The Forest Service perspective has much to commend it. However, the title is a bit misleading, because the Forest Service assumes that “a healthy forest products industry is indeed necessary to sustain America’s forests.” Their discussion focuses largely on the current situation of America’s forest industry, correctly noting that the forest industry and its markets are global and the American industry faces increasing competition from foreign suppliers. It finds that in recent decades the American forest industry has experienced modest decline. The decline has been driven in part by weak demand and in part by increased foreign competition. Plantation forestry has created new competitors in many parts of the world, particularly Asia and South America. In many cases, their biological growth conditions are superior to ours. Other factors are important too. The rise of China as a furniture producer, for instance, reflects its low wage rates. Also, the strong US exchange rate of the past decade certainly has contributed to the industry’s decline.

In some respects, however, the Forest Service itself has been a contributor to the decline. As the article notes, Forest Service harvests decreased dramatically in the period between 1988 and 2002. The article is less candid in its acknowledgement that this harvest decline, precipitated largely by political and not biological considerations, left a gap in the supply of the timber resource to US mills. This gap was filled by an increase in Canadian softwood lumber and by other wood imports. This is not to argue that the decline was generated by the Forest Service or that it should not have occurred. The decline appears to represent the “will” of the American people as reflected through the political process. However, we should recognize that it is American policy that brought on much of our current reliance on foreign wood.

The article also points to changes in the structure of the American forest industry and optimistically suggests that “the industry is arguably becoming more nimble.” However, is the recent rapid divestiture of forestlands by American industry providing more flexibility, or does it simply reflect a tax system that promotes less integration but perhaps at the cost of less efficient firms? What new problems will these downsized firms have in successfully competing with foreign corporate behemoths in the global market place?

What are the longer-term prospects? Viable competitors will persist both inside and outside of North America. Although the article notes that Canadian capacity to expand is limited, it is difficult to conceive of Canada not being a major wood producer far into the future with the United States as its dominant market.

Some opportunities are apparent. One may be the recent Russian decision to limit their exports of raw wood through an export tax. With Russia providing 40% of the world’s raw wood exports, a serious disruption of current wood flows could provide new opportunities for other producers, at least for a time. A change that may have received too little attention in the article is that of cellulosic biofuels. If processing costs can be reduced, wood for biofuels could certainly provide a cheaper feedstock than corn and grains with a much greater production potential. This could dramatically alter the industry.

A final movement in the direction of improving the American forest industry is the US exchange rate. After a decade of an overvalued dollar, the situation appears to be in rapid reversal. The result could be a decline in American costs vis-a-vis our foreign competitors. This would make American wood exports cheaper and our imports more expensive, thereby providing market incentives to aid our forest industry in both foreign and domestic markets.

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