

# Lumber Prices Up; Who's To Blame?

By EMORY DANIELS

Who's to blame for higher lumber prices that are pushing up the cost of Observers last houses \$500 to \$1,000 over last year?

A spokesman for the building industry said last week in Southfield that the Federal Price Commission is to blame, and he's pointing to American producers who export timber.

But a spokesman for the lumber industry placed the blame on a booming housing market with profit margins too low to encourage greater supplies.

The spokesman for the Builders Assn. of Southeast Michigan, a group concerned with what lumber costs are doing to the prices of houses.

HOWEVER INCONVENIENT to these businesses, the net effect is a higher sales price for a new home. For the consumer, this means more dollars paid out for points, assesses, possible, and more dollars paid in interest for the life of the mortgage.

Because of an inflationary lumber market in 1972, the homebuyer paid \$1,000 more for his home plus an additional \$1,500 in interest paid over 30 years, for a minimum added expense of \$2,500.

An examination of what is happening in the lumber industry reveals that prices of new homes and new lumber will be higher yet, because timber prices will continue to rise through this coming winter and spring.

Here's what can be expected in the suburban housing market for 1973.

IRVING YACKNESS, executive director of the Builders Assn. of Southeast Michigan, says the price of lumber has advanced steadily despite government regulations and price control devices.

It is beyond me how the federal government can control the entire economy, but cannot control the prices of framing lumber.

Yackness made that declaration at the annual

meeting of the Builders Assn. of Metropolitan Detroit, now renamed Builders Assn. of Southeast Michigan, held in the Raleigh House, Southfield.

The association has complained to President Nixon that lumber exporters are exporting raw timber without price controls, and that they are discouraged from meeting increased domestic demands because controls are placed on manufactured lumber sold within the nation.

The administration counters that lumber exports are needed to maintain a balance of trade, Yackness notes. The builders have also asked the government to relax controls on lumber imports in the northeastern states, but this move is being opposed by environmental groups.

Yackness told builders the lumber industry fails to make regular reports to the price commission and says the U.S. Dept. of Justice may investigate lumber pricing problems.

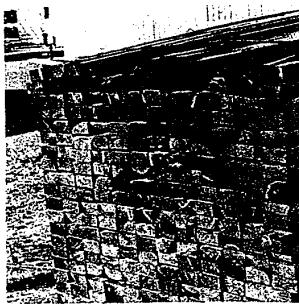
Yackness' association is considering starting a class action lawsuit against the lumber industry to determine if there are any violations of restraint of trade laws.

AFTER MAKING this threat of a suit, Yackness then introduced as speaker William R. Chaplow, executive director of the Detroit Lumbermen's Assn.

Chaplow's group represents 75 companies, including lumber retailers, wholesalers and manufacturers, with some 35,000 industries and each lumber operation handling some 8,000 items. This fragmentation makes it difficult for the price commission to take meaningful action, he added.

"Some of my remarks might appear provocative, but I am initiated only to be constructive.

"I can appreciate the federal government's sincerity. However, from what I saw and witnessed when appearing before the price



ESCALATING PRICES -- Home prices will rise in 1973 because of escalating prices for manufactured lumber. Domestic lumber retailers, faced with a profit ceiling and price controls, are being outbid by Canadian mills which are free of controls. (Observer photo)

commission, I am convinced that the administration and pricing commission don't know what they're doing. They are bankrupting him. He would be defeating his own purpose.

"It is a very amateurish approach to the whole problem and they are doing more harm than good as far as people are concerned in the lumber industry. Under present philosophies, they will never cure this situation."

CHAPLOW commented that lumber dealers know what is wrong, but need a cure.

"Many persons, including the builders and price commissioners, volunteer the symptoms of the illness. But they don't have the cure.

"They don't have the complete answer simply because they don't understand the lumber business, which is a highly complicated and traditional industry."

Chaplow stressed that the lumber industry is "married" to the building industry. "It is to our advantage to stimulate profit for builders to stimulate volume and profits for ourselves."

"It is obvious that you cannot build a \$25,000 house and expect to sell it at a \$20,000 market. A banker is going to

release timber to meet the demands. "If logs would have no controls, the Canadians, who have no been made available, ad."

As a result, in recent days production would resume. Canada has been supplying 50 per cent of the lumber used for residential construction in the U.S.

SPARKING on price controls' effects, Chaplow asked his audience of contractors: "How would a builder react if asked to sell the last 20 houses of a 60-house project at a higher cost price because he made so much on the first 40 houses?"

"He would conform to the law. But next year he would only build 40 houses."

The crux of the economic controls, Chaplow maintained, is that they allow higher price on timber but, by limiting production, stymie domestic inventories so that demand isn't met.

"Controls didn't prove effective in increasing the wood supply but created an artificial market heavily dependent upon Canadian lumber production, which isn't controlled by U.S. markets."

Chaplow predicted that U.S. mills cannot compete against this maneuver, says remain stymied while Canadian prices will continue price ceilings and cannot bid to be high. He anticipates as high for these logs as can higher lumber prices going

into the winter and spring of 1973.

CHAPLOW concluded: "The answer to this whole problem is to let supply and demand take their natural course. Let us remove price controls, at least for a given time. I am convinced that the laws of basic economics will cure this illness of extraordinary high prices."

He invited the builders to form a committee to work together with lumber retailers.

Chaplow invited the builders association to inspect his association's books and invoices. "I place the blame on the price commission, not the retailers."

IN A LETTER to Congressman William Bloomfield (R-19th), James R. Van Every, president of the Detroit Lumbermen's Assn.,

commented on the lumber

shortage

and excessive prices.

"It started in the 1969-70

recession when many small

producers were forced out of

business. Their loss has been

an important factor in the

industry's inability to furnish

sufficient material for a

greatly increased market.

"In addition, another major

reason is the federal

government's policy of promoting log exports which have steadily increased even during the present high domestic demand.

"It is important to note

there now is no ceiling price on

these sales and, as a result,

many domestic producers

have elected to sell their raw

material overseas rather than

produce a manufactured

product for the domestic

market.

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