

**Testimony Before the House
Agriculture & Natural Resources Committee
In support of Senate Bill 248**



**Presented By Bob & Kirk Luoto, Cross & Crown, Inc.
May 14, 2015**

Mr. Chairman and members of the Committee, we are Bob and Kirk Luoto. We own and operate Cross & Crown, Inc., a small-business logging company located in Carlton, Oregon. We are third and fourth generation family business owners, offering services in forest harvesting, transportation, and timber marketing.

We support Senate Bill 248—relating to efficient timber sale from State Forest lands. Cross & Crown has participated in a pilot test-project, to evaluate this concept on State Forests by Oregon Department of Forestry (ODF). We found it to be an effective way to harvest and sell State timber.

SB 248 would authorize a new way for ODF to market its timber, with the objective of maximizing revenues to the State. Currently, the State sells standing timber to a single the high bid purchaser—that purchaser who then hires contractors, such as Cross & Crown, to complete harvest operations and deliver logs to mills designated by the purchaser. Under the current model, the contractor works for the purchasing business entity that pays for and owns the standing trees. SB 248 would modify Oregon statutes to allow the State to maintain ownership of timber all through harvesting and trucking to mills. The State hires contractors directly—to harvest and truck. And, the State markets logs to several different timber mills, each purchasing a specific log grade delivered by contractors working for the State. The State owns and directs the logs until they arrive at a mill.

The industry refers to this model as “log sort” timber sales,” because the State directs sorting and selling of logs—rather than the customary timber purchaser doing this. Log grades most suitable for lumber products would be sold by the State to a sawmill; the logs suited for plywood would be sold to a plywood mill; logs qualified for utility poles would be sold to a pole plant; pulp logs sold to a chip plant; and so forth. In a log sort sale, these log grade sale arrangements and delivery destinations would be determined in advance by ODF. The State’s objective is to maximize their revenue by marketing each log grade to the manufacturer where the most value can be realized.

Customarily, in today's State timber sale, a single timber sale purchaser pays for and owns the standing timber, and that private-sector purchaser does all the log marketing to optimize its revenues, relative to the price it paid the State for the standing trees.

Our company has experience with the proposed "log sort sales," and we believe this method could improve revenue to the State, in the proper circumstances and with proper oversight by the Forestry Department.

Now, we would be remiss if we didn't remind the Committee that the best and most efficient way for ODF to improve State Forest financial performance would be to sell more timber! We believe State Forests are now an under-performing asset, because the State is not currently selling near the timber volume these lands are growing. In fact, the Tillamook and Clatsop State Forest harvest volume could be increased by 40-50% on a sustained yield basis, while protecting natural resources and its legal obligations. We encourage the Committee to keep this under-performance in mind during your future deliberations of State Forest asset management.

In conclusion, we support Senate Bill 248 for the following reasons:

1. The Bill would give the Forestry Department a new useful tool in its tool box.
2. We do not suggest a wholesale change to "log sort" sales on State Forests—rather, we support SB 248 to add another tool that helps market a portion of State Forest timber.
3. ODF has shown it successfully can administer forestry contracts without being encumbered by the State's complex direct contracting requirements.
4. This bill would provide harvesting contractors, such as our company, opportunities to work for an additional customer—ODF.
5. We believe this bill would improve State revenues received on those select timber sales where a "log sort" transaction makes sense. SB 248 would foster financial returns to counties, taxing districts, and State Forest administration.

We would be happy to answer any questions you may have.