

Dear Chairwomen Giessel,

During the hearing on SB32 in SRES last Friday, there was a question asked concerning values of export vs domestic logs and how the Division accounts for some of the intrinsic values of local jobs and manufacturing.

The first part of the question is relatively easy to answer and I asked my staff to analyze our timber sale data for Southern Southeast where there is an active market for both types of product. The second part of the question is more difficult to answer and put a “hard” number on, but here are some points for consideration:

☐ I went over our old sales and our different price lists for export logs compared to domestic logs and came up with an average difference of 35%. The export log value is generally 35 % higher than the domestic log value, but the range could be anywhere from 50% - 20% higher, depending on the species and the log quality.

- o Export log prices are delivered alongside the ship. There will be a stevedoring cost, but not a shipping cost overseas.
- o Domestic log values are based on delivery to a mill.
- o Neither price, export or domestic, covers log manufacturing costs.
- o Average export values have decreased over time, based on lower demand for high end quality logs.
- o If we sell a timber sale for export, then we would sell it as a competitive sale under 38.05.120.
- o For domestic processing, we sell our sales as negotiated sales, which allows us to require domestic processing of round logs.
- o Domestic sales have a higher intrinsic value than export sales, due to instate manufacturing, higher employment, residual value such as utilities, fuel, rent, food, etc. Any additional value to an export sale ends alongside the ship.
- o Our timber sale appraisal does not include manufacturing cost or values. It is strictly log value minus the cost of harvesting and delivering the logs to a mill or alongside a ship.
- o Typically, we don't quantify the value of local manufacturing, more jobs, trickle down value, or social value to the local communities. We have always assumed it has a higher value, based on figures computed from the Department of Labor and by other publications in the peer reviewed literature on this topic.

There was also a second question asked concerning the interpretation of “best interest” on lines 6 and 9 of the proposed legislation. I've been working with the Department of Law on this item and should have a written response to the Committee by the end of the week. I look forward to discussing the bill further at next Wednesday's hearing.

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State Forester