



Oregon

John A. Kitzhaber, MD, Governor

Department of Forestry

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"STEWARDSHIP IN FORESTRY"

The Honorable Phil Barnhart
Chair House Revenue Committee
Oregon State Capitol
900 Court St. NE
Salem, Oregon 97301

Re: House Bill 2555

Dear Chair Barnhart and Members of the Committee:

The Department of Forestry appreciates the opportunity to provide testimony regarding House Bill 2555.

The bill would impose a severance tax on timber harvested in the state of Oregon and offset that cost with a tax credit program for timber owners that have their logs milled within the state. One purpose of the bill seems to be limiting log exports. Projecting the impacts of changes in laws and policies related to log exports is difficult, but there would be winners and losers. This bill is likely to result in lower log prices, which would benefit manufacturers, but have negative consequences for landowners that want higher prices for their logs. Because of lower log prices the bill may also have unintended consequences by reducing timber supply and associated logging, management, and transportation jobs when log markets are poor.

The forest industry creates a number of different types of jobs for every million board feet of timber harvested. Those include about two logging jobs, one transportation job, and three jobs in forestry support and management. If lumber and plywood are manufactured in-state about three additional mill jobs are created, and if the logs are exported about one additional port job is created. Clearly, it is more advantageous to process logs in Oregon. However, if domestic lumber prices were weak at a time when log exports were restricted, some of the timber would not be harvested until final product markets improved. This could translate into fewer jobs for the non-manufacturing sectors of the forest industry, and lower prices could result in some landowners exiting the timber business and converting their lands to non-timber uses (Figure 1).

The bill directs ODF to adopt rules for a tax credit program and issue written certification for the tax credits. This would require tracking logs from their origin through sort yards where logs from different sources are mixed together. Since this is not a function that ODF has performed in the past, it is difficult to estimate the time and personnel that would be required to accomplish

these tasks. Oregon's private timber harvests are about 2.5 of the 3.5 billion board feet of timber harvested annually, and all of it would potentially need to be tracked. The cost of setting up and administering a tracking system is unknown, but would be expensive.

To provide you with more in-depth information on the topic, we have attached a draft study on Oregon's log export issues (Attachment 1).

Sincerely,

Gary Lettman
Principle Forest Economist

Attachment 1: Oregon Log Exports: Situation and Solutions

c: Doug Decker, State Forester
Richard Whitman, Governor's Natural Resource Policy Advisor
Linda Gilbert, Principal Legislative Analyst, LFO
Lisa Person, Policy & Budget Analyst, BAM
Agency Executive Team
ODF Legislative Tracking Unit

Figure 1 Average Western Oregon Log Price Index

1984-2012, Adjusted for Species, Grade & Inflation; in 2012 Dollars per MBF

