

Statement of Jameson “Jamey” French, President and CEO of Northland Forest Products

**Before the Subcommittee on Fisheries, Wildlife, Oceans and Insular Affairs
Oversight Hearing on the 2008 Lacey Act Amendments
House Natural Resources Committee
May 16, 2013**

Mr. Chairman, Members of the Subcommittee, I am Jameson French, President and CEO of Northland Forest Products, a hardwood lumber processor, exporter and distributor based in New Hampshire with operations in Virginia. My family has been in the hardwood lumber business since the late 1800s. I am here before you today to represent the views of both my company and as a member of the Hardwood Federation, the largest hardwood industry trade association, representing thousands of hardwood businesses in every state in the country. Companies in the hardwood industry are predominantly small family-owned businesses dependent upon a sustainable supply of healthy timber resources, both imported and domestically sourced. They serve not only the domestic market, but a strong and growing export market. The Federation and its members believe it is critical to keep American companies operating and our citizens employed by protecting forest resources and increasing consumer demand for hardwood products, and assuring fair competition worldwide.

The Hardwood industry includes many multi-generational families that care deeply about long term healthy and sustainable forests, whether in North America or around the world. Without forests there will be no forest industry, let alone forests that pull and sequester carbon from the atmosphere, provide recreational activities and give shelter and habitat to wildlife.

A strong forest products industry supports healthy and valuable forests. In 2012, the US Department of Agriculture Forest Service released a study showing the correlation between an active forest products industry and expanding forests in areas of the world with the most active forest products industries, including North America, Northern Europe and Scandinavia. The Lacey Act is a valuable tool for the Hardwood industry in terms of both creating healthy and sustainable forests and supporting the U.S. forest products industry.

I think it is also important to note that the U.S. is held in high esteem around the world for taking the first step in addressing this global problem. Now, there is a growing movement around the world as others follow our work to reduce illegal logging: The European Commission estimates that 19% of lumber imports to the European Union are illegally sourced. The European Union, as well as other countries, are viewing this as a serious problem and also enacting Lacey-type laws to address sourcing. Some key examples include:

- The European Union passed their Timber Regulation in 2010 and fully implemented it in March of 2013;
- The Australia passed the Illegal Logging Prohibition Act and the government has committed \$1 million to work with regional governments and industry on a number of measures to combat illegal logging;
- The Philippines is also ramping up their enforcement against illegal logging.

The Hardwood Federation was the first industry group to recognize illegal logging as a serious threat. We were one of the first associations along with 49 other trade associations, non-profits and unions that supported passage of the Lacey Act Amendments as part of the 2008 Farm Bill. We did so for reasons that were both environmental *and* economic. Purveyors of illegally harvested timber have the potential to inundate our markets with products priced at levels that are simply out of reach for U.S. producers. In fact, illegal logging costs our industry billions of dollars each year by suppressing global prices by as much as 16 percent. By putting law-abiding U.S. producers at a competitive disadvantage, illegal logging costs us real jobs here in America.

Simply stated, the case for bolstering the century-old Lacey Act to address illegal logging was so compelling that the 2008 amendments were enacted under the Bush administration with strong bipartisan congressional support. The U.S. Forest products industry is a considerable economic force. The amendments were passed after public hearings and extensive negotiations among affected parties. The US importing companies we represent are willingly bearing the costs of complying with the Lacey Act and applaud the US government agencies such as the USDA Animal and Plant Health Inspection Service for implementing an effective program of compliance given minimal resources.

The industry produces approximately \$200 billion in products annually and employs nearly 900,000 men and women in good paying jobs. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states. Our industry, like others, has been challenged over the last few years by economic and regulatory uncertainties. However, there are key benefits we are realizing since the passage of Lacey.

First, it is important to note that the U.S. has the largest supply of sustainable, legally sourced hardwoods in the world. With a growing emphasis on worldwide enforcement against illegal practices worldwide, American hardwoods have benefited as the preferred choice.

Market forecasts show that the legality movement, which was prompted by enactment of Lacey, will reduce wood supplies from countries where there is a significant risk of illegal logging. Recent statistics show that this heightened awareness around the world is providing a real opportunity for legal operators in the United States.

- US hardwood lumber exports in 2012 were at their highest ever level last year, at \$1.6 billion;
- In 2008, the US share of global hardwood lumber trade was 13 percent. Since that time—coinciding with enactment of Lacey--that share has steadily grown and in 2012, reached 20% for the first time;
- Over the last four years, US hardwood lumber exports have risen by more than 70%;
- During the same period exports from all other leading hardwood lumber producing countries, with the sole exception of Thailand, have been flat or declining;
- In 2012, China's trade statistics record a 5% increase in imports of US hardwood lumber while imports of hardwood lumber from all other sources declined by 6%;
- In 2012, US hardwood lumber export value was more than double that of Malaysia (\$790 million), the world's second largest exporter of hardwood lumber.

In addition to these macroeconomic figures, I would like to share a few examples of how the Lacey Act has helped some small businesses in my industry:

- Tom Talbot, the CEO of Glen Oak Lumber and Milling in Montello, Wisconsin notes that in the last 2 ½ years, his business in American basswood window products has soared. The increase is directly attributable to national distributors' demand for legally sourced wood and accurate documentation.
- Orn Gudmundsson, President of Northland Corporation hardwoods based in Kentucky states "As a wood importer myself, I do not believe the Act imposes undue burdens on us, nor does it seek to stop the use of imported wood or wood products. Furthermore the inclusion of wood in the Lacey Act has had an enormously positive impact on US hardwood lumber exports. Manufacturers overseas are increasingly relying on US hardwood lumber, due in part to our reputation for legally sourced and sustainable timber. Many Southeast Asian manufacturers who wish to avoid wood from questionable sources have increasingly turned to US hardwoods. About 50% of my company's exports to Southeast Asia are probably returned to the US as finished or semi-finished product. If we abolished the Lacey Act these manufacturing jobs would not magically reappear in the U.S. rather the US lumber they are made from would be likely replaced by illegal local wood."

As a member of the Hardwood Federation and a representative of the ten thousand (10,000) businesses we represent, I urge Congress to allow the Lacey Act to be fully implemented. We currently await the interagency report to Congress on aspects of Lacey Act implementation, enforcement and its effectiveness. In the meantime, we

recommend that Congress provide full funding for Lacey Act implementation so that computer systems and other critical infrastructure needed to make this law fully effective are in place. We strongly oppose Congressional actions aimed at re-opening the statute and diminishing enforcement.

It is important to note that delivering on Lacey Act objectives is not a process without growing pains as the private sector and the government learns from each other about implementation realities. That is why 57 industry trade associations and environmental groups, including the Hardwood Federation, the International Wood Products Association, the American Forest and Paper Association, the National Association of Manufacturers and the National Retail Federation signed onto a consensus statement recommending areas to streamline and enhance implementation that can be made administratively to the Lacey Act. We look forward to continuing to work with our co-signers and the Administration on these technical fixes.

The increased awareness of the need for transparency, risk management and legal sourcing is precisely the intent of the Lacey Act. This law is important for protection of the environment and the competitiveness of the U.S. forest products industry. This Act promotes our ability to maintain a growing consumer demand for a U.S. sustainable supply of healthy timber resources which in turn supports local economies situated in predominantly in rural areas across this great nation.

Thank you for your consideration of our industry's perspective on this issue. The Lacey Act is critical to US hardwood jobs and we urge the Committee to assure that the statute is allowed to continue to be fully implemented as originally envisioned.