

# FORESTRY FACTS



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## Factors Influencing Timber Prices for Landowners

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When a landowner begins the timber sale process, a primary question is often “How much can I expect to get for my wood?” The stock answer is, of course, it depends. This publication aims to help landowners understand the factors behind the bids they will receive for their wood. The important thing to remember is that no two timber sales are the same. The best advice is to solicit competitive bids, which will provide an indicator of what timber is worth.

### Factors Influencing Timber Prices

Economy (U.S. and Global)- Fluctuating economies impact the forest products industry the same as just about any other industry. If people don’t have jobs or are unsure if they will have their job in the future, they are less likely to buy or refurbish a home (made of structural lumber), buy furniture (much of it made from wood), or buy and ship (using cardboard boxes for shipping) other items that might not be a critical part of their lives. Additionally, as the forest products market is global, the availability and price of wood from other parts of the world can impact prices locally.

Where the land is located in the state- Landowners holding timber sales on land in the northern part of the state have a distinct advantage over those owners with land in the southern part of the state. This is primarily due to the relative abundance of mills and the varied products they are making from the wood. To produce a variety of products, the mills buy a diversity of tree species and size classes. Therefore, landowners in the northern and central parts of the state have more markets for nearly all the trees they might wish to sell.

A more recent consideration is quarantine areas (due to Emerald Ash Borer presence). The quarantines limit where logs can be moved, and to what mills are in the quarantine area.

The changing desire for certain woods over others- Each tree species has its own distinctive look to its wood. Like anything else, the preference of one species over another for furniture, cabinetry, and so on can change over time. Changes in popularity can have an impact on the demand

for certain species and thereby impacts the price mills are willing to pay for those logs.

Pulp mill demand for certain species- The science of making paper is constantly changing and improving. Many times these changes include the mixture of species to make the paper or cardboard products. For example, at certain times mills are buying more aspen than other species, and at other times they are buying more or less of other species. These changes impact the mills’ needs for certain species and quantity, and therefore the price they are willing to pay for those.

Fuel Prices- Fuel prices affect the cost of daily equipment operations in a timber sale, such as harvesting, forwarding, loading and the moving of equipment from one site to another. The further a property is from the final destination (the mill), the more it costs the logger to move the wood. Consequently, loggers will offer landowners less for wood that is further from the mill and less if fuel prices go up.

Method of harvest - Clearcutting is the most efficient, and therefore economical, harvest method on a dollar per volume basis. In partial cuts, the cost per tree increases and productivity is lower as the logger has to find or determine which tree to cut and has to take care to protect residual trees.

Size of the sale- The larger the size (either acreage or volume of timber harvested) of the sale, the less each log removed from the property costs the logger. In other words, once all the costs to the logger are added up, the cost per log will be less if they remove 100 logs versus removing

10 logs. Thus many loggers prefer to bid on and pay more for timber on bigger sales. To create a more attractive sale, wait until several areas (stands) of the woodland need harvesting, or coordinate a sale with adjacent landowners.

Quality and grade of trees- Sawlogs are harvested for the creation of various products from railroad ties to high quality furniture. The characteristics within each log impact the quality of the products that can be made from it, thus each log has its own dollar value. The price quoted for a load of sawlogs will depend on an inventory of the species, quality, and grade of the trees to be harvested. Quality and grade depend on, among other things, diameter, straightness, and number of defects (knots, holes and branches).

Logger Qualifications - Just like any profession, there are professional development opportunities available to loggers to keep up to date on technologies, environmental laws and business practices. Hiring a responsible logger means making sure they participate in continuing education opportunities, which come at a cost to loggers. Examples of certifications and professional training programs in the state are Wisconsin Master Logger and FISTA (Forest Industry Safety and Training Alliance).

Access- to the property and within the property- Having pre-existing roads and trails are a plus and makes for reduced costs to both landowner and logging contractor. The need to construct roads or trails is usually reflected in lower stumpage (value of standing timber) prices. This can be compounded by the need to install or upgrade any wetland crossings to comply with Best Management Practices. In addition, obtaining access through adjacent landowners could result in lower stumpage. Sometimes adjacent landowners charge a fee to use their roads.

Expected services by landowners- All additional services the landowner desires should be discussed upfront with the logging contractor. Minor services such as road seeding or slash treatment may not affect stumpage prices. Major services such as new culverts, new roads or gates will most likely lower stumpage prices.

Seasonality- The possibility of all season logging could provide higher stumpage prices particularly in areas of the state where this is not very common. For example, offering a summer sale in an area where there are mostly sales that need to take place in the winter might garner the landowner higher prices for their timber.

Topography - Ideal conditions are well-drained soils, level terrain, without rock, and without brush. The contrast conditions impair harvesting and therefore raise costs for the logger. Wet sites, steep sites, brushy sites, or rocky sites slow machine travel and operation, increase fuel consumption, lead to high maintenance costs, cause greater equipment damage, and a greater potential for personal injury.

Landing Site Location- The distance from the logging site to landing can be critical. Generally if this distance is ½ mile or greater expect stumpages to be lower. Also the need to construct a landing site could impact stumpage prices depending on the size of the landing and availability of the necessary equipment by the logging contractor.

#### **Additional remarks**

The goal of a timber sale is to improve the woods while meeting objectives specific to the property. It is wise to become well informed and take time when planning a harvest, to ensure the process yields the best results. Making a bad decision may have long term effects for the forest. While it may be helpful to talk to neighbors who have conducted a recent timber sale when starting one's own timber sale, remember no two properties are the same. It is likely the goals of the harvest may be different, so there may be a different logger that can better serve you. In addition to the factors discussed, there are other aspects to consider when preparing for a timber sale and signing a contract with a logger.

Timber sales on public land tend to attract higher prices than those on private lands. Landowners investigating timber prices should be aware that differences in the overall size of a sale, pre-existing trails and roads, and higher volumes for sale justify the higher prices on public land sales.

It is normal to sign a contract with a logger that allows 2 years to conduct the harvest. However, the contract may be extended if circumstances don't allow the logger to finish the harvest. Extension provisions should be built into the contract to avoid future problems, then landowner and logging contractor will know, upfront, the consequences of an extension.

Studies of timber sales and bids have shown that timber harvests involving the participation of a forester generally yield higher bids and prices for stumpage. Consider working with a professional forester prior to working with a logger. A professional forester can serve as your broker throughout this process; they likely will be aware of both market trends in your area, and the best logger for your particular property and sale. Also remember that the highest bid is not always the best bid. Check references and prior timber harvests of the top bidders before signing a contract.

#### **Further Resources**

It is advisable to do a reference and background check on a forester and logger prior to working with them or signing a contract. Check public records on the Wisconsin Circuit Court website at: <http://wcca.wicourts.gov/index.xsl>.

For more resources on timber sales, check out these and more publications at <http://woodlandinfo.org/>:

Conducting a Successful Timber Sale  
Understanding the Sample Timber Sale Contract  
Forestry Terms  
Hiring A Consultant Forester