Council of Forest Industries of British Columbia

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$41.63 per 1,000 board feet, the average price in the South was $110.44.

Timber from U.S. government land is first appraised and then opened to competitive bids. The auction bids are often higher than the appraised value because the timber will be cut later and the buyers are anticipating future rather than present markets. The yearly fluctuations in bidding reflect the fact that the amount of timber available annually is remarkably stable. In recent years it has remained between 10 billion and 11.5 billion board feet. When the market demand rises, the prices bid rise too. When it declines, they decline.

The average price bid for U.S. Forest Service sawtimber in 1979 (when the construction business was in a boom) was $173.22 per 1,000 board feet. By 1982 (when prospects seemed poor) it had fallen to $61.24.

The bid prices considered alone, however, are misleading. In 1980, for example, when the average bid price for timber to be cut in future years was $172.60 per 1,000 board feet, the average price paid for the timber actually cut that year was $79.52.

In 1984 Congress passed a law permitting buyers who had overbid to get out of their contracts.

CIP Inc.

Old Growth

Canadian forests have large numbers of old trees, at or past their prime. The need to harvest these has imposed particular cost burdens on the Canadian industry, as this excerpt from the ITC Report explains:

"The most overriding issue for all Canada's commercial forest land is the large portion of old growth timber that still remains. This timber is being destroyed by insects and disease that eventually will leave much of the timber worthless. As a result the immediate removal of the old growth timber is necessary if it is to be profitably harvested. In some areas, before second-growth timber, which is generally closer to the mills, can be harvested, all of the old growth timber must be removed."

Douglas Fir

Income and Taxes

"The principal difference between U.S. and Canadian treatment of income from forestry is that owners of timberland in the U.S. can claim stumpage revenue as capital gains instead of regular income . . . . This represents a considerable advantage for U.S. citizens and corporations. In Canada, where 91 per cent of forest land is government-owned, stumpage revenue is viewed as ordinary income.

". . . U.S. capital losses can be carried forward or backward to achieve the maximum reduction of tax burden . . . . Canadian logging firms paid a higher effective rate of income tax than their U.S. counterparts because of the capital gains provision . . . . An integrated U.S. firm has the ability to shift income to its logging operations in order to benefit from capital gains treatment, particularly during years of high profitability."

ITC Report.