

A review of the Lakeview Federal Sustained Yield Unit

Fremont National Forest

2000 – 2009

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Chapter I – Introduction and Review Purpose

The Lakeview Federal Sustained Yield Unit (Unit) was established in 1950 by the Secretary of Agriculture under the authority of the Sustained Yield Forest Management Act of 1944. The purpose of the Unit is to maintain economic stability for the communities of Lakeview and Paisley, Oregon. In order to accomplish this purpose, the current Unit policy requires that all timber sold for commercial use from National Forest System land within the Unit, except as otherwise provided, be manufactured within the Lakeview and Paisley communities.

Congress passed the Sustained Yield Forest Management Act in 1944, authorizing the Secretary of Agriculture to create federal sustained yield units to:

- promote the stability of forest industries, of employment, of communities, and of taxable forest wealth, through continuous supply of timber;
- provide for a continuous and ample supply of forest products; and
- secure the benefits of forests in maintenance of water supply, regulation of stream flow, prevention of soil erosion, amelioration of climate and the preservation of wildlife (16 U.S.C. 583).

In addition to the policy's timber manufacturing requirement, the current policy establishes several sustainable forest ecosystem goals for the Unit Area. Those goals include:

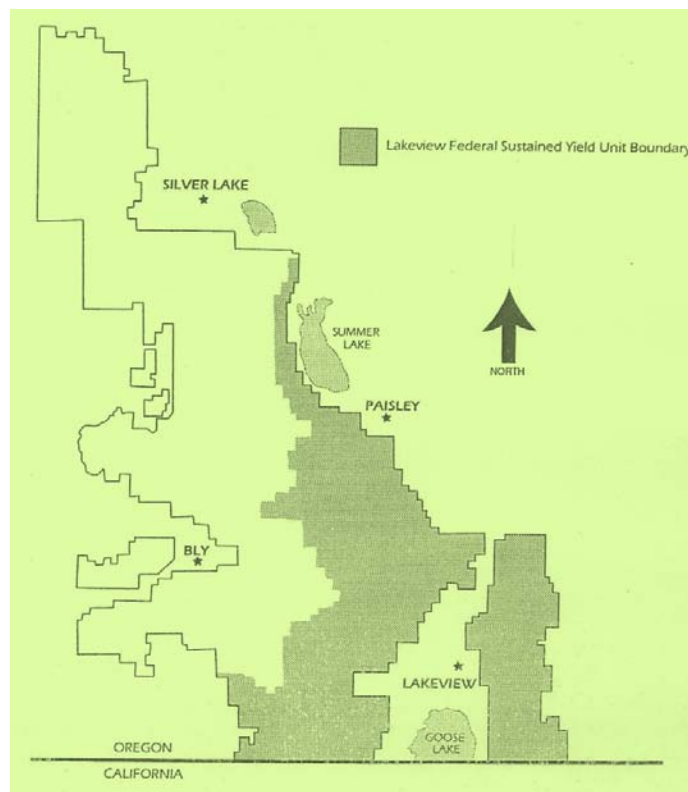
1. Sustain and restore a healthy, diverse, and resilient forest ecosystem that can accommodate human and natural disturbances.
2. Sustain and restore the land's capacity to absorb, store, and distribute quality water.

3. Provide opportunities for people to realize their material, spiritual, and recreational values and relationships with the forest.

Unit Layout

The Lakeview Sustained Yield Unit covers approximately 40 percent of the eastern portion of the Fremont National Forest (see map 1.1). The unit is approximately 492,000 acres of which approximately 300,000 is considered tentatively suitable for timber production (Fremont National Forest 1989). The Fremont National Forest is east of the Cascades, on the western edge of the Great Basin. The trees that dominate the national forest are ponderosa pine (*Pinus ponderosa*), lodgepole pine (*P. contorta*), white fir (*Abies concolor*), and western juniper (*Juniperus occidentalis*).

Map 1.1: Lakeview Federal Sustained Yield Unit location.



While the Fremont National Forest's Land and Resource Management Plan directs timber harvest and other forest management activities inside the unit, the Lakeview Federal Sustained Yield Unit Policy Statement dictates where the products of that management are processed. The boundaries specified for primary wood products processing are comprised of a six-mile radius around the county courthouse in Lakeview and a three-mile radius from the center of Paisley.

The unit policy statement has long required that harvest and processing should use local labor and contractors, "to the greatest practicable degree." Local logging contractors are defined in the Policy Statement (Fremont National Forest 2001) as those located in Lake County or within 35 air miles of the Lake County courthouse. For more details on the Unit policy see the 2001 policy statement (Appendix 1).

Purpose of this Review

This review addresses the Forest Service policy requirement to conduct a review every 10 years (FSM 2411.3). The purpose of this review is to determine if the unit is meeting the objectives of the authorizing legislation, and the policy statement defining the purpose of the Unit. This review addresses:

1. Output offerings and harvest during the analysis period.
2. The extent to which Unit purchasers buy Unit sale offerings.
3. The extent to which National Forest timber from the Unit is further manufactured and remanufactured in the Lakeview and Paisley communities.
4. The extent to which local labor is employed.

These key indicators are considered in light of broader social and economic conditions in the communities of Lakeview and Paisley, Lake County and the surrounding region.

This report does not address the “Unit Area” review requirements identified in the 2001 policy statement to evaluate attainment of the sustainable forest ecosystem goals. The unit area review will be addressed during forest plan revision.

This review also has several limitations. It does not recommend changes to the policy statement in order to address issues nor does it evaluate whether the sustained yield unit is equitable to communities and businesses outside of the unit.

Past Reviews

The unit has been reviewed eight times in 1952, 1954, 1960, 1965, 1974, 1980, 1990, and 2000. The Forest Service conducted the first five reviews internally. Outside consultants reviewed the unit in 1980, 1990 and 2000 (Beuter and Olsen 1980; Beuter 1990, Moseley and Kauffman 2000). The reviews conducted before the 2000 review focused on timber harvest from the Lakeview unit. The 1990 and 1980 reviews primarily evaluated the state of the forest products industry within the Lakeview and Paisley and considered whether the unit was positively affecting these communities (Beuter 1990). The 1980 review concludes that, "the unit has promoted the stability of the wood products industry in Lakeview and Paisley and, in turn, is critical to the economic stability of Paisley, and of considerable importance to that of Lakeview and Lake County" (Beuter and Olsen 1980). The 1990 review draws a similar conclusion and Beuter argues that local people viewed the unit as vital to their economic well-being. He notes, however, that the Oregon Natural Resources Council, a state-wide environmental organization, opposed the continuation of the unit because, "the unit has not stabilized local employment, is

inefficient, loses revenue for the federal and local government, and compromises environmental values" (Beuter 1990). However, the report's author concludes, "that the economic, social, and cultural stability of Lakeview, Paisley, and Lake County are directly related to the existence of the unit. The unit has made a difference" (Beuter 1990).

The 2000 review was somewhat more extensive than past reviews for several reasons. The closing of the last mill in Paisley drew into question the utility of the sustained yield unit; the number and quality of logs that the Forest Service sent to local mills greatly diminished; and the extensive discussions among community residents, the Forest Service, local timber industry representatives, and regional environmentalists about the sustained yield unit and sustainable development prompted reconsideration of the role of the unit in the local economy and forest management on the Fremont National Forest.

Similar to previous reviews, Moseley and Kauffman found strengths in the Lakeview Federal Sustained Yield Unit. *"It provides local manufacturers the opportunity to buy timber for local processing by protecting them from outside competition. Second, it encourages value-added production using local materials by requiring that unit purchasers offer their products to local remanufacturing firms before selling it outside the unit. Third, it encourages the use of local labor in unit processing, harvesting, and road-building activities."* (Moseley and Kauffman 2000). They also recommended the inclusion of sustainable forest stewardship goals to address ecologically-based management and restoration. The goals would focus on an original purpose of the Sustained Yield Forest Management Act of 1944, to secure the benefits of forests in maintenance of water supply, regulation of stream flow, prevention of soil erosion, amelioration of climate and the preservation of wildlife (16 U.S.C. 583).

Organization of this Review

This review is divided into five additional chapters.

Chapter II discusses the regional and national political and economic processes that affect federal forest management and sustained yield units. This section includes a discussion of the origins of sustained yield units, the evolution of the Pacific Northwest timber industry, and changing policies of national forest management.

Chapter III presents the economic conditions of the Lake County and its timber industry.

Chapter IV describes the current forest products sector in Lake County and changes that have taken place in the last decade.

Chapter V focuses on the unit itself and considers timber production and processing over the last ten years.

Chapter VI concludes the review with an evaluation of the impact of the unit and a discussion of whether the unit is meeting the objectives set forth in the unit policy statement.

Chapter II – Conditions and Trends in the Region

Introduction

This chapter describes the political circumstances that gave rise to the passage of the Sustained Yield Forest Management Act of 1944, the guiding legislation of the Lakeview Federal Sustained Yield Unit. It also shows how changes in federal forest management have reduced timber harvests across the Pacific Northwest and in the Unit, and describes changes in the regional forest products industry to reveal how forces beyond the Unit are affecting the forest products industry in Lake County.

The Sustained Yield Forest Management Act of 1944

Congress passed the Sustained Yield Forest Management Act in 1944, authorizing the Secretary of Agriculture to create federal sustained yield units. Congress passed the law at a time when philosophies of scientific forestry and community stability aligned with political concerns about maintaining economic prosperity and a stable timber supply at the close of World War II.

During the 1940s and 1950s, policy makers were concerned with creating an ample, stable timber supply, settling itinerant workers, and maintaining the economic prosperity resulting from the war effort. Sustained yield units were one way to meet these goals by guaranteeing logs to local mills providing a continual supply of timber to support stable jobs and strong rural communities.

With considerable industry support, Congress passed the Sustained Yield Forest Management Act of 1944. The legislation created mechanisms to support local forest products sectors and, through them, rural communities. It did not create special mechanisms to secure nontimber benefits for nearby rural communities, but restated provisions of the Organic Act of 1897.

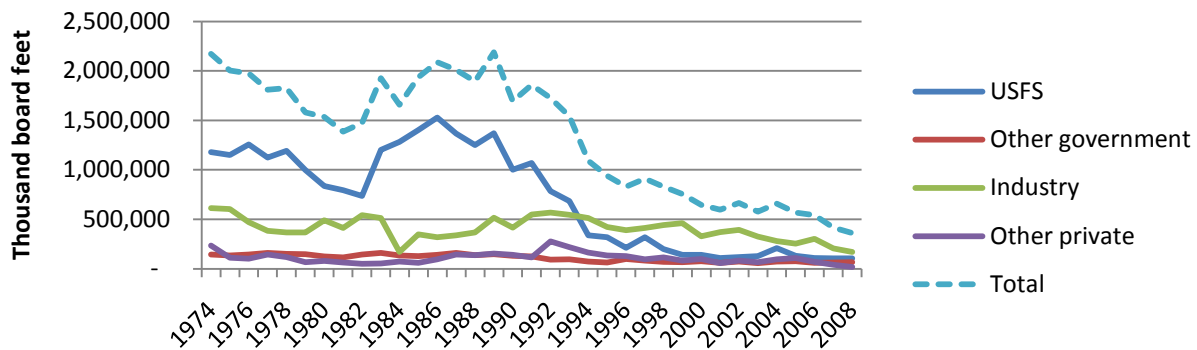
Through this act Congress directed the Secretaries of Agriculture and Interior to create sustained yield units when the maintenance of a stable community or communities was primarily dependent on the sale of timber or other forest products from federally owned lands, and such maintenance could not effectively be secured by following the usual procedure in selling timber or other forest products. The Forest Service created five sustained yield units.

Forest Management from 1950 to today

From 1950 to today, the Forest Service has managed the Lakeview Federal Sustained Yield Unit with the same philosophy it has for the larger Fremont National Forest. During the early part of this period, the Forest Service focused almost exclusively on commodity production. In the 1960s and 1970s, Congress passed a number of laws that required that the federal land agencies manage with a broader ecological perspective. Some laws required the Forest Service to manage for multiple-use values in addition to timber while others required that they manage based on ecological principles and maintain a diversity of animal and plant populations. Change did not take place right away. However, early in the 1990s, the guiding philosophy of national forest management shifted markedly due in part to significant lawsuits in the Pacific Northwest. The lawsuits resulted in the Northwest Forest Plan and the Interior Columbia Basin Ecosystem project. Even though these broad scale ecosystem planning efforts did not directly affect plan direction for the Fremont National Forest, other policies to protect old growth forest characteristics (Eastside Screens) and fish (INFISH) did. Forest Service management is now focused on ecosystem protection and restoration. Today's timber harvest levels on the Fremont National Forest and other forest service lands in eastern Oregon are less than 10 percent of the levels achieved in the 1980's (fig. 2.1). From a high of 2.2 billion board feet of timber in 1989 from all ownerships in eastern Oregon, the total harvest in 2008 was slightly over 360 million

board feet. This decline of over 80 percent greatly affected the sustained yield unit, its associated communities, and the forest products industry throughout the region.

Figure 2.1: Timber harvest by ownership in Eastern Oregon, 1974-2008

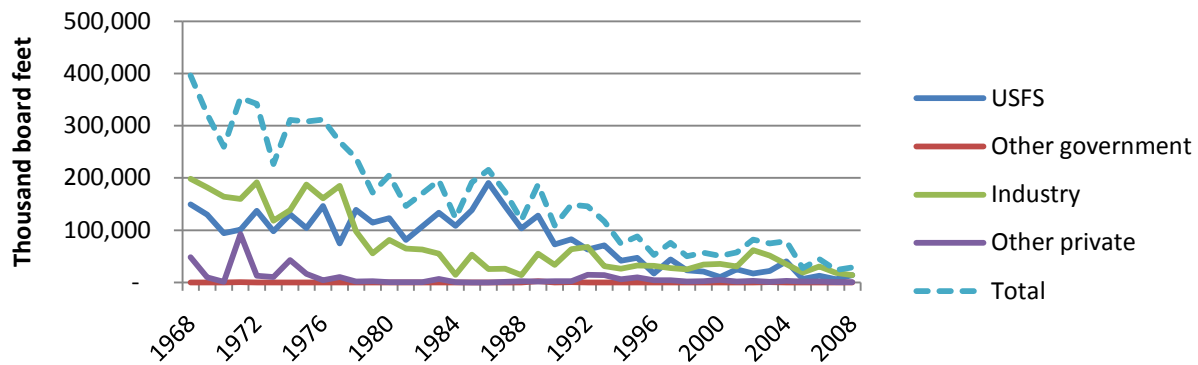


Source: Oregon Department of Forestry

Changing Timber Management in Lake County and the Lakeview Federal Sustained Yield Unit

The overall supply of timber in Lake County has declined substantially since the late 1960s (fig. 2.2). Timber industry and other private timber owners along with the Forest Service were all major timber suppliers with a timber harvest total close to 400 million board feet in 1968. The supply from other private owners ran out during the 1970s and timber industry declined to a relatively stable lower level during the 1980s. The new Forest Service land management plans and changing Forest Service policies resulted in a dramatic decline in the amount of timber that the Fremont National Forest offered for sale after 1990. In the 1980s, the allowable cut for the Unit was about 60 million board feet (Beuter 1990). Today, the annual average amount of timber sold from the Unit is slightly less than 10 million board feet. The total supply of logs in 2008 from all ownerships in Lake County was less than 30 million board feet.

Figure 2.2: Timber harvest by ownership in Lake County, 1968-2008



Source: Oregon Department of Forestry

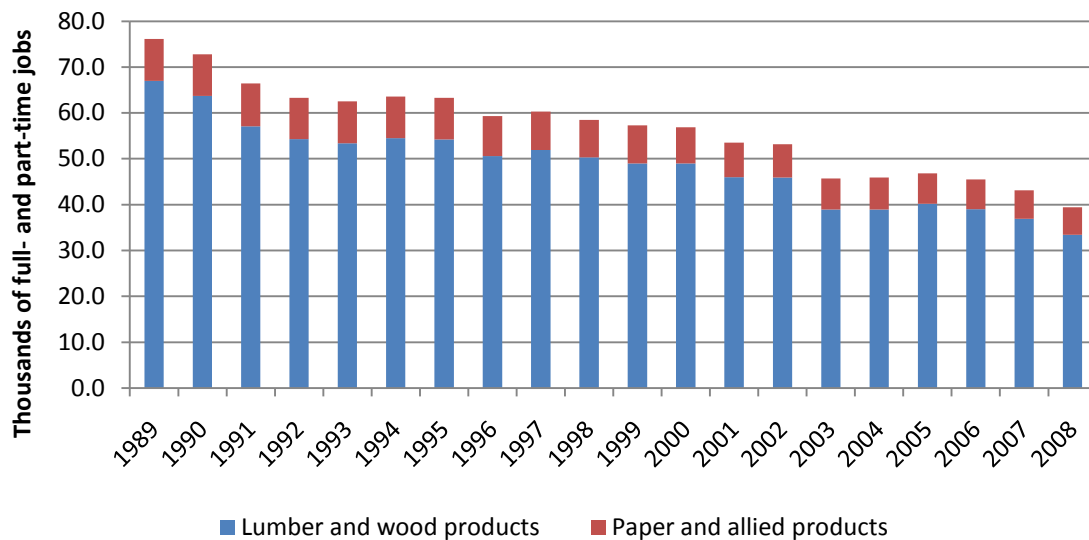
Changes in the Regional Timber Industry

The Pacific Northwest timber industry underwent dramatic changes over the past several decades. These changes have taken place inside and beyond the boundaries of the Unit. Technological change in the industry to improve product recovery and lower labor input requirements, and the consolidation of small mills into larger integrated operations were two important drivers of this change.

Between 1989 through 2007, there were 179 sawmill, plywood mill and veneer mill closures in Oregon and Washington. This left 100 operating mills, a decreased of over 60 percent. Although there was a significant decline in plywood production, there was no decrease in sawmill production (Ehinger 2008).

This restructuring of the timber industry also affect employment in the forest products industry. Between 1989 and 2008, almost 37,000 jobs were lost throughout the industry (Warren 2009). About 34,000 of these jobs were lost in the lumber and other solid wood products manufacturing industries (fig. 2.3).

Figure 2.3: Employment in the forest products industry in Oregon State, 1989-2008



Source: Production, prices, employment, and trade in Northwest forest industries, all quarters 2008 (Warren 2009)

Over the past two decades, companies have relocated mills moving them from communities close to the supply of timber to communities close to transportation arteries, especially major railroads and interstate highways. Companies now transport logs via trucks or railroads to large, highly capitalized mills rather than to mills near where the timber is harvested. These mills are centrally located and draw logs from numerous forested areas. Isolated rural communities similar to Lakeview and Paisley have seen their mills close and the timber harvested nearby shipped to regional mill sites (Moseley and Kauffman 2000).

Conclusion

Trends in the timber industry including housing market cycles, increased capitalization, centralization, mechanization, and international competition have made it difficult for isolated rural communities to sustain local forest products firms. In many instances, the local primary production capacity has greatly diminished or disappeared in rural communities.

Chapter III - Socio-economic profile of Lake County

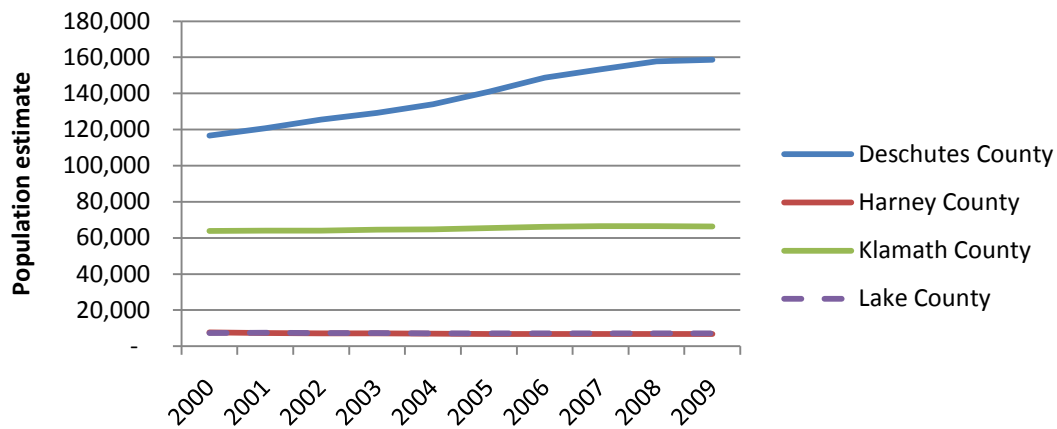
Introduction

The socio-economic profile of Lake County provides an overview of trends in social and economic conditions to provide a picture of the county, its residents, and its businesses. This chapter provides an array of qualitative and quantitative indicators to assess the stability and economic vitality of the county. The measures include population and demographics, poverty rates, and per capita income. The profile also details the changes that have taken place within the main sectors of the county's economy including wood products manufacturing, agriculture, services, and government. The Lake County economy has not grown during the last decade. The forest products sector declined in employment, but increased in income. It remains a key component of the Lake County economy.

Lake County Population

The Lake County population is small compared to neighboring Deschutes and Klamath Counties to the north and west, and it is similar to Harney County to the east (fig 3.1). The trends over the last decade show relatively level trends in total population numbers for all counties with the exception of Deschutes County which continued to grow rapidly.

Figure 3.1: Population of Deschutes, Harney, Klamath, and Lake Counties, 2000-2009

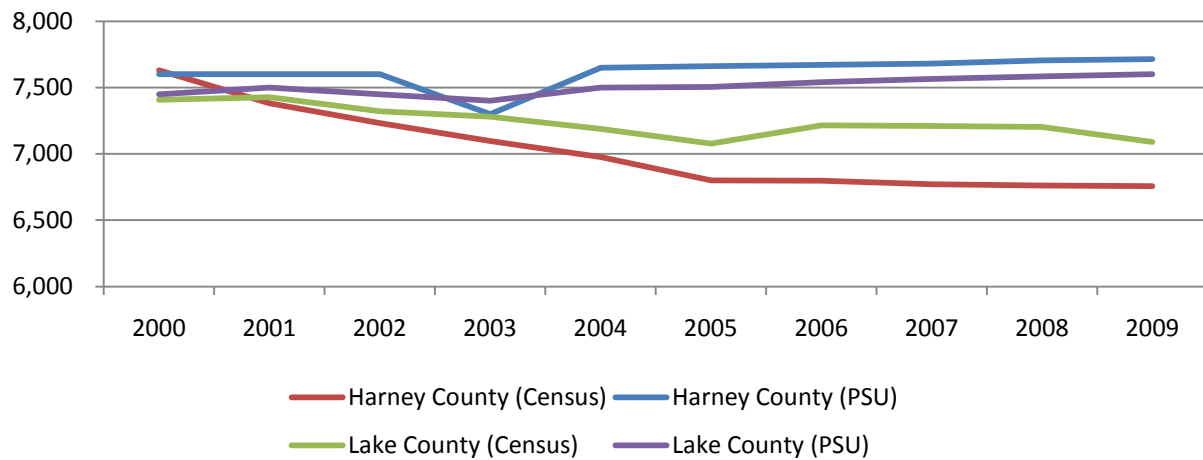


Source: US Census Bureau

The estimated population of Lake County in 2009 according to the Center for Population Research and Census (CPRC) at Portland State University was 7,600. This is a slight increase (two percent) over the 2000 population estimated at 7,450. This continues the slow growth population trend experienced during the previous decade.

The US Census Bureau population estimates for Lake and Harney Counties differ from those of the CPRC. They show slight decreasing trends over the same time period (fig. 3.2). The Lake County Census estimate shows a decrease of about four percent from population levels in 2000. These two estimates are provided to show that projections by two different sources reveal a relatively stable population especially during the second half of the decade.

Figure 3.2: Population trends for Lake and Harney Counties, 2000-2009)



Source: Center for Population Research and Census at PSU and US Census Bureau

Even though the population of Lake County is stable, the population is aging. In 1990, the percent of the residents 65 years in Lake County and Oregon State overall were relatively close (table 3.1). The data for 2000 and 2009 show an increasing percentage of age 65 and older residents and a decreasing percentage of the younger age classes in Lake County. The data indicate that Lake County is attracting older residents who were likely retiring and losing younger age classes due to decreasing and less diverse employment opportunities.

Table 3.1: Percent of residents by age class for Lake County and Oregon State, 2000 and 2009

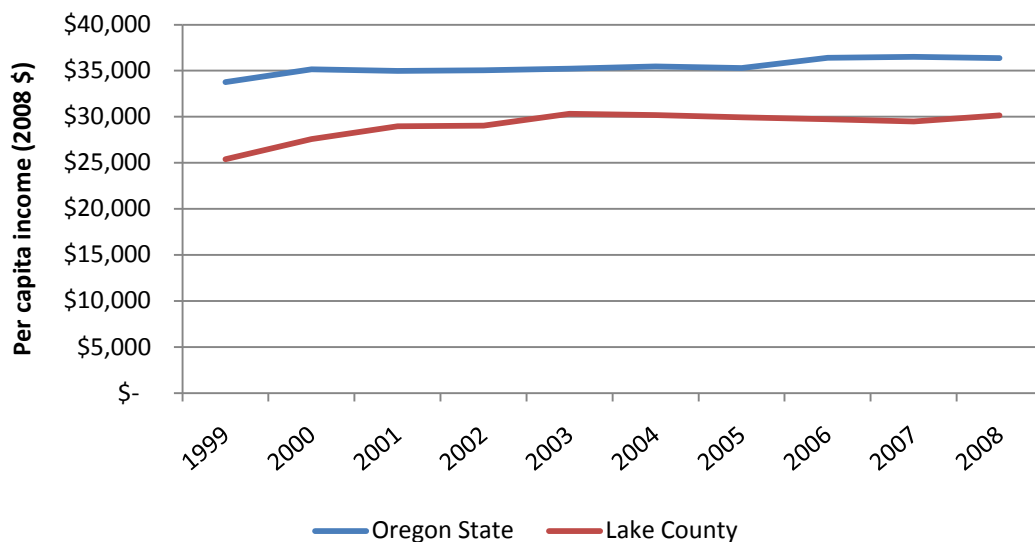
	Age 17 and under		Age 18 through 64		Age 65 and over	
Year	Lake	Oregon	Lake	Oregon	Lake	Oregon
1990	--	--	--	--	14%	14%
2000	--	--	--	--	18%	13%
2009	20%	23%	60%	64%	20%	13%

Source: Center for Population Research and Census at PSU

Income

To evaluate some of the indicators about the Lake County economy, this section considers per capita income, income by source, and income by economic sector. In Lake County over the last decade, per capita income (measured in constant 2008 dollars) was consistently lower than the state average, but it rose early in the decade closing the gap somewhat with the State during the middle of the decade (fig. 3.3). At the end of the decade, per capita income then rose for the state while Lake County remained constant.

Figure 3.3: Per capital personal income in 2008 dollars for Lake County and Oregon State, 1999-2008



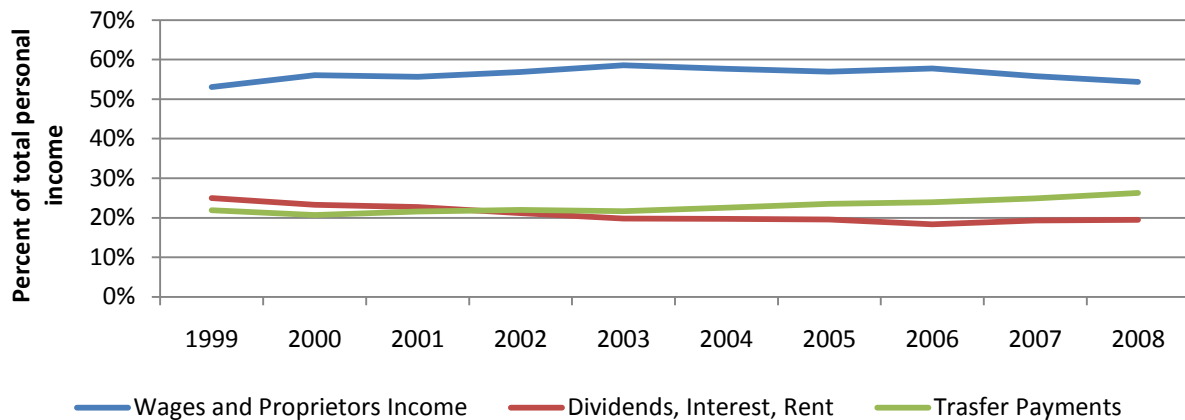
Source: Bureau of Economic Analysis, Regional Economic Information System

A second important measure of income in the county is the sources of personal income.

Throughout the decade, income from wages and proprietors income provided over 50 percent of total personal income measured in 2008 real dollars (fig. 3.4). The second largest source of

income early in the decade was dividends, interest and rent which was then overtaken by transfer payments. These payments now amount to over 25 percent of total income to residents. The majority of transfer payments are retirement benefits.

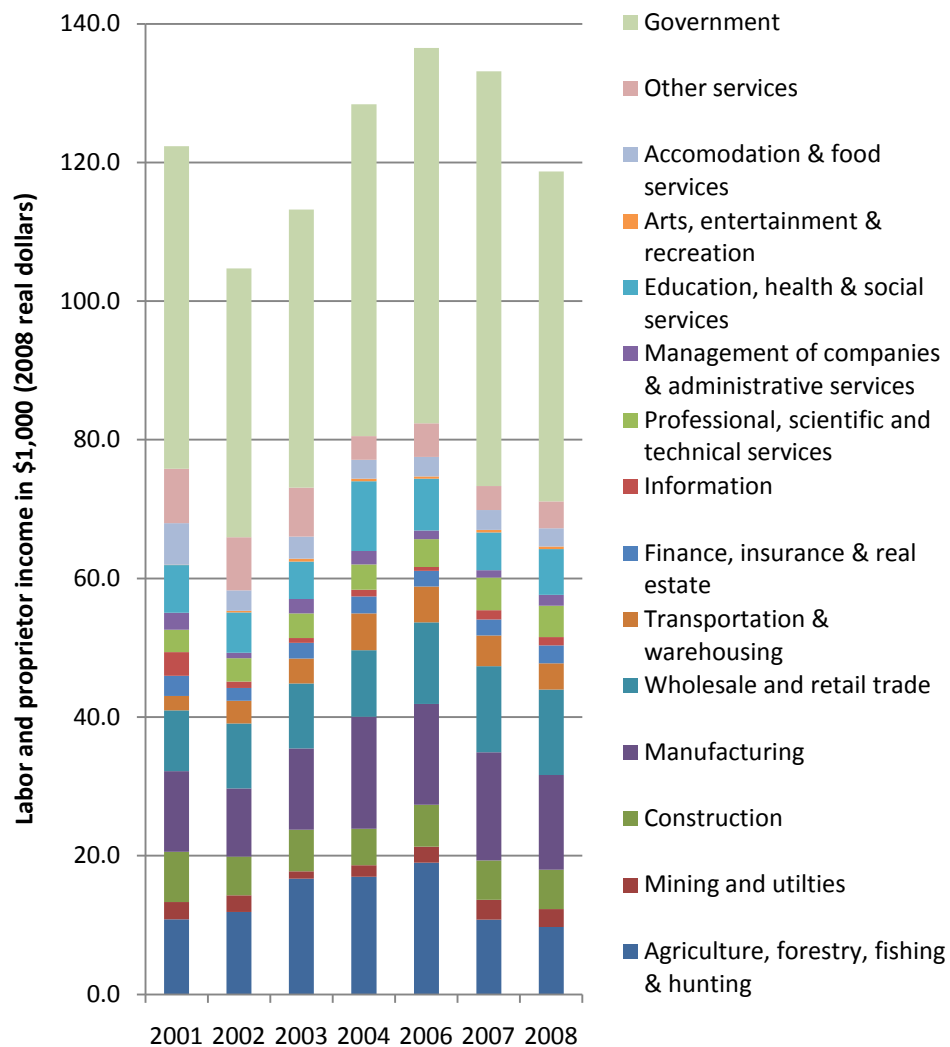
Figure 3.4: Sources of personal income for Lake County, 1999-2008



Source: Bureau of Economic Analysis, REIS

Another important measure of income is wage and proprietor income by industrial sector. In 2001, the largest sectors of the Lake County economy measured by income were government (38 percent), agriculture (9 percent), and manufacturing (9 percent). The various services industries combined contributed about 22 percent of labor and proprietor income (fig. 3.5). By 2008, farming income declined by 10 percent while manufacturing increased by 18 percent and government increased by three percent. Government related income in 2008 made up about 40 percent of all labor and proprietor income and manufacturing contributed 12 percent. One of the fastest growing sectors of Lake County's economy was wholesale and retail trade. That sector grew by over 40 percent so that it now represents 10 percent of all labor and proprietor income. Income in the services industries combined declined by 27 percent between 2001 and 2008. Services now contribute about 16 percent of the total income.

Figure 3.5: Annual wage and proprietor income by NAICS sector for Lake County, 2001-2008



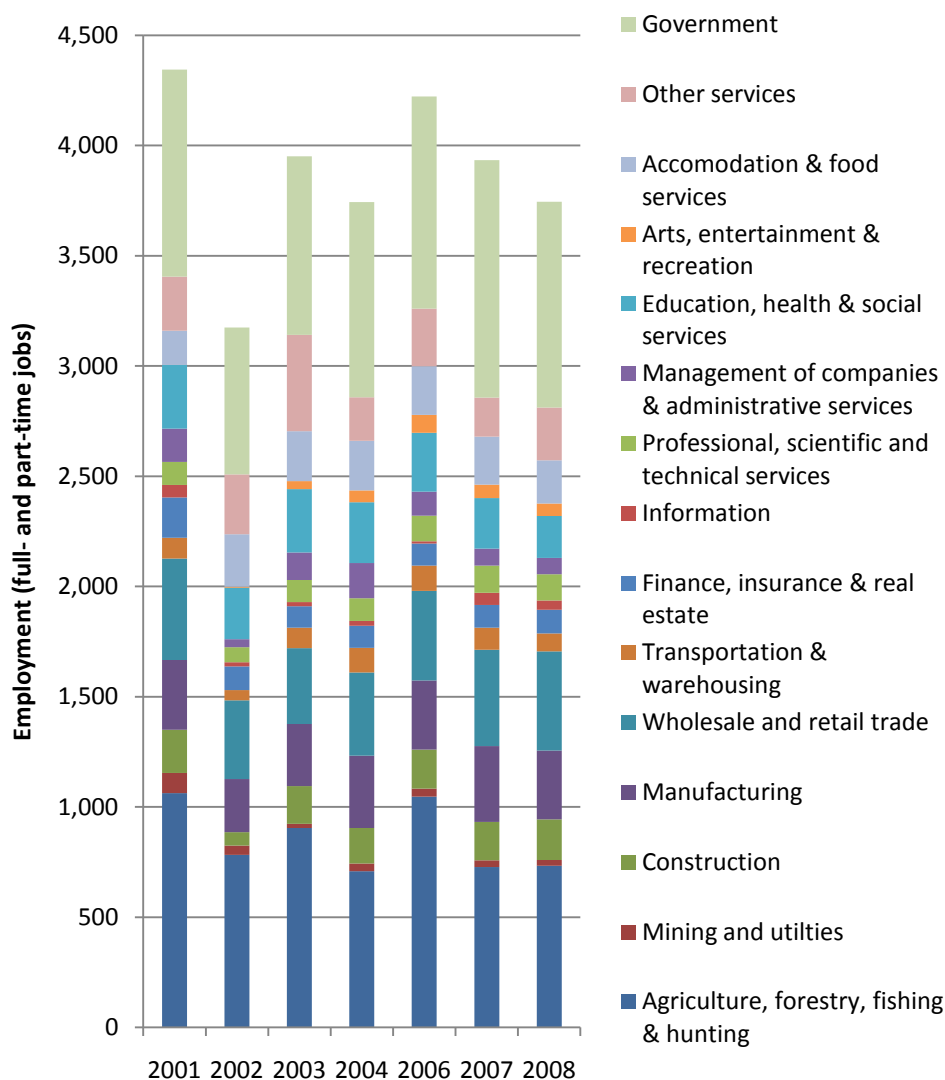
Source: Minnesota IMPLAN Group. (Data for 2005 are not available.)

Employment

In 2001, agriculture (24 percent), government (22 percent), and wholesale and retail trade (11 percent) contributed over one-half of the full- and part-time jobs in Lake County. The services

sectors combined contribute an additional 22 percent and manufacturing contributes about seven percent of all employment (fig. 3.6). By 2008, overall employment decreased by two percent in the county with decreases occurring in all but a few services sectors. However, the services lost employment overall. The largest decrease was in agriculture which declined by 31 percent or 330 full- and part-time jobs.

Figure 3.6: Annual employment by NAICS sector for Lake County, 2001-2008

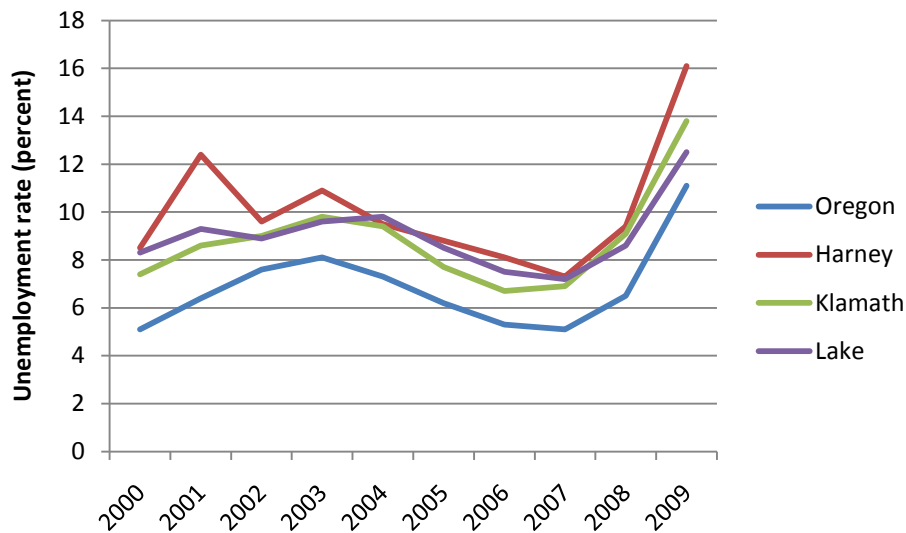


Source: Minnesota IMPLAN Group. (Data for 2005 are not available.)

Unemployment

Lake County annual unemployment rates over the last decade were similar to the rates of the surrounding rural counties with economies based on agriculture and wood products manufacturing. These rates were substantially higher than the unemployment rates in Oregon state-wide (fig. 3.7). Lake County exceeded the state unemployment rate by a high of 63 percent in 2000. Towards the end of the decade, unemployment grew faster in Harney and Klamath Counties and state-wide compared to Lake County. In 2008, Lake County's unemployment rate was 13 percent greater than the State.

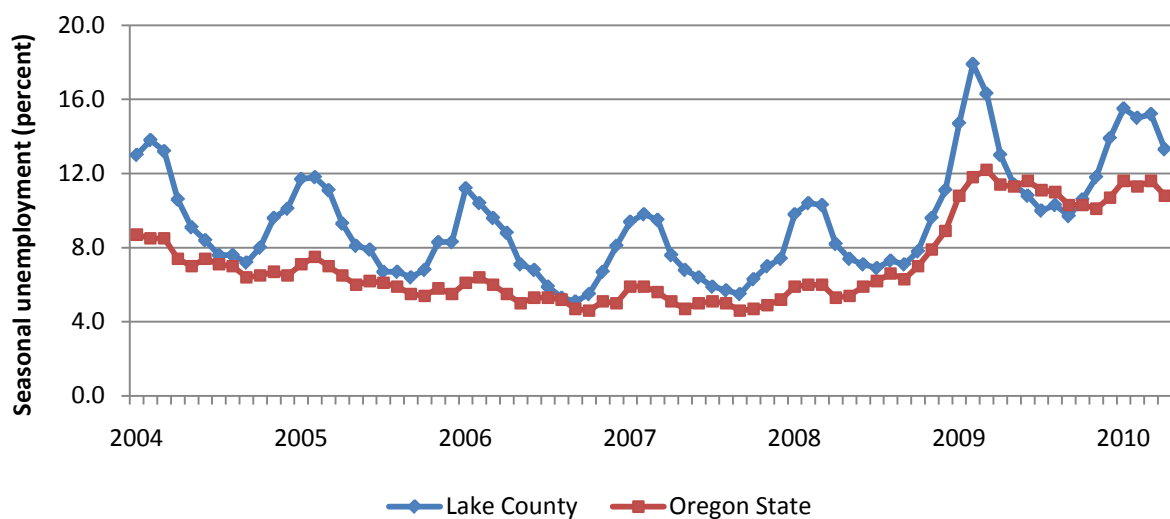
Figure 3.7: Annual unemployment rate for Lake, Harney and Klamath Counties and Oregon State, 2000-2009



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)

Lake County also experienced large swings in seasonal unemployment during the last decade typical of rural economies with a major portion of employment in agriculture. In the months of November through February, unemployment rates in Lake County can exceed state-wide unemployment by 60 percent (fig. 3.8). During the summer, unemployment rates in the County are about 10 to 15 percent higher than the State and in 2009 dropped below the State.

Figure 3.8: Seasonal unemployment in Lake County and Oregon State, 2004 - 2010

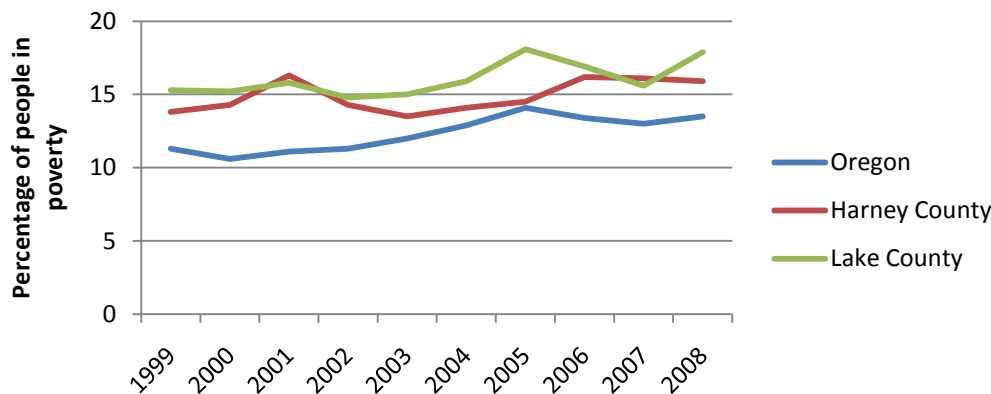


Source: Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)

Poverty

The percent of people living below the federal poverty line in Lake County is higher than neighboring Harney County and the State (fig. 3.9). This is due in part to the low wages and seasonality of agricultural and accommodations and food services employment. Average wages in these two sectors was about \$13,000 per job in 2008. The poverty threshold for a family of four during 2008 was \$22,030 (Federal Register 2009).

Figure 3.9: Percentage of people living below the federal poverty line, 1999-2008



Source: US Census Bureau, Small area income and poverty estimates (SAIPE)

Conclusion

The social and economic data for Lake County during the last decade indicates that the economy of Lake County is not growing, nor is it contracting significantly. The declines in Lake County are not unlike declines in the broader regional economy due to the recent national economic downturn. The data in this chapter suggests that the Lake County is maintaining a sense of community stability relative to broader economic conditions.

Although government and agriculture provide the most jobs in the community, manufacturing is second to government in the amount of income it generates. The majority of manufacturing jobs and income in Lake County are in the wood products sector. From 2001 to 2008 forest products manufacturing firms accounted for about 90 percent of all employment and 90 percent of all income associated with manufacturing. While the manufacturing sector lost employment by 2008, the forest products sector gained both jobs and income. This part of the economy appears to be stable, and it is providing some of the highest wage jobs.

Chapter IV - The Lake County Forest Products Sector

Primary Manufacturing

Although Lake County's forest products primary manufacturing sector changed dramatically during the 1990s, little change has occurred since the 2000 review. In 1990, three sawmill plants operated in Lakeview and one sawmill operated in Paisley. These sawmills included the Goose Lake Lumber Company, Lakeview Lumber Products and Fremont Sawmill in Lakeview and the Fremont Sawmill in Paisley. Goose Lake Lumber Company closed in 1990, Lakeview Lumber Products closed in 1995 and Fremont Sawmill in Paisley closed in 1996. These closures left the Fremont Sawmill in Lakeview the only sawmill in operation (Ehinger 2008).

The Fremont Sawmill processes wood from the federal sustained yield unit and non-federal lands including Collins Company landholdings in Oregon. The Fremont mill produces pine molding and shop stock, and dimensional lumber from pine, white fir and lodgepole pine. In addition to processing conventional lumber, the Fremont Sawmill also processes certified wood products for the Collins Companies who earned certification for its 75,000 acres in Lake County from Scientific Certification Systems in 1998. The Fremont Sawmill also maintains chain of custody certification allowing them to purchase certified timber from other landowners for manufacture.

Secondary Manufacturing

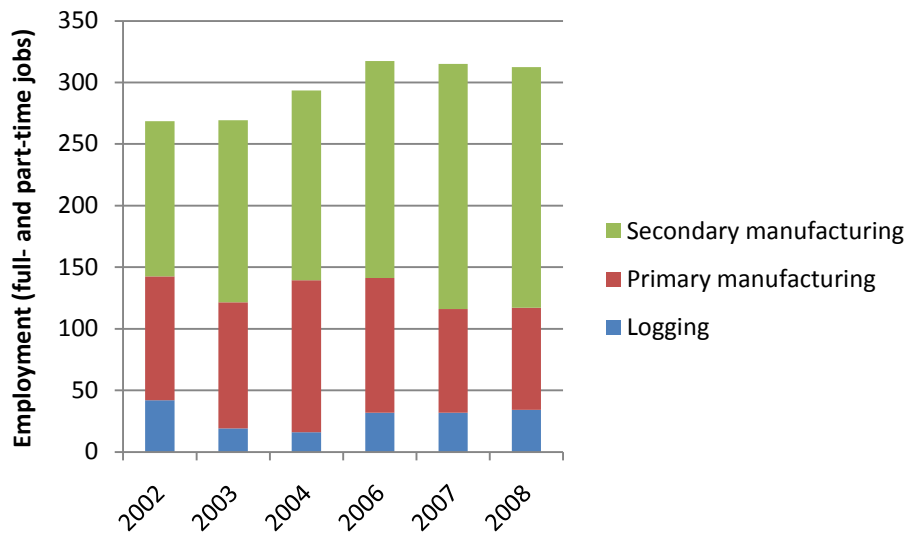
While primary sawmills production capacity has declined, secondary processing, primarily millwork, has increased. Four firms currently operate in Lake County. They include Hart Mount Millworks, McFarland Door, Pacific Pine Products, and Woodgrain Millwork, Inc. These companies currently purchase little or no wood products from the Fremont Sawmill for remanufacture.

Employment and Income

The restructuring of the forest products manufacturing in Lake County has impacted employment and income differently in logging, and the primary and secondary manufacturing industries.

During the past decade employment overall in forest products related industries has increased (fig. 4.1). Data for 2001 is not included in this discussion because the shift from using the Standard Industrial Classification System (SIC) to the North American Industrial Classification System (NAICS) resulted in data anomalies especially in logging. Inclusion of the 2001 data erroneously skews the results at this level of industry specification. Although primary manufacturing has declined, secondary manufacturing has increased to more than offset these declines. The logging sector has remained relatively constant after declines early in the decade.

Figure 4.1: Employment in wood products related industries in Lake County, 2002-2008.



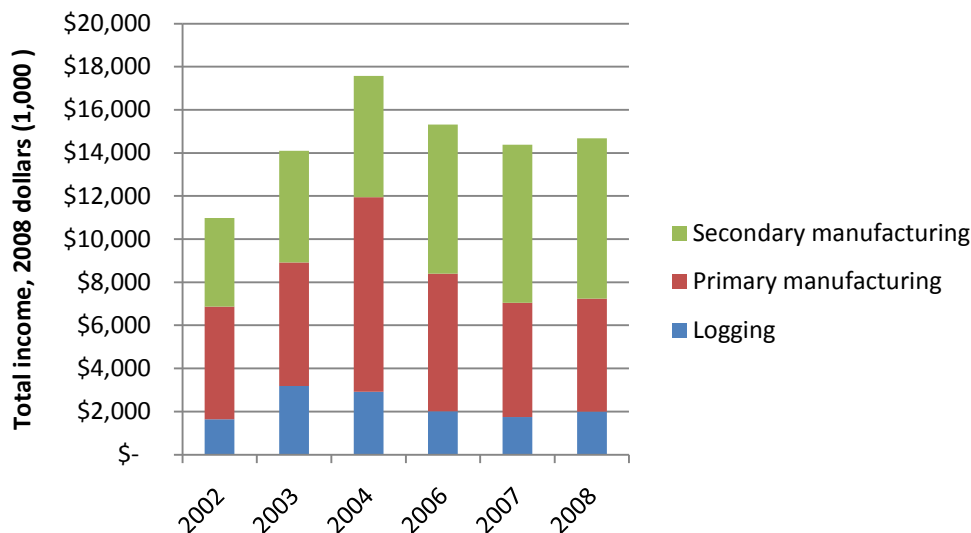
Source: Minnesota Implan Group. (Data for 2005 are not available.)

Employment in primary manufacturing hovered around 100 during the first part of the 2000s and declined to about 80 full- and part-time jobs in 2008. Logging also declined approximately 20

percent from about 40 jobs to 35 jobs. The losses in logging and sawmills were offset by a 55 percent gain in secondary manufacturing or about 70 full- and part-time jobs. The decreases in logging and primary manufacturing and increase in secondary manufacturing continue the trends observed in the 1990s.

Although variable, overall wage and proprietor income in the wood products sector has increased slightly during the decade (fig. 4.2). Most of the increase is in secondary manufacturing driven by the increase in jobs.

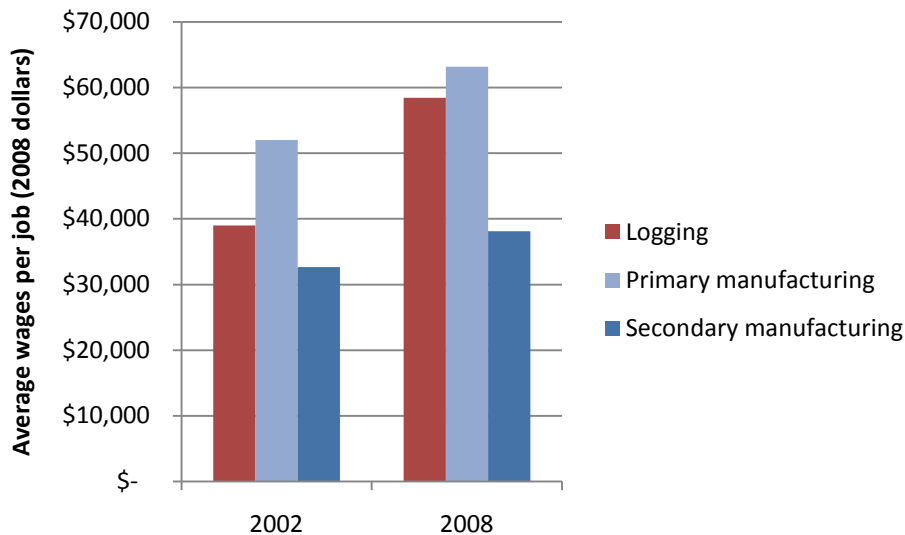
Figure 4.2: Wage and proprietor income (2008 dollars) in the forest products sector for Lake County, 2002-2008



Source: Minnesota Implan Group. (Data for 2005 are not available.)

Despite the job losses in the logging and primary manufacturing industries, there was an increase in wages per job (fig. 4.3). This increase offset the job loss income so that total income generated by these industries remained about the same over the past several years.

Figure 4.3: Income per job (2008 dollars) in the forest products sector for Lake County, 2002 and 2008



Source: Minnesota Implan Group.

The overall contribution of the forest products sector to the Lake County economy was fairly constant during the past several years. Forest products related employment was about eight percent of total employment and the income contribution was slightly over 10 percent.

Conclusion

The Lake County forest products sector was relatively stable during this review period compared to recent decades. Logging and primary processing employment declined by about 20 percent during the first part of the decade. It has remained stable over the last few years. Employment in secondary manufacturing firms increased and now makes up slightly over 60 percent of employment in the sector. The forest products sector overall has grown in both employment and income. It has maintained its place as an important part of the Lake County economy.

Chapter V - The Contribution of the Unit to the Local Forest Products

Sector

Introduction

The previous chapters outline the Lake County economy and describe the forest products sector. The Lakeview Federal Sustained Unit operates within this economy and influences it. This chapter reviews the Fremont National Forest's timber offerings over the past decade within the Unit, the purchases of the timber by local manufacturers, and their use of local labor in harvesting and processing the timber. These data are used to evaluate the contribution that the Unit made to the forest products sector and the Lake County economy during the 2000s.

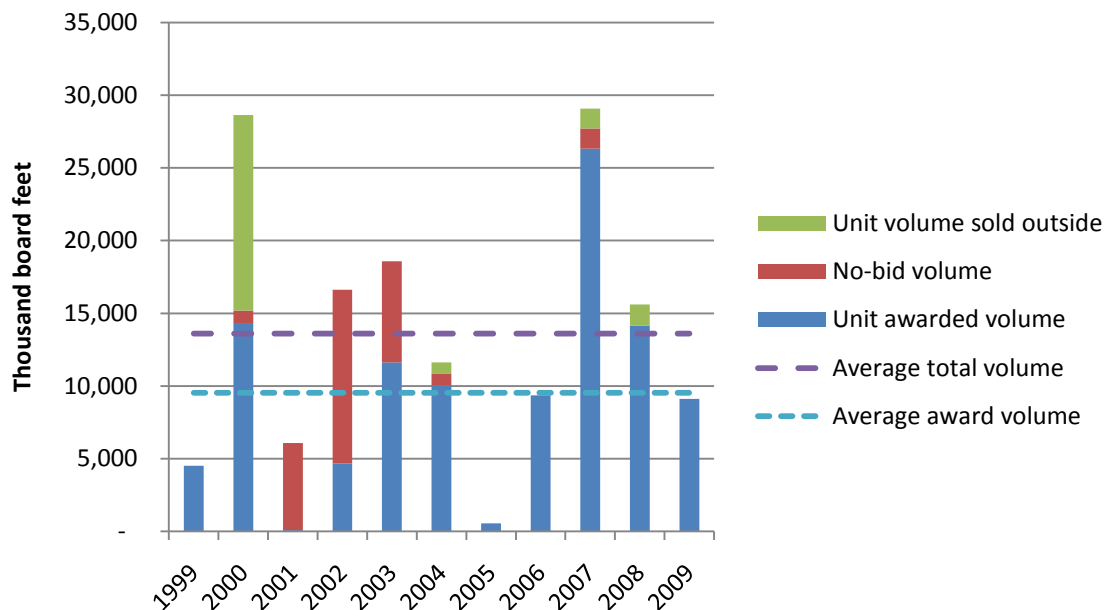
Federal Timber Supply

During the 1980s, the average volume sold in the Unit was 65 million board feet (Beuter 1990). Annual sales varied between 35 and 86 million board feet. In the 1990s, volumes declined to an average volume sold of 14 million board feet (Moseley and Kauffman 2000). This drop in volume sold was primarily due to changes in management by Fremont National Forest and public lands in general as discussed in Chapter 2. Annual fluctuation in volume sold revealed a high of 38 million board feet and a low of five million board feet during the 1990s.

The average volume sold within the Unit during the 2000s was slightly less than 10 million board feet (fig. 5.1), a decline of almost 30 percent from the previous decade. Part of this decline was because of no-bid volume within the Unit. The no-bid timber sales are advertized timber sales that do not receive bids. These sales can be offered to outside purchasers or dropped. When the no-bid and sold-outside timber volume is added to the Unit awarded volume, the total offer for the decade averaged close to 14 million board feet similar to levels sold in the 1990s.

The annual variation of timber sales in the Unit during this period was a low of less than one million board feet and a high of 26 million board feet. Although these variations in timber offered and sold can be smoothed out by timber purchasers with the timing of harvest, timber sales normally have a contract period of three years. A period of low award volume over a few years can have a detrimental impact. During the first half of the 2000, average annual award volume in the Unit was about eight million board feet, and the second half of the decade increased by 50 percent to almost 12 million board feet.

Figure 5.1: Forest Service timber offerings within the Unit, 1999-2009



Source: Fremont-Winema National Forest

Reliance of Primary Processing Mills on Unit Offerings

Previous to the 1990s, sawmills and secondary manufacturers got the majority of their raw materials from Unit sales. During the 1980s, no mill in the Unit reported using more than four percent non-national forest timber (Bueter 1990). During the 1990s for the Freemont Sawmill,

this percentage declined to about 55 percent in 1995 and rose to approximately 75 percent in 1999 (Moseley and Kauffman 2000). Moseley and Kauffman projected the percentage to drop to 40 percent by 2000 and reach 15 percent by 2001.

A requirement of the Unit policy statement is “Unless approval by the Regional Forester is given in advance, purchasers who have been awarded sales within the Unit shall not bid on, or otherwise become involved in, other offerings of National Forest timber outside of the Unit for primary manufacture within the Unit or within the Lakeview or Paisley communities.” When Unit sales do not meet mill log consumption needs, purchasers within the Unit must use timber from their own lands or acquire timber from other non-Forest Service land owners.

Collins Pine currently has a production capacity of about 60 million board feet (mill lumber tally). Log inputs are also measured in board feet but using a Scribner scale. A sawlog recovery factor is used to compare Scribner log input to production capacity measured in mill lumber tally. If the log overrun is between 40 and 80 percent for the Collins mill, the log input requirements to meet the production capacity is on average about 43 to 33 million board feet (Scribner). Sales of timber within the Unit to Collins Pine over the past decade have averaged slightly less than 10 million board feet. The Unit supplies about 25 to 30 percent of the mills log input requirements on average.

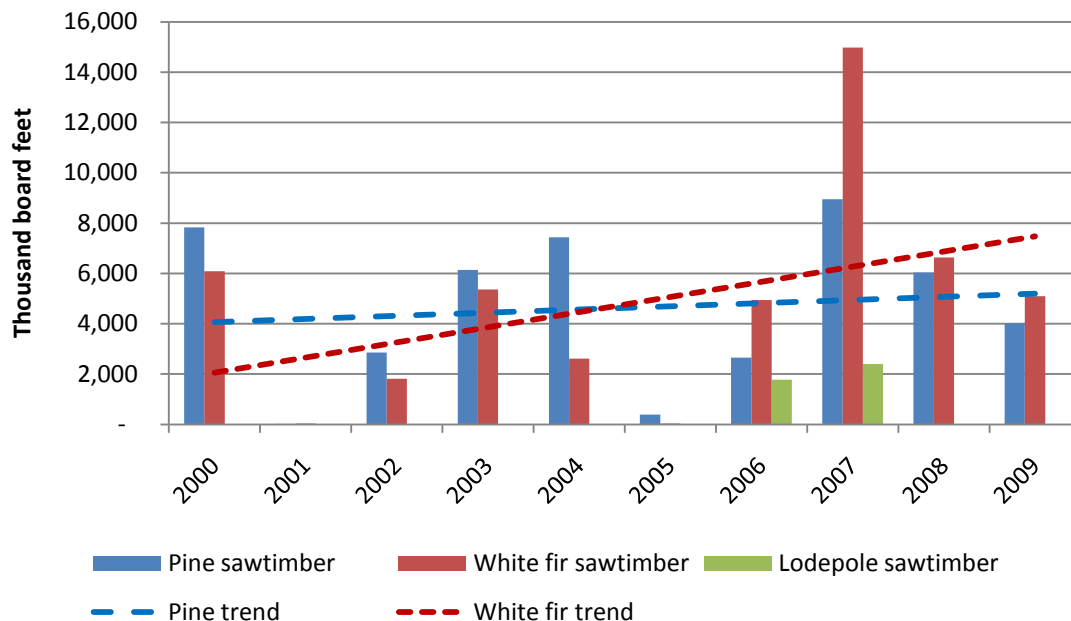
In Chapter 2, it was shown that harvesting across all ownerships in Lake County has declined to about 30 million board feet in 2008. Not all this volume is available to Collins Pine. The Unit is clearly an important source of timber to the mill.

Species types and log quality

Within the Unit, the average size of trees declined and the volume by species in sales changed. Historically, the majority of timber the Fremont National Forest offered in Unit sales was large diameter ponderosa pine. The Eastside Screens affected the management on the Fremont National Forest and generally eliminated ponderosa pine and other species greater than 21 inches in diameter from the Forest's timber sale program.

During the past decade, ponderosa pine made up slightly less than 50 percent of the sawlog volume in timber sales. The percentage of pine is becoming less not because of less pine being offered, rather there is an increasing trend in the amount of white fir in the timber sale program (fig. 5.2). This trend is likely to continue with National Forest management emphasizing the retention and maintenance late-successional old growth species and restoring historic fire patterns. On the Fremont National Forest, this management often results in understory thinning of white fir to protect large ponderosa pine.

Figure 5.2: Species Mix in Unit Sales within the Lakeview Federal Sustained Yield Unit, 2000 – 2009



Source: Fremont-Winema National Forest

Potential Loss of Revenue to the Federal Treasury

One goal of the sustained yield unit legislation was to provide the government with revenue. Critics of sustained yield units argue that by decreasing the pool of possible bidders competition is stifled reducing bid premium on timber sales. A lower bid price would result in reduced income to the federal treasury. This concern is heightened since there is now only one primary processing mill bidding on Unit sales. It is possible that another primary manufacturer could move into the Unit, but it is not likely since the supply of timber from the Fremont National Forest within the Unit will remain at low levels for the foreseeable future.

In order to address this issue, Fremont National Forest timber sale data on advertized value and bid value are compared for the last decade. Between 2000 and 2009 there were 40 timber sales

in the Unit. Twenty-four of the sales were awarded to Collins Pine, and 16 timber sales initially received no bids. Timber sales that receive no bids in the Unit may be reoffered to purchasers outside of the Unit. Seven of these no-bid sales were sold to purchasers outside of the Unit. The remaining nine sales or about 20 percent of the total sales offered went unsold.

There was only one bidder for timber sales within the Unit, so advertized and bid values for the sales awarded in the Unit were the same. These 24 sales generated almost \$3.4 million. Of the seven Unit sales sold to purchasers outside the Unit, three sales had more than one bidder and four sales had a single bidder. The award value for all of these sales was \$1.6 generating a three percent premium (\$46,000) over advertized value. It is not known why these sales were not bid on by Collins Pine. If the sales sold to Collins and outside purchasers were similar in nature, the low premium indicates the lack of competition is not an issue and the Forest Service advertized value is price competitively.

The Freemont National Forest also offered 43 timber sales not associated with the Unit during the same time period. Five of these sales or about 10 percent went unsold. The award amount for the 38 sold sales totaled \$4.1 million. This amount includes a premium of \$2.3 million over advertized value or about 120 percent more value. This premium was generated on 60 percent of the sales since 14 of the sales sold at advertized rates. The premium generated on some of the sales was likely due to more competition. However it is unknown whether the timber sales outside of the Unit are higher in value compared to those inside the Unit. One indicator that the sales within the Unit may be lower in value is 10 percent more Unit sales went unsold than those outside of the Unit. Also, the advertized value of a timber sale within the Unit is higher than a comparable sale outside the Unit. Sales outside the Unit include a competition factor that reduces appraised value by 10 percent. This difference in appraisal approach was developed in part to

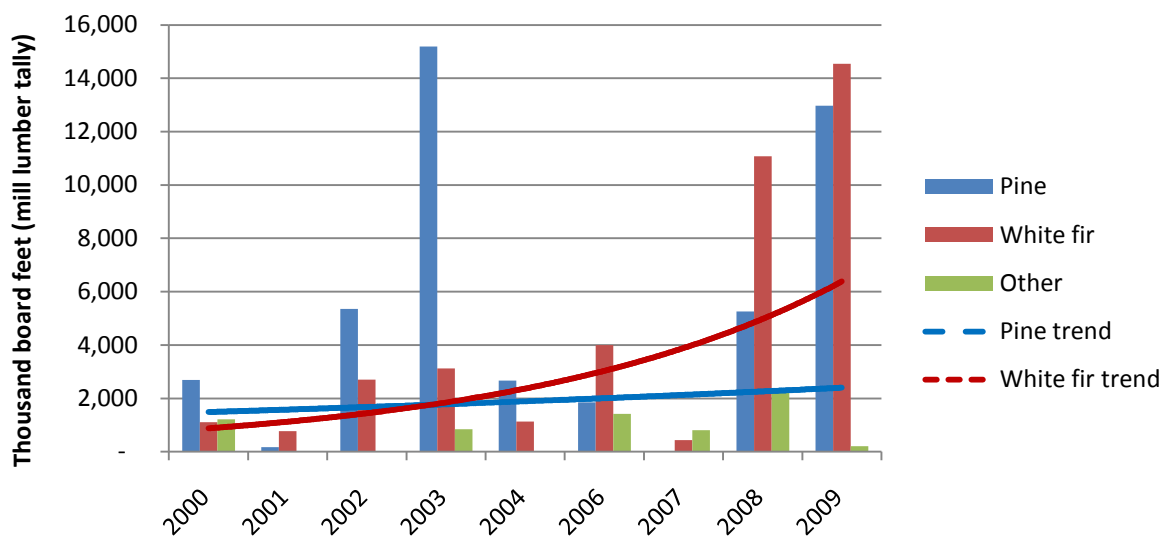
address the reduced competition within the Unit due to the requirements of the Sustained Yield Unit policy statement.

Processing Unit Timber

Manufacturing

The amount of primary and further lumber manufacture from Unit sales is now about 11 million board feet in mill lumber tally. This amount is down from the previous decade and consistent with the decrease in purchases of timber sales from the Unit. Similar to the trends in purchases of Unit timber sales, there has been an increasing trend in the amount of volume manufactured overall during the decade, and white fir became the largest component of all sawlog volume processed (fig. 5.3).

Figure 5.3: Primary and Further Lumber Manufacturing within the Lakeview Federal Sustained Yield Unit, 2000-2009



Source: Fremont National Forest, Unit monitoring data

The increased white fir manufacturing represented a major shift and the trend is likely to continue. National Forest management is placing emphasis on the retention and maintenance of late-successional and old growth species and restoring historic fire patterns. This emphasis often requires thinning white fir to protect older ponderosa pine.

Remanufacturing

Three of the four secondary manufacturers located within the Unit originally moved to Lakeview to take advantage of the Unit's lumber supply. During most of the 1990s, secondary manufacturers bought at least five million board feet of lumber from primary processors in the Unit (Moseley and Kauffman 2000). By the end of the decade, the volume secondary processors purchased dropped to less than one million board feet.

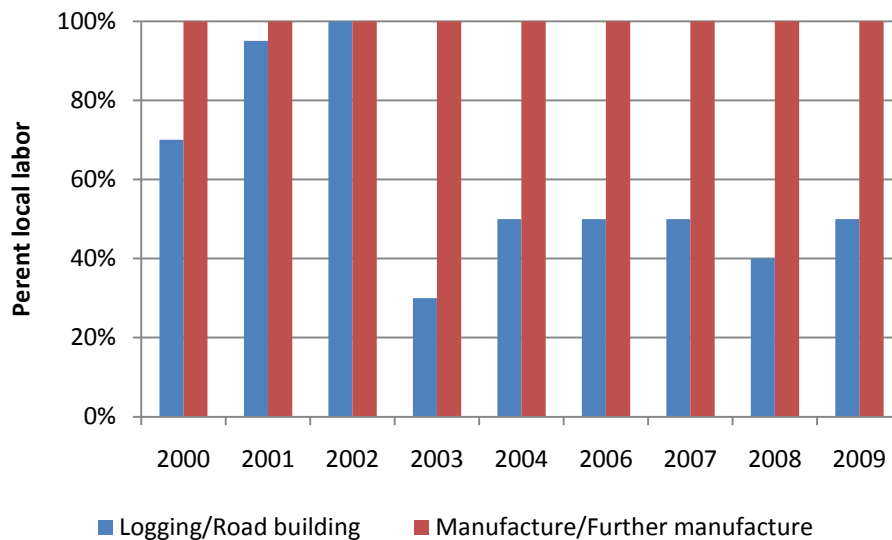
The amount lumber manufactured from Unit sales delivered to secondary firms in Lakeview and Paisley for remanufacture during the past decade was negligible. Most of the lumber used in secondary manufacturing came from outside Lake County. The decline in purchases of Unit lumber for secondary processing was due to a variety of factors. Some remanufacturers switched to non-local and international species because of the increased availability of high quality, inexpensive lumber from elsewhere in the United States and the world; some remanufacturers required products in specifications that the local mill could not produce; and there was a decline in the quality of the timber offered on Unit sales. Changes in forest management and the consequent reduction in the quality and quantity of Unit offerings partially explained this shift in quality (Moseley and Kauffman 2000).

Pacific Pine Products and Woodgrain Manufacturing continued to purchase lumber from the remaining mill. Collins Pine continued to supply Pacific Pine and Woodgrain with approximately 1.0 and 0.5 million board feet respectively on an average annual basis during the past decade.

Use of local labor and contracting firms

The Lakeview Federal Unit policy statement requires timber sale purchasers to use local labor in their mills and local contractors for harvest, road building, and other work in so far as practical. Between 2000 and 2009, Unit purchasers used all local labor for manufacture and further manufacture. The use of local labor for logging, and road building varied from 30 to 100 percent with about 50 percent local labor use being most common toward the end of the decade (fig. 5.4). One of the reasons for employing non-local logging companies was timber sale requirements for helicopter logging. There are no local firms with helicopter logging capability. Another reason was local logging companies were fully occupied. The reduction in harvest opportunities around Lake County has decreased the number of logging contractors in the area. Firms often need to look for loggers and truckers elsewhere to meet timber sale contract requirements and mill production goals.

Figure 5.4: Percentage of local labor used processing Unit timber, 2000 - 2009



Source: Fremont National Forest, Unit monitoring data

Conclusion

Timber from the Lakeview Federal Sustained Yield Unit almost completely supplied the primary forest products sector until the late 1990s. Changes in Fremont National Forest management have reduced the supply of Unit timber. The reduction in log supply and change in the larger forest products economy have reduced primary forest product processing entities in the region. There is only one sawmill left in the Unit.

Between 2000 and 2009, Unit awarded sales averaged slightly less than 10 million board feet annually. Currently about 30 percent of the Fremont Sawmill's timber comes from Unit sales.

Chapter VI - Evaluation

Unit review

The purpose of the review is to determine if the Unit is meeting the objectives of the authorizing legislation, and the policy statement defining the purpose of the Unit. The previous chapters addressed:

- Output offerings and harvest during the analysis period.
- The extent to which Unit purchasers buy Unit sale offerings.
- The extent to which National Forest timber from the Unit is further manufactured and remanufactured in the Lakeview and Paisley communities.
- The extent to which local labor is employed.

These indicators are evaluated in light of broader social and economic conditions in the communities of Lakeview and Paisley, Lake County and the surrounding region to ascertain the impact of the Lakeview Federal Sustained Yield Unit on Lake County and the communities of Lakeview and Paisley.

Moseley and Kaufman in their 2000 review suggested the narrow consideration of getting logs to the mills to achieve community stability was no longer appropriate. At the time when the Sustained Yield Forest Management Act in 1944 was passed, policy makers were focused on creating stable communities by providing a sustainable supply of timber to mills. It was believed that a stable supply of timber would create long-term employment in the timber industry, and industry stability would support healthy communities. However, the Fremont National Forest cannot guarantee a stable supply of timber, and industry stability has not always resulted in

prosperous communities.

Today, the Forest Service's community development policies have changed. Instead of trying to create stable communities through commodity supply, community development specialists focus on economic diversity, community resilience and, more broadly, on community well-being. This shift broadens the purpose of sustained yield units and the role they play in the context of community well-being.

Sustained yield units and community well-being

A community development model focused on well-being implies that a vibrant forest products sector can be an important part of a diverse rural economy. A local forest products sector is particularly important in isolated forest communities with few other options. Policies that help support the local forest products industry are important for community economic well-being even if the forest product sector is only one of several key sectors in the economy.

A sustained yield unit requires manufacturers to process timber locally and encourages additional value-added production. In addition, the Unit can be a nexus for providing nontimber benefits to nearby rural communities, a stated purpose of the Unit.

Evaluating the Lakeview Sustained Yield Unit

For evaluating the effectiveness of a sustained yield unit on the broader role that it might play supporting community well-being suggests the following questions:

- How important was the forest products sector for the local economy?
- What was the impact of the unit on the forest products sector and thus the Lake County economy?

- Did the Unit foster primary processing and secondary production?
- Did the Unit foster use of local labor in production and harvest-related services?
- What are the trends in the forest products sector and its viability?

How important was the forest products sector for the local economy and what are the trends in the forest products sector and its viability?

During the 2000s, the forest products sector continued to be an important component of the Lake County economy. Employment and income in this sector increased during the decade reversing trends of the previous decade. Secondary manufacturing firms grew, replacing the jobs lost in primary processing. The forest products sector was the second largest sector of the economy during 2008 measured in personal income and third most important considering employment. The forest products industry remained an important part of the economy.

What was the impact of the Unit on the forest products sector?

The Unit created a fairly closed market for primary wood products businesses that purchased Unit timber sales. Although they received protection from competition from mills located outside of the Unit, the protection came with stipulations. Purchasers who purchased Unit timber could not buy timber from Forest Service lands outside of the Unit and manufacture that timber within the Unit.

Collins Pine located in Lakeview is the only primary processing mill who purchased timber from the Unit. All of the secondary processors are also located in Lakeview. During the last decade, the Unit supplied about 25 to 30 percent of the log requirements of Collins Pine. The supply of timber from other ownerships in the area is limited. Timber from the Unit was a substantial component of the log input to this mill.

Did the Unit foster primary processing and secondary production?

A goal of the sustained yield unit is to support primary and valued-added wood products manufacturing in Lakeview and Paisley. However, the supply of timber from the Unit was not enough to prevent mill closures. Only the Collins Pine sawmill remained in business. The purchases by the mill were manufactured and further manufactured as stipulated in the policy statement.

To promote local remanufacturing, Unit sawmills are required to offer lumber from Unit sales to secondary manufacturers before selling lumber outside the Unit. With the exception of McFarland Door, all of the secondary manufacturers originally located in Lakeview to access lumber manufactured from the Unit. Changes in Forest Service management have affected the amount, species mix, and size of timber offered in Unit sales. The change in species and size may have affected the quality of lumber used in value added manufacturing. Secondary manufacturers purchased little Unit lumber during the past decade. They now buy lumber from other sources around the Pacific Northwest, the United States, and the world.

Did the Unit foster use of local labor in production and harvest-related services?

During the last decade, unit purchasers used local labor for all of their manufacturing and further manufacturing needs. The use of local contractors for harvest-related services was generally above 50 percent. The use of nonlocal contractors occurred when equipment was not locally available such as helicopter logging equipment, and when loggers and haulers were fully occupied elsewhere.

Overall impact

Social and economic change over the last decade did not appear disruptive. There was no rapid growth or declines in the social and economic indicators reviewed for Lake County. Conditions contributing to social and economic well-being appear stable. Although it is difficult to state with certainty that the stability of the social and economic conditions in Lake County was due to the existence of the Unit, it is easier to project that without the Unit conditions are likely be different. The viability of the Collins mill in Lakeview would be questionable.

During the 2000s, with a smaller amount of timber volume offered for sale by the Forest Service, Unit sales were a smaller percentage of timber processed locally. Timber processors have adjusted to changes in the quality and quantity of the timber provided by the Forest Service. The forest products manufacturing sector has even grown indicating that the Lakeview Federal Sustained Yield Unit met the overall purpose of the Sustain Yield Forest Management Act of 1944 and the objectives of the Unit policy statement.

The Unit policy has several strengths. It provides local manufacturers the opportunity to buy timber for local processing by protecting them from outside competition. It encourages value-added production using local materials by requiring that unit purchasers offer their products to local remanufacturing firms before selling it outside the unit. And, it requires the use of local labor in unit processing, harvesting, and road-building activities to the extent practicable.

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