



Larch Occasional Paper #10

February 2012

Oregon and Washington Raw Log Exports: Exporting Jobs and a Subsidy to Domestic Mills

by Andy Kerr¹

Abstract

Exports of raw (unprocessed) logs from Oregon and Washington are on the rise again due to increased demand from East Asia. The increase in exports has both economic and environmental consequences. Domestic wood processing facilities benefit from a general ban on exporting logs from federal and state public lands. As overseas mills outcompete domestic mills for logs from private timberlands, domestic mill owners exert political pressure on Congress and the administration to increase logging on federal public lands. Public lands are more important for biological diversity, watershed conservation, carbon sequestration, and recreation and other values than for logging. In 2010, 19 percent of all timber cut in Oregon and Washington was exported as raw logs rather than finished lumber. For perspective, only 8 percent of all timber cut in the two states came from federal public lands.

The Larch Company's 2010 Log Export Index

Total timber cut (all owners) in Oregon and Washington (billion board feet)	5.9
Raw (unprocessed) logs exported from Oregon and Washington (billion board feet)	1.1
Percentage of raw (unprocessed) logs exported from Oregon and Washington	19
Total timber cut on federal public lands in Oregon and Washington (billion board feet)	0.5
Percentage of Oregon and Washington log supply that came from federal public lands	8

Introduction

During the late 1980s, record volumes of timber were cut from all forest ownerships in Oregon and Washington. At the same time, record numbers of unprocessed logs were exported overseas, mainly to Japan, which was quite politically controversial. In the 1990s, a combination of the

¹ Andy Kerr (andykerr@andykerr.net) is czar of The Larch Company (www.andykerr.net), which has offices in Ashland, Oregon, and Washington, DC.

sustained stagnation of the Japanese economy, changing global markets, and other factors² (not to mention the creation of the great American housing bubble, which resulted in increased domestic competition for the wood) led to significantly reduced log exports, eliminating much of the controversy that surrounded the export of unprocessed logs overseas. Controversy has returned as exports have increased; exports were increasing even before the Japanese earthquake and tsunami of March 11, 2011, the consequences of which will likely further increase export of raw logs from Oregon and Washington.

The Issue



Figure 1. *Logs destined to be milled overseas stacked up at the dock at Coos Bay, Oregon, in 2011.* Photo: Richard Chasm.

Despite having to ship logs across an entire ocean, foreign wood processing facilities are willing to pay more for Pacific Northwest logs than many local processors in western Oregon and Washington. Since local wood processing facilities cannot outcompete foreign mills for local timber from nonfederal timberland owners, mill owners in western Oregon and Washington (many of whom do not own any significant portion of their own timberlands) exert political pressure on

Congress and the administration for increased timber production from federal public lands. Federal logs from Oregon and Washington generally cannot be exported, constituting a subsidy to domestic manufacturers. Compounding the problems for western Oregon and Washington mill owners is that U.S. domestic markets for finished wood products are very weak with housing starts at record lows.

The major reasons that West Coast timber exports to China have risen, according to a November 2011 press release from the U.S. Forest Service's Pacific Northwest Research Station, are as follows:

² Jean M. Daniels, "The Rise and Fall of the Pacific Northwest Log Export Market," General Technical Report PNW-GTR-624 (Portland, OR: U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station, 2005), http://www.fs.fed.us/pnw/pubs/pnw_gtr624.pdf.

1. Increasing Russian timber export tariffs (from 6.5 percent in 2006 to 20 percent in 2007; 25 percent in 2008 and 80 percent since 2009), which caused China to shift business to the U.S.
2. Tightening timber export policy of the neighboring countries
3. Decreasing U.S. domestic demand which leads to higher exporting supply
4. Increased demand for timber resources in China owing to urbanization and domestic infrastructure³

The Numbers

Volumes

1988 was a record year for unprocessed log exports from Oregon and Washington, with 3.7 billion board feet being exported overseas.⁴ That same year was a near record for logging in Oregon and Washington, with 15.7 billion board feet produced.⁵ Of this total, 24 percent was exported in the form of unprocessed logs. In 1988, 6.4 billion board feet were logged off of federal public lands.⁶

Richard Haynes, a consulting natural resource economist in Beaverton, said log exports are a recurring controversy and will remain so. By rule of thumb, a million board feet of timber generates about five logging jobs and five mill jobs, he said. Exporting raw logs adds a port job per million board feet, but the mill jobs are lost, he said.

“West Coast Log and Lumber Exports Jump in 2011, Fueled by China’s Export Boom,” Eric Mortenson, THE OREGONIAN (Portland), September 9, 2011

In 2010, 5.9 billion board feet were logged out of Oregon and Washington forests,⁷ of which 1.1 billion board feet (19 percent) were exported in the form of unprocessed logs (to China, 45 percent; Japan, 33 percent; South Korea, 19 percent; Other, 2 percent; Canada, 1 percent).⁸ For perspective, 0.5 billion board feet of the total timber cut from Oregon and Washington—8 percent—came from federal public lands.⁹

³ U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station, “West Coast’s Log, Lumber Exports in First 9 Months of 2011 Surpass 2010 Totals,” news release, November 21, 2011, <http://www.fs.fed.us/pnw/news/2011/11/lumber-exports.shtml>.

⁴ U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station, “Production, Prices, Employment, and Trade in Northwest Forest Industries,” Table 27: Volume of Softwood Log Exports from Seattle and Columbia-Snake Customs Districts by Species and Destination, 1961–2008, <http://www.fs.fed.us/pnw/ppet/27.shtml>.

⁵ Ibid., Table 16: Washington and Oregon Timber Harvest By Ownership, 1958–2008, <http://www.fs.fed.us/pnw/ppet/16.shtml>.

⁶ Ibid.

⁷ Debra D. Warren, “Production, Prices, Employment, and Trade in Northwest Forest Industries, All Quarters 2010,” Resource Bulletin PNW-RB-260, Table 16 (Portland, OR: U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station), http://www.fs.fed.us/pnw/pubs/pnw_rb260.pdf.

⁸ Ibid., Table 27, Volume of Softwood Log Exports from Seattle and Columbia-Snake Customs Districts by Species and Destination, 2000–2010.

⁹ Ibid., Table 16, Washington and Oregon Timber Harvest by Ownership, 2000–2010.

In 2011, log exports from Oregon and Washington were 1.66 billion board feet, a 40% increase over 2010. 46% of the total went to China.¹⁰

Hampton Affiliates of Portland, Ore., has announced that Randle Lumber Co., Randle, Wash., and Tillamook Lumber Co. in Tillamook, Ore., will shut down the week of February 14. Reasons given include weak lumber markets caused by severe winter weather across the U.S. and distorted log prices as a result of heavy export log shipments from the Pacific Northwest. The shutdowns will be reviewed on a weekly basis.

Random Lengths Curtailment Watch (www.randomlengths.com), February 11, 2011

Values

The “dock value” (for export) of the raw log exports from Oregon and Washington in 2010 was \$697,074,000,¹¹ for an average of \$633.59 per thousand board feet (MBF) of logs. In contrast, the average “Stumpage value” (on the “stump” before logging and transporting to the mill for domestic manufacture) for national forest timber in westside Oregon and Washington in 2010 was \$64.63/MBF.¹² To determine “pond value” (delivered to the mill for domestic manufacture), we assumed the high end of the \$125-225/MBF Oregon Department of Forestry “rule of thumb” for logging and hauling costs, as federal timber is generally more expensive to log and the farthest from the mill.¹³ For 2010, the estimated “pond value” for federal logs in western Oregon is \$289.63/MBF.

Sawlog prices in the Western US were up about 20 percent in 2010 as a result of increased competition for logs from log buyers in China, South Korea and Japan, according to the North American Wood Fiber Review. Prices for logs in the US South and Canada also moved up last year, but at a slower rate. Sawmills in Western Canada currently have some of the lowest wood costs in the world.

“Asia’s Increasing Demand for Wood Drives Sawlog Prices Up in the US and Canada, Reports the North American Wood Fiber Review,” Wood Resources International LLC, April 2011

The Role of Federal Timber

Exporting unprocessed logs from federal public lands is generally prohibited by federal statute.¹⁴ Exceptions exist for species that have been determined to be surplus to the domestic manufacturing need, such as Port Orford cedar.

¹⁰ U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station, “West Coast’s Log, Lumber Exports Increased Over Forty Percent in 2011,” news release, February 21, 2012, <http://www.fs.fed.us/pnw/news/2012/02/log-lumber.shtml>

¹¹ Debra D. Warren, “Production, Prices, Employment, and Trade in Northwest Forest Industries, All Quarters 2010,” Resource Bulletin PNW-RB-260, Table 28 (Portland, OR: U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station), http://www.fs.fed.us/pnw/pubs/pnw_rb260.pdf.

¹² Ibid., Table 88.

¹³ Oregon Department of Forestry, Log Term Definitions, http://www.oregon.gov/ODF/STATE_FORESTS/TIMBER_SALES/LOGPDEF.shtml

¹⁴ “No part of any appropriation under this Act shall be available to the Secretaries of the Interior and Agriculture for use for any sale hereafter made of unprocessed timber from Federal lands west of the 100th Meridian in the

However, exporters find ways to circumvent federal log export bans. Exporters can process the round federal log from federal public lands so it is no longer a log. Making a few nominal cuts to the federal log converts it into a “cant” (“[a] large slab cut from a log at the headsaw, usually having one or more rounded edges, and destined for further processing by other saws”¹⁵) that can be exported for final (and most of the) milling overseas. Unfortunately, for the purposes of the federal government, a cant is a piece of lumber.

*Two more sawmills to take downtime: High Cascade Forest has announced that effective today, its sawmill in Carson, Wash., and Mt. Hood Forest Products in Hood River, Ore., will cease operations for a minimum of two weeks. A company spokesman cited **severe buying pressure from log exporters** and continued wet weather, which have increased log prices to near record levels and created a log shortage. The situation will be reviewed the week of May 1. [emphasis added]*

Random Lengths Curtailment Watch (www.randomlengths.com), April 14, 2011

Why Domestic Wood Processing Facilities Want More Federal Timber

The difference between the average dock value (for export) and average pond value (for domestic manufacture) in Oregon and Washington in 2010 was \$365.15/MBF. As federal logs must be manufactured domestically, this figure represents the average value of the federal private log export ban to domestic manufacturers in Oregon and Washington in 2010. If federal logs could be exported, stumpage values (the value of logs before they are logged and before accounting for logging and transportation costs) would be comparable to those on private lands and no cheap logs would be available for domestic mills.

Generally prohibiting the export of logs from federal public lands subsidizes the domestic timber industry. Keeping jobs at home is an admirable goal to many, but not all, Americans. Others argue that free trade results in the most efficient markets and the most jobs.

Foreign log buyers are willing to pay \$650 per thousand board feet, while Northwest mills struggle to pay \$500 to \$550 per thousand board feet, said Tom Partin, president of the American Forest Resource Council in Portland.¹⁶

“West Coast Log and Lumber Exports Jump in 2011, Fueled by China’s Export Boom,” Eric Mortenson, THE OREGONIAN (Portland), September 9, 2011

contiguous 48 States which will be exported from the United States, or which will be used as a substitute for timber from private lands which is exported by the purchaser: Provided, that this limitation shall not apply to specific quantities of grades and species of timber which said Secretaries determine are surplus to domestic lumber and plywood manufacture needs.” P.L. 93-120, October 4, 1973, Department of the Interior and Related Agencies Appropriation Act of 1974. This provision has been renewed, without controversy, on every annual Interior and Related Agencies appropriations bill to date.

¹⁵ David S. Evans, ed., TERMS OF THE TRADE (Eugene, OR: Random Lengths Publications, 2000).

¹⁶ Mr. Partin’s reference to domestic log prices applies to logs from nonfederal timberlands as well as federal public lands.

It's 5,070 nautical miles from Coos Bay, Oregon, to Shanghai, China, and 4,226 nautical miles to Tokyo, Japan. It is obvious that certain foreign mills are more efficient at producing wood products than certain Oregon and Washington mills.

However one comes down on the broader debate on international trade (of which unprocessed logs from federal public lands is a relatively small part), it must be recognized that federal public forestlands have more societal benefits—such as intact watersheds, biological diversity, sequestering carbon to mitigate and adapt to climate change, and providing quality recreation.

If the Obama administration and/or Congress believes it is important to the country to increase log supplies to the domestic timber industry, such supplies should come from the elimination of unprocessed log exports or the imposition of a fee in lieu of domestic manufacture on exports, rather than any additional logging of mature and old-growth forests on federal public lands.

The number of vessel calls to the Port of Coos Bay spiked from a record low of 25 in 2009 to 39 last year. 2011 has so far seen 13 ships come to port, although it's difficult to tell how many were bound for China. "Last year, we were back up to pre-recession levels. This year, we'll exceed that," says Elise Hamner, Oregon International Port of Coos Bay spokeswoman.

"Whole Lot of Logging Going On," Nate Taylor, THE WORLD (Coos Bay, OR), April 30, 2011

Acknowledgments

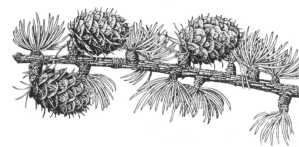
The author is indebted to Mark Salvo of WildEarth Guardians for editing. Many thanks also to Richard Chasm for granting the use of his photograph.

Additional Resources

The United Nations Food and Agriculture Organization tracks the production, imports, and exports of wood within and between nations:

- Forestry Trade Flows (<http://faostat.fao.org/site/628/default.aspx>)
- ForesSTAT (<http://faostat.fao.org/site/626/default.aspx#ancor>)

Larch Occasional Papers



DEDICATED TO THE CONSERVATION AND RESTORATION OF NATURE, THE LARCH COMPANY IS A NON-MEMBERSHIP FOR-PROFIT ORGANIZATION THAT REPRESENTS SPECIES THAT CANNOT TALK AND HUMANS NOT YET BORN. A DECIDUOUS CONIFER, THE WESTERN LARCH HAS A CONTRARY NATURE.

A deciduous conifer, the western larch has a contrary nature.

The Larch Company issues papers on a variety of topics that may be downloaded at <http://www.andykerr.net/downloads>.

#	Year	Title
15	2012	Native American Tribal Lands and Federal Public Forestlands in Oregon
14	2012	An Overview of Land Management for Oregon Federal Public Lands Under the Northwest Forest Plan
13	2012	National Wild and Scenic Rivers and State Scenic Waterways in Oregon
12	2012	Special Congressional Conservation Designations in Oregon: Some Better Than Others
11	2012	The National Wilderness Preservation System in Oregon: Making it Bigger and Better
10	2012	Oregon and Washington Raw Log Exports: Exporting Jobs and a Subsidy to Domestic Mills
9	2012	Pacific Northwest Offshore Oil and Gas Potential: At Best About A Month's National Supply; At Worse An Unnatural Disaster
8	2011	Small Wilderness: No Big Deal
7	2008	Overlapping Wilderness and Wild & Scenic River Designations: Optimal Conservation Protection for Federal Public Lands
6	2008	Establishing a System of and a Service for U.S. Deserts and Grasslands (co authored w/ Mark Salvo)
5	2007	Eliminating Forest Service Regional Offices: Replacing Middle Management with More On-the-Ground Restoration
4	2007	Forest Service Administrative Appeals: A Misallocation of Resources
3	2007	Thinning Certain Oregon Forests to Restore Ecological Function
2	2007	Transferring Western Oregon Bureau of Land Management Forests to the National Forest System
1	2007	Persuading Congress to Establish a Wilderness and/or Wild & Scenic River: A Checklist

While these papers are provided without charge, producing and distributing them is not without cost. If you found this paper useful, please consider sending a check in the amount of what you think it was worth to you payable to The Larch Company, 7126 Highway 66, Ashland, OR 97520. Thank you.

Suggested Citation: Kerr, Andy. 2012. Oregon and Washington Raw Log Exports: Exporting Jobs and a Subsidy to Domestic Mills. Larch Occasional Paper #10. The Larch Company. Ashland, OR. (available at www.andykerr.net/downloads)

© 2011 The Larch Company. Use is permitted in accordance with a Creative Commons license (CC BY-NC-ND 3.0). See <http://creativecommons.org/licenses/by-nc-nd/3.0/p>