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FACT SHEET

Forest Products Exports:

Policy Impacts

The 1991 ban on state log exports adds a new dimension to the debate between those favoring open trade and those advocating export restrictions. The export mix of logs, primary and secondary wood products continues to change for economic reasons as well as from policy decisions. Regardless of log export bans, the reduced harvests due to northern spotted owl habitat restrictions and other preservation measures dominate the impacts of policy upon exports.

Are Export Revenues Declining?

Regional log and lumber export revenues are down, even as secondary wood products exports are up. Despite 164% export growth for some of the more important secondary wood products and a 76% surge in the export of hardwood lumber (primarily red alder), Pacific Northwest solid wood export revenues declined 11% for the products shown in the table between 1989 and 1992. This decline came as national exports of the same wood products increased by 8%.

The regional export decline for solid wood products is largely a consequence of reduced harvests in the west and the international business recession in key Pacific Rim countries. Even so, secondary product export growth had not yet been similarly impaired by raw material shortages in 1992.

While regional pulp and paper exports were down only 2.6%, from $1.28 billion to $1.25 billion between 1989 and 1992, total U.S. pulp and paper exports increased nearly 20% over the same period, from $8.63 billion to $10.32 billion. The Pacific Northwest clearly suffered a significant loss in export market share of pulp and paper. products.

Forest products exports have long been an important contributor to the regional economy. Washington State is the largest wood exporter in the U.S. The Seattle Customs district alone, which excludes the Columbia River ports in Washington State, dominates other states in solid wood exports.

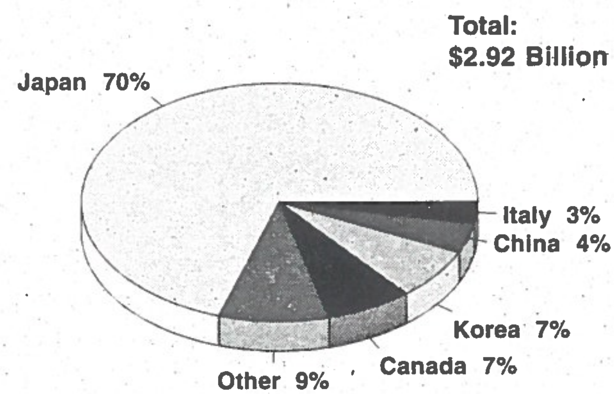
Selected Solid Wood Products Exports

	Oregon and Washington Ports			*Total U.S.*		
(in $millions)	1989	1992	Change	1989	1992	Change
Softwood Logs	1724	1499	-13%	2173	1916	-12%
Softwood Lumber	875	700	-20%	1404	1363	-3%
Chips	286	248	-13%	388	474	22%
Softwood Plywood	72	51	-28%	301	378	26%
Hardwood Lumber	74	130	76%	643	974	51%
Secondary Products*	36	95	164%	133	336	153%
	3067	**2723**	**-11%**	**5042**	**5441**	**8%**

**includes softwood mouldings, doors, windows, fabricated structural wood members, and prefabricated buildings*

Source: U.S. Dept. of Commerce

Pacific Northwest Solid Wood Exports by Country, 1992



Do Export Bans Give Away the Region's Comparative Advantage in Growing Timber?

From an economic perspective, imposing export bans may give away much of a region's comparative advantage in growing wood. Foreign log buyers will often pay more for quality logs than do domestic wood processors, and thus timber growers restricted by log export bans do not receive the full market value for their timber. Export premiums for quality logs provide both the cash and the economic motivation to reinvest more in forest management.

1992 Seattle Customs District

	Share of Northwest	*Share of U.S.*
Softwood Logs	60%	47%
Softwood Lumber	48%	25%
Secondary Products	72%	20%
Total Export Value	57%	25%

Source: U.S. Dept. of Commerce

Companies within states or regions that benefit from export revenues appear to invest more in customizing products for export markets. For example, state-level data indicate that Washington's exports exceed that of Oregon not just in logs, but in all forest products exports, even with a lower production levels. Similarly, the Seattle Customs District share of secondary wood products (shown upper right) was 72% of Pacific Northwest exports of these products in 1992.

1991 Export Share of Production

		Washington	*Oregon*
Total Softwood Harvest	mbf Scr	5,103,920	6,080,256
Log Export Volume	mbf Scr	2,191,523	365,414
Export Share of Production		43%	6%
Softwood Lumber Production	mbf LT	3,581,000	6,473,000
Lumber Exports	mbf LT	857,356	604,725
Export Share of Production		24%	9%

Source: Northwest Economic Associates

Who Gains and Who Loses from Export Bans?

Domestic mill processors gain from the lower stumpage prices available on timber that has been restricted from export sale. U.S. taxpayers make up for any revenues lost from federal log export bans. State taxpayers and the beneficiaries of timber revenues from state management agencies bear the cost of state export bans. Timber growers, port communities, and foreign buyers also lose. From an overall economic standpoint, bans have been shown to harm more than benefit, and the net cost to consumers and producers can be substantial.

In contrast to export bans, export taxes could capture increased revenue while lowering log costs to domestic processors, but timber growers would still receive less, and would in effect be paying for the extra domestic processing unless the tax is returned to them for timber management. Furthermore, such taxes invite foreign retaliation and encourage buyers to purchase logs elsewhere.

Do Harvest Reductions or Export Bans Have the Greatest Impact?

The over four billion board foot reduction in western timber supply from conservation and endangered species preservation could eventually shut down nearly twenty-five percent of the regions processing capacity. This shortfall dwarfs the impact of a state log export ban, which reallocates a few hundred million board feet from export to domestic markets. With higher log prices resulting from reduced timber supply, export log premiums over domestic log sales are reduced, redirecting substantial volumes from export to domestic markets and avoiding some domestic mill shutdowns.

In the long term, higher timber prices will attract other suppliers to replace most of the Northwest timber reductions. Some buyers will turn to the U.S. South, others to Russia, which has a large inventory of old growth, and others will seek wood from countries like New Zealand and Chile, where new plantation wood is coming on line. Non-wood materials such as concrete, steel, aluminum, plastic, and composites will increasingly be substituted for solid wood in traditional applications.

Both export bans and harvest restrictions shift timber production and supply from the Pacific Northwest to other suppliers. Similar to the increase in economic costs that result from these shifts, bans and restrictions are also accompanied by a greater dependence on marginal producers whose activities may have more severe impacts on the global environment.

For more information, contact CINTRAFOR and ask about the following publications:

"The Economic Impact of a Log Export Tax: Who Gains and Who Loses?" SP-2.

"An Assessment of the Impacts of Recent Environmental and Trade Restrictions," WP-33.

"Meeting the Need for Environmental Protection while Satisfying the Global Demand for Wood," FPS Forest Products and the Environment Proceedings.

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