



FEDERAL FOREST RESOURCE COALITION

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**Before the House Agriculture
Subcommittee on Conservation and Forestry**

**The U.S. Wood Products Industry: Facilitating the Post-Covid
Recovery**

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Thank you for the opportunity to speak to you today about the impact of the pandemic on the public lands timber industry, and our experiences as the broader economy has continued to recover. Congress has an opportunity to use the upcoming infrastructure legislation to make badly needed investments in the management of our National Forests. However, Congress must understand both the urgency of the need for management, and the difficulties Forest Service managers face as they grapple with an expanding forest health crisis on our public lands.

The Pandemic and the Public Lands Timber Industry: When the pandemic began, widespread economic disruption caused lumber prices to plummet by more than 43 percent in the space of less than 6 weeks. This is a bigger drop in lumber prices than the one that took place over 3 years during the 2008 – 2011 “Great Recession.” While toilet paper and other household paper demand initially skyrocketed due to hoarding, my industry, like most others, anticipated a prolonged recession and began taking steps to prepare. This meant curtailing production, and in some cases closing mills. The industry, smaller in 2020 than it was in 2009, scaled back production, anticipating depressed demand.

The Forest Service moved quickly to allow timber contract holders flexibility to extend current timber contracts. Over 700 timber contracts were granted extensions within a few months of the beginning of the pandemic. Individual National Forest units took steps to adjust field operations and managed to maintain a timber sale program in 2020 that matched the roughly 3.2 Billion Board Feet sold in 2019. While among the highest level sold in over 2 decades, *this still represents a little more than half the Allowable Sale Quantity identified in current Forest Plans.*

Operating during Covid was a challenge for my member companies, just as it was for many other industries. Although we were designated as an essential sector by the Department of Homeland Security, our mills had to adjust operations to allow for social distancing and other Covid-related precautions. Occasional outbreaks required mills to take downtime or reduce production.

The Forest Service deserves credit for keeping the timber sale program going in 2020, during both the disruptions caused by the pandemic and the onset of the record-breaking fire season. Many of the larger fires took place in the last month of the fiscal year, a time during which many sales are awarded each year.

The Lumber Recovery: As you know, the disruption caused by the pandemic led to a sudden – and very much unexpected – rebound in lumber markets. After tanking dramatically in March, 2020, by the first week in July, prices began to recover. By May of this year, the DIY market, combined with the strongest year in new single-family home construction in more than a decade, sent lumber prices to record highs. Since May, however, lumber markets have proven that the law of supply and demand remains very much in effect: The CME lumber index has *fallen 62 percent in the last two months* as production and market demand have equalized.

The capacity of mills to meet demand has not been the sole issue in lumber markets. Efforts to recruit professional loggers and truck drivers has been lagging for some time. Several of my members have told me that the lack of trucking capacity – due to a shortage of drivers – is a major bottleneck in their efforts to meet market demand.

The forest products industry is capital intensive, and it is difficult to raise the capital needed to build and modernize mills without a reliable supply of timber. The lumber and panel industry shrank significantly in the wake of the Great Recession. The sudden demand for lumber and other building materials in the last 18 months caught our industry by surprise, much as it did other observers.

For the mills I work with, the 2020-2021 fiscal year was an opportunity to make up for decades of generally low prices for our products. It's important to note that not every segment of the wood and paper industry has enjoyed strong pricing as we've been through the pandemic. The closure of in-person schools and offices has severely depressed demand for printing and writing paper, for instance.

However, as market demand for solid wood has remained strong, the Forest Service timber sale program has not kept pace. At the end of the second quarter, timber sales from the National Forests were down by over 19 percent compared to the same quarter last year. More alarmingly, modest effort to conduct removal of fire-killed timber near roads and campgrounds has been limited by threats of lawsuits from environmental groups. Salvage of burned timber from National Forests in Oregon and California has been limited, in keeping with patterns in recent years. Failure to remove burned wood from unreserved lands condemns these forests to convert to brush fields, which are more susceptible to future fires and do not sequester carbon the way healthy, growing forests do.

Salvage of this burned timber would store carbon in long-lasting wood products while generating revenues to defray reforestation costs. Outside groups, such as The Nature Conservancy and American Forests, estimate that there are over 7 million acres of National Forest requiring reforestation, figures that were arrived at before the disastrous 2020 fire season.

Going Forward: Strong Lumber Markets Can Help Save Our Forests, Store Carbon, and Create Jobs: Outgoing Chief Vickie Christiansen told Congress last year that up to 40 percent of the National Forest System is at moderate to high risk of catastrophic fires.

Throughout the 1990's, the management of our Western National Forests was changed to "protect" several species, including Spotted Owls, several salmon

species, and the Grizzly bears. In each case, the Forest Service has presumed that closed-canopy, high-density forests were the preferred habitat for each of these species. We've had more than 20 years to see the results, and they are not pretty.

As harvests have dropped, wildfires have increased. Overstocked National Forests succumb to fires driven by drought, climate change, and insects. Communities have been decimated as mills, which served as the economic anchor for those small towns, were forced to shutter.

The benefits we were told to expect – from tourism, healthier watersheds, and improved wildlife habitat, have not materialized either. 360,000 acres of Northern Spotted Owl habitat were destroyed in catastrophic fire last year in Oregon alone.

Where species listings aren't enough to force mills out of business, simple failure to deliver on the timber sale program can often stand in. Just this year, one of my member companies, Neiman Enterprises, was forced to shutter their mill in Hill City, SD after the nearby Black Hills National Forest failed to meet its timber target for 3 consecutive years. Over 120 people in the small town of just over 1,000 people are now out of work, and the ability to manage the 1.2 million acre Black Hills National Forest is permanently reduced.

Unfortunately, this is not the only example. In January of last year, R-Y lumber, another member of mine, was forced to shutter their mill in Townsend, Montana. The economic damage in the small town of 1,800 will be significant.

Given the widespread forest health and wildfire crisis we're seeing on our National Forests, we'd hope that at the very least the agency would not reduce their current timber sale level. Congress has enacted numerous streamlined authorities to get management done, and has more than doubled the Hazardous fuels reduction budget since 2005. Many of those authorities originated in this Committee, including key provisions adopted in the 2014 and 2018 Farm Bills.

We would urge Congress to treat our National Forests as critical green infrastructure and invest in further increases in management, focusing on mechanical thinning and harvest, as well as cooperative approaches like Good Neighbor Authority.

Congress should:

- Support infrastructure spending that invests in Forest Management on our Federal lands – The Forest Service has a 10-year, \$20 Billion strategy to begin to reverse the overstocking and fire dangers we see threatening so many communities. The bipartisan, bicameral Outdoor Restoration Partnership Act is a good starting point for this effort.
- Clarify that outside of “reserved” acres, such as Roadless Areas and Wilderness Areas (which make up about half of the National Forest System), the top priority should be reducing fuel loads and managing for a healthier, more diverse National Forest System.
- Direct the Forest Service to plan in advance how it will help National Forests recover from increasingly frequent – and therefore increasingly predictable – disturbances like fires, hurricanes, and other wind events.
- Finally and fully address the disastrous *Cottonwood* case, which has led to litigation that has tied up over 400 Million Board Feet of timber in one Forest Service Region alone (that’s enough lumber to build over 25,000 houses).
- Invest in essential workforce development to ensure a vibrant and capable forest workforce to conduct needed forest management and restoration work on the National Forests and other federal lands.

Conclusion: In the late 1990’s, we made a public policy mistake. We assumed that large land set asides would protect wildlife habitat, ensure clean water, and stimulate the economy. We’re now paying the price for that mistake. The species that were supposed to benefit haven’t. The watersheds we were told were protected are now burnt. In some cases, entire towns – and lives – were lost. And mills continue to struggle when the National Forests they rely on fail to meet current, modest timber targets.

As the economy continues to recover following the pandemic, we hope Congress supports a concerted effort to restore, reforest, and manage the 193-million-acre National Forest System. We have to move to a new paradigm where the National Forests are treated as renewable resources to be managed for climate, social, and economic benefits. We’ve tried producing those things through a strategy that focused on large set asides and reduced management. We know now that that approach is a failure. We look forward to working

with this Committee to move forward into a better future for our National Forests.