



Tongass Limited Shipping Policy

Key Message

In 2007, at the beginning of the current housing and wood products pricing crisis, a limited shipment policy was instituted on the Tongass National Forest. The policy modified how timber sales were appraised, and allowed purchasers some choices on shipping certain small diameter whole logs from timber sales on the National Forest outside of Alaska.

Issue

Economic conditions in wood products industries worldwide continue in a serious slump. It is very difficult under current appraisal assumptions to get timber sales to appraise positive on the Tongass National Forest.

Background

In March 2007, the Regional Forester approved the limited interstate shipment policy, which allowed certain unprocessed spruce and hemlock logs to be appraised for shipment to the Lower 48 states. The policy allowed the purchaser to ship up to 50 percent of the total volume of a sale out of state in whole log form, inclusive of western red-cedar and Alaska yellow cedar volume.

In June 2008, in response to an industry request and a continuing erosion of national and global wood products markets, purchasers of existing timber sales were given an option to participate in a policy in which the restrictions on volume under contract were modified to allow shipment of up to 50 percent of standing volume to the most advantageous market, with the purchaser selecting which logs to export. If the purchaser shipped Sitka spruce and western hemlock out of Alaska as whole logs, to a foreign market, they were required to pay the Forest Service a premium of \$65 per MBF for the spruce and \$25 per MBF for the hemlock. The limited shipment policy for existing timber sales was scheduled to terminate on December 31, 2009.

In November 2009, the limited shipment policy was extended to continue providing that option to purchasers of existing timber sales. The policy was also expanded to provide the same option to purchasers of sales that had been previously excluded from eligibility. A foreign market appraisal was established for use on new timber sales to reflect export values for spruce and hemlock. On existing sales, the surcharge described above continues to be imposed on logs shipped out of state.

Current Situation

After 16 consecutive quarters of declining wood products prices, slight improvements have occurred the past three quarters. Prices remain low and recovery is expected to be slow. Nationally, significant relief measures have been enacted within the timber sale contracts and Alaska timber sale purchasers have availed themselves of those opportunities. The remaining industry in Southeast Alaska is struggling to maintain the few remaining skilled positions in logging and wood manufacturing, positions vital to the eventual move to second growth harvesting and restoration activities. The limited shipment policy will likely be needed for at least 2 more years. As recovery continues, national and international demand for housing and subsequently wood products could create opportunities for those manufacturers that have been able to stay functional through the crisis.

More Information

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