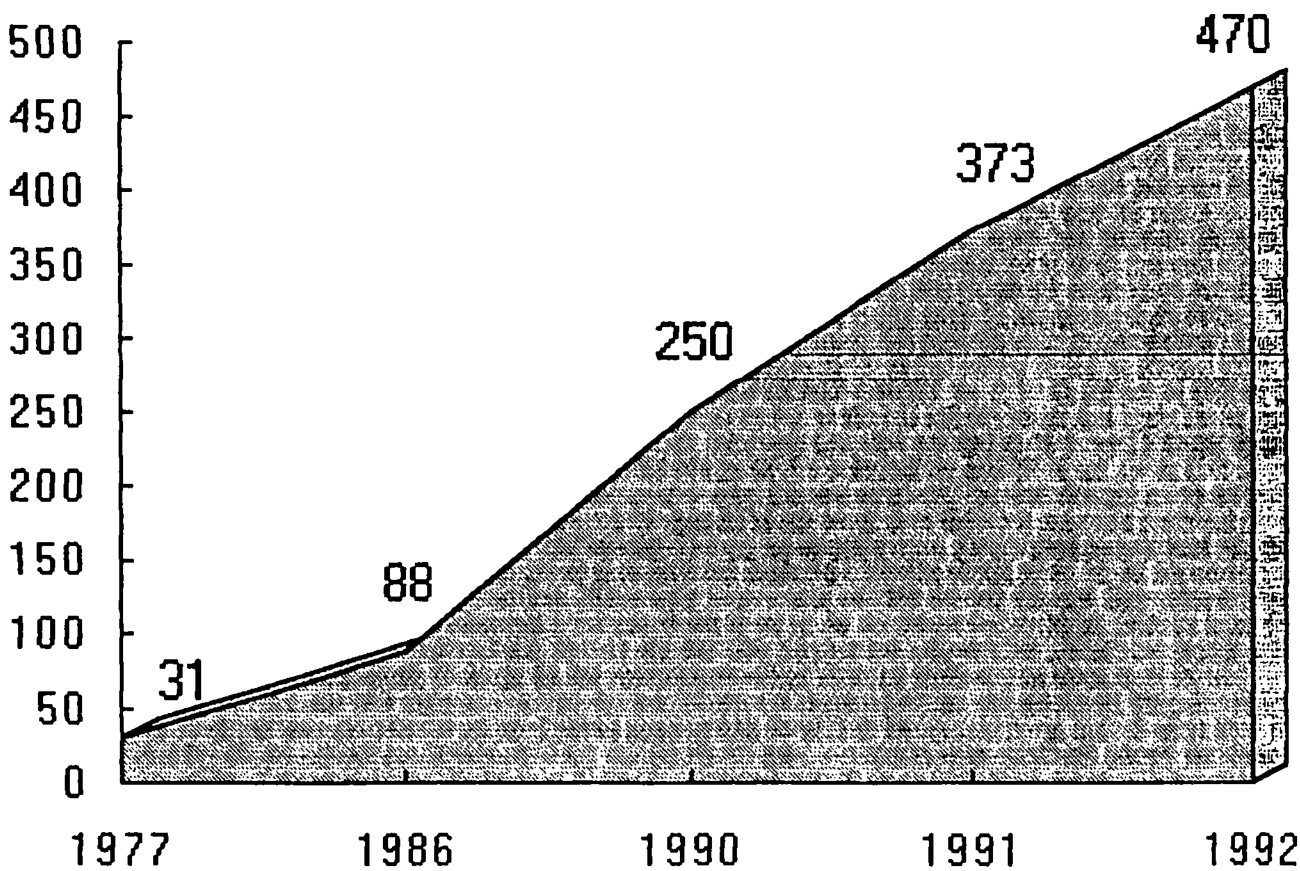
☐ NUMBER OF YOUNG PRODUCED PER KNOWN PAIR OF SPOTTED OWLS ON GEORGIA-PACIFIC CORPORATION LANDS NEAR FORT BRAGG, CA

1989-1992 SPOTTED OWL RESEARCH
GEORGIA-PACIFIC CORP.



☐ THE NUMBER OF YOUNG PRODUCED PER NEST ON GEORGIA-PACIFIC CORPORATION LANDS NEAR FORT BRAGG, CA

KNOWN NORTHERN SPOTTED OWL SITES OCCURING IN MENDOCINO, NAPA, SONOMA, LAKE AND MARIN COUNTIES OF CALIFORNIA. CALIF. DEPT. OF FISH AND GAME



Theodore W. Wooster, Enviromental Specialist IV. California Dept. of Fish and Game. P.O. Box 47 Yountville, CA. 94599.
(707) 944-5524 Fax (707) 944-5563.

17 MAY 93

Office of Environmental Quality
Old Executive Office Bldg, Rm 358
Washington, D.C. 20501
Ms. Katie McGinty

ATTN: Mr. David Cottingham;

Dear Mr. Cottingham,

The Public Timber and Western forest questions that you and your associates are considering will have a direct effect on me and the 20 employees of our firm.

I am a 20 year Timber Industry veteran, yet my heart leans closer to the Environmental movement than to large Forestry Corporations.

Pray consider a few ideas in regards the Western Public Timber:

#1. Below-Cost Forest Service Sales - This fact could reflect the lack of efficiency in the U.S.F.S. rather than a subsidy of Industry. There are economic benefits downstream.

#2. Bio-Diversity Discussions must include Humans and allow reasonable environmental impact.

#3. Large Forestry Corporations are the most visible but actually employ the Smallest percentage of Americans in Forestry.

#4. We need a clear direction for raw material acquisition. If what we do is wrong, we will change; The un-certainty is killing us.

If I can be of service, feel free to contact me.

Sincerely,

PH. 208-263-9384
FAX 208 263 2955

Tom Clark TOM CLARK
Interior West Cedar Supply
P.O. Box 1721
Sandpoint, Idaho
83864-0901

MAX BAUCUS
MONTANA

WASHINGTON, DC
(202) 224-2651

MONTANA TOLL FREE NUMBER
1-800-332-6106

United States Senate

WASHINGTON, DC 20510-2602

FYI

May 11, 1993

Dear Colleague:

I recently introduced S. 894, The Domestic Timber Conservation Act of 1993. This bill will eliminate the generous international tax provisions in the Internal Revenue Code which encourage timber companies to export raw logs cut on private land. The provisions of S. 894 will promote the health and stability of the timber industry at home, protect our nation's forests and save taxpayers millions of dollars each year. Representatives DeFazio, Stark and Unsoeld have introduced similar legislation in the House.

The timber industry in the western U.S. is in a period of transformation. Modern technology, the disappearance of abundant old growth, the shift of industry investment to the Southeast and overseas, overcutting for short-term profit, increased environmental regulation, and log exportation together have created complex challenges for the Northwest's timber industry. These new challenges demand that we make substantive changes in our public policy.

While workers and timber-dependent communities attempt to adjust to reduced timber supplies, the export of logs and jobs overseas continues unabated. Between 1981 and 1988, West Coast log exports doubled. In 1992, Washington and Oregon exported 2.3 billion board feet of unmilled logs -- a significant number considering that the highest annual cut for Washington and Oregon was just over 5 billion boardfeet in 1988.

The exportation of raw logs is harmful in several ways:

-First, it threatens jobs and the economies of timber-dependent communities. To illustrate, estimates from the Governor's Office of Washington State suggest that a diversion of 25 percent of raw log exports to U.S. mills would save roughly 3,000 mill jobs and 3,000 indirect jobs.

-Second, it threatens our forests. For this reason, the export of raw logs from public lands has been banned outright since 1973.

-Third, it is costly to American taxpayers. The Joint Committee on Taxation estimates that raw log exports are subsidized at a cost of approximately $100 million annually.

BILLINGS (406) 657-6790 | BOZEMAN (406) 586-6104 | BUTTE (406) 782-8700 | GREAT FALLS (406) 761-1574 | HELENA (406) 449-5480 | KALISPELL (406) 756-1150 | MISSOULA (406) 329-3123

Rather than export raw logs, we should feed these logs into domestic mills. We should use our logs to manufacture housing, furniture and other value-added products here at home.

Our current tax code provides exactly the opposite incentive. At a time when we are losing jobs and an essential natural resource, the federal government should not be providing tax incentives to companies who export logs -- and jobs -- overseas.

S. 894 addresses the problems of raw log exportation through the following provisions:

1. The bill excludes sales of unprocessed timber from the definition of export property eligible for an exemption from U.S. income tax through the use of a Foreign Sales Corporation.

2. This legislation requires that all sales of unprocessed timber be deemed to be U.S. source. This prevents such sales from being figured into a company's foreign tax credit planning.

3. The bill provides that sales of unprocessed timber through a controlled foreign subsidiary will not be eligible for "derferral." Thus, the income from such sales will be taxable in the year of sale regardless of whether the proceeds are repatriated to the U.S.

As a long-time supporter of expanding the export base of the agriculture industry, I want to emphasize that this legislation addresses a problem unique to the timber industry. In contrast to agricultural commodities produced by American farmers and ranchers, the timber supply crisis means that we must treat timber as more of a scarce and precious resource. The measures of this bill should not be applied to agriculture or any other industry now or in the future.

I urge you to join me in this effort to end the taxpayer subsidy of raw log exports. If you would like to be a cosponsor of this legislation, or to obtain additional information, please contact Nick Giordano of my staff at 4-2651.

Thank you for your time and consideration.

Sincerely,

Max Baucus

ROBERT L. LIBERTY
ATTORNEY AT LAW

522 SW Fifth Avenue • Suite 1330 • Portland, Oregon 97204
Tel: (503) 225-0102 Fax c/o (503) 228-1965

Mr. Jeff Rogers
City Hall Room 315
1212 SW Fifth Avenue
Portland, Oregon 97204

11 May 1993

RE: State/Federal Forest Policy Reciprocity

Dear Jeff,

Enclosed are copies of the draft letters I left with David Cottingham. These are drafts of letters from an official within the Clinton Administration to persons involved in the timber issue in Oregon. As you may know, House Bill 3361, introduced last week, would adopt even more lax standards for the designation of forest land as "secondary lands." The enclosed table shows just how liberal those standards are.

Time is pressing. I suggest you call Anne Squier (378-3548) and ask her whether or not receiving a letter of the type I have enclosed, modified to address HB 3361 (as well as LCDC's adopted rules) would be helpful.

Thank you for your time and attention.

Sincerely,

Robert Liberty

cc David Cottingham

Application Of The Criteria In HB 3661 For Qualification
Of Forest Lands For Secondary Land Designation
Showing The Maximum Size Of Ownership Which Would Qualify Under Each Criterion
By Cubic Foot Site Index*

Cubic Foot Site Index	Criterion: 15,500 cf Max. Qualifying Ownership	Criterion: 31,000 cf Max. Qualifying Ownership
CFSI	15,500	31,000
20	775	1,550
25	620	1,240
30	517	1,033
35	443	886
40	388	775
45	344	689
50	310	620
55	282	564
60	258	517
65	238	477
70	221	443
75	207	413
80	194	388
85	182	365
90	172	344
95	163	326
100	155	310
105	148	295
110	141	282
115	135	270
120	129	258
125	124	248
130	119	238
135	115	230
140	111	221
145	107	214
150	103	207
155	100	200
160	97	194
165	94	188
170	91	182
175	89	177
180	86	172
185	84	168
190	82	163
195	79	159
200	78	155
205	76	151
210	74	148
215	72	144
220	70	141
225	69	138

* For purpose of comparison, the Federal Government defines "prime" forest land as land with CFSI of 85 or greater.

Distribution of Western Oregon
Private Forest Land
By Cubic Foot Site Class

(Acres)

	0-49	50-84	85+
Northwest	53,000	37,000	1,707,000
West Central	35,000	58,000	1,649,000
Southwest	402,000	338,000	1,908,000
Total	490,000	433,000	5,264,000
%	8%	7%	85%

Distribution of Eastern Oregon
Private Forest Land
By Cubic Foot Site Class

(Acres)

	0-19	20-49	50+
Total	1,696,000	1,502,000	922,000
%	41%	36%	22%

Sources:

Gedney, D.R., P.M. Basset and M.A. Mei. 1987. Timber Resource Statistics for Non-Federal Land in West-Central Oregon. USDA Forest Service Res. Bull. PNW-RB-143. Tables 3 & 6.

Gedney, D.R., P.M. Basset and M.A. Mei. 1986. Timber Resource Statistics for Non-Federal Land in Northwest Oregon. USDA Forest Service Res. Bull. PNW-RB-140. Tables 3 & 6.

Gedney, D.R., P.M. Basset and M.A. Mei. 1987. Timber Resource Statistics for Non-Federal Land in Southwest Oregon. USDA Forest Service Res. Bull. PNW-RB-138. Tables 3 & 6.

Gedney, D. R., P. M. Bassett and M. Mei. 1989. Timber Resource Statistics for All Forest Land, Except National Forests, in Eastern Oregon. USDA Forest Service Res. Bull. PNW-RB-164. Tables 3 & 6.