

NATIONAL LUMBER MANUFACTURERS ASSOCIATION

1337 CONNECTICUT AVENUE

WASHINGTON, D. C.

January 12, 1938

*Aloumy*

The Honorable Marriner S. Eccles,  
Chairman, Board of Governors,  
Federal Reserve System,  
Washington, D.C.

My dear Mr. Eccles:

*John*

Some of this may interest some of your  
associates working on housing.

Yours sincerely,

*Wilson Compton*

Wilson Compton

WC/mw

January 11, 1938

The Honorable Stewart McDonald,  
Federal Housing Administrator,  
Washington, D.C.

My dear Mr. McDonald:

In appearing today before the Senate Committee on Relief and Unemployment I had something to say about the pending Housing Bill and the Lodge amendment. It drew quite a bit of fire from Senator Lodge and the colloquy is, of course, in the transcript of the hearings. It is something to which perhaps your attention ought to be called. Enclosed, on page 9, is the statement which started the fire-works which may mean something or maybe nothing. I don't know.

Yours sincerely,

WC/mw

Wilson Compton

P.S. - By the way, you will, I think, be interested in the enclosed analysis of lumber prices at the saw-mills. The first 4 items are the important ones from the general building standpoint. These are the averages of sales in those 4 regions. This information was prepared for use in the Senate hearing but I didn't use it. The second sheet shows similar information in more detail for representative building items. The fear last spring that prices were too high is now converted into a fear that they are too low to sustain the present wages, which they probably will not do, at least in the West.

W.C.

STATEMENT OF WILSON COMPTON  
SECRETARY-MANAGER, NATIONAL LUMBER MANUFACTURERS ASSN.

before  
The Special Senate Committee  
To Investigate Unemployment and Relief

January 11, 1938

## STATEMENT ON LUMBER INDUSTRY

As to the adequacy of unemployment compensation, assistance under the Social Security Act, and State and local <sup>work</sup>/relief in communities in which forest products industries are a large factor, I have little information. At least, I have none which is not more readily and more completely available to you from other and official sources. I shall not take your time on that. But, as to the facts and prospects of employment and production, my comment may be more helpful.

In many important lumber communities the sawmills and logging operations are the only sources of employment. This is generally true in the West, less true in the South and in the North. It is an important fact which points to the desirability, from both the industry and the community viewpoint, of maintaining reasonable continuity of operations and of employment. Toward this objective we have been working for many years and especially since 1931, with the cooperation of the Government. We have made some progress, enough to encourage belief that more progress can be made. But the factors of sale and consumption of our products are so far beyond our control that our efforts to anticipate future trends and to adjust our operations and inventories accordingly have, of course, been only partially effective.

### PRODUCTION

Lumber is the oldest American industry. Up to thirty years ago, the end of the period of general national expansion, it was a constantly growing industry. At that time the lumber industry

produced annually about 45 billion feet of lumber and with its related forest products industries employed a million men. During the decade following the war production averaged about 37 billion feet. At the bottom of the depression it dropped to 10 billion feet in 1932. By 1936 it recovered to  $24\frac{1}{2}$  billion feet, and in 1937 was 1 or 2% less, or about 24 billion.

### CONSUMPTION

Stating these facts in terms of national consumption, after allowing for exports and imports and changes in inventories, comparison is about this:

The per capita annual lumber consumption thirty years ago was about 500 board feet; ten years ago, about 320 feet; five years ago, at the bottom of the depression, about 90 feet; and last year not quite 180 feet. The per capita consumption in 1937 was nearly twice that of 1932 but still less than 40% of 1906. The five-year gain, however, is more significant than the thirty-year decline. During the last few years lumber has a little more than held its own in competition with other materials and products.

Lumber is as nearly a staple material as any other and there is no fundamental reason that lumber industry employment should be less staple or less secure.

### EMPLOYMENT

The lumber industry ranks high as an employer of labor. In 1929 production of 37 billion feet employed 419,000 wage earners. In 1932 production of 10 billion feet employed 155,000. Employment then was 37% of 1929, and production 27%.

In 1933 employment increased to 189,000, or 45%; in 1934 to 226,000, or 54%; in 1935, 255,000, or 61%; and in 1936, 286,000 or 70%. This was an orderly, continuous and satisfactory recovery. In April and May of last year employment had risen to about 320,000, or 76%. From that point, by the end of the year, the rate of production has declined 40% and employment 30%.

Technological unemployment has been less in lumber than in many other industries. There have been notable improvements in manufacture through increased mechanization. But these have had the result more of improving the quality and condition of the product than reducing the labor requirement. In 1909 the average annual output per person employed was 81,000 board feet; in 1919, 72,000; in 1929, 88,000. The effect of spreading of employment was reflected in the average for 1933 of 74,000; in 1935, it was 76,000 feet; and in 1936, 85,000. Technological improvements have largely increased the output per man per hour. The shorter average work week has reduced the output per week. As a whole, the shortening of the average work week during the past ten years appears to have more than offset the reduction in man hours per thousand feet, and the total employment, if production were maintained, would evidently be on an upward trend.

#### Dependence on Building

The lumber industry ordinarily depends upon building for 50 to 60% of its markets, especially on residential and farm construction. The extreme declines in building in the last nine years have

affected lumber perhaps as seriously as any other industry. Non-farm housing, during the seven-year period preceding 1929, averaged nearly 800,000 units yearly; during the seven-years following, only 140,000 units; and last year, I believe, about 200,000.

### Labor Relations

Comparatively, lumber industry employment is fairly stable. Seasonal variations are not excessive. By more careful watching of inventories the seasonal variations in recent years have tended to become less. Fire-hazardous weather, especially in Western forests, frequently necessitates temporary shut-down of logging.

But these variations have been comparatively unimportant. The important fluctuations have been because of wide fluctuations in demand; and the important interruptions, especially in the last three years and especially on the Pacific Coast, have been due to strikes, principally strikes which did not directly involve the sawmills, but which restricted the transportation of their products; and more recently by the warfare between unions competing for dominance, whose quarrel is not with their employers, but among themselves. Right now, and for months past, rival timber workers unions on the Pacific Coast have been staging a public spectacle of alternating pickets and boycotts which have denied many mills even a chance to run and have deprived thousands of willing workers of even a chance for a livelihood.

These strikes, boycotts and jurisdictional controversies between unions in the lumber industry so far have been largely confined to the Pacific Coast. Elsewhere the extension of

employment awaits merely an increase in the demand for the industry's products.

### Supply and Demand

During the past year production has exceeded shipments by nearly a billion feet. This has been added to the inventories of unsold stocks. While lumber production and shipments in 1937 were only about 1% below 1936, the new business booked during the same period was nearly 11% below. One of the conspicuous weaknesses of our industry has been its extreme fluctuations, both up and down, in production and the consequent wide changes in its inventories and the consequent extreme fluctuations in prices.

During the past five years the Bureau of Labor Statistics index of average lumber prices at the mills on the basis of the 1926 average as 100, has ranged between 56 in the last of 1932 and 103 in the first quarter of 1937. On the comparable basis of current sales it is now probably about 85 and in some regions less than 80.

In recent years we have tried to reduce, if not avoid, these extreme variations in production, inventories, prices and employments. Early in the last depression an earnest effort was made to secure and to make available to producers, distributors and consumers of lumber, more complete current information of the relation of production to consumption, of inventories to demand, and the trends and prospects of lumber consumption in both domestic and foreign markets. This activity was initiated in 1931 by the U. S. Timber Conservation Board in the form of a quarterly Survey of Lumber Production and Stocks and anticipated lumber consumption and has been continued since that time under the generous

Obviously there is no reason to say that this quarterly Survey has avoided wide fluctuations. But there is reason to believe it has been a factor in improving the promptness with which the thousands of highly competitive units in this widely scattered industry have responded to indicated changes in demand and consumption, including the market declines in the past six months which relatively have been the most abrupt of record.

Copies of these reports, beginning in July, 1931, are of course available from the Department of Commerce. I shall be glad to furnish the Committee with copies if they will be of any interest as containing possibly a worthwhile suggestion for the consideration not only of the Government but of other industries.

This at least may be said. The last long period of over-production in the lumber industry occurred at the very beginning of the depression in 1929. It took the lumber industry twenty months to adjust its current production to the reduced current rate of consumption. During that period it accumulated over 2 billion feet of additional excess stocks and started its prices on a decline which did not culminate until nearly three years later after prices had been cut nearly half and employment and employee earnings had suffered accordingly. By contrast, in 1937 this industry has now apparently adjusted its current production to the reduced volume of current consumption after a market decline more rapid even than in 1930 and 1931, and has done so within a period of seven months as compared with twenty months, and with an accumulation of additional inventories less than a billion feet as compared to over two billion feet the time before. This may not be great progress. But it is progress at least in the right direction.

For example, prior to the last depression our industry had had a continuous five-year period of over-production from 1923 to 1928; followed by eighteen months continuous decline in inventories; followed again by an equal period of heavy increase, culminating in 1930 with huge excessive inventories which had to be worked off during the worst of the depression years and which undoubtedly during that period added greatly to the distress of both employers and employees. Since the inventories were brought into reasonable balance in 1934 and 1935 there have been no such wide fluctuations; no accumulation of excess inventories for more than seven months; no decline in inventories over eleven months; and in the last three years no major movement either up or down over seven months, as contrasted, for example, with the five-year period of accumulating over-production prior to 1928.

Now I do not want to exaggerate the importance of these periodic surveys of production and prospective consumption. But I do think they can be made a substantial factor in avoiding at least the peaks of extreme boom and extreme depression. In our own industry at least they will be even more valuable if the fact-finding agencies of the Government, in cooperation with the various industries, will make available more complete information on the condition of inventories and on present and prospective consumption and will make that information available more promptly. That will be a hard job. But it can be done. It will cost more money. But it will cost vastly less than will the additional unemployment relief periodically if it is not done. The Government has many high class economic analysts competent to make such surveys. If given a non-political status so that their sole aim would be to get the facts and publish

considerable enthusiasm. And industry generally would I believe cooperate with such an undertaking. I know we would.

The Federal Government in cooperation with the various industries, can, if it wishes, be of great service in making available information necessary to the intelligent, forward planning of our industry. We have frankly more faith in our planning for our own industry than in the Government undertaking to do it for us. So-called Government planning has so far resulted chiefly in multiplied uncertainties which have either prevented intelligent, individual and industry forward planning or at least retarded it.

#### Other Aids to Recovery

The lumber industry will doubtless share in general recovery. It may even contribute to it. Especially it may do so if the forces of public and industry cooperation are focused on the stimulation of building especially building of small homes, as an aid both to recovery and to better housing.

I am of course greatly interested in determining the causes of the present depression. If we don't know the causes, we won't know the cure. But I am not interested in determining who, if anyone, is to blame. To discuss that would generate more heat than light. It is everyone's business to do what he can toward solving this problem. As to the forest products industries, anyone who seeks to explain their reduced activity on the ground that they are "on strike" against the Administration is talking utter nonsense.

What can be done about it? We in the lumber industry can help to mobilize the building industries in behalf of a nation-wide program of building of low-cost small homes. We are doing so. Incidentally, we can build a good modern small home of standard materials and equipment, for a family of two, right here in suburban Washington and right now for a construction cost of less than \$2000; and for a family of six, for \$3400, not including land.

The Congress can help by promptly passing the Housing Bill, without the Lodge Amendment. If that Amendment is fastened on to the bill, the National Housing Act and the Federal Housing Administration and its insured mortgage system will be far less useful as an aid to home building than the present Act with no new legislation whatever.

Another practical aid to an industry, the victim of labor disputes and union jurisdictional disputes to which it is not even a party, would be three simple amendments to the Labor Relations Act:

1. To protect workers against coercion and intimidation;
2. To require strike votes to be by secret ballot;
3. To prohibit boycott in interstate commerce, of the products of a company which had had a valid collective bargaining agency election.

The recovery of much of our industry depends upon the restoration of export markets. Since 1930 our products in the competitive world trade have fallen in volume more than one-half, and in rank from first place to fifth. This is due principally to discriminatory foreign tariffs. Our export trade will not recover until it has an equal competitive chance at the principal world markets. These foreign discriminations are imposed by public authority. They can be removed only by public authority. We are glad to believe that our Government is making an earnest effort toward the termination of these discriminations against American lumber in foreign commerce.

We seek to establish our forest products industries on a permanent basis. The Federal Government owns or controls one-third of the commercial timber supply. This timber can be so disposed by the Government as greatly to foster and facilitate sustained yield management of forest lands. The Doxey Bill in the House, and on a limited basis, the McNary Bills in the Senate, would authorize the Federal Forest Service to make such disposals. These bills should be passed.

Also the Government can help by adopting a few sound policies and sticking to them and not a sequence of self-contradictory policies, and constantly changing them. And if it has anything to shoot at in business, it can use a rifle and shoot at what it is aiming at, instead of using a blunderbuss and scattering shot over everything and terrifying everybody.

Meanwhile, whatever the Government or the Congress does or does not do, we intend to keep on trying. This is our depression as much as it is yours, and we are not going to wait for you before

trying to do something about it.

PRICES

	Dec. 1935	Dec. 1936	Highest Month 1937	Dec. 1937	Percent Decline
✓ Southern Pine	21.63	25.82	32.45 (Feb.)	23.77	26.7%
✓ Douglas Fir	17.94	20.75	23.16 (July)	18.60**	20.1
✓ Eastern Hemlock	21.42	21.57	26.07 (Sept)	23.12*	11.3
✓ Ponderosa Pine	20.96	21.43	26.49 (Apr)	23.56	11.1
Idaho White Pine	30.24	31.97	36.51 (Sept)	35.86	1.8
Sugar Pine	31.25	31.81	36.69 (Apr)	34.16	6.9
Southern Pine (Mill A)	21.15	25.87	31.14 (Mar)	23.42	24.8
Southern Pine (Mill B)	20.33	23.43	38.04 (Apr)	25.82*	32.1
Douglas Fir (Mill A)	15.36	17.98	25.29 (Jan)	21.66	14.4

\* November

\*\* Estimated

PRICES

<u>Item</u>	<u>Dec.</u> <u>1935</u>	<u>Dec.</u> <u>1936</u>	<u>Highest</u> <u>Month</u> <u>1937</u>	<u>Dec.</u> <u>1937</u>	<u>Percent</u> <u>Decline</u>
So. Pine Flg.-F.G. B&B 1x4	\$36.28	\$39.89	\$46.98 - Mar.	\$44.62	5.0%
So. Pine - #2 Com. Bds. 1x8	17.29	20.88	26.58 - Mar.	17.21	35.3
Ponderosa - 1x6" C Sel	42.55	48.86	65.55 - May	61.67	5.9
1x6 D Sel	31.38	36.79	52.38 - May	47.20	9.9
1x12 # 3	18.44	17.36	22.49 - May	17.11	23.9
2x4 #1 Dim.	20.69	19.16	22.50 - May	19.17	14.8
Idaho White Pine - 1x8 #2	29.60	34.14	35.24 - May	32.39	8.1
4x4 A W #4	17.10	16.60	20.07 - July	19.99	.4
Sugar Pine - 1x4 & wdr. C Sel	67.25	69.15	81.10 - June	76.04	6.2
1x4 & wdr. D Sel	52.95	55.16	67.74 - June	64.95	4.1
So. Pine* - 1x8 #3 Shiplaps	13.50	18.50	23.00 - Mar.	13.50	41.3
2x4 - 16 #2 S4S	23.50	26.00	29.00 - Mar.	22.00	24.1
No. Hemlock* - 2x4-16 #1	30.50	30.50	31.50 - Feb. 26	30.50	3.2
1x6 D & M # 2	28.00	27.50	26.00 - Feb. 26	25.00	3.8
Douglas Fir* - 2x4-16 #1 Com			21.50 - April	16.50	23.3
1x6 B&Btr Drop					
Siding			33.00 - April	26.00	21.2
Douglas Fir - 2x4 #1 KL Dry		16.00	20.50 - April	15.50	24.4
1x6 B&Btr Drop					
Siding		30.00	36.00 - (Apr-July)	31.00	13.9
So. Pine* - 1x8 #2 Com		Av. 19.97 (	28.00	19.00**	32.1
		(	30.00	23.00**	23.3
So. Pine* - 2x4-16 #1	25.00(Apr)	26.17(Apr)	31.22-April	23.17	25.8
1x6 #2 Shiplap	16.34 "	19.54 "	26.10 "	16.59	36.4

\* Report of 1 Mill.

\*\* November.