



# HAMPTON LUMBER MILLS, INC.

## TILLAMOOK DIVISION

A Hampton Affiliate

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Re: MORE PUBLIC MONEY WASTED

November 18, 2013

It was with a mix of sadness and “I told you so” when I read the November 13<sup>th</sup> article by Amelia Templeton of OPB documenting the local battle in Newport over the potential Asian raw log export yard largely for the benefit of a few out-of-state land owners. I testified last year at the Oregon Transportation Commission hearing that using public funds to support building a log export yard was poor public policy for the state of Oregon. At the time, the Port of Newport officials assured the Commission that this public money would be used for many export products and would create many jobs. What a surprise, only the out-of-state landowners with a narrow self interest are now stepping up to sell their raw logs to China. And to add “insult to injury,” they need more public assistance for dredging so they can profit by selling logs to Asia while local sawmills are desperate for more logs. While I can’t speak to the environmental effects of additional dredging, why should we invest more of our tax money to help these people out?

The forest products industry in recent years has suffered greatly from environmental litigation that has mostly locked-up the Federal forests and led to harvesting of state forests at lower than sustainable harvest levels. In the last six years, the Great Recession has dropped housing starts in the U.S. by over 50%, but markets are beginning to recover. At our company, we have invested heavily to modernize our sawmills and have developed the infrastructure and relationships overseas to sell finished lumber from our Oregon mills to markets in Japan, China, Taiwan, Korea, etc. However, with the combination of falling public timber harvests and surging private raw log exports to Asia, we are only operating our Pacific Northwest sawmills at 65% of normal capacity due to the lack of affordable logs. Raw log exports from the West Coast are on pace to exceed 2 billion board feet in 2013 or the equivalent raw material needs of 25 large domestic sawmills. This had led to not only a log shortage for domestic sawmills, but the highest log price in the world, as Oregon’s family-owned sawmills struggle to stay in business. The logs shipped to China are run through antiquated Chinese sawmill equipment by workers receiving substandard wages with rudimentary safety practices. Nothing for Oregon to feel proud about with that business.

Contrast that with our Tillamook sawmill facility: the Oregon Environmental Quality Commission toured the operation several weeks ago and left us with very complimentary feedback. In the last decade, the Hampton family has invested millions of dollars to improve the efficiency of the sawmill, the products we can sell globally and the safety and environmental footprint of the facility. We currently employ 140 people directly at Tillamook paying family wages with an excellent health care and retirement package. This does not include all of the indirect jobs providing supplies, trucking lumber or selling residuals to pulp or particleboard mills. The jobs created out in the woods for logging will be there whether the logs are harvested for domestic or export use so don’t assume exporting logs creates additional woods jobs. Tillamook Lumber used to employ well over 200 people, but today we can’t find enough logs at a price that allows us to make a profit. At Tillamook we have done our best to be a be a good corporate citizen



in the local community by donating money for a new library, a football field, and helping with efforts to pass property tax measures to help schools. We also stepped up as a big supporter of rebuilding the Vernonia School and, with our partnership with the Tillamook Community College, we help provide funding to train future workers in electrical and mechanical skills. While Oregon's family-owned sawmill businesses have a long history of investing in our local communities, I am not sure the same can be said for all of the large out-of-state log exporting companies.

Some of these large out-of-state landowners who represent investment money from all over the world seem to be only interested in getting the maximum price for their logs by selling to Asian customers. In doing so, they pull logs out of the Pacific Northwest "wood basket" which lowers the local supply and keeps domestic log prices too high for existing lumber market conditions. Do we really believe the Chinese will continue to pay extraordinarily high prices for Oregon's private logs after its domestic sawmill industry is decimated? Once our domestic industry is destroyed, Oregon's private forest landowners will likely be forced to convert forestlands to non-forest uses as the customer base for their logs will be inadequate to provide an acceptable return for the costs incurred in sustainable forest management. Is the conversion of forests to shopping malls or other developments an acceptable social or environmental answer for Oregon? While this log export activity may be adding a few port jobs to ship raw logs to Asia, a much larger group of Oregon's sawmill workforce will lose its employment opportunity as an added consequence. I believe in free trade, but it is not fair trade when the Chinese subsidize raw material imports to create low-wage jobs in China.

If the log export yard at Newport is completed and gets anywhere close to the size of the one at Astoria, this could lead to the closing of our sawmill at Tillamook. Other sawmills in Oregon will also be affected as there are not any extra logs to put through Newport. Unfortunately, neither the Ports of Newport or Astoria have the infrastructure to economically load value-added lumber we produce and ship using containers, so once again the sawmills and our workers will take it on the chin. What kind of public policy is this for the state of Oregon? As more sawmills close due to the shutdown of public lands and increased private log exports, the U.S. will be forced to buy more lumber from Canada. With all of our underutilized natural resources, it is disgusting that we have to buy 35% of our lumber from Canada while we ship privately-owned logs to Asia.

I applaud the local citizens who have stood up and clearly understand the down side of log exports out of Newport. Whether from an environmental or economic standpoint, it makes no sense for Oregon. The Governor in speaking to the Board of Forestry claimed he had no wish to see Oregon turn into a "timber colony for Asia." As I understand it, the final hurdle for the log export proponents to clear is to obtain permission for the required Yaquina Bay dredging from the DEQ and State Land Board. Now is the time for public officials to do the right thing and stand up for local jobs producing value-added products. Can we really afford as a state to trade family wage jobs for foreign log sales that leave Oregon poorer in many ways? Please shut off the public funds for this unsustainable activity.

Steve Zika  
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