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COVID-19 and the U.S. Timber Industry

December 10, 2020

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R46636

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SUMMARY

R46636

December 10, 2020

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COVID-19 and the U.S. Timber Industry

The timber industry is a diverse commodity industry, wherein cut trees (*timber*) are converted to a wide variety of products made from wood (*wood products*). The Coronavirus Disease 2019 (COVID-19) pandemic has impacted the timber industry by changing consumer and producer behavior and threatening the health of timber industry workers. Effects to the wood products supply chain have been spread unevenly across sectors and regions and have varied over time as the pandemic has progressed. Congress has not provided specific assistance to the timber industry generally, although some timber-related businesses may have received assistance under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136). The timber industry recommends additional assistance, such as loans or direct payments, to prevent further impacts to the sector.

COVID-19 has affected demand for some wood products and disrupted wood supply chains. Impacts have differed greatly across sectors, due to the differing final uses of wood products. Paper is a diverse sector, comprising cardboard, bath tissue, writing and printing paper, and other products, and demand comes from public places (e.g., offices and schools), home use, and shipping. Thus, although some disruptions to the sector have occurred, overall impacts have been minimal. Demand for lumber and engineered wood products is driven primarily by residential construction. Early in the pandemic, producers of these products anticipated lower demand due to a declining housing market and therefore decreased production. However, demand remained strong, resulting in shortages, and prices for some products rose to historically high levels. Despite strong demand for some wood products, overall demand for timber decreased compared with 2019, as did timber prices, although the decline in timber prices was in line with recent trends. Disruptions to the sector likely will continue until the virus is contained and use of public places resumes, and these disruptions may evolve further along with economic conditions.

Although Congress has not provided specific assistance to the timber industry, the CARES Act provided general assistance to businesses and employees in the form of loans, advances, supplements to state unemployment benefits, tax relief, and paid leave. The Forest Service (FS) also has authorized additional time to harvest timber on federal lands for specified timber contracts.

Market disruptions have led some stakeholders to conclude that additional assistance is needed to provide relief to the timber industry. In the 116th Congress, S. 4233 and H.R. 7690 would authorize the Secretary of Agriculture to make relief payments to timber harvesting and hauling businesses that experienced specified economic losses; these relief payments could be used to cover operating expenses. Members of Congress also have requested that the U.S. Department of Agriculture (USDA) make timber harvesting and hauling businesses eligible for support payments for agricultural producers authorized under the CARES Act. Other stakeholders have proposed additional approaches to providing congressional relief to the timber industry, such as low-interest loans or programs to increase demand for wood products. In the past, Congress has authorized relief for federal timber purchasers, such as contract buyouts, and for forest landowners. Congress may decide that specific assistance to the timber industry is not warranted if, for example, existing assistance is considered sufficient, assistance to businesses generally is thought to cover the timber industry sufficiently, or industry impacts are seen as transient.

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Introduction

The Coronavirus Disease 2019 (COVID-19) pandemic has impacted the timber industry by changing consumer and producer behavior and threatening the health of timber industry workers. These effects have been felt throughout the supply chain, which includes timber landowners, timber harvesting and hauling businesses, timber processors and manufacturers, distributers, retailers, and consumers. The pandemic's impacts on the timber industry have varied according to regional differences in the industry, changing demand for different products made from wood, and the severity and timing of the pandemic's supply chain effects.

Impacts to the timber industry have been spread unevenly across sectors and regions and have varied over time as the pandemic has progressed. Some sectors have experienced minor overall changes; for example, the pulp and paper industry's overall prices in 2020 have been similar to prices in 2019. However, in some timber industry sectors, such as lumber and consumer tissue, markets have experienced supply shortages or historically high prices as consumers and producers struggle to anticipate and adjust to the pandemic's effects. In others, such as newsprint and glossy paper, the pandemic has accelerated trends toward low demand brought on by other economic forces, such as declines in print media. Industry pressures have led to layoffs, closures, and other impacts. Some effects have been transient, and some predictions about market conditions (such as predictions about residential construction activity) have not occurred. The pandemic's ultimate impacts to the industry cannot yet be ascertained.

Congress has not provided specific assistance to the timber industry generally, although some timber-related businesses may have received assistance under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136). The Forest Service (FS) has implemented relief measures for timber harvesting on the federal lands under its jurisdiction. Further assistance has been proposed in the 116th Congress, such as S. 4233 and H.R. 7690. The timber industry recommends additional assistance, such as loans or direct payments, to prevent further impacts to the industry.

The U.S. Timber Industry

The timber industry is a diverse commodity industry, wherein cut trees (*timber*) are converted to a wide variety of products made from wood (*wood products)*, such as lumber, paper products, furniture, and many others.[1] The United States is the largest producer of wood for industrial use in the world, harvesting 15.9 billion cubic feet in 2017.[2] Characteristics of the U.S. timber industry vary by region and are influenced by each region's land ownership patterns, tree species, transportation and processing infrastructure, and geography. The individual sectors within the timber industry also vary widely in their production methods, trade relationships, and consumers.

[1] The timber industry does not include trees grown to provide crops for human consumption, such as orchards and vineyards.

[2] James Howard and Shaobo Liang, *U.S. Timber Production, Trade, Consumption, and Price Statistics*, Forest Service (FS), FPL-RP-701, 2019 (hereinafter Howard and Liang, *U.S. Timber Production*); and Food and Agriculture Organization (FAO), *FAOSTAT Forestry Database*, *Forest Product Consumption and Production*, 2020. Timber may be measured in cubic feet or in board feet (BF), a unit of wood equaling 1 inch by 12 inches by 12 inches. The BF in a log is not equal to the cubic feet in a log, as some wood is lost in the processing of a log to squared dimensions, and BF cannot be directly converted to cubic feet.

Timber is divided into two general categories with different supply chains, end uses, and production methods:

- *Softwood timber* refers to the wood of coniferous trees such as pine (*Pinus* sp.), fir (*Abies* sp.), Douglas fir (*Pseudotsuga menziesii*), and spruce (*Picea* sp.). Softwood timber is the primary material used in the construction industry in the form of *lumber* (products sawn from logs), panel products (e.g., plywood, particle board), and other products.[3] Softwood timber also is processed into pulp to produce *paper products* (e.g., cardboard, tissue, and writing paper) and used in other applications.
- *Hardwood timber* usually refers to the wood of broadleaved trees such as oak (*Quercus* sp.), maple (*Acer* sp.), walnut (*Juglans* sp.), and ash (*Fraxinus* sp.).[4] Hardwood timber often is used in applications where durability, appearance, or other specific traits are desirable, such as furniture, cabinetry, and flooring. It is also used as pulp and lumber. Hardwoods are sometimes combined with softwoods to reduce cost; for example, hardwood veneers may be bonded to softwood plywood to create less costly finished products with the appearance of hardwood.

In 2017, about 41% of U.S. wood production was for lumber and engineered wood products, 35% was for pulp, and the remainder was for other uses.[5] Approximately 80% of U.S. lumber production and 75% of U.S. pulp production were from softwoods.[6] The construction industry is an important source of U.S. timber demand; in 2017, about 69% of U.S. softwood lumber was used for housing construction, along with significant amounts of other hardwood and softwood products.[7] The majority of softwood timber is produced in the South and the Pacific Northwest.[8] Hardwood timber generally is produced in the eastern United States. The South is the largest U.S. timber region, producing nearly 60% of all timber in the United States.[9]

The timber supply chain is characterized by many small forest landowners. Approximately 63% of U.S. forests and woodlands are privately owned by corporations, individuals, nonprofits, or other nongovernmental groups.[10] Approximately 43% of all forests and woodlands are owned by

[3] In 2017, about 69% of softwood lumber was used in residential construction, including 30% used for new residential construction and 39% used for remodeling or upkeep of existing construction. Howard and Liang, *U.S. Timber Production*.

[4] Despite the *hardwood* and *softwood* nomenclature used for these categories, there is great variation in actual wood hardness within these groups. However, within the commercial species prevalent in the U.S. timber industry, softwoods tend to be relatively fast-growing and soft compared to hardwoods.

[5] Howard and Liang, *U.S. Timber Production*.

[6] Howard and Liang, *U.S. Timber Production*.

[7] Howard and Liang, *U.S. Timber Production*.

[8] For the purposes of this report, the South consists of the states of Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Arkansas, Louisiana, Texas, Kentucky, and Tennessee; however, sources cited may use the term *the South* to refer to a subset of this region. The Pacific Northwest consists of Washington and Oregon. In addition, the timber industry may refer to *Southern* or *Pacific Northwest (PNW)* timber, which usually refers to species of timber that generally grow in those respective areas but may occasionally grow outside them.

[9] Jeffrey Prestemon and Robert Abt, "The Southern Timber Market to 2040," *Journal of Forestry*, vol. 100, no. 7 (2002), pp. 16-22.

[10] Sonja Oswalt et al., *Forest Resources of the United States, 2017: A Technical Document Supporting the Forest Service 2020 RPA Assessment*, FS, GTR-WO-97, March 2019 (hereinafter Oswalt, *Forest Resources*).

an estimated 10.6 million families.[11] The remaining 37% is publicly owned by the federal government, states, counties, or other units of government, with 28% of all U.S. forests and woodlands owned by the federal government.[12] Most timber harvesting in the United States takes place on private lands; for example, in 2012, approximately 90% of U.S. wood and paper products originated on private lands.[13] Timber harvesting and hauling businesses vary in size, and there are many small firms, although relatively larger businesses harvest the majority of timber in most areas.[14]

After timber is harvested, it is transported and processed. Making final products out of timber may be a single- or multi-stage process. In general, it involves a first step of transforming logs into a primary product such as lumber, wood chips, or wood pulp (*timber processing*). Some of these products may not undergo further alteration (e.g., lumber). Others may act as materials for further processing into other final products (*wood product manufacturing*, for the purposes of this report).[15] Timber processing or wood product manufacturing facilities are often *capital intensive* (i.e., require costly, specialized equipment). Timber processing also may exhibit *economies of scale* (i.e., costs that decrease with higher levels of production) and may require large quantities of timber to meet a minimum level of efficient production.[16] This scale economy, combined with the generally high transportation cost of unprocessed wood, means that timber processing businesses may be spatially dispersed (i.e., relatively few, large facilities may be located in a given area) and that buying and selling timber usually occur relatively close to the harvest location.[17]

In the short term, supply of some wood products may be relatively *inelastic* (i.e., may not change much in response to changes in price), due to the time and expense needed to increase capacity, open facilities, or switch products in capital-intensive industries.[18] These factors may contribute to facilities permanently or temporarily closing rather than switching to produce a new product if demand decreases, although the reasons for such closures are complex and may involve other

[11] *Families* is defined as individuals, families, trusts, estates, and family partnerships. Oswalt, *Forest Resources*.

[12] Oswalt, *Forest Resources*.

[13] Sonja Oswalt and W. Brad Smith, *U.S. Forest Resource Facts and Historical Trends*, FS, FS-1035, 2014.

[14] Joseph Conrad IV, W. Dale Greene, and Patrick Heisl, "A Review of Changes in U.S. Logging Businesses, 1980s-Present," *Journal of Forestry*, vol. 116, no. 3 (2018), pp. 291-303. For example, a survey in the state of Washington found that the majority of log-hauling companies were owner-driver companies with a single truck and trailer, according to Larry Mason et al., *The Washington Log Trucking Industry: Costs and Safety Analysis*, Rural Technology Initiative, University of Washington, and Transportation Research Group, Washington State University, *Report to the Washington State Legislature*, 2008.

[15] When used colloquially, *wood product manufacturing* may not be inclusive of products made of wood pulp, such as paper, cardboard, or tissue.

[16] Brian Murray and Jeffrey Prestemon, "Structure and Efficiency of Timber Markets," in *Forests in a Market Economy*, ed. Erin Sills and Karen Abt (Dordrecht, the Netherlands: Kluwer Academic Publishers, 2003), pp. 153-176. Hereinafter, Murray and Presemon, "Timber Markets."

[17] Murray and Presemon, "Timber Markets." Logs generally are a costly commodity to transport compared to their value, due to their weight and size. Transport costs also may be affected by accessibility; for logs transported by road, federal law controls both maximum gross vehicle weight and weight per axle of trucks on the Interstate Highway System, which may limit the travel routes available to log trucks carrying certain loads (23 U.S.C. §127), and logs in rugged terrain sometimes must be transported by air. Timber processing businesses tend to locate in spatially distributed clusters of a few facilities each. See Glenn Ellison, Edward Glaeser, and William Kerr, "What Causes Industry Agglomeration? Evidence from Coagglomeration Patterns," *American Economic Review*, vol. 100 (2010), pp. 1195-1213, and Consuelo Brandeis and Donald Hodges, "Sawmill Industry in Tennessee: Assessing Location Pattern Changes and Their Effects on Sawlog Procurement Distribution," *Forest Science*, vol. 64, no. 3 (2018), pp. 280-289.

[18] Nianfu Song, Sun Joseph Chang, and Francisco Aguilar, "U.S. Softwood Lumber Demand and Supply Estimation Using Cointegration in Dynamic Equations," *Journal of Forest Economics*, vol. 17 (2011), pp. 19-33.

factors. If few facilities are located in a given area, closures may have a large effect on local timber industry profitability and employment.

Wood products are highly traded commodities in world markets, and supply chains may be integrated across regions and trading partners to varying degrees. The United States is a net importer of timber and wood products. For example, in 2017, U.S. timber-related imports totaled approximately 3.5 million cubic feet and timber-related exports totaled approximately 2.3 million cubic feet.[19] As of 2017, Canada was the United States' largest source of timber imports and China was the largest single U.S. timber export market, though a substantial share is exported to Canada and Mexico.[20] A portion of the wood produced and exported from the United States is processed into intermediate and finished products overseas, particularly in China, and subsequently imported back into the United States.

Effects of COVID-19 on the Timber Industry

The COVID-19 pandemic has impacted timber and wood product markets, with substantial variation across sectors. The timber industry's diversity has resulted in uneven impacts. Some sectors of the industry have been negatively affected through shortages, price fluctuations, closures, and other disruptions; others have maintained or increased sales. The diversity of the industry's businesses and supply chains may have provided some resilience to the system as a whole, but this resilience may mask stresses on different sectors. In addition, the pandemic's impacts have evolved over time, with demand, supply, and price sometimes changing over the space of weeks or months. Current and comprehensive information on some industry sectors is lacking due to the rapidly evolving situation, the diffuse nature of some timber industry sectors, and other reasons. The following sections discuss impacts on various parts of the wood product supply chain and wood product markets.

Timber Harvesting

Overall, demand for wood and the prices producers received for timber have been lower in 2020 than in 2019. Wood raw material consumption from January to July 2020 was 6.7% lower than the same period in 2019, representing a 13% reduction ($1.83 billion) in value of the delivered wood, although this figure does not account for demand from August 2020 onward.[21]

According to the Bureau of Labor Statistics (BLS), the average prices obtained by timber producers in 2020 increased through April, then decreased through July, before increasing through October (see **Figure 1).** According to BLS, producers received lower average prices year-over-year (i.e., compared with the same month in 2019) in every month except October. The smallest year-over-year difference in average prices was in March (producers received 1.1% less in March 2020, compared with March 2019), the beginning of the pandemic in the United States. The greatest year-over-year difference was in July (4.4% less in July 2020 than in July 2019).[22]

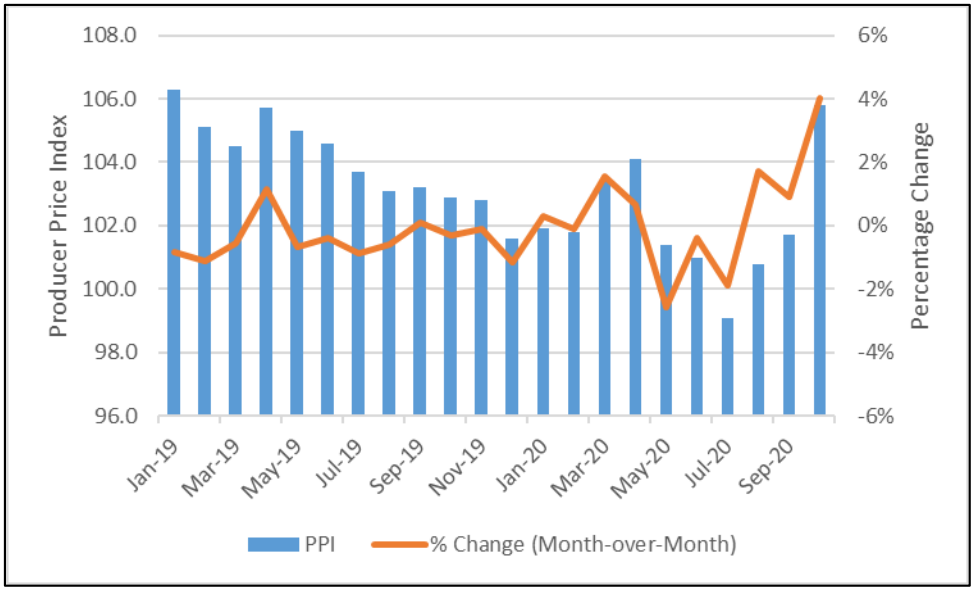
[19] Howard and Liang, *U.S. Timber Production.*

[20] Howard and Liang, *U.S. Timber Production.*

[21] Forest2Market, *United States Economic Impact: Forest Products Consumption*, American Logger's Council, August 28, 2020.

[22] CRS calculation from Bureau of Labor Statistics (BLS), Producer Price Index (PPI) Commodity Data for lumber and wood products, "logs, bolts, timber, and pulpwood," accessed December 9, 2020, previously updated November 13, 2020.

Figure 1. Producer Price Index: Logs, Bolts, Timber, and Pulpwood



Source: Bureau of Labor Statistics, Producer Price Index (PPI), Commodities, Logs, Bolts, Timber, and Pulpwood, monthly, not seasonally adjusted, December 2011 = 100.

Notes: The PPI represents the average price producers receive for their products, expressed as a unitless index where average prices in December of 2011 equal 100. Therefore, percentage changes in the PPI are the best expression of price changes.

Price trends in different regions and products in 2020 sometimes differed from national averages, although directly comparable data across regions and time periods are not available. For example, the industry analysis firm Forest2Market found that average prices of standing timber (*stumpage prices*) for all southeastern timber products decreased 11.5% between the first and second quarters of 2020.[23] Industry analytics firm TimberMart-South found that both stumpage prices and average prices for harvested timber delivered to mills (*delivered prices*) in the South fell in the third quarter of 2020.[24] Conversely, information from surveys by the Washington Department of Natural Resources shows average delivered prices in Oregon, Washington, and Idaho generally fell between the first and second quarters of 2020 but rose in the third quarter.[25] Regional performance between 2019 and 2020 similarly differs, with stumpage prices for sawtimber in the

[23] Mike Powell, "Despite Record Lumber Prices, Southern Timber Prices Plummeted During Lockdown," *Forest2Market Blog*, September 7, 2020. Throughout this report, *quarters* refer to the quarters of the calendar year.

[24] TimberMart-South, *Quarterly Market Bulletin, Third Quarter 2020*," accessed October 27, 2020 (hereinafter, TimberMart-South, *Quarterly Market Bulletin)*. CRS calculation from Washington DNR, "Survey Prices for Delivered Logs," each of January 2020-October 2020. The timber industry uses both stumpage and delivered prices to assess market performance, and the popularity and availability from publicly available sources of these prices differ by region and industry; however, the two prices reflect different stages in the timber supply chain, and therefore their levels generally differ. Stumpage prices reflect the value of standing timber at the time it is purchased (e.g., by a timber harvesting business), and delivered prices reflect the value of harvested timber when purchased for primary processing (i.e., "at the mill gate"). These prices have different strengths and weaknesses: for example, stumpage may not reflect current demand for wood because timber is not always harvested immediately, whereas delivered prices incorporate the costs of harvesting and transporting the timber in addition to the timber's value. Although the topic is understudied, trends in stumpage and delivered prices may be related over time. See Zhuo Ning and Changyou Sun, "Vertical Price Transmission in Timber and Lumber Markets," *Journal of Forest Economics*, vol. 20 (2014), pp.17-32.

[25] CRS calculation from Washington DNR, "Survey Prices for Delivered Logs," each of January 2020-October 2020.

South lower in 2020 than in the same period in 2019 and delivered prices in the Pacific Northwest higher in 2020 than in the same period in 2019.[26]

It is unclear to what degree timber market changes in 2020 were directly related to the COVID-19 pandemic and to what degree they are attributable to the general long-term trend of stable or declining timber prices.[27] For example, TimberMart-South reports that, including the third quarter of 2020, delivered prices for southern softwood sawtimber have remained "essentially unchanged" since 2013, deviating no more than 3.4% (increase or decrease) from the per ton average.[28] Similarly, southern hardwood sawtimber per-ton average delivered prices have not deviated more than 2.9% (increase or decrease) since 2014.[29] Although the market situation for some wood products changed rapidly throughout 2020 (see "Lumber" and "Paper Products" below), overall timber prices generally do not change much as wood product markets fluctuate, for a variety of reasons.[30] In particular, timber prices are driven primarily by the inventory of standing timber at any given time, along with the demand for timber from processors, and large standing timber inventories in important timber-producing regions have contributed to lower timber prices.[31] Any impacts of the COVID-19 pandemic, compared with other long-term trends, may not be possible to ascertain in the near term.

Processing and Manufacturing

Businesses throughout the wood product supply chain, such as timber processors, wholesalers, and consumers, have experienced varying impacts from the COVID-19 pandemic. Since the beginning of the pandemic, federal guidance has designated businesses that "support the manufacture and distribution of forest products, including, but not limited to timber, paper, and other wood products," as components of critical infrastructure within the food and agriculture sector.[32] However, state-mandated stay-at-home orders have varied, and in some states, wood product-related businesses were ordered to close.[33] Some industry sectors that were declared essential nonetheless reduced capacity or curtailed operations for various reasons, such as to reduce risk to workers or due to expectations of adverse market conditions.[34] Some processing and manufacturing facilities have closed permanently. Such closures may disrupt local

[26] For example, industry firm TimberMart-South found that third-quarter stumpage prices for pine sawtimber in the Southeast region decreased by 4.8% when compared with 2019 and hardwood sawtimber decreased by 4.6%. However, third-quarter average delivered log prices in Oregon, Washington, and Idaho increased 7.0% compared with 2019. TimberMart-South, "Southeastern Average Stumpage Prices," quarterly averages, accessed October 28, 2020, and CRS calculation from Washington DNR, "Survey Prices for Delivered Logs," each of July-September 2019 and 2020.

[27] TimberMart-South, *Quarterly Market Bulletin*.

[28] CRS calculation from TimberMart-South, *Quarterly Market Bulletin*.

[29] CRS calculation from TimberMart-South, *Quarterly Market Bulletin*

[30] Mo Zhou and Joseph Buongiorno, "Price Transmission Between Products at Different Stages of Manufacturing in Forest Industries," *Journal of Forest Economics*, vol. 11 (2005), pp. 5-19.

[31] Brooks Mendell, "Forest Industry Q&A: Lumber Prices Versus Timber Prices and Other Recent Topics," *Forisk Blog*, September 1, 2020; Joe Clark, "How Does a Soaring Lumber Market Impact Timber Prices?," *Forest2Market Blog*, August 24, 2020.

[32] Christopher C. Krebs, *Memorandum of Identification of Essential Critical Infrastructure Workers During COVID-19 Response*, U.S. Department of Homeland Security, Cybersecurity and Infrastructure Security Agency, March 19, 2020.

[33] For example, in Pennsylvania, manufacturers of veneer plywood, engineered wood products, furniture, and cabinets were ordered to close. Karl Forth, "Is Your Company an Essential Business? It Depends," *Woodworking Network*, March 24, 2020.

[34] For example, see Ted Sickinger, "Coronavirus Undercuts Oregon's Wood Products Industry, Forestry Department Budget," *Oregonian*, April 4, 2020.

communities due to the regional nature of timber markets, which sometimes means individual facilities purchase a large proportion of local timber supply or are significant for local employment.[35] A number of factors may influence permanent closures, including (but not limited to) COVID-19; these factors have contributed to a long-term trend in timber industry consolidation since the 1990s.[36] How the pandemic may affect this trend remains to be seen.

Trade

Lower economic activity in other countries and disruptions to parts of the transportation network disrupted U.S. wood product trade. Early in the pandemic, some ports were closed, which curtailed shipments, and worldwide shutdowns in construction and manufacturing weakened international demand.[37] As a result, trade activity in timber-related products generally decreased. As of October 2020, the United States had exported approximately $24.0 billion in timber-related products and had imported approximately $35.3 billion, in contrast to the year-to-date export value of approximately $26.6 billion and the year-to-date import value of $35.8 billion in 2019.[38]

Lumber

Early in 2020, the lumber supply chain contracted for numerous reasons.[39] Housing starts declined precipitously, falling 22.3% in March, and the lumber industry anticipated low overall demand.[40] Consequently, lumber mills idled or curtailed production, with the industry analytics firm Forisk estimating an overall reduction of softwood lumber capacity of over 15.6% in the first quarter of 2020 and curtailments continuing into April.[41] However, housing starts rose in June and exceeded starts in 2019 through October.[42] Demand for lumber for remodeling remained steady.[43] As a result, lumber demand exceeded supply, leading to softwood lumber shortages and prices that rose to record high levels in late August and early September 2020 (see **Figure 2)**.[44]

[35] For example, a Wisconsin paper plant that closed in July 2020 purchased approximately 25% of the pulpwood in Wisconsin. The closure was projected to affect more than 14,000 jobs, including 1,000 mill workers. Carey Biron, "Paper Cuts: U.S. Coronavirus Downturn Hits Timber-Reliant Towns," *Reuters*, September 23, 2020.

[36] Timber industry consolidation includes timber processing and manufacturing plant closures, plant expansions, and product changes at existing plants. Peter Ince et al., *Globalization and Structural Change in the U.S. Forest Sector: An Evolving Context for Sustainable Forest Management*, FS, FPL-GTR-170, 2007; C. Woodall et al., "An Overview of the Forest Products Sector Downturn in the United States," *Forest Products Journal*, vol. 61, no. 8 (2011), pp. 595-603.

[37] For example, see Hal Bernton, "In Rural Washington, Coronavirus Outbreak Takes a Big Bite Out of Pulp and Shellfish Exports to China," *Seattle Times*, March 7, 2020.

[38] CRS, from Bureau of Economic Analysis, "U.S. International Trade in Goods and Services," Exports, Imports, and Balance of Goods by Selected NAICS-Based Product Code, Not Seasonally Adjusted, each of October 2019 and October 2020. Sum of Forestry Products, Wood Products, and Paper Products.

[39] Pete Stewart, "Why Are Lumber Prices at a Record High?," *Forest2Market Blog*, August 18, 2020.

[40] "U.S. Home Construction Fell 22.3% in March," *CNBC*, April 16, 2020.

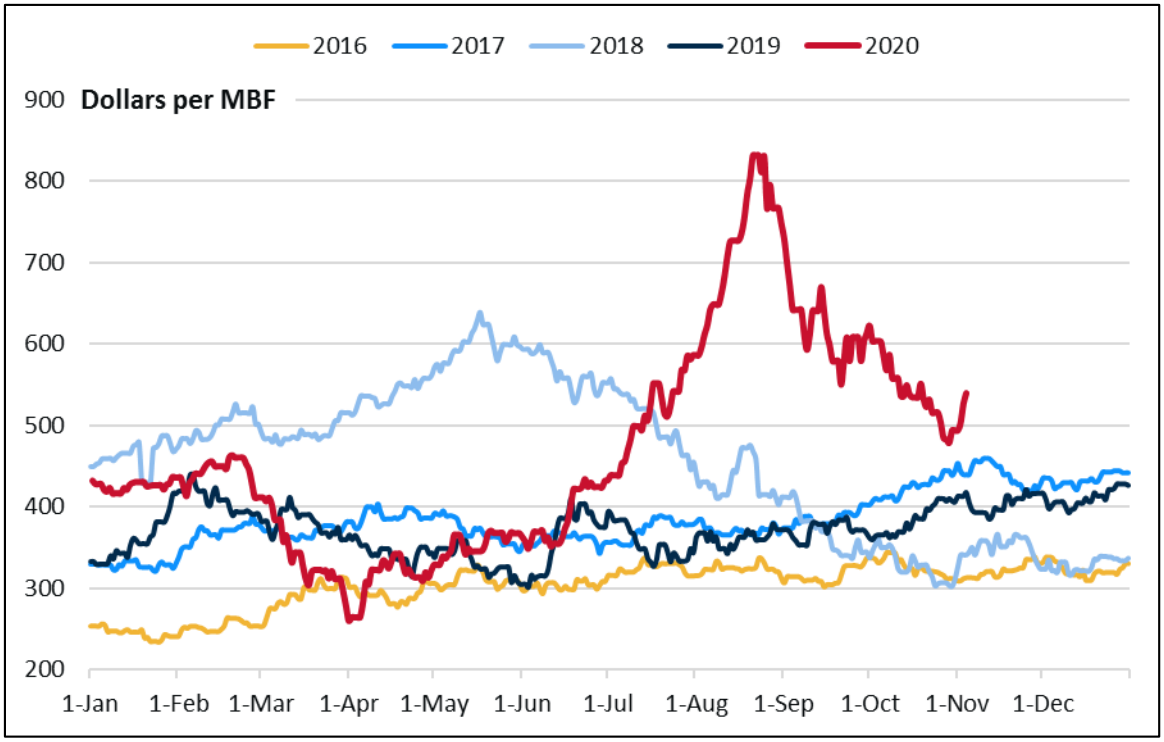
[41] Brooks Mendell, "Forisk Q1 2020 Update of Forest Industry Capital Investments and Timberland Transactions," *Forisk Blog*, April 22, 2020.

[42] United States Census Bureau, "Historical Time Series Data," Housing Units Started, New Privately Owned Housing Units Started (Monthly), Not Seasonally Adjusted, accessed November 23, 2020.

[43] John Greene, "Lumber Prices Continue to Freefall," *Forest2Market Blog*, October 22, 2020.

[44] John Greene, "Breaking: Have North American Lumber Prices Peaked?," *Forest2Market Blog*, September 21, 2020; John Greene, "Lumber Prices Continue to Freefall," *Forest2Market Blog*, October 22, 2020.

Figure 2. Lumber Futures Prices, 2016-2020



Source: NASDAQ Commodity Trading Prices, Lumber, Daily Closing Prices, accessed November 5, 2020.

Notes: *Lumber futures* are exchange-traded contracts to deliver a specified amount of lumber at a given future date. Lumber futures prices are not equivalent to prices of lumber transactions occurring in real time (*lumber prices*). Existing research suggests lumber futures may forecast lumber prices. Lumber futures closing prices are reported daily on trading days. The figure has been smoothed between trading days. MBF = thousand board feet; a board foot is a traditional unit for measuring lumber and equals 1 inch by 12 inches by 12 inches.

Although the available data sources for lumber vary by region and species, various sources agree an extraordinary spike in lumber prices occurred in August and September 2020. Industry sources reported average southern softwood lumber prices rose 67% between the second and third quarters of 2020, from $442 to $738 per thousand board feet (MBF).[45] In some weeks the price was higher still: in early September, some softwood lumber prices reached over $920 per MBF, representing increases of 140% or more compared with the same weeks in 2019, depending on the species and region.[46] This increase was preceded by record-high lumber futures prices in late August (see **Figure 2).** Some businesses, such as lumber wholesalers, distributers, and members of the construction industry, reported shortages and rationing. For some, such as the construction industry, the effect of higher lumber prices or shortages may have decreased revenues or output.[47]

[45] John Greene, "Breaking: Have North American Lumber Prices Peaked?," *Forest2Market Blog*, September 21, 2020.

[46] For example, in the week ending September 11, 2020, prices for "Southern yellowpine" softwood lumber reached $928 per MBF, a 146% increase over the same week in 2019. In the week ending September 4, 2020, "Western spruce-pine-fir" 2x4 lumber reached $966 per MBF, an increase of 161% over 2019. "Southern yellowpine" refers to four pine species that grow in the South and have similar wood characteristics; most softwood lumber from the South is Southern yellow pine. John Greene, "Breaking: Have North American Lumber Prices Peaked?," *Forest2Market Blog*, September 21, 2020, and Keta Kosman, "Softwood Lumber Prices Increase By Smaller Amounts as Demand Slows," *Madison's Lumber Reporter*, September 9, 2020.

[47] For example, see "Rising Price of Lumber Putting People in a Pinch," *KMOV4-St. Louis*, October 12, 2020, and Russ O'Reilly, "Building Concerns: Lumber Shortage a 'Strange Disaster' amid COVID-19," *Tribune-Democrat*, August 8,

Other businesses, such as sawmills, saw increased profits.[48] Some expressed concern that supply shocks, such as the impacts of wildfires and Hurricane Laura, would cause prices to increase further.[49] Members of the construction industry and Members of Congress expressed concern that increased construction prices would impact homebuyers and construction businesses, and they asked the Trump Administration to promote greater lumber production and resolve a softwood lumber trade dispute with Canada.[50] The National Association of Home Builders estimated that, in August 2020, the average price of a new single-family home was $16,000 higher than in April 2020 due to the increase in softwood lumber prices.[51]

Lumber prices fell sharply in October 2020, sometimes by over 25% a week.[52] The decrease in prices is likely due to many factors, such as the typical seasonality in lumber demand (due to the end of construction season in some regions), increased processing capacity, and others. However, prices remained higher compared with the same period in 2019—for example, in late October 2020, the price of some lumber was still nearly 67% higher than the same time in 2019.[53]

Paper Products

Wood is the primary raw material for paper products, such as cardboard and bath tissue. During the pandemic, demand for paper products used in offices, schools, restaurants, and other public places has decreased, whereas demand for products used in residential settings has increased. As a result, the pandemic has had differential and offsetting impacts across the pulp and paper sector, sometimes within industries or geographic regions.[54] For example, despite widely publicized shortages in bath tissue and other personal-use paper products in early 2020, the increased household demand for these products has been countered by decreased demand in schools, offices, and other public places.[55] Similarly, demand for paper packaging materials for shipping to

2020.

[48] Wood Resources International, "Lumber Companies in the U.S. Reached Record Profits Thanks to High Lumber Prices and Declining Sawlog Costs," *Cision PR Newswire*, September 30, 2020.

[49] Forestry Economic Advisers, "After Hitting Record Levels, Production Disruptions from Hurricane Laura Are Likely to Drive Lumber Prices Even Higher," news release, September 10, 2020. Hurricane Laura impacted over 757,000 acres of timber in Louisiana, and it also affected Alabama, Mississippi, and Texas. Bruce Schultz, "AgCenter Estimates Ag, Forestry Losses from Hurricane Laura Exceed $1.6 Billion," Louisiana State University AgCenter, September 15, 2020. For information on wildfire, see CRS In Focus IF10244, *Wildfire Statistics*, by Katie Hoover and Laura A. Hanson.

[50] Letter from Representatives Norma Torres et al. to Donald J. Trump, President, October 20, 2020; and Letter from Gerald M. Howard, President and Chief Executive Officer of the National Home Builders Association, to Donald J. Trump, President, August 7, 2020.

[51] National Association of Home Builders, "Average New Home Price Now $16,000 Higher Due to Lumber," *NAHBNow*, August 28, 2020.

[52] John Greene, "Lumber Prices Continue to Freefall," *Forest2Market Blog*, October 22, 2020; and Keta Kosman, "Softwood Lumber Prices Increase by Smaller Amounts as Demand Slows," *Madison's Lumber Reporter*, September 9, 2020.

[53] Keta Kosman, "Softwood Lumber Prices Stabilize as Demand Remains Strong," *Madison's Lumber Reporter*, November 3, 2020.

[54] For example, two Wisconsin paper plants producing glossy paper (primarily used for print advertising, magazines, and similar products) announced they would close in 2020 due to declining demand and the high cost of retrofitting the plants. Carey Biron, "Paper Cuts: U.S. Coronavirus Downturn Hits Timber-Reliant Towns," *Reuters*, September 23, 2002. However, demand for bath tissue from other Wisconsin mills doubled, leading mills and distribution centers to operate at 120% of their normal capacity. Rick Barrett, "Demand for Toilet Paper is Rising, and Wisconsin's $13 Billion Paper Industry Could Thrive," *Milwaukee Journal-Sentinel*, March 18, 2020.

[55] Jen Weiczner, "The Case of the Missing Toilet Paper: How the Coronavirus Exposed U.S. Supply Chain Flaws,"

homes has increased, whereas demand for these materials from restaurants and hotels has decreased.[56] Some sectors that primarily supply offices and schools (e.g., printing and writing paper) have reported decreased demand in 2020.[57] Overall, producers of pulp, paper, and related products reported improvements in the average prices they received as 2020 progressed: in January 2020, prices were 2% lower than in January 2019, whereas in October 2020, they were 2% higher than in October 2019.[58] In general, prices throughout the year were fairly similar to prices in 2019.

Industry analytics firm Fastmarkets RISI reported that 43 pulp- and paper-related facilities in the United States curtailed production temporarily or permanently closed between March and September 2020 due to COVID-19.[59] According to the Industrial Resources Council, there are 430 pulp and paper mills in the United States, although it is unclear what year this statistic reflects or whether it and the Fastmarkets RISI data include the same types of facilities.[60] Some of these events may be directly related to the COVID-19 pandemic, such as measures to prevent or forestall outbreaks.[61] In other cases, these curtailments and closures have occurred in response to changing market conditions, some of which predated the pandemic and were accelerated by changes to consumer behavior related to the pandemic.[62]

COVID-19 and Timber Harvesting on Federal Lands

Timber harvesting takes place on federal lands managed by the Forest Service (FS), within the U.S. Department of Agriculture (USDA), and the Bureau of Land Management (BLM), within the Department of the Interior). These agencies are broadly authorized to sell federal timber under their multiple-use authorities.[63] FS and BLM generally authorize timber harvesting through a timber sale, wherein an interested party (*timber purchaser*) bids on a contract to harvest specified timber (such as a given species in a given location) over a contract term, which is generally 3 years, with a maximum term of 10 years for FS timber.[64] Most timber harvested on federal lands is from FS lands.

Fortune, May 18, 2020, and Sharon Terlep, "Toilet Paper Giant Pivots from Scratchy Office Rolls to Battle Home Shortages," *Wall Street Journal*, April 23, 2020.

[56] Brenna Butler, *Cardboard Box & Container Manufacturing in the U.S.*, IBISWorld, U.S. Industry (NAICS) Report 32221, October 2020.

[57] For example, see American Forest and Paper Association, "American Forest & Paper Association Releases September 2020 Printing-Writing Monthly Report," press release, October 16, 2020.

[58] CRS calculation from BLS, PPI Commodity Data for pulp, paper and allied products, "Pulp, Paper, and Allied products," not seasonally adjusted, accessed November 24, 2020, previously updated November 13, 2020.

[59] Fastmarkets RISI, "COVID-19-Related North American Pulp and Paper Mill Shuts, March-September 2020," accessed November 3, 2020. Fastmarkets RISI specified that companies were "listed for downtime, either novel coronavirus or market-related or maintenance if deemed relevant, or for indefinite or permanent shutdowns, announced since early March." Reported downtime was based on publicly reported announcements by companies and information reported to the organization's editors. Fastmarkets RISI estimates that COVID-19-related mill downtime throughout North America represents 2.684 million short tons of production.

[60] Industrial Resource Council, "Pulp and Paper Manufacturing: Industry Snapshot," accessed November 25, 2020.

[61] For example, see Nicole Bales, "Georgia-Pacific Wauna Mill Discloses Virus Case," *Astorian*, July 10, 2020.

[62] For example, Bruce Ferrin, "Layoffs Loom as Rumford Mill Expands into Packaging Grades," *Sun Journal*, October 30, 2020; Peter Kendall, "A Warning from Wisconsin," *Washington Post*, July 30, 2020.

[63] 16 U.S.C. §475, 30 U.S.C. §601. For more information, see CRS Report R45688, *Timber Harvesting on Federal Lands*, by Anne A. Riddle.

[64] 16 U.S.C. §472a(c). Bureau of Land Management timber contracts must be completed in three years, unless extended

Forest Service Timber Contract Flexibilities

The USDA has the authority to modify timber contracts to provide relief to purchasers if adverse timber market conditions develop. The Secretary of Agriculture (Secretary) may extend the length of timber sale contracts if the Secretary finds that a "substantial overriding public interest" (*SOPI finding*) justifies the extension.[65] In addition, if specific "adverse wood products market conditions" develop, defined as a specified percentage decrease over two or more consecutive quarters in the Producer Price Indexes for hardwood lumber, softwood lumber, and wood chips, this constitutes an automatic SOPI finding. Under these conditions, the FS can issue a market-related contract term addition (MRCTA) to an affected timber sale contract.[66] MRCTAs are a subset of the Secretary's authority to issue SOPI findings, which are more general and flexible (e.g., can be issued for a variety of reasons or can respond to conditions occurring over time scales shorter than two quarters). FS timber sale contracts can be extended longer than 10 years, if the Secretary finds that doing so would allow for better use of forest resources.

On April 15, 2020, the USDA issued a SOPI finding, announcing the FS would extend certain timber contracts and permits due to a combination of factors affecting the timber market.[67] The announcement specified that a confluence of several factors, beginning in late 2019, has created "unprecedented worldwide instability" in timber markets, citing factors such as the COVID-19 pandemic, tariffs on hardwood products exported to China, and others.[68] In April 2020, the FS found total hardwood export value had fallen by over 42%.[69] Stakeholders reported that hardwood mills had closed, instituted layoffs, reduced production, and lost revenues and that National Forest System hardwood timber sales were at risk of default.[70]

Under the SOPI finding, most contracts may be extended for a total of two years, including time provided under other MRCTA or SOPI findings, either those made in the past or those made in the future. Market conditions in Alaska have been particularly affected (e.g., due the region's

at the timber purchaser's written request. 43 C.F.R. §§5463.1, 5473.4.

[65] 16 U.S.C. §472a(c)

[66] 36 C.F.R. §223.52

[67] FS, "Extension of Certain Timber Sale Contracts; Finding of Substantial Overriding Public Interest," 85 *Federal Register* 20984-20987, April 15, 2020. This substantial overriding public interest (SOPI) finding is not applicable to all timber sales. Sales where timber is in urgent need of removal (e.g., to mitigate wildfire risk) will not be extended. The SOPI does not apply to certain contracts called *stewardship contracts*, if they include timber harvesting but are primarily for restoration services. For more information on stewardship contracting, see CRS In Focus IF11179, *Stewardship End Result Contracting: Forest Service and Bureau of Land Management*, by Anne A. Riddle.

[68] Beginning in 2018, China responded to import tariffs instituted by the Trump Administration by placing a series of retaliatory tariffs on American wood products. These tariffs particularly influenced hardwood markets, due to the high proportion of U.S. hardwood exported to China. In the first months of 2020, the United States and China signed the first phase of a trade deal, under which China issued tariff exclusions for some (but not all) hardwood products, beginning February 28, 2020. For a summary of tariffs, see International Trade Administration, *Foreign Retaliation Product Matrix*, November 13, 2020.

[69] FS, "Extension of Certain Timber Sale Contracts; Finding of Substantial Overriding Public Interest," 85 *Federal Register* 20984-20987, April 15, 2020.

[70] Letter from Representatives Ann McLane Kuster et al. to Sonny Perdue, Secretary of Agriculture, and Robert Lighthizer, U.S. Trade Representative, November 19, 2019; and FS, "Extension of Certain Timber Sale Contracts; Finding of Substantial Overriding Public Interest," 85 *Federal Register* 20984-20987, April 15, 2020. For a summary of affected products, see Foreign Agriculture Service, *China Issues Tariff Exclusions on U.S. Hardwood Products*, CH2020-0020, February 28, 2020.

reliance on foreign demand), so timber sale contracts in Alaska may be extended for up to three years.[71]

As of November 13, 2020, the FS had granted extensions to 943 timber contracts under the April 15 SOPI finding. In addition, 505 timber contracts had been extended under MRCTA provisions. It is unclear whether some sales had extensions under both provisions.

Federal Assistance to the Timber Industry

Congress has provided general assistance to U.S. businesses and employees, including those in the timber industry. Some of the main federal assistance programs include the following:

- **Small Business Administration (SBA) Loans and Advances.** Congress has authorized several programs that provide loans or advances to eligible businesses through the SBA. Certain eligible businesses (such as small businesses, sole proprietors, nonprofit organizations, and cooperatives) may apply for Economic Injury Disaster Loans (EIDLs). The SBA is authorized to provide amounts of up to $2 million, but some have reported EIDLs are unofficially capped at $150,000.[72] Eligible businesses also may apply for bridge loans of up to $25,000 and advances of $1,000 per employee, up to a maximum of $10,000.[73]
- **SBA Paycheck Protection Program (PPP)**.[74] Small businesses, cooperatives, nonprofits, sole proprietors, and self-employed individuals generally were eligible for a PPP loan if they were in operation on February 15, 2020, and (1) were eligible for the SBA's 7(a) loan program or (2) had either (a) not more than 500 employees or, (b) if applicable, the SBA's "size standard" in number of employees for the industry in which they operate. The PPP was designed to help businesses retain workers (maintain payroll) and make mortgage, rental, and utility payments. Businesses generally received a two-year loan at a 1% interest rate equal to 2.5 times average monthly payroll costs (capped at $10 million), and they could apply for all or part of the loan to be forgiven if they met certain job retention and rehiring criteria. The deadline for PPP applications was August 8, 2020.
- **Enhanced Unemployment Insurance (UI)**. Congress created several temporary UI benefits in response to the pandemic, including providing an extra $600 in

[71] For more information on stewardship contracting, see CRS In Focus IF11179, *Stewardship End Result Contracting: Forest Service and Bureau of Land Management*, by Anne A. Riddle.

[72] Darla Mercado, "Federal Business Disaster Loans Now Capped at $150,000 and Limited to Agriculture," *CNBC*, May 7, 2020.

[73] For more information, see CRS Insight IN11232, *SBA Economic Injury Disaster Loans for COVID-19*, by Bruce R. Lindsay. On July 11, 2020, the Small Business Administration (SBA) announced it had stopped accepting Emergency Economic Injury Disaster Loans Advance Payment grant applications because the program had reached its authorization limit of $20 billion in grants. See SBA, "Jobs Act Supported More Than $12 Billion in SBA Lending to Small Businesses in Just Three Months," at https://www.sba.gov/content/jobs-act-supported-more-12-billion-sba-lending-small-businesses-just-three-months.

[74] For more information, see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry; CRS Insight IN11324, *CARES Act Assistance for Employers and Employees—The Paycheck Protection Program, Employee Retention Tax Credit, and Unemployment Insurance Benefits: Overview (Part 1)*, coordinated by Molly F. Sherlock; and CRS Insight IN11341, *SBA's Paycheck Protection Program (PPP) Loans and Self-Employed Individuals*, by Sean Lowry.

weekly benefits, expanding benefits to certain groups of unemployed workers who usually do not qualify for UI benefits, and providing an extra 13 weeks of UI benefits.[75] The extra $600 in benefits expired July 25, 2020, [76] with other provisions scheduled to expire December 26, 2020.

- **Paid Leave and Sick Leave**. If employees are unable to work for certain reasons associated with COVID-19, private-sector employers with fewer than 500 employees are required to provide two weeks of paid leave. These employers are also required to provide their employees an additional 10 weeks of paid expanded family and medical leave to care for a child whose school or child care is closed or unavailable.[77] Employers can claim a payroll tax credit to offset the cost of providing the required leave.[78] These provisions apply through the end of 2020.
- **Tax Relief.** Through the CARES Act, Congress enacted a number of provisions providing tax relief for businesses. Congress authorized a refundable payroll tax credit of 50% of qualified wages (up to $10,000) for employers subject to closures or reduced revenues due to COVID-19.[79] Congress also provided tax relief through expanded net operating losses.[80] Congress also authorized deferred payment of the employer share of Social Security payroll taxes for employers and self-employed individuals through the end of 2020,[81] along with other business tax relief provisions.[82]

Some timber industry sectors have used these programs. For example, a survey by the American Logger's Council found that 72% of respondents applied for federal assistance. Of those, 84% applied for assistance with the PPP and 12% applied for assistance with the EIDL program.[83] The majority of respondents (92%) who applied for assistance were approved. It is unclear how many businesses were polled or to what degree they represent the industry as a whole.

[75] For more information, see CRS In Focus IF11475, *Unemployment Insurance Provisions in the CARES Act*, by Katelin P. Isaacs and Julie M. Whittaker.

[76] On August 8, 2020, President Donald Trump issued a memorandum that authorized Lost Wages Assistance (LWA) grants to supplement the weekly benefits of certain eligible unemployment insurance (UI) claimants in participating states. LWA grants were authorized in the amount of $300 a week in federal funds; if a state chose to contribute an additional $100 a week in state funds, the total would be $400 a week. LWA grants are available through December 2020, but the program terminates earlier if certain conditions (related to funding or enactment of legislation) are met. For more information, see CRS Insight IN11492, *COVID-19: Supplementing Unemployment Insurance Benefits (Federal Pandemic Unemployment Compensation vs. Lost Wages Assistance)*, by Katelin P. Isaacs and Julie M. Whittaker.

[77] For more information, see CRS In Focus IF11487, *The Families First Coronavirus Response Act Leave Provisions*, by Sarah A. Donovan and Jon O. Shimabukuro.

[78] For more information, see CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.

[79] CRS Insight IN11299, *COVID-19: The Employee Retention Tax Credit*, by Molly F. Sherlock.

[80] CRS Insight IN11296, *Tax Treatment of Net Operating Losses (NOLs) in the Coronavirus Aid, Relief, and Economic Security (CARES) Act*, by Jane G. Gravelle.

[81] CRS Insight IN11260, *COVID-19 Economic Stimulus: Business Payroll Tax Cuts*, by Molly F. Sherlock and Donald J. Marples.

[82] CRS Report R46279, *The Coronavirus Aid, Relief, and Economic Security (CARES) Act—Tax Relief for Individuals and Businesses*, coordinated by Molly F. Sherlock.

[83] American Loggers Council, "Results: Loggers COVID-19 Federal Assistance Survey," June 16, 2020.

In addition to the federal programs above, the CARES Act provided $150 billion in direct assistance to state governments, collectively known as the Coronavirus Relief Fund, which may be used for expenses related to the COVID-19 pandemic.[84] Some states have used this funding to assist sectors of the timber industry. For example, some states have used Coronavirus Relief Fund monies to establish grant programs that assist forest landowners and timber-related businesses.[85] States also have used Coronavirus Relief Fund money to assist businesses generally.

Options for Congress

Decreases in timber prices, mill closures, and other market disruptions have led some stakeholders to conclude that additional assistance is needed to provide relief to the timber industry.[86] Should Congress wish to provide such assistance, it could take the form of additional legislation, changes to the implementation of existing programs, or other measures. The discussion below covers assistance proposed specifically for the timber industry in relation to the impacts of the COVID-19 pandemic.[87] Broad assistance to businesses or individuals, such as that provided by the CARES Act, may be inclusive of the timber industry; such options are beyond the scope of this report.

Congress also may decide that assistance specific to the timber industry is not warranted at this time. For example, Congress may decide existing assistance is sufficient or the pandemic's impacts do not warrant industry-specific assistance. In general, Congress has declined to pass legislation providing assistance specific to all sectors of the timber industry under other adverse market situations. For example, in response to the economic downturn and housing market collapse of 2008-2010, sectors of the timber industry experienced severe declines.[88] Congress provided certain flexibilities to purchasers of federal timber sale contracts (see "Timber Harvesting on Federal Lands") but did not provide other specific assistance to the timber industry. In other situations, Congress has assisted some parts of the timber industry (such as forest landowners) but not others.[89]

[84] CRS Report R46298, *The Coronavirus Relief Fund (CARES Act, Title V): Background and State and Local Data*, by Grant A. Driessen.

[85] For example, the State of Alabama established a grant program for qualifying timber owners that sold timber between March and July 2020, and the State of Vermont established a grant program for forest product businesses that experienced economic harm due to the COVID-19 pandemic. Alabama: "Memorandum of Understanding Between Alabama Department of Finance and the Alabama Forestry Commission for the Distribution of CARES Act Coronavirus Relief Funds," August 24, 2020; Vermont: Vermont Act 138, "An Act Relating to Providing Financial Relief Assistance to the Agricultural Community due to the COVID-19 Public Health Emergency," enacted July 2, 2020. For more information on the Coronavirus Relief Fund, see CRS Report R46298, *The Coronavirus Relief Fund (CARES Act, Title V): Background and State and Local Data*, by Grant A. Driessen.

[86] For example, see Edward Murphy, "Coronavirus and Papermaking Woes Bring Tough Times to Maine's Logging Industry," *Portland Press Herald*, July 20, 2020.

[87] In the 116th Congress, bills have been introduced that would provide relief to parts of the timber industry under adverse market conditions not directly related to COVID-19. For example, the Forest Recovery Act (S. 1687 and H.R. 1444) would modify the tax deduction for casualty losses to establish special rules for losses of uncut timber due to natural disasters, theft, or other reasons.

[88] See D. Hodges et al., "Recession Effects on the Forests and Forest Product Industries of the South," *Forest Products Journal*, vol. 61, no. 8 (2012), pp. 614-624; and Charles Keegan et al., "Impact of the Great Recession on the Forest Products Industry in the Western United States," in *Moving from Status to Trends: Forest Inventory and Analysis (FIA) Symposium 2012*, ed. Randall Morin and Greg Liknes (FS, 2012).

[89] For example, in P.L. 116-20, the Additional Supplemental Appropriations for Disaster Relief Act of 2019, Congress

Financial Assistance to the Timber Industry

Stakeholders have called for Congress to pass legislation providing specific assistance to the timber industry, and some such legislation has been introduced. In the 116th Congress, S. 4233 and H.R. 7690 would authorize the Secretary of Agriculture (Secretary) to make relief payments to timber harvesting and hauling businesses that experienced specified economic losses and would establish a permanent appropriation for any amounts necessary to make such payments. Eligible businesses that saw a 10% or greater loss in gross revenue between January 1 and July 31, 2020, compared with the same period in 2019, would be eligible. Payments to eligible entities would equal their gross revenue from January 1 to July 31, 2019.[90] Eligible business would be required to certify to the Secretary that the relief payment would be used only for operating expenses.

Stakeholders in the timber industry have proposed other legislative approaches. For example, the American Loggers' Council proposed that Congress authorize low-interest loans for timber harvesting or hauling businesses' operating expenses based on lost production or revenue.[91] In general, legislation authorizing loans, direct support, or other financial mechanisms can be tailored as narrowly or broadly as Congress desires; for example, such legislation could specify firm size, type of business, magnitude of economic impact, or other factors for eligibility, or it could have broad eligibility criteria. Stakeholders also have proposed approaches that would increase demand rather than directly support businesses; for example, the Hardwood Federation proposed that Congress create tax credits for buildings using U.S.-grown wood, increase government purchases of U.S.-grown wood, and fund wood research programs.[92]

delegated broad authority to the FS's state and private forestry mission area to administer $12.0 million for expenses related to specified hurricanes and wildfires; delegated broad authority to the U.S. Department of Agriculture (USDA) to administer $3.0 billion for expenses related to losses from natural disasters in 2018 and 2019, including for forest restoration; and appropriated additional funds to existing forest restoration programs, among other actions.

[90] Funding would remain available until September 30, 2021.

[91] Letter from Daniel Ructor, Executive Vice President, American Loggers Council, to Congress, 2020.

[92] Robert Dalheim, "Hardwood Industry Proposes COVID-19 Relief Policies to U.S. Senate," *Woodworking Network*, June 15, 2020. CRS has been unable to locate the original letter. The 116th Congress has introduced bills with provisions related to increasing wood demand, such as the Trillion Trees Act, H.R. 5859, although such legislation generally predates the COVID-19 pandemic.

Expansion of Programs Created Under the CARES Act

Under the CARES Act, Congress delegated broad authority to the USDA to administer $9.5 billion in support of agricultural producers affected by COVID-19, which the USDA did through successive rounds of funding through the Coronavirus Food Assistance Program (CFAP).[93] Commercial timber harvesting or hauling are not eligible for this funding. In the August 2020 round of CFAP funding, the USDA specified that those requesting assistance for timber and pulpwood did not provide sufficient data for the agency to determine eligibility; therefore, the USDA determined timber was not eligible for CFAP funding.[94] In September, a group of six Senators requested the USDA immediately make this funding available to timber harvesters and haulers.[95] These Senators and other stakeholders asserted that USDA precedent allows timber harvesting and hauling to be considered an "agricultural commodity" and therefore eligible for the relief provided in the CARES Act.[96] However, it is not clear whether the definition of timber as an agricultural commodity is the reason it was excluded from CFAP funding, as other commodities also have been deemed ineligible due to lack of information, failure to meet eligibility criteria (e.g., not experiencing the required decline in prices), or other reasons.[97] Congress could clarify that timber should be included or excluded in any successive rounds of CFAP funding through amendments to the CARES Act, other legislative action, or other means.

Timber Harvesting on Federal Lands

In the past, Congress has acted to relieve federal timber purchasers under adverse market conditions. For example, in relation to the 2008 housing market downturn, some sectors of the U.S. timber industry experienced historic declines. In addition to a USDA-issued SOPI finding that authorized timber sale contract extensions, in the 2008 farm bill, Congress authorized additional timber sale contract flexibilities, such as contract value recalculations to reflect changing timber prices, contract buyouts, and adjustment of required periodic payments for qualified contracts.[98] Such flexibilities were intended to assist federal timber purchasers if they experienced challenging market conditions.[99] Congress may consider similar actions as a model if federal timber purchasers experience hardships related to COVID-19.

[93] For more information, see CRS Report R46395, *USDA's Coronavirus Food Assistance Program: Round One (CFAP-1)*, by Randy Schnepf.

[94] USDA, "Notification of Funding Availability; Coronavirus Food Assistance Program (CFAP) Additional Eligible Commodities," 85 *Federal Register* 49589, August 14, 2020.

[95] Letter from Senators Susan Collins et al. to Sonny Perdue, Secretary of Agriculture, September 18, 2020.

[96] In the letter from Senators Susan Collins et al. to Sonny Perdue, Secretary of Agriculture, September 18, 2020, the Senators stated that "USDA's Value-Added Producer Grants define 'agricultural producer' as 'an individual or entity that produces as Agricultural Commodity [including timber and forestry products] through participation in the day-to-day labor, management, and field operations; or has the legal right to harvest an Agricultural Commodity,' providing precedent for timber harvesting and hauling to be considered 'agricultural commodities.'" The American Logger's Council cites 7 U.S.C. §1518, which includes "timber and forests" in the definition of "agricultural commodity" for 7 U.S.C. Chapter 36 (Crop Insurance).

[97] USDA, "Notification of Funding Availability; Coronavirus Food Assistance Program (CFAP) Additional Eligible Commodities," 85 *Federal Register* 49589, August 14, 2020.

[98] P.L. 110-246 §§8401 et seq.

[99] For example, see explanatory material at FS, "Extension of Certain Timber Sale: Contracts; Finding of Substantial Overriding Public Interest," 85 *Federal Register* 20984, April 15, 2020, and FS, "Extension of Certain Timber Sale Contracts; Finding of Substantial Overriding Public Interest," 77 *Federal Register* 65169, October 25, 2012.

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