A Review of the Lakeview Federal Sustained Yield Unit

2010-2018

Fremont-Winema National Forest

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August 2019 Contract Number: 1204N719P0008

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Executive Summary

This 2010-2018 review of the Lakeview Federal Sustained Yield Unit (LFSYU) was conducted to determine if the Unit met the objectives of authorizing legislation and the policy statement that defines its purposes during this time period. The primary purpose of the unit is to provide economic stability for the communities of Lakeview and Paisley, Oregon.

This review was directed to analyze the following indicators, and found that:

- *Output offerings and harvest during the analysis period:* Annual average volume sold from the Unit has continued to decline over the past three decades.
- *The extent to which Unit purchasers buy Unit sale offerings:* Unit purchasers have first right of refusal and bought nearly all Unit sale offerings.
- *The extent to which national forest timber from the Unit is manufactured and remanufactured in the communities of Lakeview and Paisley:* Timber from the Unit underwent primary manufacturing in Lakeview, where the sole sawmill remains. Remanufacturing utilized very little Unit timber. There were no manufacturing facilities in Paisley.
- *The extent to which local labor is employed:* Local labor was used in all road-building work, nearly all manufacturing, and to a varied extent in logging over the review period. Non-local loggers were engaged when local loggers were engaged elsewhere and/or could not meet the demand of the mill, or when specialized equipment was necessary that was not available locally.

This review does not examine the sustainable ecosystem goals of the Unit, as that will be accomplished during the Forest Planning Process as stated in IX of the LFSYU Policy Statement as amended on May 18, 2012. This review also does not recommend changes to the policy statement, or address equitability of the LFSYU for communities and businesses outside of the Unit, as per agency guidelines for the purpose of this review.

Trends and Context of the LFSYU

In addition to the above indicators, the review analyzed relevant trends and the context of the LFSYU, including management direction and major events, social and economic conditions in Lake County, and the state of the local forest products sector.

Management Direction and Major Events

From 2010-2018, management of the LFSYU increasingly focused on hazardous fuels reduction and forest restoration with support from the Collaborative Forest Landscape Restoration Program and Joint Chiefs Landscape Restoration Program, in collaboration with the Lakeview Stewardship Group. In summer 2012, the Barry Point Fire affected federal land within the LFSYU as well as private timberlands held by Collins Pine and the Modoc NF in California. In 2018, the ten-year stewardship contract between Collins Pine and the Fremont-Winema NF expired and neither party sought to renew it. Collins Pine also asked the Regional Forester to allow them to purchase outside the unit and to suspend the LFSYU policy. The Regional Forester did not grant the request for suspension of the LFSYU, but did allow Collins Pine to begin to immediately transition to bidding on offerings of national forest timber outside of the Unit.

Social and Economic Conditions in Lake County

From 2007-2009, Lake County and the rest of Oregon were part of a nationwide recession. Poverty rates in Lake County reached a high of 21 percent during this time period as compared to a high of 17 percent in the prior review. Annual unemployment rates for Lake County rose sharply during and immediately after the recession, then declined again from 2010 to 2016. Fluctuations in seasonal unemployment from 2009-2017 appeared to be lesser than in the prior review. In addition, annual median household income and per capita income rose in the county. The recession had immediate and lingering impacts from 2007 to 2010, but some economic indicators continued to be stable or improve.

The State of the Local Forest Products Sector

The Collins Pine Fremont Sawmill in Lakeview has been the only remaining sawmill in Lake County since 1996. The Fremont Sawmill has an annual production capacity of 70 million board feet, including its small diameter sawmill added in 2007 and improved in 2012-2013. During 2010-2018, the number of secondary manufacturing businesses in Lake County declined from four to two, and the remaining businesses increasingly required species and grades of material that were not available from the Unit or locally. From 2009 to 2016, primary manufacturing employment in Lake County remained fairly stable at around 80 jobs each year. Secondary manufacturing employment declined sharply in 2010 but rebounded starting in 2012 and exceeded the number of jobs in primary manufacturing from 2013-2018. Logging and forestry experienced an overall decline in number of jobs from 2010 to 2018.

The Impacts of the Unit

The ability of a sustained yield unit to meet objectives of stability for forest industries, employment, and communities through continuous supply of timber as envisioned in the original authorizing legislation relies on numerous drivers and trends, not all of which can be controlled locally. There have been many economic and social changes in how national forests are used and valued, particularly for purposes beyond timber harvest. Moreover, a sustained yield unit alone cannot necessarily account for the entire economic or community stability of an area. However, the presence of the forest products industry among other economic sectors in an isolated rural area can contribute. This review of the LFSYU from 2010-2018 found that the Unit provided a large proportion of the log supply for the remaining primary manufacturer in the county, therefore supporting employment and other economic impacts. This employment remained fairly stable despite the aftereffects of a recession from 2007-2009. The Unit did not contribute very much to the employment and impacts from the secondary manufacturing sector, as this sector utilized very little Unit material. The Unit fostered local employment in logging and road-building by engaging local businesses unless the needs of the mill exceeded their capacity or specialized equipment not available locally was required. The Unit also likely helped reduce competition, and supported the one remaining sawmill in Lake County and within the broader region of eastern Oregon that has seen declines in primary processing capacity. However, this review and prior reviews together show that the overall quantity of timber sold from the Unit and annual average amounts offered have declined. The multiple effects of the 2012 Barry Point Fire also challenged the ability of Collins Pine to remain within purchasing limits of a defined area while retaining economic viability.

Chapter One: Introduction and Purpose

In 1944, Congress passed the Sustained Yield Forest Management Act of 1944. This authorized the creation of sustained yield units on national forest system lands and adjacent land for the purposes of:

- Promoting the stability of forest industries, of employment, of communities, and of taxable forest wealth, through continuous supply of timber;
- Providing for a continuous and ample supply of forest products; and
- Securing 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).

Five sustained yield units were established by 1950, including the Lakeview Federal Sustained Yield Unit (hereafter LFSYU or Unit, interchangeably) in southern-central Oregon within the then-Fremont National Forest (hereafter the Fremont-Winema NF). The primary purpose of the LFSYU was to provide economic stability for the communities of Lakeview and Paisley, Oregon. Since the establishment of the LFSYU, there have been nine periodic reviews of its efficacy at achieving its goals, updates to the policy statements governing it in 1992 and 2001, and a reauthorization of Unit in 2001. The 1992 update directed how and where the available allowable sale quantity (ASQ) and non-chargeable volume would be processed (U.S. Forest Service 1992). The 2001 policy statement and reauthorization added goals intended to support a sustainable forest ecosystem within the LFSYU (Appendix 1). It also added monitoring criteria for a Unit Area review of the achievement of these ecological goals.

1.1. About This Review

This review is provided to address the U.S. Forest Service policy requirement to conduct a review every ten years (FSM 2411.3). The purpose of periodic review is to determine if the Unit meets the objectives of the authorizing legislation and the policy statement defining the purpose of the Unit. The last review was conducted in 2010 for the time period 2000-2009 (Phillips 2010). The timing of this current review was somewhat expedited due to a 2018 request from Collins Pine Company (hereafter Collins Pine) to the Regional Forester to allow Collins to begin to purchase outside the unit and to suspend the LFSYU policy. The Regional Forester did not grant the request for suspension of the LFSYU, but did allow Collins Pine to begin to immediately transition to bidding on offerings of national forest timber outside of the LFSYU; and initiated this review of the Unit in late 2018 (U.S. Forest Service 2018).

At the request of the U.S. Forest Service, this review was directed to follow the approach of the 2010 review, and specifically to address the following indicators of objectives of the authorizing legislation and policy statement purposes:

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 manufactured and remanufactured in the communities of Lakeview and Paisley
4. The extent to which local labor is employed

Data used in this review are the same types and sources as for the prior review (Phillips 2010). Data cover the duration from 2010-2018 to the extent possible. Some data sources were not yet available for this entire period, and the included range is noted.

As in the 2010 review, this review does not evaluate the updated Unit Area review requirements to address sustainable forest ecosystem goals identified in the 2001 policy statement. The Unit Area review will be addressed during forest plan revision for the Fremont-Winema NF. Additional monitoring that partially evaluates these goals is also underway through the requirements of the Collaborative Forest Landscape Restoration Program (CLFRP). In addition, this review does not recommend changes to the policy statement, as that is a decision of the U.S. Forest Service; and it does not address the equitability of the LFSYU for communities and businesses outside of the Unit as these are not stated objectives of the Unit.

1.2. Context of the LFSYU

The LFYSU covers a total of 666,940 acres; 492,087 are public lands managed by the Fremont-Winema NF, and 174,853 acres are under other ownership. The LFSYU boundaries follow those of the Fremont-Winema NF to the north, south and west; and the boundaries with rangelands administered by the Bureau of Land Management to the east (Figure 1). This area is partially within ceded lands of the Klamath Tribes. Approximately 88 percent of the LFSYU is forested, and the remainder is sagebrush/steppe. As it is east of the Cascades and within their rain shadow, the LFSYU's forests primarily consist of drought-tolerant tree species including ponderosa pine (*Pinus ponderosa*) and Western juniper (*Juniperus occidentalis*), with stands of white fir (*Abies concolor)* and lodgepole pine (*P. contorta*) common at higher elevations; as well as aspen (*Populus tremuloides*) and meadow habitats (LSG 2011).

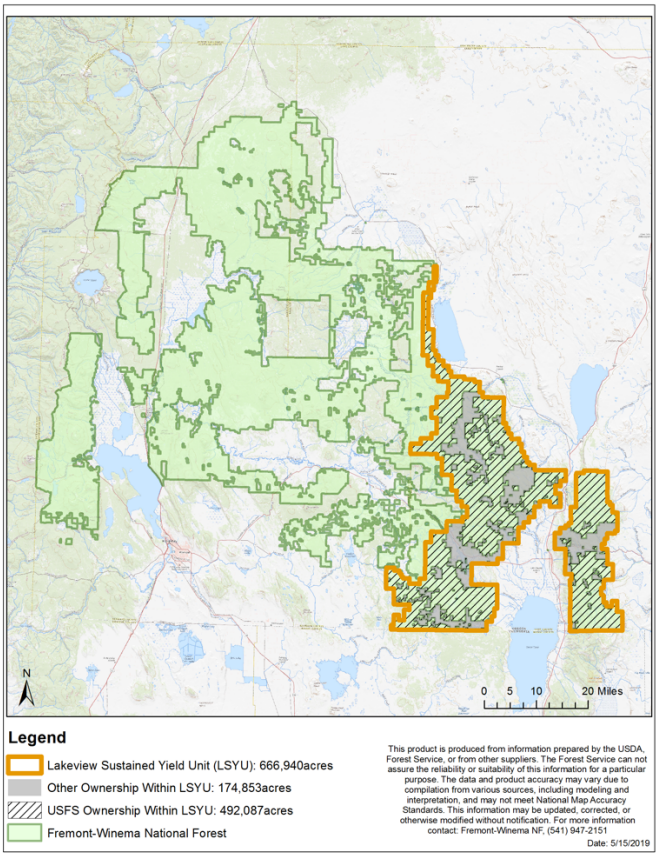


Figure 1.1. The Lakeview Federal Sustained Yield Unit. Source: Fremont-Winema National Forest

The LFSYU is governed by several plans and policies. The Fremont NF's Land and Resource Management Plan (1989) provides broad management direction. This plan has been amended several times and revised to be combined with the Winema NF plan in 2007, but a final comprehensive plan for the Fremont-Winema NF has not been completed and the two units are still managed under their respective LRMPs. The Fremont-Winema NF plans specific projects on the Unit and across the NF based on goals and objectives in the LRMPs, and analyzes them for potential impacts through the process required by the National Environmental Policy Act of 1969 (NEPA). The LFSYU policy statement directs where certain commercial products from management of the Unit are to be processed through primary manufacturing: within a six-mile radius of the county courthouse in Lakeview and a three-mile radius from the center of Paisley (U.S. Forest Service 2001). The policy statement also requires the use of local workforce and businesses "to the greatest practicable degree", and defines local as those located in Lake County or within 35 air miles of the Lake County courthouse.

1.3. Summary of Past Reviews

Prior reviews of the LFSYU have occurred nine times: 1952, 1954, 1960, 1965, 1974, 1980, 1990, 2000, and 2010. The first five reviews were conducted internally by the Forest Service and the last four by external contractors (Beuter and Olsen 1980, Beuter 1990, Moseley and Kauffman 2000, Phillips 2010). Before 2000, reviews primarily focused on evaluating the flow

of timber from the LFSYU and the impacts of the Unit on the local timber industry and communities. Both the 1980 and 1990 reviews concluded that the LFSYU was meeting policy statement objectives and that it was of importance to the economic stability of Lakeview and Paisley.

The 2000 review identified several ways in which the LFSYU had contributed to the local forest industry: protection from external competition for local manufacturers, encouragement of value-added remanufacturing, and encouragement of the use of local firms and workers in equipment-intensive activities such as logging and road-building (Moseley and Kauffman 2000). However, this review differed from those prior as it was examining a decade (1990-1999) that has seen significant changes in national forest management in the Northwest as well as in the local economy (see Chapter Two for more a detailed description). In particular, it suggested that the LFSYU could be managed more effectively for the third goal of the Sustained Yield Forest Management Act of 1944: to "secure the benefits of forests" for non-timber purposes such as water supply and wildlife habitat. Their recommendation for the inclusion of sustainable forest ecosystem goals contributed to the 2001 policy statement update.

The most recent review (Phillips 2010) found that from 2000-2009:

- There were no rapid changes in social or economic conditions in Lake County.
- Employment and income in the forest products sector in Lake County increased compared to the previous time period, and secondary manufacturing firms and jobs grew.
- The Collins Pine Fremont Sawmill in Lakeview was the only remaining primary manufacturing facility in Lake County. The Unit supplied about 25 percent of the log requirements for this mill.
- Lake County secondary manufacturing grew, but these manufacturers purchased very little Unit lumber, which may have been due to changes in the quantity, species, and size of timber offered by the Fremont-Winema NF.
- Unit purchasers used local labor for all manufacturing and further manufacturing. Local contractors were engaged in about half or more of the harvest-related work, and non-local contractors were used when 1) local contractors were fully occupied, and/or 2) when specialized equipment such as helicopters not available locally was necessary.

This review concluded that the slight growth of the local forest products manufacturing sector was an indication that the LFSYU had met its purpose and the objectives of the Unit policy statement. It was not possible to definitively connect the relative stability of social and economic conditions in Lake County to the Unit, but the review noted that "it is easier to project that without the Unit conditions are likely (to) be different. The viability of the Fremont mill in Lakeview would be questionable" (Phillips 2010, p. 42).

1.4. Report Overview

This review consists of five additional chapters and is organized in accordance with agency direction to follow the approach used in the 2010 review:

- Chapter Two describes the origins of sustained yield units, evolving regional and national forest management policies, management of the LFSYU, and regional timber industry conditions. It focuses in particular on changes and events since the last review.

- Chapter Three provides an overview of social and economic conditions in Lake County using available secondary sources of social and economic indicator data.
- Chapter Four describes the current Lake County forest products sector and changes that have occurred in this sector during 2010-2018.
- Chapter Five presents data about timber harvest and production from the LFSYU from 2010-2018, including Forest Service timber sale offerings, species mix in sales, primary and secondary manufacturing within the Unit, and local labor used in processing Unit timber.
- Chapter Six concludes this review by summarizing findings to address questions about the LFSYU's impacts and whether it meets its objectives as per the Unit policy statement.

Chapter Two: Conditions and Trends in the Region

2.1. Introduction

This chapter describes the origins of sustained yield units, evolving regional and national forest management policies, management of the LFSYU, and regional timber industry conditions. It focuses in particular on changes and events since the last review, during the period of 2010-2018.

2.2. The Sustained Yield Forest Management Act of 1944

Since the inception of the National Forest System in the United States in the early 1900s, forest managers expressed concern about the economic and social impacts of fluctuating timber harvest on adjacent communities. Prior to the 1930s, this concern centered particularly on what historians recognize as industrial overcutting, overproduction, and competition that led to booms and busts for many communities on a frontier that roved from the Midwest to the West with time (Drielsma, Miller, and Burch 1990). The pursuit of some means for "community stability" became linked with "sustained yield." The latter was originally a technical forestry concept focused on balancing harvest and growth that was adopted in the U.S. forestry context to indicate a non-declining even flow of volume (Parry, Vaux, and Dennis 1983). Following World War II, this culminated in the Sustained Yield Forest Management Act of 1944, which authorized the creation of sustained yield units in order to stabilize communities, the forest industry, and employment; assure yields of forest products; and "secure the benefit" of forests for other values such as water quantity and wildlife. Sustained yield units could consist entirely of federal land, or of federal and private land. Within these units, the agency was required to supply timber at appraised values to the most local mills in forest-dependent communities. Five units, including the Lakeview Federal Sustained Yield Unit, were approved by 1950 from over 40 proposals received (Drielsma, Miller, and Burch 1990).

2.3. Management of the Lakeview Federal Sustained Yield Unit

2.3.a. 1950—1999

Management of the LFSYU historically followed broader trends in national forest management. Following World War II, the national forest system was managed to meet the needs of a rapidly growing domestic housing market. Sustained yield was further adopted across the system as a general approach, along with the need to provide multiple values from national forest lands, through the Multiple Use Sustained Yield Act of 1960 and the National Forest Management Act of 1976. Concerns for the impacts of timber harvest on other values such as wildlife began to grow in the Western U.S. in particular by the early 1970s along with a broader environmental movement. By the late 1980s, environmental organizations were using available legal means to halt or delay many timber sales on national forests in the Northwest. This led to the establishment of more ecosystem-based management approaches for national forest management through the Northwest Forest Plan (1994) in the western Pacific Northwest, and the Interior Columbia Basin Ecosystem Management Project in the eastern portion of the region (hereafter ICBEMP, initiated in 1993; its science was used through a MOU to form a management

strategy). Prior to the ICBEMP process, three "interim" measures were created to protect ecological values, and intended to be replaced by the final ICBEMP strategy: PACFISH, INFISH, and Eastside Screens. As there was no final record of decision, interim measures remain in place today and help shape the types of forest management possible on eastern Oregon's national forest land, including the LFSYU. During the early 1990s, the LFSYU policy statement was also updated to provide direction about how and where the available allowable sale quantity (ASQ) and non-chargeable volume would be processed (U.S. Forest Service 1992).

Large-scale changes in the management of national forests in the Northwest and the closure of three of four mills in Lake County by 1996 raised concern about local social and economic impacts. Among the mill closures was the last remaining mill in Paisley, which raised questions about the impacts and viability of the LFSYU. A group of interested stakeholders began to meet in 1998 to discuss the challenges and opportunities facing forest management in the LFSYU. This group became known as the Lakeview Stewardship Group (hereafter LSG). It has since continued to meet to discuss planned vegetation management projects in the LFSYU, providing collaborative input to the Fremont-Winema NF about desired conditions for the forest and local communities.

2.3.b. A Shift Towards Wildfire Risk Reduction, 2000—2018

From 2000 onwards, a series of national wildfire-related policies and programs emerged that have incentivized management of national forestlands for hazardous fuels reduction and forest health restoration. As applied in Lake County, these policies and programs have increasingly focused the management of the LFSYU on wildfire risk in addition to the Unit's existing sustained yield and stability goals. The National Wildfire Plan (2000) and Healthy Forests Restoration Act (2003) provided funding and direction for national forests and community partners to collaborate on community wildfire protection planning. A Community Wildfire Protection Plan (CWPP) for south-central Lake County was created in 2006, and an update assessing the remainder of the county was developed in 2011. Although CWPPs focus on the wildland-urban interface, much of this interface is within the LFSYU boundaries. The CWPP identified numerous community, economic, and ecological values at risk, partially as a result of a buildup of hazardous fuels; and recommended increased treatments to reduce these fuels across landownership boundaries (Barker 2011).

During this time period, the LSG also worked to support the reauthorization and updating of the goals of the LFSYU policy statement in 2001 (Spaeth 2014). Additional goals were added to promote a sustainable forest ecosystem within the Unit:

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 (U.S. Forest Service 2001, p. 2).

This policy statement update also added a requirement for review and monitoring of the Unit Area, in addition to and distinct from the Unit review that this report fulfills. The Unit Area

review and monitoring would analyze the extent to which management activities were addressing these three sustainable forest ecosystem goals.

The LSG then produced a long-range management strategy for the LFSYU in 2005 that was updated in 2010. The long-range strategy provided a list of overarching areas of shared interest among group members, and advocated for increased thinning treatments to reduce wildfire risk and restore ecological resilience (LSG 2010). In 2008, the Fremont-Winema NF entered into a ten-year stewardship contract with Collins Pine to help implement these goals. This was the first ten-year stewardship contract within Region 6 of the U.S. Forest Service (LSG 2010). Activities under this contract performed by Collins Pine and subcontractors have included both timber harvest and mechanical treatments to reduce fuels.

When the LSG updated their long-range strategy in 2010, it noted that the economic recession that began in 2008 was limiting the amount of restoration work possible through the contract. The update also concluded that achieving the goals of the strategy and the Unit would necessitate additional funding. The LSG and Fremont-Winema NF partnered in 2011 to submit a proposal to the U.S. Forest Service's Collaborative Forest Landscape Restoration Program (CFLRP). CFLRP was created in 2009 with Title IV of the Omnibus Public Land Management Act of 2009 to support the science-based restoration of priority forest landscapes across the United States. The LSG proposal was successful and beginning in 2012, the Fremont-Winema NF received annual CFLRP funds intended to accelerate the planning and implementation of fuels reduction treatments on 150,000 acres within the LFSYU boundaries.

In August 2012, the lightning-caused Barry Point Fire occurred with significant impacts on the work planned through CFLRP. The 92,977-acre wildfire affected forestland in the Fremont-Winema NF as well as the Modoc NF to the south, and private lands owned by Collins Pine in both Lake and Modoc Counties (Fremont-Winema NF 2013). The fire ultimately covered about 43,000 acres or seven percent of the LFSYU; and 24,300 acres of Collins Pine land. Much of the landscape where environmental analysis had been completed and projects were slated to begin was burned. The LSG/Fremont-Winema NF requested and were granted a revision to their CLFRP proposal, which allowed for planning of some fire salvage sales in burned areas and refocused the green program for fuels reduction on unburned areas within the Unit (LSG 2013). From 2013-2014, Collins Pine primarily conducted salvage logging on the Modoc NF and its own affected lands in both Oregon and California. A salvage sale was planned on the LFSYU, but Collins did not bid on it because the available timber was not merchantable. The overall impacts of the Barry Point Fire on Collins Pine as the sole sawmill in a multi-landownership landscape with an extensive fire footprint were unprecedented and would prove challenging for management of the LFSYU in years to come.

Following the Barry Point Fire and recovery, there was also a shift toward planning and implementing all-lands management on the Fremont-Winema NF and within the LFSYU with adjacent private landowners. The LSG, other local partners, and government agencies obtained support from the Joint Chiefs Landscape Restoration Partnership, a partnership between the U.S. Forest Service and NRCS, to increase fuels reduction and ecological restoration activities across 410,000 acres in the North Warners area which includes the Crooked Mud Honey planning area within the LFSYU (Leavell et al. 2018).

In 2018, there were two further major developments. First, the ten-year stewardship contract between Collins Pine and the Fremont-Winema NF expired and neither party sought to renew it. Second, Collins Pine requested a variance from the Unit to allow Collins to transition out of the LFSYU and a suspension of the LFSYU policy from the Regional Forester. Their request letter indicated that "The current level of 12 MMbf that has been coming out is not in the near term nor the long term enough to sustain our needs locally…and meaningful environmental analysis that would support any increase or timeliness of offerings is one or two years out"; and described the LFSYU as "now a detriment to operating a forest products facility and helping to sustain the economic and social wellbeing of the community and doing the work in the forest that needs to be accomplished" (Collins Pine 2018; Appendix 2). Sources of limitation on timber volume have included the Eastside Screens, inoperably steep slopes in some areas of the Unit, and lack of Forest Service capacity to plan and offer projects at the necessary scale and pace (Interview with Collins Pine, April 2019). The Regional Forester granted the request to allow Collins Pine to bid on offerings of national forest timber outside of the LFSYU during this transition period but did not suspend the Unit policy, and initiated the process for this review of the Unit in late 2018 (U.S. Forest Service 2018; Appendix 2).

2.4. Regional Trends in Timber Harvest and the Forest Industry

As the prior review of the LFSYU has described, the past several decades have seen a decrease in volume of timber harvested on Forest Service lands in eastern Oregon more broadly. Harvest on all ownerships in this region shifted from a high of 2.2 billion board feet in 1989 to just over 360 million board feet in 2008, a decline of nearly 80 percent (Phillips 2010). During the time period for this review, total regional harvest in eastern Oregon was between approximately 346 million board feet and 410 million board feet (Figure 2.1). Harvest on private industrial lands appears to have declined from 2013-2016, while Forest Service harvest has increased. This may be due to an increased focus on accelerating restoration on federal forestlands in eastern Oregon.

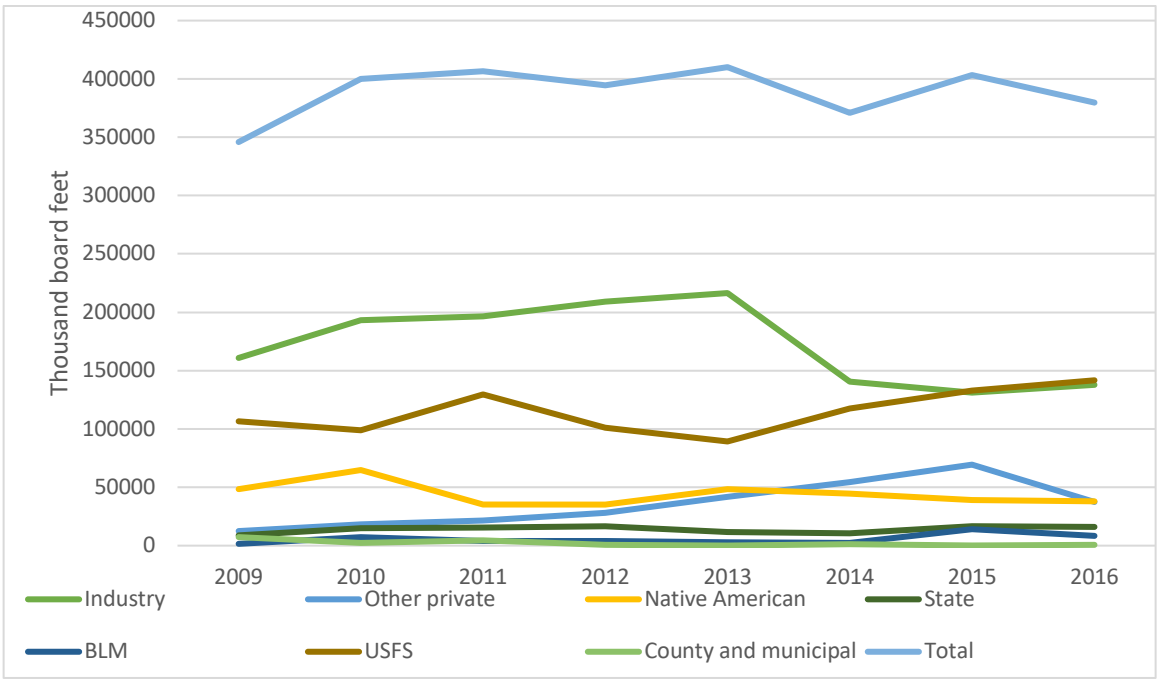


Figure 2.1. Timber harvest from all ownerships in Eastern Oregon by thousand board feet, 2009-2016. Data for 2017-2018 not yet available. Source: Oregon Department of Forestry.

Within the Pacific Northwest more broadly, there has been a significant contraction in the forest products industry since the late 1980s. The total number of operating mills in Oregon and Washington decreased from 179 to 100 mills between 1989 and 2007, with the most substantial declines in plywood production (Ehinger 2008, Phillips 2010). In 2008, the economic recession and downturn in the housing market also affected lumber production, bringing it down by approximately 30 percent from 1989 levels (Warren 2009). A 2013 assessment of eastern Oregon forest products capacity reported that there were 45 primary processing facilities located in the region and using logs or fiber from the region at that time; some of these included were not operating, however (Swan, Tokarczyk, and Kaetzel 2013). There has not since been an updated assessment of industry capacity for this region, but at least two mills closed in eastern Oregon (in Warm Springs and Elgin) between 2010-2018. There has been increasing concern about retaining processing infrastructure in eastern Oregon to help achieve forest restoration goals by providing markets.

Within the state of Oregon, overall employment in wood products manufacturing was higher than present day levels in 2001-2006 (Figure 2.2). It declined in particular during and immediately after the 2007-2009 recession, then began to slowly rise, but not to pre-recession levels.

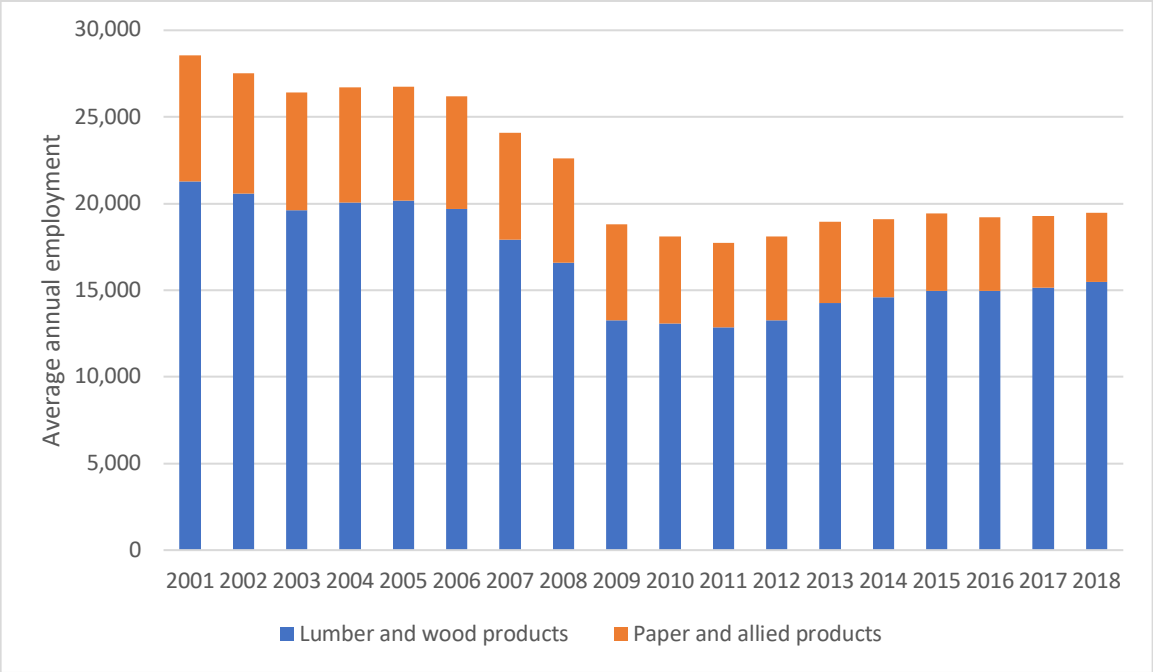


Figure 2.2. Employment in wood products manufacturing in the state of Oregon, 2001-2018. Source: State of Oregon Employment Department.

2.5. Local Trends in Timber Harvest in Lake County

The prior review of the LFSYU described a county-level decrease in timber harvest since a high of 400 million board feet in 1968. This historic level of timber harvest in Lake County alone exceeds the 2009-2016 average for all of eastern Oregon (approximately 389 million board feet). In 2008, the total timber supply across all ownerships in Lake County was under 30 million board feet (Phillips 2010). From 2009-2016, harvest on all ownerships in Lake County was highest in 2010 at just over 34 million board feet, fell to just over seven million in 2013, and climbed back to approximately 32 million in 2016 (Figure 2.3). The decline in 2013 was largely due to a shift in focus on the Barry Point Fire salvage on private and federal lands in Modoc County at that time. Across this time period, in Lake County, the most volume was harvested from U.S. Forest Service lands (55 percent), and 38 percent was harvested from private industrial lands.

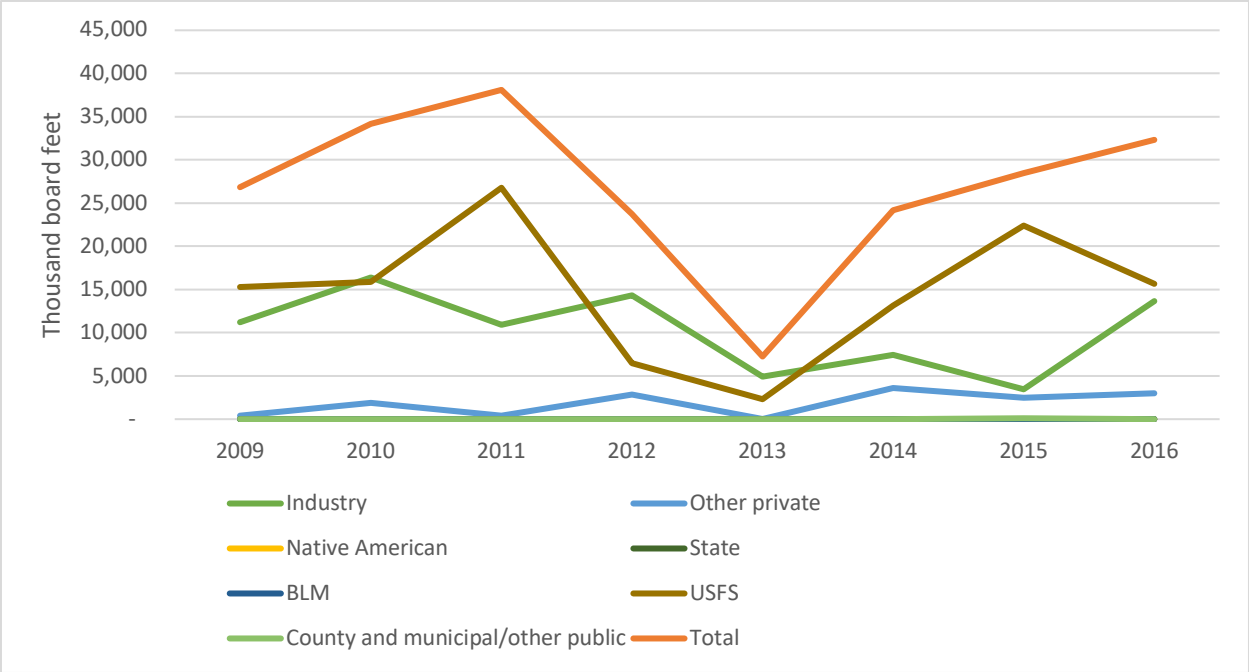


Figure 2.3. Timber harvest from all ownerships in Lake County, Oregon, by thousand board feet. Data for 2017-2018 not yet available. Source: Oregon Department of Forestry.

2.6. Summary and Conclusion

From 2010-2018, management of the LFSYU increasingly focused on hazardous fuels reduction and forest restoration with support from the Collaborative Forest Landscape Restoration Program and Joint Chiefs Landscape Restoration Program. In summer 2012, the Barry Point Fire affected federal land within the LFSYU as well as adjacent private timberlands held by Collins Pine, and the Modoc NF in California. Timber harvest on all ownerships in Lake County was in the vicinity of 25-34 million board feet, excepting a plunge to seven million in 2013 mostly due to a focus on the Barry Point Fire salvage on private and federal lands in Modoc County. Harvest levels fluctuated on both U.S. Forest Service and private industrial timberland, but more timber in total was harvested from federal land. The regional effects of the Barry Point Fire on timber supply challenged Collins Pine's ability to remain within the purchasing limits of the LFSYU.

Chapter Three: Social and Economic Conditions of Lake County

3.1. Introduction

This chapter reviews several social and economic indicators that can help describe conditions in Lake County between 2010-2018. These include demographic information about population and age, income, poverty, unemployment, and importance of various sectors to the county's economy. Some data are limited in recent availability and are measured from 2009-2017.

3.2. Population and Age

Lake County has consistently had one of the smallest populations among Oregon counties. In comparison to its adjacent counties across time, Lake County is comparable to Harney County in population, and has far less population than Deschutes or Klamath Counties. In the decade prior to this review (2000-2009), there was a very slight increase in Lake County's total population and it was 7600 in 2009 (Phillips 2010). Population data from the Center for Population Research and Census at Portland State University show that this trend of slight increase and stability continued for 2010-2018, with Lake County's population increasing to 8115 by 2018 (Figure 3.1). The rates of population change for Harney and Klamath Counties similarly showed limited change, but Deschutes County's population has notably increased.

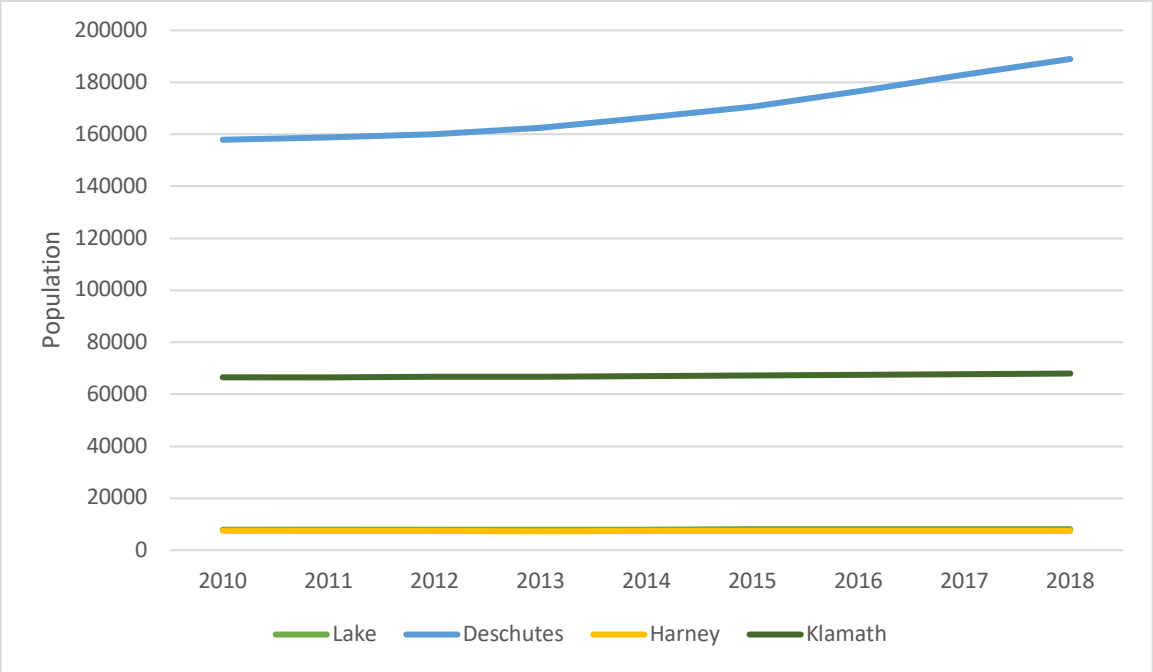


Figure 3.1. Population for Lake, Deschutes, Harney, and Klamath Counties, 2010-2018. Source: Center for Population Research and Census at Portland State University

As found in the last review of the LFSYU, the population of Lake County showed an increasing percentage of ages 65 and older from 2000 to 2009 (Phillips 2010); this trend continued between 2009 and 2018 with a five percent increase in this demographic (Table 3.1). As of 2018, a

quarter of Lake County residents were 65 or older. Further, between 2009 and 2018, the percentage of residents age 17 or younger in Lake County dropped by about five percent. These trends were somewhat mirrored for the state of Oregon as a whole for the same time period.

	Age 17 and under		Age 18-64		Age 65 and over	
Year	Lake	Oregon	Lake	Oregon	Lake	Oregon
1990	-	-	-	-	14%	14%
2000	-	-	-	-	18%	13%
2009	20%	23%	60%	64%	20%	13%
2018	15.6%	20.7%	59.2%	61.7%	25.2%	17.6%

Table 3.1. Percent of residents by age class for Lake County and Oregon state; 1990, 2000, 2009, 2010, and 2018. Source: Center for Population Research and Census at Portland State University (for 2018) and Phillips 2010 (for 1990, 2000, and 2009).

3.3. Income

Income in Lake County was examined by three indicators: per capita income, income by source, and income by economic sector.

First, per capita income in Lake County remained below the average for state of Oregon for 2009-2017 (Figure 3.2). It did largely mirror trends in the state of Oregon, however, in moving upward during 2009-2015. In 2015-2017, per capita income in Lake County continued to grow but more slowly than in prior years, and more slowly than in the state of Oregon.

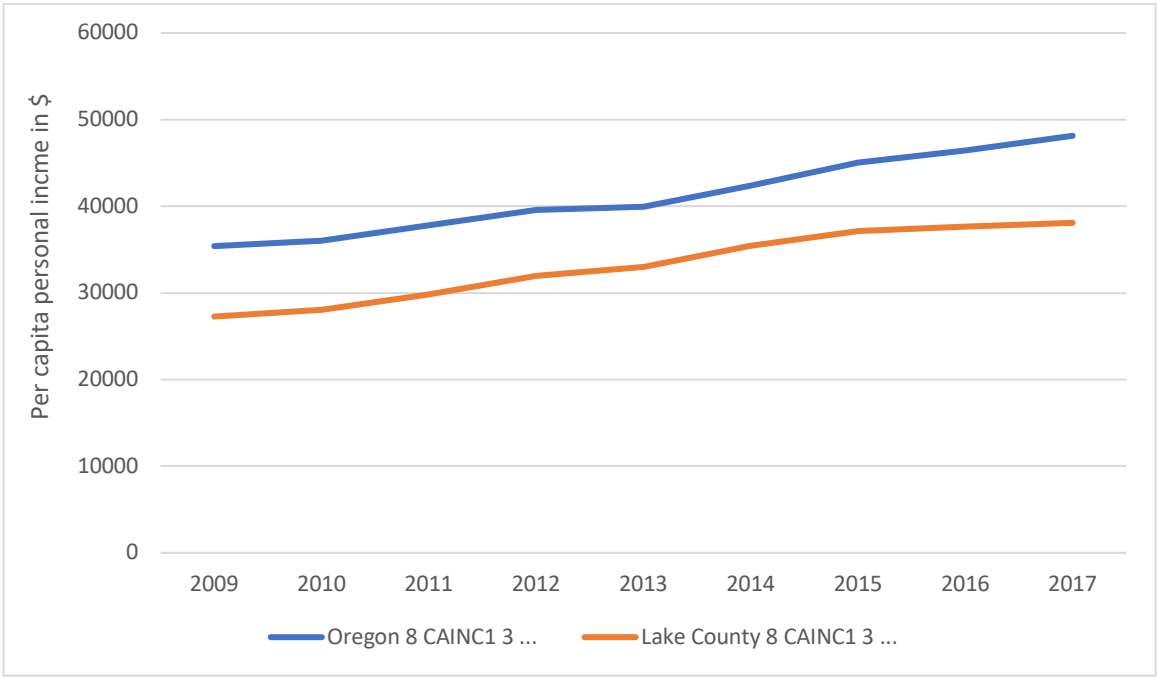


Figure 3.2. Per capita income for Lake County and Oregon state, 2009-2017. Source: Bureau of Economic Analysis, Regional Economic Information System.

Second, sources of personal income can provide additional insight into income in a county. In Lake County, wages have been the largest share of personal income, although this percentage has

declined since 2006 and remained fairly level at just under 50 percent for 2009-2017 (Figure 3.3). The percentage of personal income from transfer payments and dividends, interest, or rent has risen overall since 2001, with transfer payments at about 30 percent of personal income in Lake County in 2017.

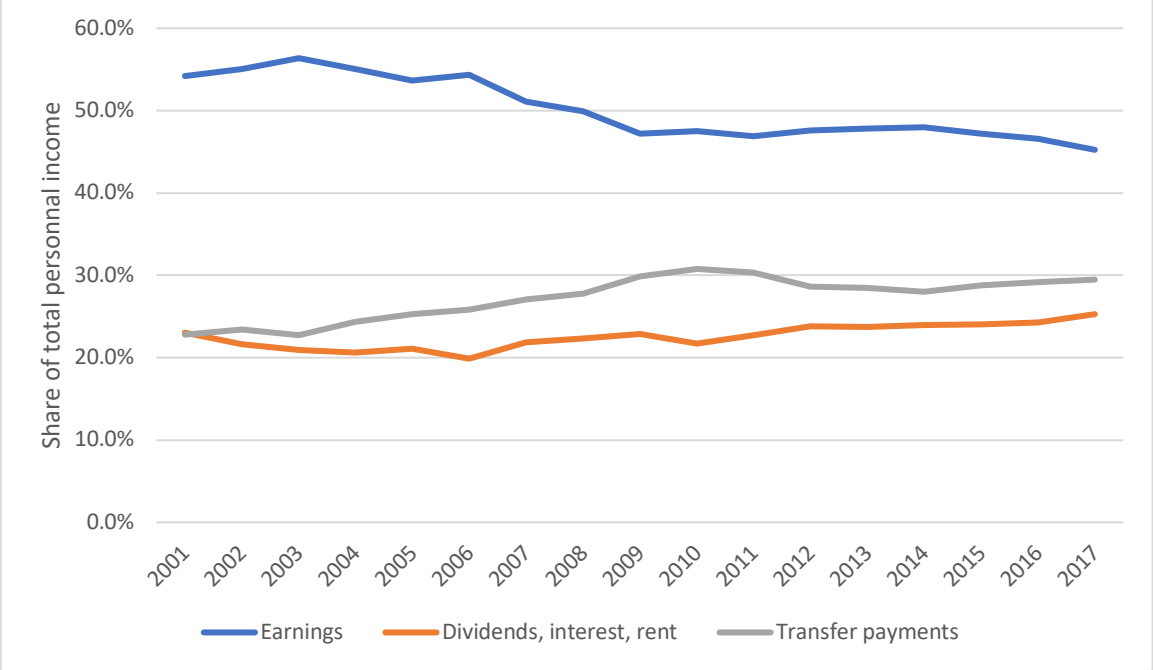


Figure 3.3. Sources of personal income for Lake County, 2001-2017. Source: Headwaters Economics Economic Profile System.

A third measure of income is wage and proprietor income by industrial sector. The prior LFSYU review in 2010 found that between 2000-2008, government (including federal, state and local) was the largest contributor to wage and proprietor income in the Lake County economy, services and farming declined, and wholesale and retail trade as well as manufacturing grew (Phillips 2010). From 2010-2018, government remained the largest sector at 32 percent of local wages and income, and combined service industries were 20 percent (Figure 3.4). Manufacturing was four percent, agriculture/forestry/fishing was one percent, and the farm sector was five percent.

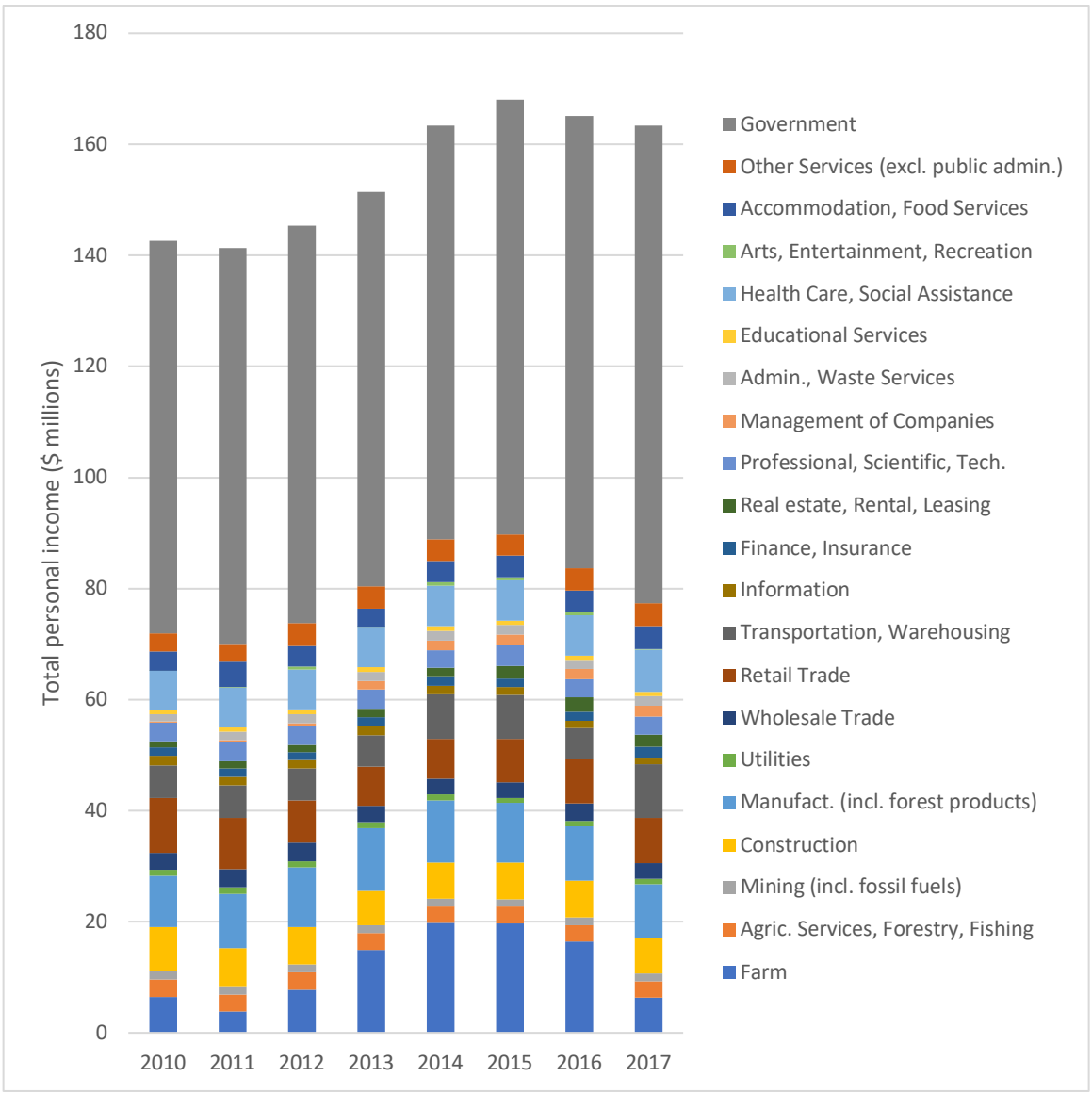


Figure 3.4. Wage and proprietor income for Lake County by sector, 2010-2017. Source: Headwaters Economics Economic Profile System.

3.4. Unemployment

Just prior to this review period, the United States experienced a significant recession from 2007-2009, with at least a year of lingering impacts to many socioeconomic indicators. Annual unemployment rates for the state of Oregon, and Lake County and its neighboring counties, had risen sharply during and immediately after the recession. From 2010 to 2016, annual unemployment rates then declined from these earlier highs, although more slowly in Lake County; then began to rise again from 2017-2018 (Figure 3.5). Average annual unemployment in Lake County during 2010-2018 was 9.7 percent, which was higher than the average for the state of Oregon during that period and most comparable to that of Harney County. In 2018, Lake County's annual unemployment was 3.3 percentage points higher than the state of Oregon's.

This is a much smaller margin than in 2008, when Lake County's was 13 percentage points higher (Phillips 2010).

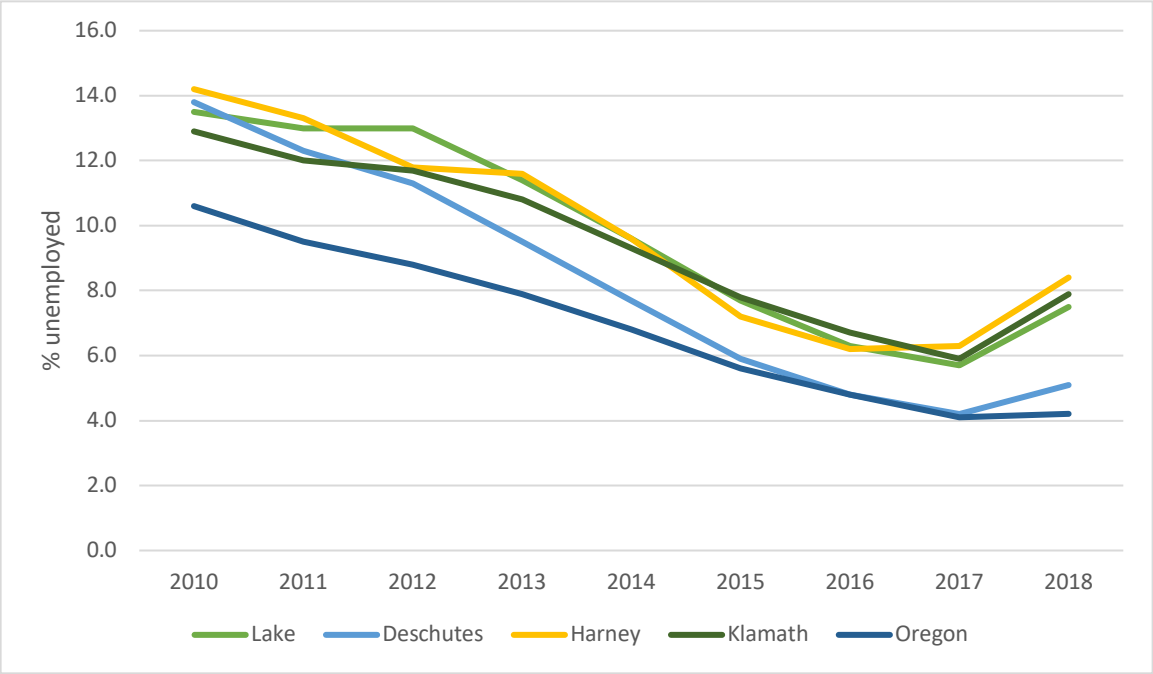


Figure 3.5. Annual unemployment rates for Lake, Deschutes, Harney, and Klamath Counties; and state of Oregon, 2010-2018. Source: Bureau of Labor Statistics, Local Area Unemployment Statistics.

Seasonal unemployment throughout each year can be an important variable for rural counties, as they often have large proportions of their employment in seasonally-dependent sectors such as agriculture. The prior LFSYU review found that Lake County experienced large swings in seasonal unemployment from 2004-2010; during the winter months, the difference between Lake County and the state of Oregon's unemployment rates was at times more than 60 percentage points (Phillips 2010). This disparity in conditions appeared to have shifted during the 2009-2018 time period evaluated in this review (Figure 3.6). Although Lake County continued to have higher seasonal unemployment rates during the winter than the state of Oregon did, the difference between these did not exceed five percentage points at any time. As Oregon and Lake County recovered from the aftereffects of the 2007-2009 recession, there were increasingly lower rates of winter unemployment, particularly from 2014 to 2018. Overall, seasonal fluctuations in unemployment were reduced and stabilized much more than in the prior review period.

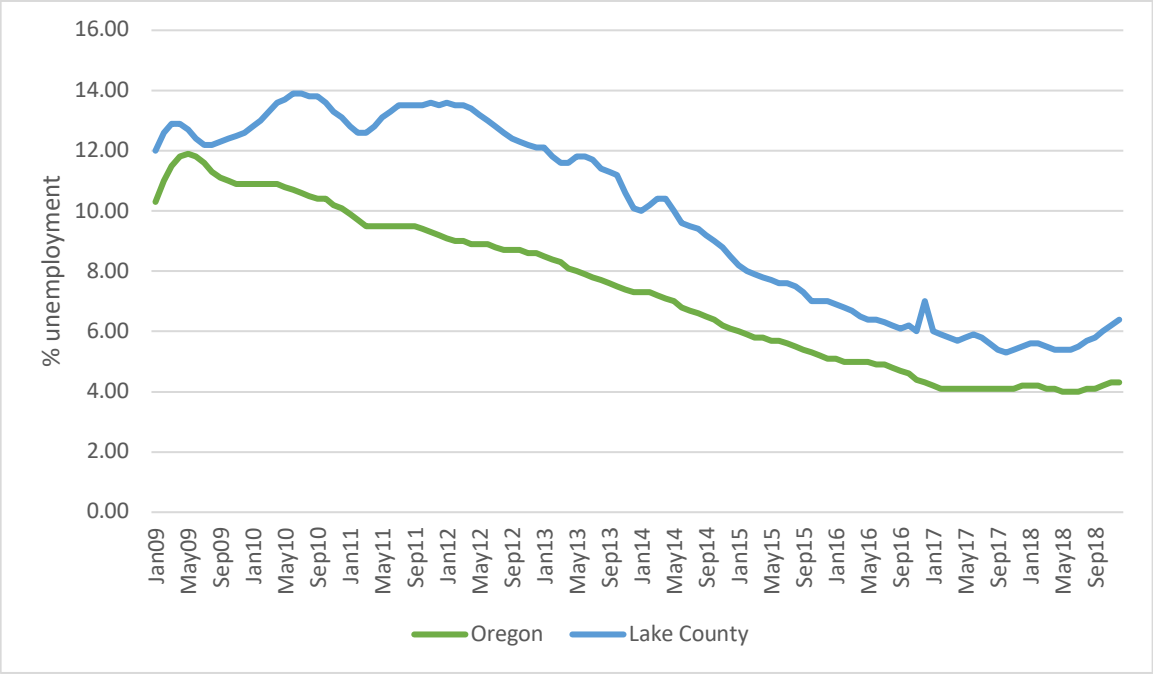


Figure 3.6. Seasonal unemployment rates for Lake County and state of Oregon, 2009-2018. Source: Bureau of Labor Statistics, Local Area Unemployment Statistics.

3.5. Poverty and Median Household Income

The percentage of people living below the federal poverty line in Lake County was between 21 and 18.5 percent from 2009-2017 (Figure 3.7). In the prior decade (1999-2008), poverty rates in Lake County were somewhat lower, ranging from about 15 to 17 percent. At a few points between 2009-2017, neighboring Klamath and Harney Counties experienced higher poverty rates than Lake County, and average poverty rates for this time period were slightly higher in Klamath County (20 percent) than Lake County (19 percent). All three counties had higher poverty rates than Oregon as a whole or neighboring Deschutes County, in each year and on average for 2009-2017.

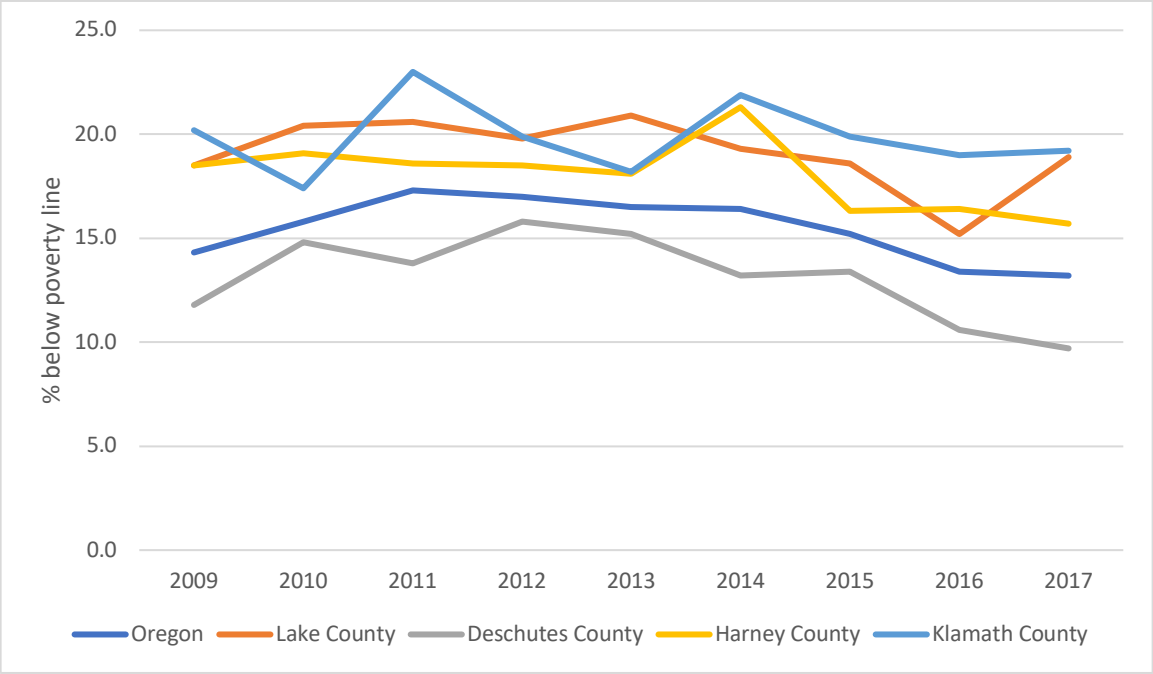


Figure 3.7. Percentage of people living below the federal poverty line in Lake, Deschutes, Harney, and Klamath Counties; and state of Oregon, 2009-2017. Source: U.S. Census Bureau, Small Area Income and Poverty Estimates.

Median household income also offers a measure of economic conditions and can be a factor in poverty (Figure 3.8). From 2009-2017, Lake County and neighboring Klamath and Harney Counties occupied a range of median household incomes from $34,066 (Harney County in 2009) to $44,678 (Klamath County in 2017). Average annual median household incomes for these three counties across this time period were similar, with Harney County slightly lower than Lake County and Klamath County slightly higher than Lake County. Incomes for Lake and neighboring counties except Klamath as well as the state of Oregon appeared to rise in 2017, and none were below $41,000 in that year.

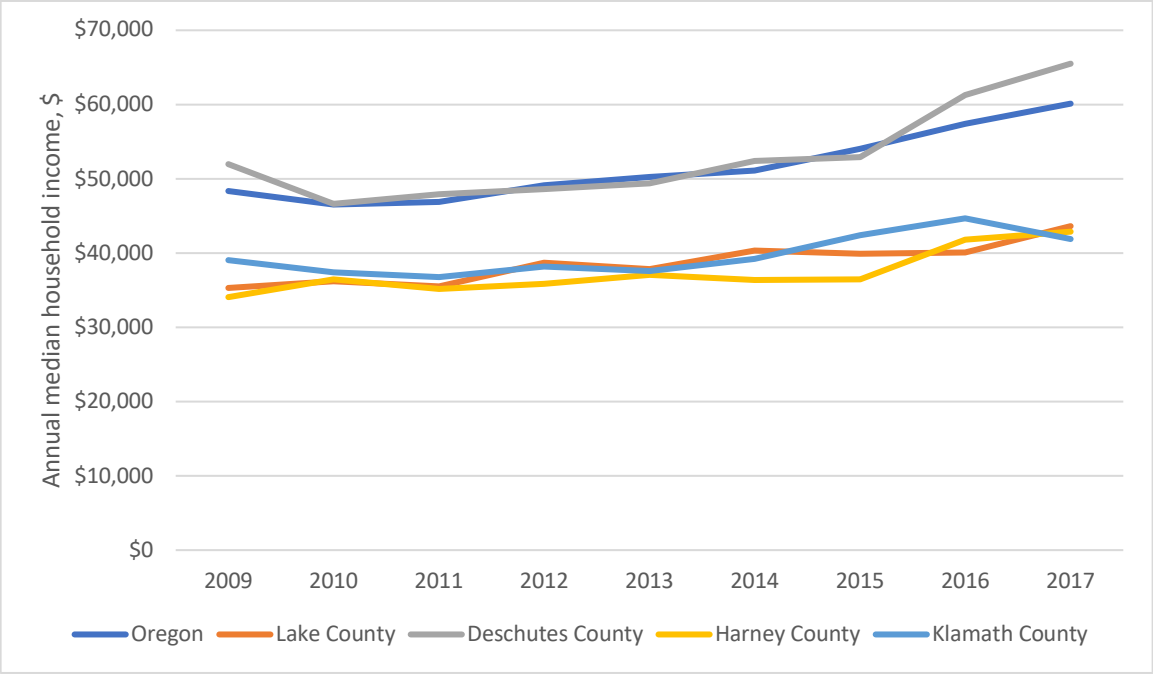


Figure 3.8. Annual median household income in Lake, Deschutes, Harney, and Klamath Counties; and state of Oregon, 2009-2017. Source: U.S. Census Bureau, Small Area Income and Poverty Estimates

3.6. Summary and Conclusion

From 2007-2009, Lake County and the rest of Oregon were part of a nationwide recession. This affected some social and economic indicators measured for 2009-2017; notably, poverty and unemployment rates when compared to the previous decade. Poverty rates in Lake County reached a high of 21 percent during this time period as compared to a high of 17 percent in the prior review. Annual unemployment rates for Lake County rose sharply during and immediately after the recession, then declined again from 2010 to 2016. Fluctuations in seasonal unemployment from 2009-2017 appeared to be lesser than in the prior review. In addition, annual median household income and per capita income rose in the county. Government continued to be the greatest contributor to wages and proprietor income in the Lake County economy. The recession had immediate and lingering impacts from 2007 to 2010, but some economic indicators continued to be stable or improve.

Chapter Four: The Lake County Forest Products Sector

4.1. Introduction

This chapter summarizes the current forest products sector in Lake County. This includes primary and secondary manufacturing capacity and any changes in it since the last review, as well as employment and income in forest products.

4.2. Primary Manufacturing

At the time of this review, there has been no change to the primary manufacturing sector in Lake County. The Collins Pine Fremont Sawmill in Lakeview is the only remaining sawmill in the county. Other sawmills previously operating in the county closed as of 1990 (Goose Lake Lumber Company), 1995 (Lakeview Lumber Products), and 1996 (Fremont Sawmill in Paisley).

The remaining Fremont Sawmill in Lakeview has an annual production capacity of 70 million board feet, including its small diameter sawmill added in 2007. This is a slight increase from the 65 million board foot capacity reported in the 2010 review, and is due to increased efficiencies and improvements including adjustments to the small log mill in 2012-2013 to increase its flexibility in processing a range of diameters after the Barry Point Fire (Interview with Collins Pine staff, April 2019). This mill processes wood from the LFSYU and private land held by the Collins Company. It produces dimensional lumber from white fir, pine, and lodgepole pine; as well as molding and shop stock, and certified lumber from its Forest Stewardship Council-certified lands in Lake County. The Fremont Sawmill also can purchase certified timber from other landowners due to its chain of custody certification.

The 2010 review described two additional smaller companies in Paisley that engaged in primary processing of whole logs to chips, and portable milling of rough-cut lumber. These companies are no longer operational in Lake County as of 2019 (Interview with Collins Pine staff, April 2019).

4.3. Secondary Manufacturing

The 2010 review identified four businesses active in the prior decade: Hart Mountain Woodworks, McFarland Door, Woodgrain, and Pacific Pine. During 2010-2018, the number of businesses performing secondary manufacturing declined in Lake County. Of these, only Pacific Pine and McFarland Door remained in Lake County in 2018. McFarland Door has changed ownership and although it purchased a small amount of Unit material from Collins Pine in the past, it has not purchased any in recent years. Pacific Pine purchased some Unit lumber during 2016-2018, but it has largely retooled for a range of products that require specific species and grades of material. This has resulted in a shift from use of ponderosa pine toward other species and material sources from outside Lake County, such as alder and redwood, and laminated lumber products from mills elsewhere (Interview with Collins Pine staff, April 2019).

4.4. Employment and Income

Employment in wood products-related industries includes forestry and logging, primary manufacturing, and secondary manufacturing. The prior review of the LFSYU found that overall employment in these industries increased from 2002-2008, with an increase in secondary manufacturing helping to offset declines in primary manufacturing and logging employment (Phillips 2010). From 2009 to 2016, primary manufacturing employment remained fairly stable at around 80 jobs each year (Figure 4.1). Secondary manufacturing declined sharply in 2010, likely when some of these businesses closed or relocated out of Lake County; but then rebounded starting in 2012 and exceeded the number of jobs in primary manufacturing from 2013-2018. However, most of this employment is tied to the processing of non-Unit, non-local material at Pacific Pine. Logging and forestry experienced an overall decline from 2009 to 2016, increasingly slightly just in 2014 before dropping to about 20 jobs in 2016. This may be due to aging of the local logging workforce, and/or a lack of available work in this sector.

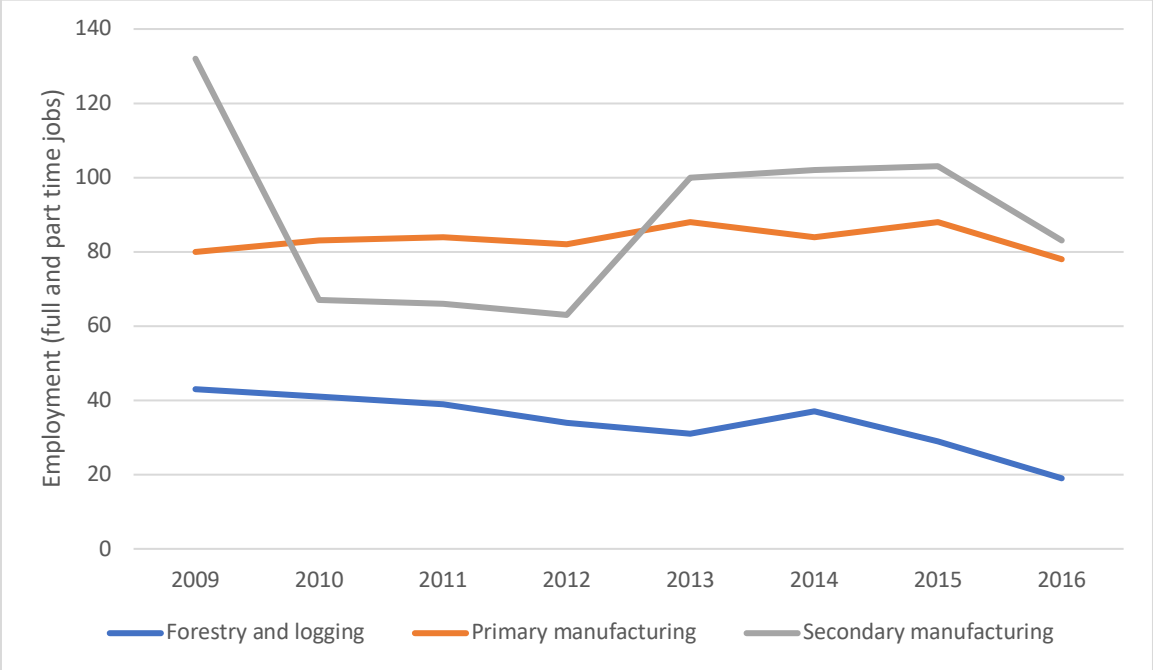


Figure 4.1. Employment in wood products-related industries in Lake County, 2009-2016. Data for 2017-2018 are not yet available. Source: Headwaters Economics Economic Profile System.

The prior review found that wages per job increased for both manufacturing and logging from 2002-2008 (Phillips). From 2009-2017, wages for manufacturing averaged just under $40,000 and did not fluctuate much (Figure 4.2). There was insufficient data for wages in logging for these years, but data available show that logging wages were higher than those for manufacturing in 2009-2011 and 2014-2015, averaging over $50,000/year in those years.

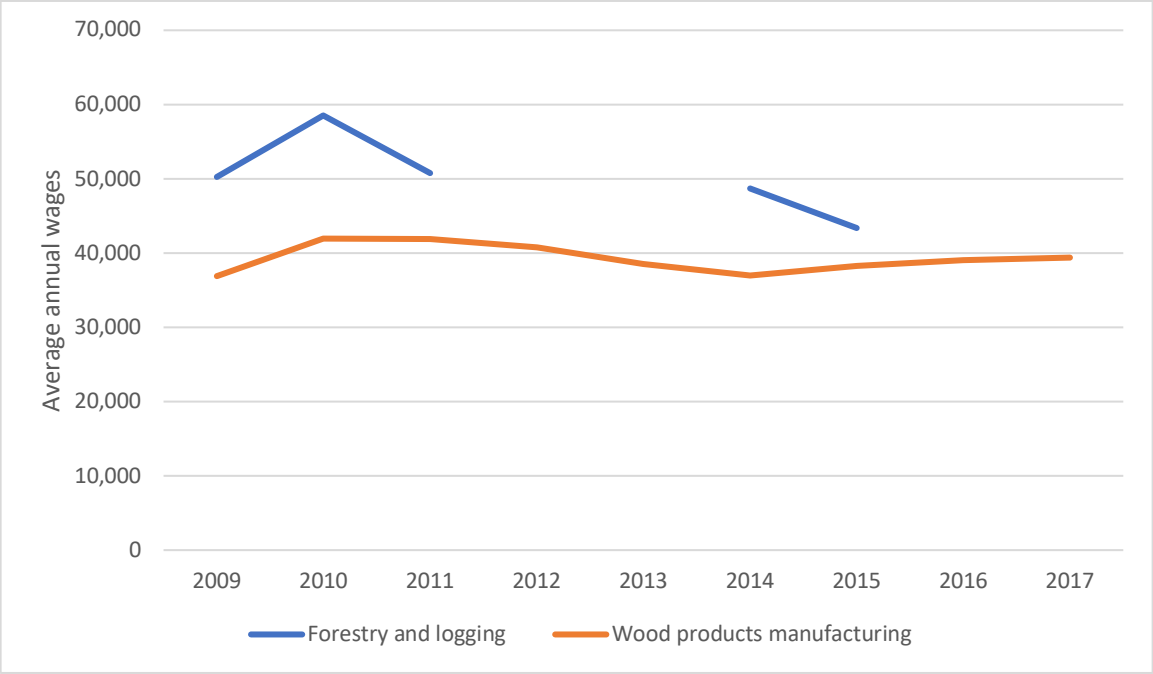


Figure 4.2. Income per job in the forest products sector for Lake County, 2009-2017. Data for 2018 are not yet available Source: Headwaters Economics Economic Profile System. Blank years indicate there was an insufficient number of businesses to produce confidential employment figures.

4.5. Summary and Conclusion

During 2010-2018, primary processing capacity in Lake County existed only at the Fremont Sawmill owned by Collins Pine. This mill underwent efficiency improvements and adjustments to more flexibly process a range of log diameters from the Barry Point Fire salvage. Employment in primary manufacturing remained fairly stable at around 80 jobs each year. In secondary manufacturing, two businesses left the County and the two that remained largely utilized non-Unit material. Secondary manufacturing declined in 2010 but rebounded and exceeded the number of jobs in primary manufacturing from 2013-2018. However, most of this employment is tied to the processing of non-Unit, non-local material at Pacific Pine. Employment in logging began to decline by 2016. Wages for manufacturing employment did not fluctuate much, and available data for logging wages show that they were generally higher than those for manufacturing.

Chapter Five: The Contribution of the Unit to the Local Forest Products Sector

5.1. Introduction

This chapter reviews data concerning timber sale offerings from the LFSYU, local timber purchases, and use of local labor in harvest and processing. It also examines advertised and awarded timber sale prices inside and outside of the Unit on the Fremont-Winema NF to assess potential price premiums or evidence of competition.

5.2. Federal Timber Supply

Timber supply from U.S. Forest Service lands in Lake County has generally declined over the past several decades. In the 1980s, annual sales ranged from 35 to 86 million board feet with an annual average of 65 million board feet (Beuter 1990). In the 1990s, this range shifted to five to 38 million board feet with an annual average of 14 million board feet (Moseley and Kauffman 2000). In the 2000s, sales varied from less than one million board feet to 26 million board feet with an annual average of less than ten million board feet, in part due to no-bid sales in the LFSYU (Phillips 2010).

For this report period, a total of approximately 67 million board feet were sold from the LFSYU. This ranged annually from zero to just under 18 million board feet, with an annual average of seven million board feet (Table 5.1). As the prior review notes, purchasers can address variations in annual supply from one source in timing of harvest and availability from other sources; but multiple consecutive years of limited harvest can be detrimental. However, these fluctuations from 2015-2018 were due to up-front provision of volume from one project, the "Lil" task order within the ten-year stewardship contract. Although no timber sales were recorded in FY2017, harvesting from Lil continued through this time, so the fluctuation in sales does not represent an actual decrease in available volume to the purchaser. Lil accounted for over half of the total volume sold in this review period and was an importance source of logs.

Period	**LFSYU volume sold, thousand board feet**
FY2010	13696.36
FY2011	6460.87
FY2012	8103.71
FY2013	1533.38
FY2014	14538.46
FY2015	4335
FY2016	17836.47
FY2017	0
FY2018	213.72
Total	**66717.97**

Table 5.1. LFSYU annual award volume, thousand board feet, FY2010-FY2018. Source: Fremont-Winema NF.

5.3. Reliance of Primary Processing Mills on Unit Offerings

As described in Chapter Two, harvest on all ownerships in Lake County from 2009-2016 experienced some annual fluctuations from a high of 38 million board feet and a low of 7.3 million board feet, averaging 26.9 million annually. Across this time period, the most total volume was harvested from U.S. Forest Service lands (55 percent), and 38 percent from private industrial lands. Forest Service lands were therefore an important source of logs in Lake County during this time.

As also noted in Chapter Two, the Fremont Sawmill in Lakeview is the only remaining mill in the LFSYU. The percentage of log supply for the Fremont Sawmill from the LFSYU varied over this time period as well (Table 5.2). In several years, it was at or close to 50 percent of the supply. In 2013, LFSYU supply was only 13 percent owing to the aftereffects of the 2012 Barry Point Fire described in Chapter Two. The Fremont Sawmill was processing salvage logs from its own lands and the Modoc NF, and did not have the capacity for additional material. Volumes from the LFSYU increased after 2015 through the Lil task order of the ten-year stewardship project, but this task order is now complete, and projects that could potentially produce new volumes from the LFSYU are not yet implemented by the Fremont-Winema NF.

	Total MBF LS	From LFSYU, MBF LS	From other sources, MBF LS	**% from LFSYU**
2010	28,699	11,000	17,699	**38%**
2011	29,553	14,000	15,553	**47%**
2012	44,228	10,000	34,228	**23%**
2013	38,910	5,157	33,753	**13%**
2014	35,488	13,027	22,461	**37%**
2015	37,379	17,236	20,143	**46%**
2016	31,419	15,230	16,189	**48%**
2017	39,210	21,336	17,874	**54%**
2018	36,750	15,283	21,467	**42%**

Table 5.2. Log sources for Fremont sawmill, thousand board feet log scale, 2010-2018. Source: Collins Pine.

5.4. Species Type

Historic volume sold from the LFSYU, prior to the establishment of ICBEMP's eastside screens rule, contained a large proportion of ponderosa pine. The prior Unit review found that from 2000-2009, ponderosa pine composed slightly less 50 percent of the LFSYU sales for that decade and that the proportion of white fir was increasing (Phillips 2010). In this review period from federal fiscal years 2010-2018, white fir accounted for 42 percent of volume sold from the LFSYU (Figure 5.1). Ponderosa pine was 48 percent, and the remainder was lodgepole pine or non-sawtimber. White fir was the majority species in FY2016-FY2018.

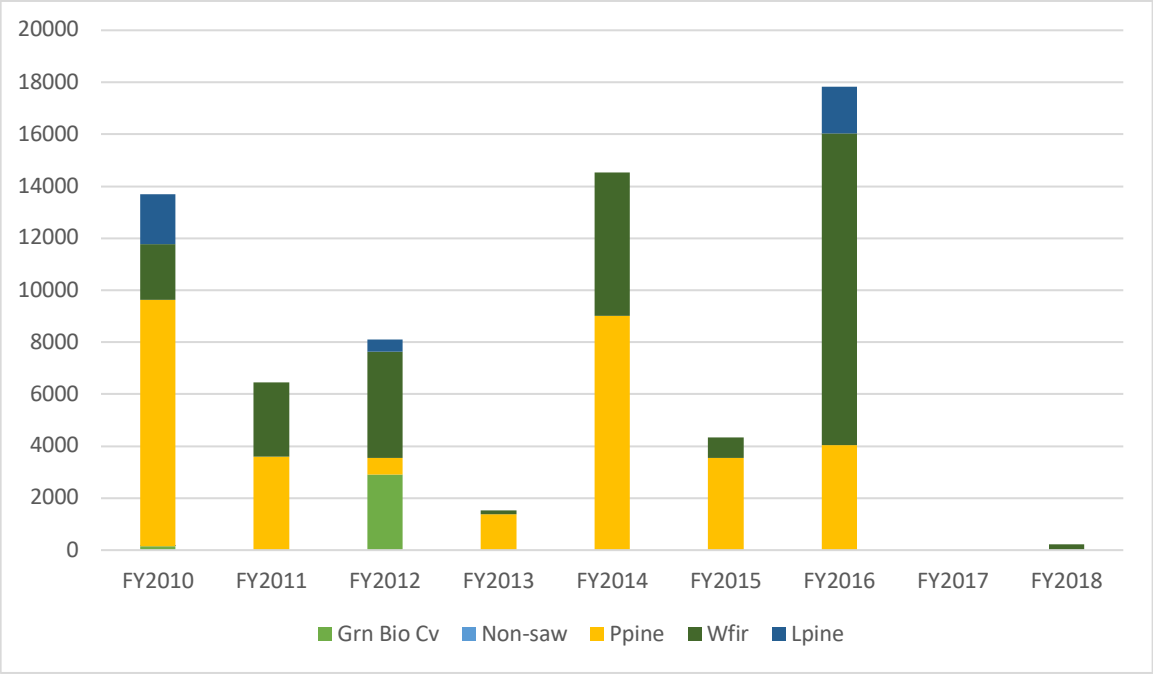


Figure 5.1. Species mix in sales from the LFSYU, FY2010-FY2018. Source: Fremont-Winema NF.

5.5. Unit Timber Sales

From federal fiscal years 2010-2018, data on advertised and sold timber sales indicated that 17 timber sales were offered on the LFSYU totaling approximately 81 million board feet (Fremont-Winema NF 2019). Sixteen of these received bids, and one sale of approximately 10 million did not, so total volume sold was 71 million board feet. This number differs from the total of 67 million board feet reported in section 5.2 of this chapter, which was based on volume awarded data from a different database. This difference in databases, rounding, and conversions likely are responsible for this discrepancy in volume totals for the review period. Sixty-three million of the 71 million board feet was awarded to in-Unit purchasers (Figure 5.2).

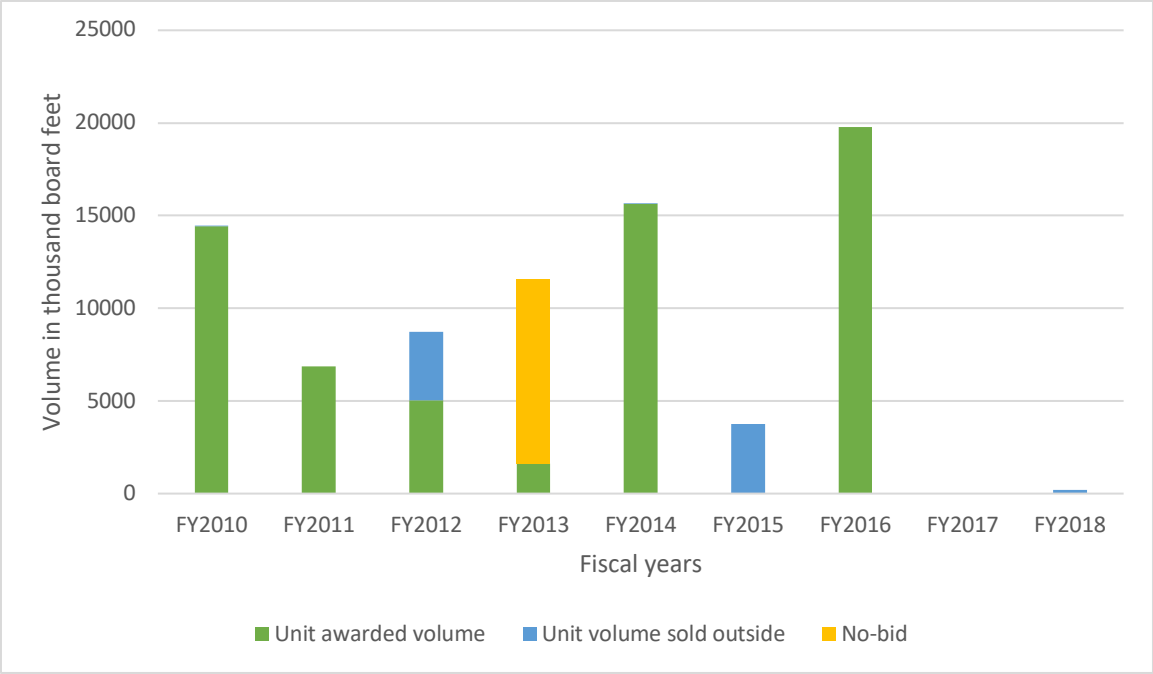


Figure 5.2. Forest Service timber sale offerings within the LFSYU, FY2010-FY2018. Source: Fremont-Winema NF.

Historic critiques of sustained yield units have asserted that the limits on bidders within a unit's pool may reduce competition and therefore the bid premium of timber sales; and that lower bid sales. To examine this issue, LFSYU timber sale data for advertised and bid values can be compared. Timber sales that receive no bid in the Unit can be reoffered to potential purchasers outside of the Unit. The prior review found that from 2000-2009, there were 40 timber sales in the Unit. Twenty-four of these were purchased by Collins and generated almost $3.4 million. Seven sales were sold outside of the Unit and nine sales were unsold. Advertised and bid values for sales within the Unit were the same, and there was a three percent premium on sales purchased by purchasers external to Unit. The review found that this low premium was an indication that "the lack of competition was not an issue in the Unit, and the Forest Service advertised value was priced competitively" (Phillips 2010, p. 33).

From federal fiscal years 2010-2018, 17 timber sales were offered on the LFSYU (Fremont-Winema NF 2019). Sixteen of these received bids, and one did not. Of the 16 receiving bids, 15 had only one bid and one had three bids. Nine sales were purchased by Collins, two by other purchasers within the Unit, and five by outside purchasers. This reflects a change from the prior decade's review in terms of total number of timber sales (less than half of prior review offered), and in the presence of other bidders internal to the Unit other than Collins. The total sales from the Unit in FY2010-FY2018 generated approximately $1.97 million. Of this amount, the majority ($1.93 million) was the 11 sales purchased by the three purchasers from within the Unit. $571,567 of this was for the Ruby Pipeline project to clear timber from the pipeline path; this sale was purchased by Ruby Pipeline, LLC, but harvested and processed by Collins Pine and counted as an in-Unit sale. Advertised and awarded bid values for sales within the Unit were almost the same, with awarded bid sales 0.7 percent less than advertised value. Sales purchased by purchasers external to Unit had a wider difference between advertised and bid value, primarily due to one sale of about 3.7 million board feet that was sold at a price many times that

of the advertised price. There was therefore a 144 percent price premium for Unit sales to outside purchasers, but this number is dominated by one sale that may have had exceptional circumstances.

Timber sales elsewhere on the Fremont-Winema NF were then compared to assess if there is a difference in premium for sales outside versus inside the LFSYU. When this comparison was performed in the 2010 review, only timber sales from outside the LFSYU on the Fremont side of the national forest were compared. Analysis for 2010-2018 includes sales on the Winema side as well. From FY2010-FY2018, the Fremont-Winema NF offered 69 sales outside of the LFSYU. Data on advertised and bid price were available for 63 of these, and no sales were reported unsold. These 63 sales totaled approximately $22.6 million, and a premium of $10.2 million on award over advertised value, or 82 percent more value (Fremont-Winema NF 2019). This was generated from 43 or a little over two-thirds of the sales, as 20 sales sold at advertised price with no premium. The prior review also found a significant premium on sales outside of the LFSYU compared to inside, and suggested that this was likely due to more competition; however, the value of sales within the Unit may have been lower than those outside the Unit (Phillips 2010). From FY2010-FY2018, this may also be the case, as sales considered include those from the west side of the Fremont-Winema NF. These sales may have more value as this area generally has some more productive forest types and is more proximate to markets.

5.6. Processing Unit Timber

5.6.a. Primary and further manufacturing at Fremont Sawmill

In the 1980s, the majority of wood products manufactured at sawmills in the LFSYU originated from the LFSYU (Beuter 1990). This began to shift in the 1990s, varying between 55 and 75 percent of production from the LFSYU through that decade (Moseley and Kauffman 2000).

Data on primary and further manufacturing accomplishments from all sources for the Fremont Sawmill is reported annually in thousand feet mill lumber tally, and does not specify how much of this manufactured volume is from the LFSYU. Manufacturing described here is therefore not only for the LFSYU material, but for all volume produced within the Unit. It can be assumed that the percentages of manufactured lumber that originated from the LFSYU log supply mirrors and is approximated by the percentages of the log supply from the LFSYU, although the difference between federal fiscal years in reporting manufacturing accomplishments and calendar years in reporting log supply should be considered (see section 5.3 above).

Primary manufacturing is reported as volumes of green lumber produced from the Fremont Sawmill. From federal fiscal years 2010 to 2018, a total of approximately 505 million board feet in primary manufacturing occurred at the Fremont Sawmill. The annual average was 56 million board feet, with a high of 63 million board feet in FY2018 (Figure 5.3). Sixty percent of this total volume was from ponderosa pine, and 38 percent from white fir. The prior review report found an increasing trend toward white fir production in 2008 and 2009 and predicted that this would continue in years to come (Phillips 2010). This trend was not evident between FY2011-FY2015, but the amount of white fir in primary manufacturing did increase toward the end of this period, matching or exceeding the amount of ponderosa pine in primary manufacturing from FY2016-FY2018. The larger pine volumes in FY2012-FY2013 reflected Collins Pine's rapid response to

the Barry Point Fire and increased production to capture value before the quality of salvaged ponderosa pine deteriorated. This helps account for the temporary departure away from the trend toward white fir observed in the prior review period. A return to more white fir manufacturing began in FY2016.

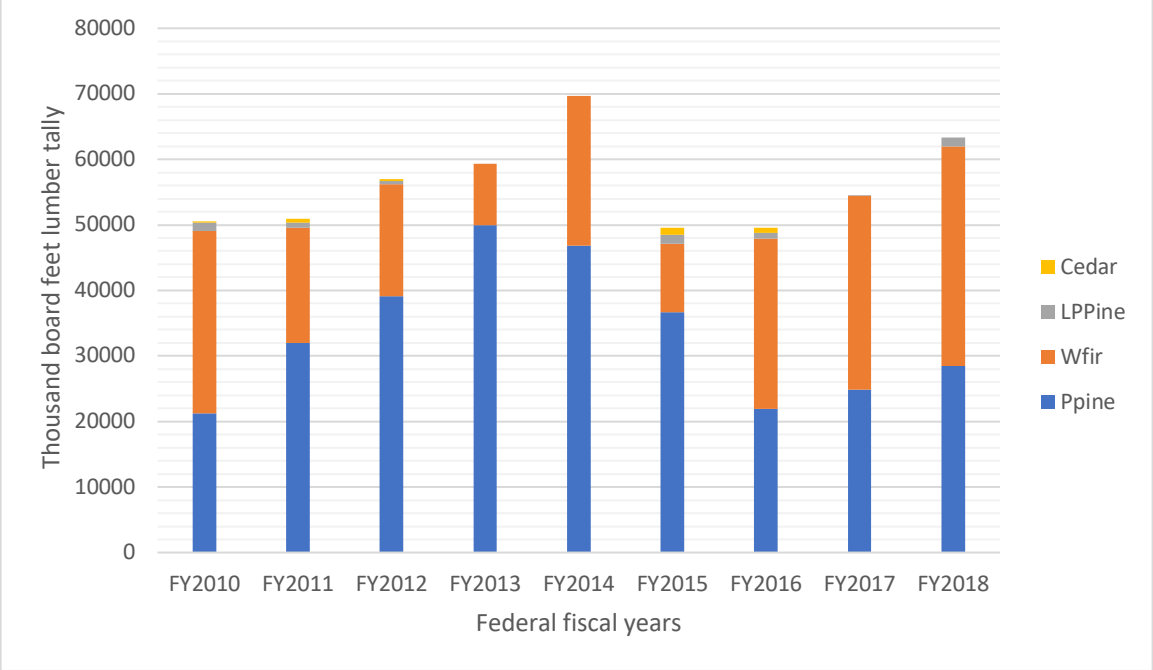


Figure 5.3. Primary lumber manufacturing within the LFSYU by species by thousand board foot lumber tally, FY2010-FY2018. Source: LFSYU Annual Monitoring Accomplishments.

Further manufacturing is reported as volumes of green lumber that were then dried, graded, and typically planed at the Fremont Sawmill. From FY2010-FY2018, a total of 546 million board feet in further manufacturing occurred at the Fremont Sawmill. The annual average was 61 million board feet, with a high of 74.9 million in FY2014 and a low of 50.7 million in FY2010 (Figure 5.4). Trends in further manufacturing, like primary manufacturing, were also shaped by the Barry Point Fire salvage. Production increases in FY2014 are largely due to the cutting of logs harvested in 2013.

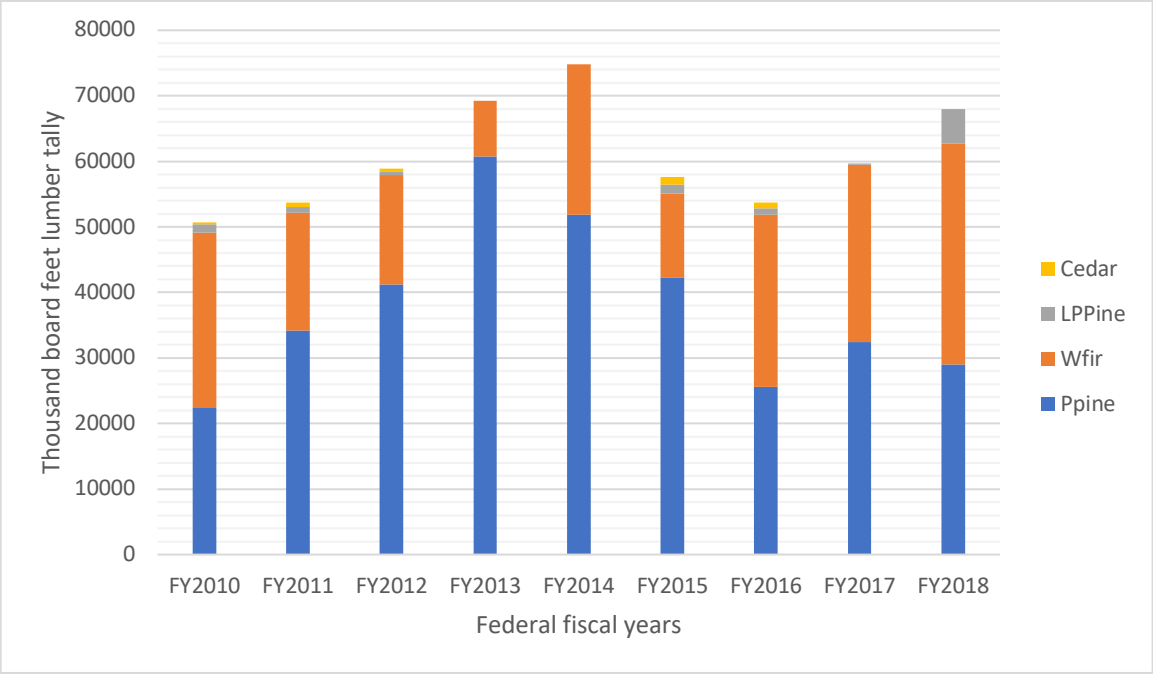


Figure 5.4. Further lumber manufacturing within the LFSYU by species, thousand board feet lumber tally, FY2010-FY2018. Source: LFSYU Annual Monitoring Accomplishments.

5.6.b. Remanufacturing

As described in Chapter Four, the number of secondary manufacturers declined in Lake County during 2010-2018. The remaining remanufacturing sector grew in employment and production, but these manufacturers increasingly relied on sources external to the Unit for the species and grades of material necessary for their finished products. In total, a little more than a half million board feet of Unit lumber was sold from 2010-2018 for remanufacturing (Table 5.3). Compared to two prior review periods covering the 1990s and 2000-2010, this is a reduction in the use of Unit lumber for remanufacturing.

	2010-2015	2016	2017	2018	Total
Molding	0	0	7.329	0	7.329
Shop/industrials	0	0	3.8	31.175	34.975
Dimension	0	8.294	3.808	0	12.102
Total	**0**	8.294	14.937	31.175	**54.406**

Table 5.3. Volume of material sold in Unit for remanufacturing in thousand board feet, 2010-2018. Source: LFSYU Annual Monitoring Accomplishments.

5.7. Use of Local Labor and Contracting Firms

The LFSYU policy statement mandates that timber sale purchasers must use local labor for harvest, road building, manufacturing, and other work to the "greatest practicable degree" (U.S. Forest Service 2000). It requires timber purchasers to provide annual reporting on the extent of local labor used, which is reported in federal fiscal years. Reporting data on local labor in manufacturing was not available, except for FY2017, in which 97 percent local labor was reported.

5.7.a. For Logging and Road Building

From FY2010 to FY2018, unit reporting data show that 100 percent of all road building labor force was local (Figure 5.5). Use of local logging labor force varied from 36 percent to 80 percent during this time period. The number of local contractors engaged varied from three to five annually, and the number of non-local contractors engaged varied from one to four. Reasons provided for use of non-local contractors were that local contractors were already employed on other contracts and unable to meet the log delivery needs of the Fremont Sawmill. In addition, in one year, a non-local contractor was necessary as they had specialized equipment not available locally, which included a cut-to-length logging system.

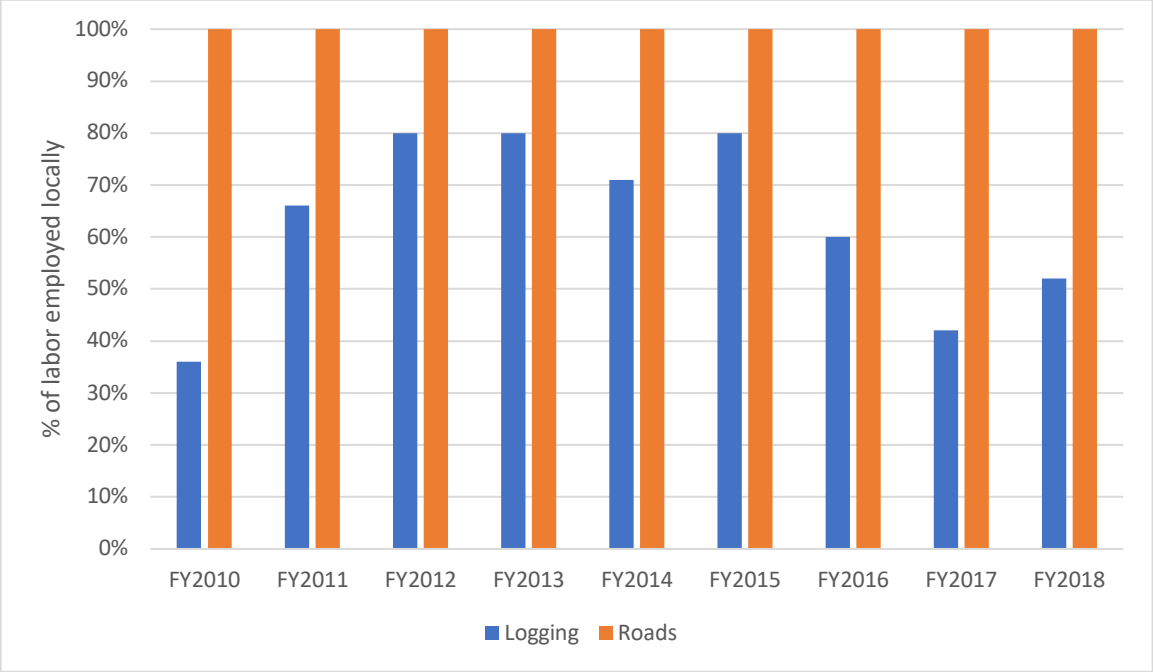


Figure 5.5. Use of local labor force in logging and road building within the LFSYU, FY2010-FY2018. Source: LFSYU Annual Monitoring Accomplishments.

5.7.b. For Other Forest Management Activities

Although the last review of the LFSYU did not discuss forest management activities beyond those related directly to timber harvest, this is an important dimension to consider. Trends in forest management on the LFSYU have shifted towards fuels reduction and forest health treatments as described in Chapter Two. These activities can include hand and mechanical thinning, brushing, piling, and burning; as well as technical and professional work. They are typically offered for businesses to perform through service contracts. Several studies have been conducted about the economic impacts of these management activities for the Collaborative Forest Landscape Restoration Program (CFLRP) in the LFSYU since the time of the last review in 2010, thus offering new information to bear on this review of the Unit (Table 5.4). A baseline evaluation prior to the start of the CFLRP effort (FY2007-FY2011) found that about 75 percent of that work on the LFSYU was awarded to non-local businesses, as non-local businesses are typically more competitive in pricing for labor-intensive activities such as hand-thinning and

piling (White, Davis, and Moseley 2015). In FY2012-FY2013, about 89 percent of the CLFRP work was captured by non-local contractors, although the estimated economic impact to Lake County was higher than in previous years (White, Davis, and Moseley 2015). In FY2014-FY2015, the proportion of work performed by local contractors declined to five percent (Rosenberg et al. 2018). Although the dollar amounts and proportion of local contractor capture declined over time in these studies, the research also noted the ability of local contractors to capture equipment-intensive work, and the importance of Collins Pine subcontracting to these contactors through mechanical fuels reduction and related activities performed in their ten-year stewardship contract.

Contracted work type	**FY2012–2013 Non-local contract value and percentage**	**FY2012–2013 Local* contract value and percentage**	**FY2014-2015 Non-local contract value and percentage**	**FY2014-2015 Local* contract value and percentage**
Equipment (e.g. mechanical thinning, grapple piling)	$257,790 (41%)	$367,932 (59%)	$3,439,275 (100%)	$0
Labor (e.g. tree planting, hand thinning)	$3,050,397 (100%)	$0 (0%)	$49,480 (100%)	$0
Material (e.g. culvert replacement, fencing, road work)	$0	$0	$0	$258,182 (100%)
Professional (e.g. engineering, design)	$0	$0	$0	$0
Technical (e.g. invasive weed treatment, plant surveys)	$6,768 (12%)	$49,141 (88%)	$1,406,938 (100%)	$0
Total	**$3,314,955 (89%)**	**$417,073 (11%)**	**$4,895,693 (95%)**	**$258,182 (5%)**
*Local in these studies was defined as location in Lake County, Oregon; and the community of Bly within Klamath County.				

Table 5.4. Local capture and work type for service contracting with CFLR-coded and Forest Service matching funds, FY 2012-2013, and FY 2014-2015. From Rosenberg et al. 2018, original data sources Federal Procurement Data System and USDA Forest Service records.

5.8. Summary and Conclusion

As described in two prior reviews of the LFSYU, there has been a trend toward reduced supply of timber from the LFSYU. During 2010-2018, Unit sales averaged about seven million board feet annually, less than the average of slightly less than 10 million board feet sold annually in 2000-2009. Much of this volume came from one task order within the ten-year stewardship contract. The majority of the timber sale volume sold was purchased by three in-Unit purchasers, primarily Collins Pine. The value of timber sold to in-Unit purchasers was almost the same as advertised value. Price premiums and likely more competition were evident in sales outside of the Unit on the Fremont-Winema NF; however, some of these sales may be more valuable.

Local labor has been used in all road-building work, nearly all manufacturing, and to a varied extent in logging over the review period. Non-local loggers were utilized when local loggers were engaged elsewhere and/or could not meet the demand of the mill, or when specialized equipment was necessary that was not available locally.

Chapter Six: Evaluation

6.1. Description of Unit Review

The purpose of a periodic review of the LFYSU is to determine if the Unit is meeting the objectives of a) authorizing legislation for sustained yield units (the Sustained Yield Forest Management Act of 1944), and b) the policy statement that defines the purpose of the Unit itself.

In 1944, Congress passed the Sustained Yield Forest Management Act of 1944. This authorized the creation of sustained yield units on national forest system lands and adjacent land for the purposes of:

- Promoting the stability of forest industries, of employment, of communities, and of taxable forest wealth, through continuous supply of timber;
- Providing for a continuous and ample supply of forest products; and
- Securing 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).

Five sustained yield units were established by 1950, including the LFSYU. The primary purpose of the LFSYU when established was to "maintain community stability through the non-competitive sale of timber or forest products from federally owned or administered federal land" (U.S. Forest Service 2001, p.1); and to specifically provide economic stability for the communities of Lakeview and Paisley, Oregon. There have been nine periodic reviews of its efficacy at achieving its goals, updates to the policy statements governing it in 1992 and 2001, and a reauthorization of Unit in 2001. The 1992 policy update directed how and where the available allowable sale quantity (ASQ) and non-chargeable volume would be processed (U.S. Forest Service 1992). The 2001 policy statement and reauthorization added goals intended to support a sustainable forest ecosystem within the LFSYU, and monitoring criteria for a Unit Area review of the achievement of these ecological goals.

At the request of the U.S. Forest Service, this review was directed to follow the approach of the preceding 2010 review (Phillips 2010); and specifically to address the following indicators of objectives of the authorizing legislation and policy statement purposes:

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 manufactured and remanufactured in the communities of Lakeview and Paisley
4. The extent to which local labor is employed

This review does not examine the sustainable ecosystem goals of the Unit as those are to be evaluated in a separate Unit Area review, and are currently analyzed through CFLRP monitoring. It also does not recommend changes to the policy statement, as that is a decision of the U.S. Forest Service; and it does not address the equitability of the LFSYU for communities and businesses outside of the Unit as these are not stated objectives of the Unit. As per the 2010

review, this concluding chapter will summarize and synthesize the findings of the prior chapters in addressing the following questions for the time period 2010-2018:

- What were the trends in the management of the LFSYU? What were the overall economic conditions in Lake County?
- What were the trends in the Lake County forest products industry?
- How important was the forest products sector to the Lake County economy?
- What was the impact of the Unit on the Lake County forest products sector
- Did the Unit foster the use of local labor in manufacturing and harvest-related services?

6.2. Summary of Prior Review

The most recent prior review (Phillips 2010) found that from 2000-2009:

- There were no rapid changes in social or economic conditions in Lake County.
- Employment and income in the forest products sector in Lake County increased compared to the previous time period, and secondary manufacturing firms and jobs grew.
- The Collins Pine Fremont Sawmill in Lakeview was the only remaining primary manufacturing facility in Lake County. The Unit supplied about 25 percent of the log requirements for this mill.
- Lake County secondary manufacturing grew, but these manufacturers purchased very little Unit lumber, which may have been due to changes in the quantity, species, and size of timber offered by the Fremont-Winema NF.
- Unit purchasers used local labor for all manufacturing and further manufacturing. Local contractors were engaged in about half or more of the harvest-related work, and non-local contractors were used when 1) local contractors were fully occupied, and/or 2) when specialized equipment such as helicopters not available locally was necessary.

This prior review concluded that the slight growth of the local forest products manufacturing sector was an indication that the LFSYU had met its purpose and the objectives of the Unit policy statement. It was not possible to definitively connect the relative stability of social and economic conditions in Lake County to the Unit, but the review noted that "it is easier to project that without the Unit conditions are likely (to) be different. The viability of the Fremont mill in Lakeview would be questionable" (Phillips 2010, p. 42).

6.3. Summarized Findings of This Review

6.3.a. What were the trends in the management of the LFSYU?
From 2010-2018, management of the LFSYU increasingly focused on hazardous fuels reduction and forest restoration with support from the Collaborative Forest Landscape Restoration Program and Joint Chiefs Landscape Restoration Program. In summer 2012, the Barry Point Fire affected seven percent of the federal land within the LFSYU as well as private timberlands held by Collins Pine and the Modoc NF in California. The trend towards fuels reduction produced more smaller-diameter or non-merchantable material than historically was the case, but still provided for timber harvest in achieving fuels reduction objectives. Overall timber sale levels on the LFSYU have continued to decline since the 1980s, and in 2010-2018, averaged seven million board feet per year. This combined with the local effects of the Barry Point Fire on timber supply

challenged Collins Pine's ability to remain within the purchasing limits of the LFSYU. In 2018, the ten-year stewardship contract between Collins Pine and the Fremont-Winema NF expired and neither party sought to renew it. Collins Pine also asked the Regional Forester to allow them to purchase outside the unit and to suspend the LFSYU policy. The Regional Forester did not grant the request for suspension of the LFSYU, but did allow Collins Pine to begin to immediately transition to bidding on offerings of national forest timber outside of the LFSYU.

However, Forest Service lands in Lake County have remained an important source of logs proportional to other ownerships when timber harvest data are considered. Timber harvest on all ownerships in Lake County from 2009-2016 was in the vicinity of 25-34 million board feet annually, excepting a plunge to seven million in 2013 as harvest temporarily shifted to Modoc County for Barry Point Fire salvage. Harvest levels fluctuated on both U.S. Forest Service and private industrial timberland, but more timber in total was harvested from federal land (55 percent) than private industrial lands (38 percent). The availability of Forest Service timber for harvest relies on the consistency, amount, and type of environmental analysis projects that plan and enable management activities including timber sales to occur.

6.3.b. What were the overall economic conditions in Lake County?

From 2007-2009, Lake County and the rest of Oregon were part of a nationwide recession. This affected some social and economic indicators measured for 2009-2017, notably, poverty and unemployment rates when compared to the previous decade. Poverty rates in Lake County reached a high of 21 percent during this time period as compared to a high of 17 percent in the prior review. Annual unemployment rates for Lake County rose sharply during and immediately after the recession, then declined again from 2010 to 2016. Fluctuations in seasonal unemployment from 2009-2017 appeared to be lesser than in the prior review. In addition, annual median household income and per capita income rose in the county. Government continued to compose the largest sector of the Lake County economy. The recession had immediate and lingering impacts from 2007 to 2010, but some economic indicators continued to be stable or improve.

6.3.c. What were the trends in the Lake County forest products industry?

The Collins Pine Fremont Sawmill in Lakeview has been the only remaining sawmill in Lake County since 1996. The 2010 review described two additional companies in Paisley that engaged in smaller-scale primary processing that are no longer operational in Lake County as of 2019. The Fremont Sawmill has an annual production capacity of 70 million board feet, including its small diameter sawmill added in 2007 and improved in 2012-2013. It processes wood from the LFSYU and private land held by the Collins Company. It produces dimensional lumber from white fir, pine, and lodgepole pine; as well as molding and shop stock, and certified lumber from its Forest Stewardship Council-certified lands in Lake County. The Fremont Sawmill also can purchase certified timber from other landowners due to its chain of custody certification. During 2010-2018, the number of secondary manufacturing businesses in Lake County declined from four to two, and the remaining businesses increasingly required species and grades of material that were not available from the Unit or locally.

6.3.d. How important was the forest products sector to the Lake County economy?

From 2010-2018, government remained the largest sector at 32 percent of the total county economy as measured by wage and proprietor income, and combined service industries were 20 percent. Manufacturing was four percent, agriculture/forestry/fishing was one percent, and the farm sector was five percent.

Employment in forest products includes forestry and logging, primary manufacturing, and secondary manufacturing. From 2009 to 2016, primary manufacturing employment in Lake County remained fairly stable at around 80 jobs each year. Secondary manufacturing employment declined sharply in 2010, likely when some of these businesses closed or relocated out of Lake County; but then rebounded starting in 2012 and exceeded the number of jobs in primary manufacturing from 2013-2018. Logging and forestry experienced an overall decline in number of jobs from 2010 to 2018. From 2009-2017, wages for manufacturing averaged just under $40,000 and did not fluctuate much. There was insufficient data for wages in logging for these years, but data available show that logging wages were higher than those for manufacturing in 2009-2011 and 2014-2015, averaging over $50,000/year in those years. Wages for manufacturing employment did not fluctuate much, and available data for logging wages show that they were generally higher than those for manufacturing.

6.3.e. What was the impact of the Unit on the Lake County forest products sector?
Using the data sources analyzed in this report, impact of the Unit on the local forest products sector can be most directly examined through log supply and employment. The percentage of log supply for primary processing at the Fremont Sawmill from the LFSYU varied from 2010-2018. In several years, it was at or close to 50 percent of the supply. Volumes from the LFSYU increased after 2015 through the Lil task order of the ten-year stewardship project, which alone provided a large proportion of the volume awarded in FY2010-2018. The majority of the timber sale volume and value sold in this time period was purchased by three in-Unit purchasers, largely by Collins Pine. The value of timber sold to in-Unit purchasers was almost the same as advertised value, at just a fraction of a percent under that value. The LFSYU was an important source of logs for the mill.

From 2009 to 2016, primary manufacturing employment remained fairly stable at around 80 jobs each year. Given that log supply from the LFSYU is important to the Fremont Sawmill as described above, it can be assumed that the Unit has contributed substantially to the existence of these jobs and this stability in employment. Employment in secondary manufacturing exceeded the number of jobs in primary manufacturing from 2013-2018; however, most of this employment is tied to the processing of non-Unit, non-local material at Pacific Pine and cannot be attributed to the LFSYU. Logging and forestry experienced an overall decline in number of jobs from 2009-2016, although local labor had been used in logging throughout this time and local loggers were often engaged to capacity elsewhere than the Unit. This decline may be due to aging of the local logging workforce and/or a lack of available work in this sector.

6.3.f. Did the Unit foster the use of local labor in manufacturing and harvest-related services?
The Unit fostered the use of local labor. In the Unit, local labor was used in all road-building work, nearly all manufacturing, and to a varied extent in logging over the review period. Non-local loggers were engaged when local loggers were engaged elsewhere and/or could not meet

the demand of the mill, or when specialized equipment was necessary that was not available locally. There has been a trend over the past five years toward service contracting of fuels reduction treatments requiring labor-intensive work such as hand thinning and piling; and other studies have found that the majority of this work is awarded to non-local businesses.

6.4. Conclusions and Considerations

6.4.a. Considering the above findings, did the LFSYU meet the objectives of the authorizing legislation and the purposes in its policy statement?

The Sustained Yield Forest Management Act of 1944 purposes:

1. Promoting the stability of forest industries, of employment, of communities, and of taxable forest wealth, through continuous supply of timber;
2. Providing for a continuous and ample supply of forest products; and
3. Securing 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).

LFSYU policy statement purposes:

1. "Maintain community stability through the non-competitive sale of timber or forest products from federally owned or administered federal land"
2. Specifically provide economic stability for the communities of Lakeview and Paisley, Oregon.
3. Support a sustainable forest ecosystem within the Unit

This review of the LFSYU from 2010-2018 was directed to examine the following indicators and found that:

- *Output offerings and harvest during the analysis period:* Annual average volume sold from the Unit has continued to decline over the past three decades.
- *The extent to which Unit purchasers buy Unit sale offerings:* Unit purchasers bought nearly all Unit sale offerings.
- *The extent to which national forest timber from the Unit is manufactured and remanufactured in the communities of Lakeview and Paisley:* Timber from the Unit underwent primary manufacturing in the community of Lakeview, where the sole sawmill remains. Remanufacturing utilized very little Unit timber. There were no manufacturing facilities in Paisley.
- *The extent to which local labor is employed:* Local labor was used in all road-building work, nearly all manufacturing, and to a varied extent in logging over the review period. Non-local loggers were engaged when local loggers were engaged elsewhere and/or could not meet the demand of the mill, or when specialized equipment was necessary that was not available locally.

The ability of a sustained yield unit to meet the objectives of stability for forest industries, employment, and communities through continuous supply of timber as envisioned in the original authorizing legislation relies on numerous drivers and trends, not all of which can be controlled locally. Since 1944, there have been many economic and social changes in how national forests

are used and valued, particularly for purposes beyond timber harvest. This has shifted how national forests are managed. Moreover, prior research has found that industry stability cannot always be connected to stability in community wellbeing. Therefore, a sustained yield unit alone cannot necessarily account for the entire economic or community stability of an area. However, the presence of the forest products industry among other economic sectors in an isolated rural area can contribute to this wellbeing (Phillips 2010). It is evident that the Unit contributed log supply to the remaining primary manufacturer in the county, therefore supporting the existence of about 80 jobs per year and other economic impacts. This employment remained fairly stable despite the aftereffects of a recession from 2007-2009. The Unit did not contribute very much to the employment and impacts from the secondary manufacturing sector, as Unit material was not suited to their specifications. The Unit fostered local employment in logging and road-building by engaging local businesses unless the needs of the mill exceeded their capacity or specialized equipment not available locally was required. It also likely helped reduce competition, and supported the one remaining sawmill in Lake County and within the broader region of eastern Oregon that has seen declines in primary processing capacity.

However, this review and prior reviews together show that the overall quantity of timber sold from the Unit and its annual average amount has declined over the decades since the Unit was established. This report examines only data that describe this trend, and cannot analyze why this decline is occurring. Reduction in timber volumes on other eastside forests in Oregon over time has been related in other studies to changes in forest management policy with several factors, however. First is the advent of interim measures limiting the location of harvest and size of trees that can be harvested in the 1990s. Second, restrictions on operating on steep slopes may also contribute. Third may be the environmental analysis process to plan projects that make timber sales available. The personnel capacity of the Forest Service to continuously plan these projects and produce a consistent pipeline of available timber supply can fluctuate. Fourth, there is the condition of the forested landscape. In some areas, there may not be many adequate quantities of trees of merchantable size, and ecological needs may require treatments other than commercial harvest.

A significant variable directly affecting the management of the Unit in this period that cannot be overstated is the 2012 Barry Point Fire. This event had several interrelated effects. Planned projects that would have produced fuels reduction outcomes and timber harvest were burned. Salvage planned in these areas initially was not bid on, and the deteriorated quality of the timber made it unmerchantable. Importantly, the fire also affected areas beyond the Unit: private lands held by Collins Pine in Lake and Modoc Counties, and the Modoc NF. Collins Pine immediately focused on salvage harvest on these lands following the fire in fall 2012 and into 2013. The Barry Point Fire therefore had regional effects on timber supply. Large wildfires and other disturbance events that affect large portions of a landscape may challenge the ability of a manufacturer to remain within purchasing limits of a defined area while retaining economic viability.

Regardless of the potential or known causes of reduced timber volume, Collins Pine's 2018 letter to the Regional Forester explicitly states that the recent log supply is not adequate for their needs, and that, "In order for us to operate our Lakeview Sawmill we have to be able to secure the needed timber. At this point our only option is to go out and compete for offerings on

neighboring districts and forests" (Collins Pine 2018). Should Collins Pine not be able to acquire necessary supply for its production capacity, its ability to provide local employment and generate other economic impacts for local communities would be reduced or become impossible. Although this review observed that the Unit did contribute to the economy of Lake County from 2010-2018, this was primarily through its provision of log supply that, along with other sources of logs, enabled employment in the primary manufacturing sector. Collins Pine's letter suggests that the ability of the primary manufacturing sector to function in the future is dependent on supply beyond the bounds of the Unit.

6.6.b. Additional considerations

As in the 2010 review, this Unit review does not evaluate the updated Unit Area review requirements to address sustainable forest ecosystem goals identified in the 2001 policy statement. The Unit Area review will be addressed during forest plan revision for the Fremont-Winema NF, and additional monitoring that partially evaluates these goals is also underway through the requirements of the CLFRP on the Unit. The review also cannot advise on the policy statement or future direction of the Unit.

However, it is appropriate for this report to note the importance that its findings and the eventual decisions about the future of the Unit will hold for the Lakeview Stewardship Group. The LSG has included a range of stakeholders such as county government, Collins Pine, and nonprofit organizations. The LSG formed out of concern for the future of the Unit, participated in the 2001 policy statement update to broaden its goals, and created a long-range strategy for the Unit. This group also worked closely with the Fremont-Winema NF to obtain CLFRP designation for the Unit, and to monitor the impacts of CFLRP projects. Therefore, inclusion of the LSG in the public comment process for the Unit review, and recognition that they may wish to contribute substantial input about the Unit is recommended.

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Appendix 1

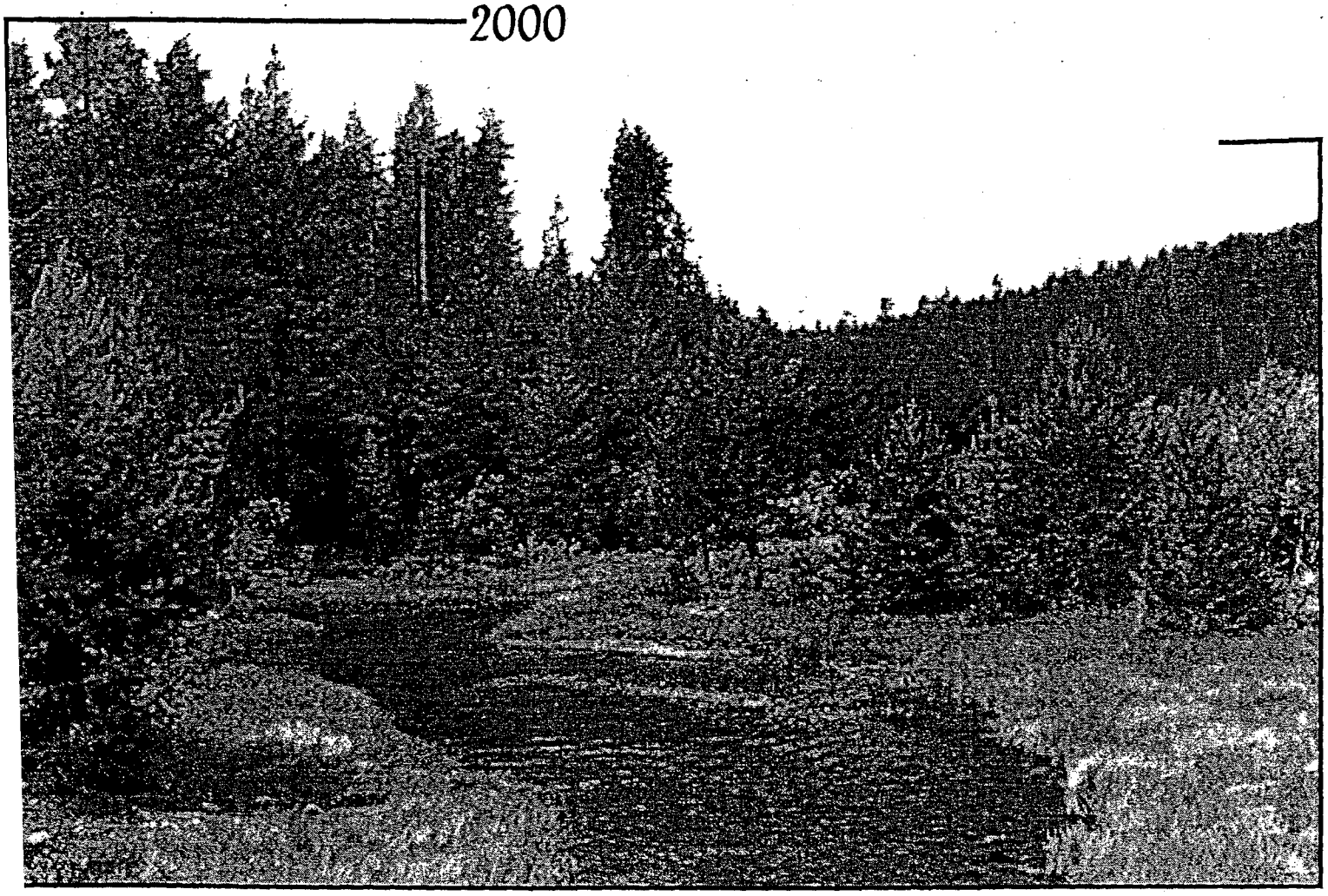
Policy Statement for the Lakeview Federal Sustained Yield Unit, Fremont National Forest, as Amended on 01/11/01

Policy Statement

Lakeview Federal Sustained Yield Unit

Fremont National Forest

2000



POLICY STATEMENT for the LAKEVIEW FEDERAL SUSTAINED YIELD UNIT as AMENDED on (01/11/01)

I. Introduction

This policy statement sets forth policy based upon the over-arching goals of community stability and ecosystem health within the area of the Lakeview Federal Sustained Yield Unit. Specifically, this document revises the policy on the Lakeview Federal Sustained Yield Unit, authorized by 16 USC 583b that provides for community stability through the harvest of forest products.. In addition, this document sets forth goals concerning ecosystem health and community stability through the use of ecosystem management contracts, as authorized by existing law and consistent with the Fremont National Forest Plan. For purposes of clarity, those goals and policies set forth within this document that are not specifically authorized under the Sustained Yield Forest Management Act apply to the Unit Area but not to the Unit itself which has specific purposes set forth in 16 U.S.C. 583b.

II. Purpose of Unit & Goals of the Unit Area

A. The general purposes of the Sustained Yield Forest Management Act of March 29, 1944 (58 Stat. 132;16 USC 583-583i), are to promote the stability of forest communities through continuous supplies of timber, to provide continuous supplies of forest products, and to "secure the benefits of forests in maintenance of water supply, regulation of stream flow, prevention of soil erosion, amelioration of climate and preservation of wildlife." Previous policy statements for the Lakeview Federal Sustained Yield Unit were designed to facilitate the accomplishment of this objective for the communities of Lakeview and Paisley. A further objective was to annually harvest the full sustained-yield production (Allowable Sale Quantity [ASQ] and non-chargeable volume) from the Federal Sustained Yield Unit. The Chief of the Forest Service established the Lakeview Federal Sustained Yield Unit on October 10, 1950.

The specific purpose of the Lakeview Federal Sustained Yield Unit, authorized by 16 USC 583b, and hereinafter referred to as the Lakeview Federal Stewardship Unit, is to maintain community stability through the non-competitive sale of timber or forest products from federally owned or administered federal land. This revised policy statement reiterates the need to promote community stability and employment through the forest products industry. Applicable provisions to effectuate this policy statement will still be included, as conditions of sale, in timber-sale agreements for the sale of National Forest timber in the Unit. The policy for the Unit is set forth in sections III-VII.

B. The Unit was established in recognition of the important interrelationship between the Fremont National Forest and the local communities of Lakeview and Paisley to promote their economic stability. However, the understanding of this relationship has broadened greatly. This policy recognizes that the forest must be treated with a new respect and that sustainability requires holistic solutions. It also acknowledges that community economic stability is dependent on a healthy forest and that the responsibility for creating and maintaining this health requires new relationships and collaboration, with commitments from everyone to work toward ecological, social, and economic sustainability. Accordingly, in addition to addressing policy related to the

sustained yield unit, this policy statement includes goals and monitoring criteria intended to promote a sustainable forest ecosystem within the Unit Area.

Consistent with all applicable laws, policies, and plans the Forest Service will seek to achieve the following goals within the Unit:

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.

III. Limits of Manufacture Area

All timber sold for commercial use from National Forest System land within the Unit, except as otherwise provided, will be required to be manufactured within (a) the Lakeview community, which is defined as the town of Lakeview and the adjacent area within a radius of six miles of the Lake County Courthouse; or, (b) the Paisley community, which is defined as the town of Paisley and the adjacent area within three miles of the center of town.

Exceptions to the foregoing manufacturing restrictions will be made by the Forest Supervisor only: (1) to meet serious emergencies requiring the removal and utilization of timber at rates which are in excess of the capacity of manufacturing facilities in the Lakeview and Paisley communities; (2) to permit the removal and use of timber from rights-of-way over National Forest System land granted to operators whose plants are situated outside of the Lakeview and Paisley communities; (3) to facilitate the economic harvesting of isolated tracts of small amounts of timber closely associated with privately owned timber; (4) to make timber available, in amounts not exceeding five percent of the timber available for cutting during any period, for small mills within or near the Unit when primary manufacture at such points is cost efficient; (5) to remove material or species unsuitable for sawlogs[1] which may be utilized as pulp, or products other than sawlogs, for which no market exists within the manufacturing area; (6) to remove dead timber resulting from fire, windthrow, insects, diseases, or other causes when following usual sale procedures would result in a significant loss to the Government through deterioration of the timber involved; (7) to consummate exchanges of land which do not reduce the amount of timber available for sale in the Unit; (8) to remove timber that has been previously offered for sale within the Unit and upon which no qualified bids were received; provided that no such sale will be offered outside the Unit until the appraisal has been reviewed by the Forest Supervisor; and, (9) to provide for the primary manufacture of wood chips or other products from young timber stands, or from normal logging residues within the Unit boundary but outside the designated manufacturing area when primary manufacturing at such location is cost efficient.

[1] Material that does not meet utilization standards of the timber sale contract.

IV. Definition of Manufacture, Further Manufacture and Remanufacture

1) Manufacture

The term "manufacture" as used herein is defined as the primary or first stage processing of logs by sawmills, veneer plants and whole log chipping facilities.

In sawmills, first stage processing will be the manufacture of rough green lumber products at the green chain.

First stage processing is considered to be the production of green veneer ready for shipping.

First stage processing for whole log chipping facilities is considered to be the production of green wood chips ready for transport.

The following forest products will be excluded from the foregoing manufacturing stipulations:

- Christmas trees
- Pine cones, forest greens, etc.
- Resin-bearing material (stumps)
- Fuelwood, posts, poles, pilings, house logs and similar other products

1) Further Manufacture

The term "further manufacture" is the processing of lumber pursuant to Appendix II-C.

2) Remanufacture

The term "remanufacture" is the processing of products beyond further manufacture and beyond the production of green veneer, chips, sawdust, bark, and other such materials.

V. Sale of Timber

Timber will be offered for competitive sale from the National Forest System lands in the Unit in accordance with Forest Service directives and the provisions of applicable laws and the regulations of the Secretary of Agriculture.

In addition to the normal requirements for purchasers of National Forest timber and unless the Forest Supervisor authorizes other actions pursuant to this Unit Policy Statement, timber from National Forest lands within the Unit shall be sold only to bidders who: (1) agree to comply with sections three (III) through seven (VII) of this Unit Policy Statement and, (2) make a satisfactory showing of ability to meet the conditions in the Unit Policy Statement.

Such showing will be made when the bidder has:

1) Demonstrated from previous calendar year's actual accomplishments that all Unit Policy Statement requirements have been met; or,

2) A written agreement with a Unit operator which is acceptable to the Forest Service to meet these requirements; or,

3) Plans accepted by the Forest Service to meet these requirements.

The sale program for the Unit will be designed to obtain active competition for the purchase of the timber and efficient logging and manufacturing operations of varying sizes.

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 the Unit for primary manufacture with the Unit or within the Lakeview or Paisley communities.

National Forest timber will continue to be available in sufficient amounts to satisfy the needs bona fide settlers, miners, residents, farmers, and prospectors for minerals, for personal and domestic use, in accordance with existing laws, regulations, and Forest Service policies.

VI. Rate of Cutting

The rate of cutting will be determined through ecosystem analysis at the watershed scale (watershed analysis) and site-specific analysis of proposed actions intended to promote ecological and watershed health, consistent with the Forest Plan. Timber resources will be produced within the capability of sustainable ecosystems to achieve the purpose and goals of this policy statement.

VII. Unit Manufacture, Further Manufacture, and Remanufacture

The economic stability of the communities of Lakeview and Paisley will be furthered by the greatest reduction and utilization of waste in the woods and at manufacturing plants, as well as by Unit manufacture, further manufacture and remanufacture of the products of primary processing. Additionally, increasing the value of wood products to the greatest extent possible before leaving the community will further enhance the economic stability of Lakeview and Paisley.

To this end, each purchaser of National Forest timber from the Unit is required to further manufacture their lumber products in the Unit to the greatest practical degree[2]. All material that can be remanufactured within the Unit will be available for sale at competitive prices[3] to other Unit processing concerns. Such material, when offered but not purchased, may be shipped out of the Unit.

Further manufacturing and remanufacturing of primarily processed veneer, whole log chipping products, and other wood fiber (non-lumber) products are encouraged within the Unit.

In conducting timber harvesting activities, related road construction work, and in Unit manufacturing and further manufacturing operations, local labor and local contractors will be employed by Unit purchasers in so far as practical[4].

VIII. Unit Review and Monitoring

[2] See Appendix II C.
[3] See Appendix II A (2).
[4] See Appendix II B (1and 2).

A review of the Unit and Unit Area will be accomplished during the Forest Planning Process. In addition, a Unit review will be undertaken when closure of all manufacturing facilities occurs in both Lakeview and Paisley. The Forest Service will analyze progress toward achieving the purpose and goals set forth in Section II of this policy statement as outlined below in subparts A and B. The results obtained from the analysis of the application of these policies in the management of the National Forest will indicate whether or not the objectives of the Unit and Unit Area are being attained.

A. Unit Review

All purchasers are required to provide the information described in Appendix I.

Each Unit review will include, but will not be limited to:

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.

B. Review of Unit Area

Each Unit Area review will include, but will not be limited to:

1) The extent to which management activities sustain and restore a healthy, diverse and resilient forest ecosystem that can accommodate human and natural disturbances including progress toward:

- Restoring stand-maintenance fire regimes where they historically occurred.
- Maintaining and restoring habitat for focal species.
- Sustaining and restoring a healthy soil ecology.
- Restoring forest conditions that approximate historical species composition and stand ages.
- Eliminating, where possible, and controlling the spread of invasive, non-native species (especially noxious weeds).

2) The extent to which management activities sustain and restore the land's capacity to absorb, store and distribute quality water including progress toward:

- Managing upland vegetation to maintain and restore water and moisture absorption, retention and release capacity over time.
- Reducing road density and improving remaining roads to minimize impacts on water quality and flow.
- Maintaining and improving aquatic and riparian habitat for native species.
- Lowering stream temperature and sediment loads.

- Improving biophysical structure of soils.

3) The extent to which management provides opportunities for people to realize their material, recreational and spiritual values and relationships with the forest including:

- Providing opportunities for firms and individuals to realize economic benefits from innovative contractual mechanisms and technologies focused on linking stewardship activities and community well-being.
- Analyzing earnings and benefits of workers and businesses contracted to implement ecosystem management.
- Designing contracts to promote opportunities for year-round, long-duration, stable employment.
- Designing contracts for services and sales of products to be accessible and attractive as possible to local firms and individuals to the extent permitted by existing authorities and where it will help management objectives.
- Designing product sales and service contracts to promote local participation of vendors and purchasers by offering sales and contracts that are diverse in size, type, term length, and seasonal distribution.
- Promoting a local business environment that can take advantage of the products and services of ecosystem management (e.g. small diameter and under-utilized species).
- Protecting and maintaining areas of cultural significance within the forest.
- Improving opportunities for people to fish, hunt, and view nature.
- Promoting environmentally responsible recreation.

If it appears that the purpose of the Unit is not being substantially achieved, a public hearing will be held to consider proposals to correct the unsatisfactory conditions. If such hearing fails to identify reasonable approaches to meet the purpose of the Unit contemplated by the Act of March 29, 1944 (58 Stat. 132; 16 USC 583b), the declaration establishing the Unit may be revoked. If it is determined that the purpose of the Unit is being met, the program outlined in the Policy Statement may be continued without interruption or substantive change. The goals for the Unit Area may be reviewed and revised in accordance with the collaborative processes set forth in the Fremont National Forest Plan.

Appendices to the
Lakeview Federal Sustained Yield Unit Policy Statement

Appendix I

Monitoring

The purchaser of National Forest timber from the Unit shall provide appropriate records annually, the accuracy of which has been certified by a Certified Public Accountant. This is to enable the Forest Service to accurately analyze the following:

1) Primary manufacturing accomplishment in thousands of board feet MLT (Mill Lumber Tally) for lumber, square feet 3/8-inch basis for veneer, and bone dry units for whole logs chips by species.

2) Further manufacturing accomplishments by MLT volume processed by species and grade

   a. Surfaced (S2S)/dry
   b. Rough/dry
   c. Rough/green
   d. Other condition

3) Volume of material remanufactured by Unit purchasers including chips from all residues.

4) Volume of material by species and grade sold in the Unit for remanufacturing.

5) Volume of chips produced from other than whole logs in bone-dry units and volume of hog fuel in bone dry tons[1].

6) Percentage of the local labor force working in logging, road construction, manufacturing, and further manufacturing. This includes labor working for contractors, subcontractors, or other agents.

7) Number of local contractors employed. The number of non-local contractors employed.

8) Documented reasons for use of non-local labor and for use of each non-local contractor.

In addition, records documenting both the availability and the sale of products or material will be maintained by Unit purchasers and will be provided to the Forest Service upon request.

[1] Chips: Bone dry unit is 2,400 pounds, dry basis. Hog Fuel: Bone dry ton is 2,000 pounds, dry basis.

Appendix II

A. Glossary of Terms

1) *Local*—Labor of contractors that have a continuing operating headquarters (home or office) within Lake County or within 35 air miles of the Lake County Courthouse.

2) *Competitive Price*—Price that a seller, willing but not compelled to sell, would take and a purchaser, willing but not compelled to buy would pay. In cases of dispute brought to the Forest Service for resolution the following will be used as guides: Prices not to exceed 105 percent of the prices paid for similar material sold by Unit mills from previous week's transaction or, in the event that the record of such recent transaction are inadequate, transaction evidence as currently published in Random Lengths or similar publications will be used.

3) *Plan*—Fremont National Forest Land and Resource Management Plan (1989) and as amended or revised.

B. Unless otherwise agree to "practical" means:

1) *Timber harvesting*—Available and capable to complete the project at no more than Forest Service appraised estimates plus the pro rata share of the appraised profit and risk estimate and at standards and specifications set forth in the timber sale contract.

2) *Road construction*— Available and capable to complete the project at no more than Forest Service appraised estimates plus the pro rata share of the appraised profit and risk estimate and at standards and specifications set forth in the timber sale contract.

C. Definitions of the minimum requirement for further manufacturing to the "greatest practical degree":

1) For ponderosa pine, white pine, and sugar pine:

Grade	Degree of Manufacturing	
Moulding stock	Dry	100%
All shop	Dry	100%
	Surfaced (S2S)	90%
All other grades	Dry	95 %
	Surfaced (S2S)	95%

2) For white fir and lodgepole pine:

All grades	Surfaced (S2S)	90%

3) For incense cedar or structural grade timbers:

	Rough green	100%

4) Railroad ties:

All grades and species	Rough green	100%[1]

Or

5) For all species, 5 man-hours per 1000 board feet.

Submitted: Linda Quigley-Gallenson for Regional Forester R4 — 12 Jan 01 Date

Approved: Mike Dombeck Chief[2] — 12/01/01 Date

[1] Not more that 10% of any species except lodgepole pine will be manufactured into railroad ties.

[2]

Appendix 2

Correspondence regarding the Lakeview Federal Sustained Yield Unit, 2018

Collins

Collins Pine Company
29100 SW Town Center Loop W • Suite 300
Wilsonville, OR 97070-9315 USA
800.329.1219
503.826.5303
CollinsWood.com

Dianne Guidry
USFS Region 6 Acting Regional Forester
1220 S.W. Third Ave.
Portland, OR 97204-3440

August 10th, 2018

Re: Lakeview Federal Sustained Yield Unit

Dear Dianne,

We are writing to you requesting a suspension of the Lakeview Federal Sustained Yield Unit (LFSYU) policy.

The Unit has played an integral part in meeting our raw material needs in the past. Collins has operated under the terms of the LFSYU since its inception in 1950. We have been systematically operating awarded stewardship contracts within the Fremont-Winema forest to supply the mill in Lakeview.

Over the last four years following the aftermath of the Barry Point Fire we have been actively working with the Fremont-Winema National Forest to encourage a sustainable and meaningful cadre of projects to help supply our Lakeview sawmill. The current level of 12 MMbf that has been coming is not in the near term nor the long term enough to sustain our needs locally. This fall/winter we will completely exhaust our federal timber sale and stewardship contracts, both within the Unit and from an outside project that we have a waiver for.

Looking ahead the offerings have not improved from what we were told last year in visiting with Jim Peña and staff, and meaningful environmental analysis that would support any increase or timeliness of offerings is one or two years out.

In order for us to operate our Lakeview Sawmill we have to be able to secure the needed timber. At this point our only option is to go out and compete for offerings that are coming up on neighboring districts and forests.

The Lakeview Federal Sustained Yield Unit is a unique and novel way of having a community work within its means to provide for local benefit. It has worked well for 68 years and has been a model that we have used to support forest health, community health and the environment to groups far and wide. It has been the backbone for increasing funding for projects and we have used it to leverage for increased restoration work. It is unfortunate that we are at this place but the fact

is that it currently is no longer meeting the goals of economic and community stability that it has fostered for all of these years.

We are at that point where the Lakeview Federal Sustained Yield Unit is now a detriment to operating a forest products facility and helping to sustain the economic and social wellbeing of the community and doing the work in the forest that needs to be accomplished. And we do not have the luxury of time in dealing with this issue.

Our intent is to immediately transition from being a long term purchaser of Lakeview Federal Sustained Yield Unit material to an open purchaser of Forest Service timber. To do this means that we will have a minor amount left on our existing federal unit Task Orders as we finish them up this fall and winter. It is our intent to have the Lil3 and Lil4 Task Orders completed by December 31st, 2018.

Going forward our Lakeview operations will be competing for open sales and volume from Region 6 and Region 5. We will no longer be purchasing sales that contain the LFSYU Policy requirements as part of the timber sale contract.

During this move there will be an overlap in operations and contracts as we accomplish this. In order to shift away from federal unit policy imbedded contracts we are asking you as the Acting Regional Forester to waive the LFSYU policy in the interim to allow Collins to pursue competing for the needed volume from outside contracts for operations so that we can begin an immediate and orderly transition.

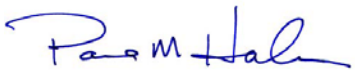
This would allow us to complete the existing contractual obligations that we have under contract without violating the embedded federal unit policy statement.

Over the last ten years of the Ten Year Stewardship contract the Fremont-Winema and Collins have made significant progress in addressing the issues of forest health and reducing fuel loadings. The very collaboration that was started in Lakeview in 1998 has brought about meaningful dialogue and progress not only on the forest but has been a catalyst for the same conversations that are happening today in many other communities. It brought about Collins investing close to $10,000,000 in small log equipment and infrastructure and improvements to make these projects workable. In this time we have processed

6,000,000 small logs to date through the facility. The next closest small log facility is 175 miles away and much further after that. Having a viable and functioning outlet for this material is crucial to accomplishing the work on the ground and to contributing to the local communities.

Dianne, please contact us if you have any questions or if you or your staff wish to discuss this further. We appreciate your timely consideration of our request and look forward to hearing back from you.

Respectfully,



Paul M. Harlan

Vice-President, Resources

Cc: Mr. Barry Imler, Forest Supervisor, Fremont Winema NF

Ms. Amanda McAdams, Forest Supervisor, Modoc National Forest

Ms. Lisa Northrup, R6 Deputy Regional Forester

USDA United States Department of Agriculture
Forest Service
Pacific Northwest Region
1220 SW Third Avenue (97204)
P.O. Box 3623
Portland, OR 97208-3623

File Code: 2400; 2450
Date: AUG 14 2018

Mr. Paul Harlan
Vice-President, Resources

Collins Pine Company
29100 SW Town Center Loop W
Suite 300
Wilsonville, OR 97070-9315
800.329.1219
503.826.5303

Dear Mr. Harlan:

Thank you for your letter of August 10, 2018. The Forest Service relationship with the Collins Pine Company is indeed a long and positive one, and through the Lakeview Federal Sustained Yield/Stewardship Unit, has helped foster both community and forest health in Lake County for nearly 70 years.

The Lakeview Federal Stewardship Unit (LFSU) was originally established in 1950 as the Lakeview Federal Sustained Yield Unit for the purpose of supplying timber to local mills in the communities of Lakeview and Paisley in Lake County, Oregon. In 2001, the Chief of the Forest Service re-authorized the Unit with a revised policy statement that established new goals and updated its name to the Lakeview Federal Stewardship Unit. Since that time and through the subsequent review in 2011, the Fremont-Winema National Forest, working with the Collins Company, has made substantial progress in addressing issues of forest health in the Unit. Your substantial investment in the mill since that reauthorization and your diligence in working with the Forest in carrying out and completing the ten year stewardship contract (among the first long and large stewardship contracts not only in the Pacific Northwest but in the National Forest System) across a very significant landscape within the LFSU is remarkable and a testament to the Collins Company commitment to the people, communities and landscape of Lake County.

I appreciate your letter's candor, your ongoing commitment to the communities of Lake County, and your stated business need to assure an increasing supply to the mill by transitioning to an open purchaser of National Forest System timber. To that end, and in consultation with the PSW Regional Forester, I am granting your request, per the policy statement for the LFSU, for advance approval to bid on or otherwise become involved in other offerings of National Forest timber outside the LFSU. This advance approval will remain in place until the final task order associated with the ten year stewardship contract is complete and the contract is closed. I acknowledge your intent to complete task order work by the end of December, 2018 and the Forest anticipates complete close out of the contract early in 2019. I understand that after the completion of work under this task order Collins Company intends to no longer purchase sales

that contain the LFSU policy requirements. The Fremont-Winema National Forest will continue large landscape planning within the Unit.

With respect to the Collins Company request to suspend the LFSU, the unit policy statement requires a public process to consider the purposes of the LFSU and to determine whether to amend or revoke those purposes. As the next re-evaluation of the LFSU would be initiated no later than 2020 --Forest Service policy (FSM 2411 and 2468) calls for a review of sustained yield units at least every 10 years--we will accelerate the timeline for that review. The objective of the re-evaluation is to determine if policy objectives are being met for the Unit, and if the Unit warrants further continuance. I have asked the Forest Supervisor, Barry Imler, to work with our Regional Office staff to begin the review process.

Sincerely,

DIANNE C. GUIDRY
Acting Regional Forester

cc: Marie-Louise Smith, Barry Imler, Amanda McAdams, John Exline, Barnie Gyant, Lisa Northrop