

MARKETING FOREST PRODUCTS

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Outline

- Importance of wise marketing and planning
- What should landowners know first?
- Methods of selling timber
- Conducting a successful sale
- Timber sale contracts
- Marketing other forest products

Importance of careful marketing

- Captures the value of your investments in forest management
- Takes advantage of timber as an investment
- Utilizes best options for marketing and timber sale

Key Steps in Marketing

- Know your goals
- Prepare a written forest management plan as your “road map”
- Understand financial issues
- Market carefully and wisely

Timberland Revenues

- Timber sales
 - Most significant; but infrequent
- Leases
 - Hunting, pine straw, grazing, timber, recreation
 - Annual or periodic; per acre usually
- Nontimber products
- Conservation easements
- Land sales

What should landowners know first?

- Management plan and objectives
- Product markets and options
- Current prices and trends
- How the timber market works
- Volumes and values of their timber (or other products)

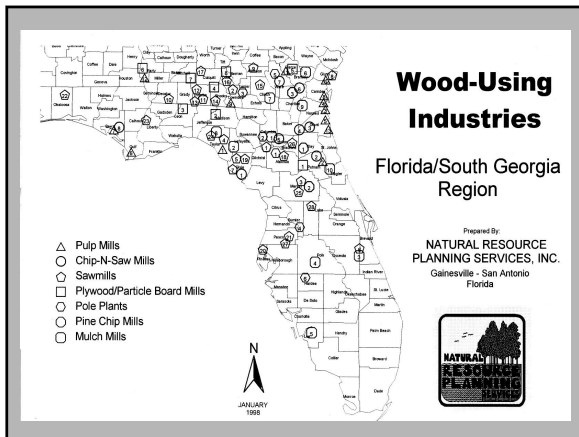
Management Planning

- Short and long term goals for property:
 - (how do you want it to look?)
- What can be marketed?
- Regeneration plans
- Financial needs, taxes and expenses
- Timber sale impacts on other activities

What should landowners know first?

Market & Product Options

- Location of markets & processing plants
- Product classes
 - Pulpwood - CnS - Sawtimber - Veneer - Poles
 - Species preferences
- Importance of:
 - Price differentials
 - Letting stands grow a few more years



What should landowners know first?
Prices & Trends

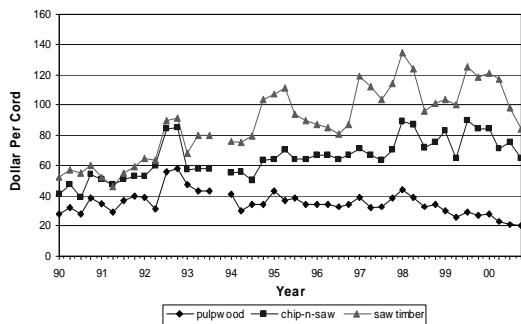
- Information sources
 - Timber Mart-South (TMS)
 - Consultant or extension newsletters
 - Local agency or procurement foresters
- Comparative product prices
- Comparative TMS trends for NE Florida
 - Long term increases reflect general economy
 - Short term (seasonal) variations

Product Price Comparison

Source: Timber Mart-South, 4th qtr 2000

	Alabama	NC
• Pine:		\$ per ton
– Pulpwood	7	7
– C n S	30	27
– Sawtimber	43	34
– Poles	73	56
– Plylogs	42	32
• Hardwood		
– Pulpwood	7	4
– Oak sawtimber	40	33

Pine Stumpage Prices, Northwest Florida, TMS



What should landowners know first?

How the timber market works

- Markets for finished products
- Production facilities
- Loggers and producers
- Timber buyers and brokers
- Landowners

How are *Stumpage Prices* determined?

- Stumpage = gate price - harvest cost - profit
- Gate (delivered) price depends on:
 - *Markets for finished products*
 - *Current inventories*
 - *Weather*
 - *Competition*
- Profit depends on:
 - *Interest costs*
 - *Available markets*

Stumpage Price Determination - 2

- Harvest/transport costs depend on:
 - *Size of sale and type of harvest*
 - *Species, tree size and stand density*
 - *Soil and slope conditions - logging difficulty*
 - *Weather*
 - *Accessibility and road construction*
 - *Distances for skidding and transport to mills*
 - *Contract specifications*

What should landowners know first?
Volumes & Values

- Seek professional assistance
- Timber:
 - Usually determined by representative sample
 - Species, size classes and volumes
- Other products:
 - Quality and quantities

Timber Buyer Perspective

- Managing a business
 - Control costs
 - Evaluate numerous potential sales for bids
- Must balance lump sum and pay as cut sales
 - Lump sum: assume risk and financing burden
 - Pay as cut: can offer a better price
- May have different set of final products and harvesting costs than other buyers

Landowner Objectives in Marketing

- Maximum financial return
 - Revenue from sale
 - Find the buyer with greatest willingness to pay
 - Tax implications
- Forest sustainability
 - Site protection
 - Regeneration methods
