



Providing Opportunity to Family Forestland Owners

March 27, 2013

To: House Revenue Committee

RE: HB 2555

My name is Jim James. I am Executive Director of the Oregon Small Woodland Association (OSWA). OSWA is a membership trade organization that represents the interests of Oregon's family forest owners. We have active members and chapters throughout the state. OSWA members own and manage over 250,000 acres of Oregon's forests. OSWA is opposed to HB 2555. If enacted, it will likely decrease the value of timber produced in Oregon and harm all family forest owners when it is time to harvest and market their timber. Free open markets are the only way Oregon will remain competitive and relevant in today's world economy of wood products. Discouraging one log market over another will eventually lead to a lower value for timber in Oregon. Earlier in my career, I worked for Willamette Industries, which at the time operated eight log using manufacturing facilities and also exported logs. Log markets are far more complicated than HB 2555 assumes. Both markets can operate without negatively affecting the other.

There is plenty of timber in Oregon to meet the domestic market and the export log market. There always will be. Oregon's Forest Practice Laws assure a continual supply of timber while protecting all the other benefits forests provide. Taxing the export log business out of business will do nothing to change that fact. The number of logs manufactured into finished products in Oregon is only a factor of demand for the products not the export log business. When demand for wood products is strong domestic mills have and will acquire the raw material they need to meet that demand, just like the export market will do. Free markets provide the competition needed for a constant demand for timber in Oregon. Free markets will provide the highest value for timber produced in Oregon, the best value for Oregon, and securing the most wood product jobs.

There is a huge cost to family forest owners to keep their forests healthy and productive and some family forest owners may have a single harvest each generation. To maintain the incentive to make these investments and maintain a forest as a forest, landowners need to know there will be competitive markets for their timber at time of harvest. Taxing the export log business out of business will take away a viable market for forest owners and leave them to the mercy of a single market that can have huge swings up and down. Under this scenario family forest owners could find no demand for their timber at a time when they need the revenue from a harvest. There is never a guarantee log markets will always be good, but with both a domestic and export market the probability of a good market is greatly improved.



Providing Opportunity to Family Forestland Owners

If HB 2555 were enacted, assuming the proposed harvest tax payment paid by the supplier would go back to the log suppliers is a flawed assumption. For a time, I was responsible for the procurement of over 100 MMBF of timber for Willamette Industries' eight log using mills in Oregon to complete their raw material needs. That was 20 years ago, but I would be surprised if the philosophy and principles around buying logs has changed that much. I can tell you the normal log buyer will only pay for the species and log type they want and will pay not a penny more than they have to. Competition with other mills and the export market keep prices competitive. Without an export market log sellers will be at the mercy of a single market.

I do not believe a harvest tax, as proposed, will meet the assumed outcomes. Logs are a crop, just like corn, wheat, or apples. Oregon's economy is better when we can export and renew our natural resource products. Timber is no different. The current market systems and log supply from private forests, dictating the wood products industry in Oregon, is not broken. If the committee wishes to make a positive impact on Oregon's wood product industry, the focus should be on getting federal forests to manage their forests sustainably and not tinker with a system in balance. The industry is out of balance in parts of the state where federal forests make up most of the forested area such as Eastern Oregon where there are little or no exports.

Based on my experience in dealing in log markets, as both a seller and a buyer, and assuming federal forest policy remains unchanged, I predict a complete failure of the intended outcomes from HB 2555. The industry and the state's economy will not be better off and the unintended consequences will be many.

I urge that HB 2555 not move forward.

Thanks,

Jim James
Executive Director
Oregon Small Woodlands Association