


NC STATE UNIVERSITY College of Natural Resources



Timber Sales

Is it time to sell?

Woodland Owner Lunch
and Learn Webinar

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Robert Bardon, PhD
Professor & Extension Specialist

Rajan Parajuli, PhD
Assistant Professor &
Extension Specialist

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Agenda

- Recent market developments
- Timber price trends
- Lower timber prices—what should landowners do?
- Selling Timber
- Seeking Assistance



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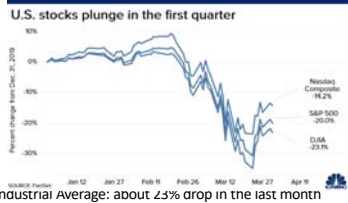
Timber Market Update



Recent developments

COVID-19 pandemic

- Devastating impacts all across the board throughout the world
- Stock markets, retirement accounts plummeted



Dow Jones Industrial Average: about 23% drop in the last month

Recent developments

Worst economy is yet to come

- Unemployment in the US is projected to be over 30% soon.
- Election year adds a fuel in volatility
- Hard to predict how long this pandemic will last



Recent developments

Forest products - an essential industry

- Manufacturers and distributors of paper towels and tissues
- Forest product industry

Without our timber communities, America would not have:

- Masks
- Filters
- Toilet tissue
- Disinfecting wipes
- Cleaning products
- Cellulose-based pill fillers
- Latex Gloves and other rubber protective products
- Wood pallets to move food, medical supplies and more critical goods
- Lumber/plywood for emergency structures
- Fuel for energy production and heating

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Recent developments

Surge in toilet paper sales:

- Toilet paper shortage worldwide
- Most of the TP consumption produced in North America
- This is just a hoarding behavior—panic buying, not a long-term demand shift
- People store it, meaning less demand next month or so..

Forest2Market Blog

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Recent developments

Housing starts:

- Housing starts in Feb 2020: 1.6 million units (higher than expected)
- About 40% higher than Feb 2019

Yet to see where Housing market would be in this period

Year	Single-family	Multi-family
2005	1500	500
2006	1400	400
2007	1300	300
2008	1000	200
2009	800	100
2010	700	100
2011	600	100
2012	700	100
2013	800	100
2014	900	100
2015	1000	100
2016	1100	100
2017	1200	100
2018	1300	100
2019	1400	100

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As a part of the first phase of bilateral agreement between the US and China

China halts tariffs on North American hardwoods

By Karen M. Koenig February 21, 2020 | 3:45 pm EST

WASHINGTON - The Chinese government has announced it will remove tariffs on certain species of U.S. and Canadian hardwood lumber for one year, starting Feb. 28.

- American hardwoods including cherry, oak, and other lumber and logs
- HOWEVER, Coniferous exports are not exempted.

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How much are Chinese retaliatory tariffs?

- Wood, tariffed from **5 percent to 25 percent**, is among those products,
 - including **oak (25%), cherry and ash (20%)** and walnut, hard maple, tulipwood and alder (**5%**).
- 10% tariffs on Pine logs
- 30% on Pine lumber, and softwood chips
- 25% on spruce and fir lumber
- 25% on hardwood chips and pellets

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Forest Product Exports

- Pine log exports: >90% to China

Year	2019\$ exports in thousands
2012	~8,000
2013	~11,000
2014	~16,000
2015	~10,000
2016	~12,000
2017	~21,000
2018	~25,000
2019	~12,500

Top exporting States: GA, NC, SC, FL

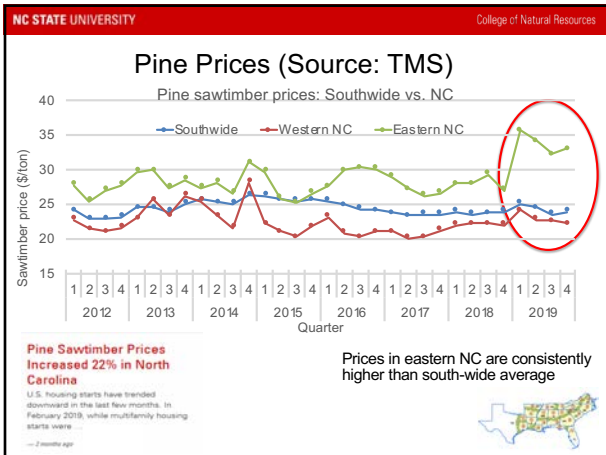
50% drop in exports from 2018 to 2019!!!

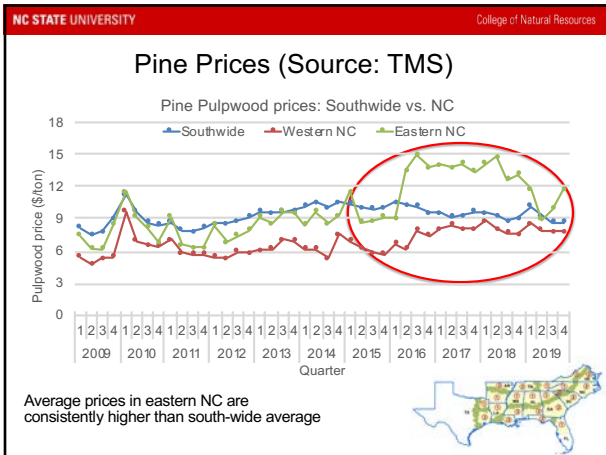
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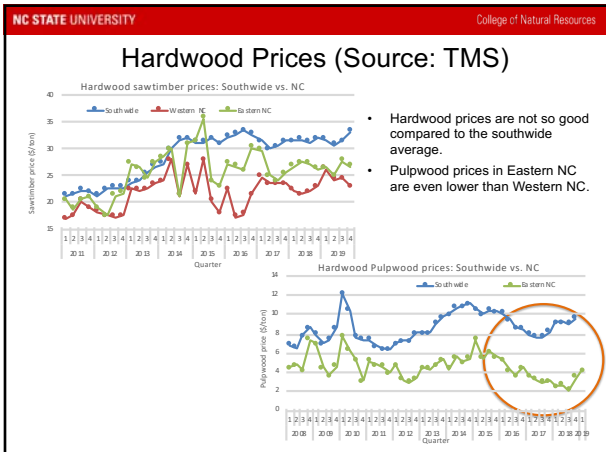
Timber Prices (Source: TMS)

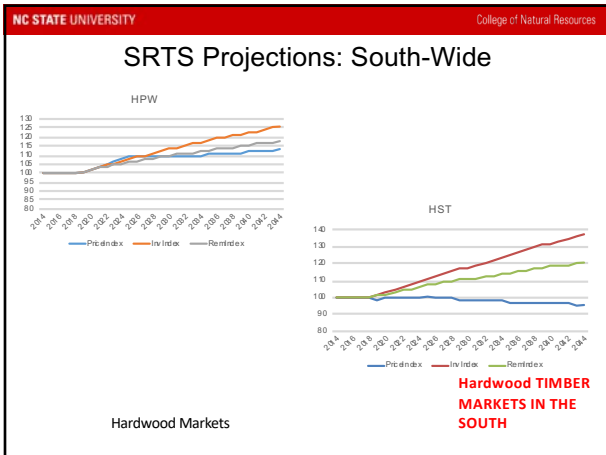
Product	Annual Change (%)
Pine Pulpwood	-5%
Pine Chip-N-Saw	-13%
Pine Sawtimber	13%
Pine Ply Logs	4%
Hardwood Pulpwood	28%
Mixed Hardwood Sawtimber	1%
Oak Sawtimber	-6%

Price changes from 2018 to 2019









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Recent Historical Disruptions

- Forest in the South reeling from long-term Recession disruption & tree planting boom during 80's and 90's
- Supplies of pine grade products (chip-n-saw and sawtimber-sized trees) have ballooned
 - Before: **15 : 1** ratio Inventory : Removal
 - After: **25 : 1** ratio Inventory : Removal
- NOW **20:1** ratio Inventory : Removal years

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Wall of wood! Who's to Blame?

- Forest growth gains...More wood in less time!
- Genetically improved seedling, CRP in early 1990s
- Recession 2008
- Sawmill efficiency (local mill:23% less to yield a MBF)
 - Technology driven
- Fewer, **Larger** Capacity Mills
 - Less Competition for your Sawtimber

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Okay, What Can a Forest Landowner Do?

- Can't do much in the demand side (no control in the market)
- Hanging on to larger trees may not be an option...
 - For eg. maximum diameter at Halifax mill is 25 inches

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Okay, What Can a Forest Landowner Do?

- Economize:
 - Larger Sales
 - Specialize- Higher value products
 - Minimize costs (tap into financial assistance programs)
- Know the local market and diversify forest stands
 - Find what local mills want
 - Scrimp on poor and drought sites
 - Shorten rotations (in Eastern NC, pulpwood market is better)

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Pulpwood vs. Sawtimber Rotation

- Two 18-year pulpwood vs. 35-year sawtimber rotation

Pulpwood rotation: 500 trees per acre

Sawtimber rotation: 436 trees per acre

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Pulpwood vs. Sawtimber Rotation

Let's suppose medium productive land (SI 65) @\$15/ton of pulpwood, \$25/ton of sawtimber at 5% interest rate:

Pulpwood rotation: 500 trees per acre

0-Plant Establishment Cost: \$150 18-clearcut 19-replant Establishment Cost: \$150 36-clearcut

1st rotation NPV = \$251 2nd rotation NPV = \$251

Total NPV from two pulpwood rotations: \$350/acre

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Pulpwood vs. Sawtimber Rotation

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Total NPV from two pulpwood rotations: \$350/acre

Sawtimber rotation: 436 trees per acre

0 Establishment Cost: \$150 22 Thinning 35 Final Harvest

Total NPV from a sawtimber rotation: \$332/acre

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Pulpwood vs. Sawtimber Rotation

If same scenarios, but pulpwood price is \$18/ton, and sawtimber price is \$25/ton

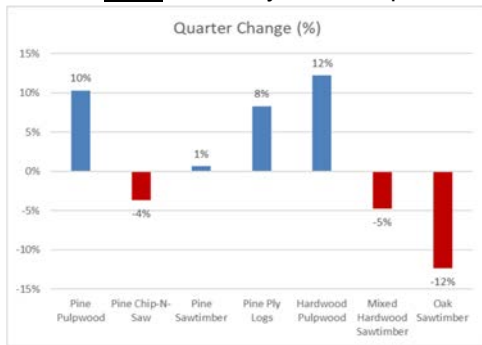
Net return from 2 18-yr pulpwood rotations: \$431/acre

Net return from a 35-yr sawtimber rotation: \$370/acre

Okay, What Can a Forest Landowner Do?

- Focus on the management and what your land offers
 - Minimize risk
 - Attentive to the land -
 - Natural in bottoms,
 - Mixed pine-hardwood on mid-slopes
 - Pine on uplands
 - Mixed ages, species, management intensities
 - Tap into alternative income streams


Focus on the Management for the Long-term **NOT** Quarterly Price Reports



Selling Timber

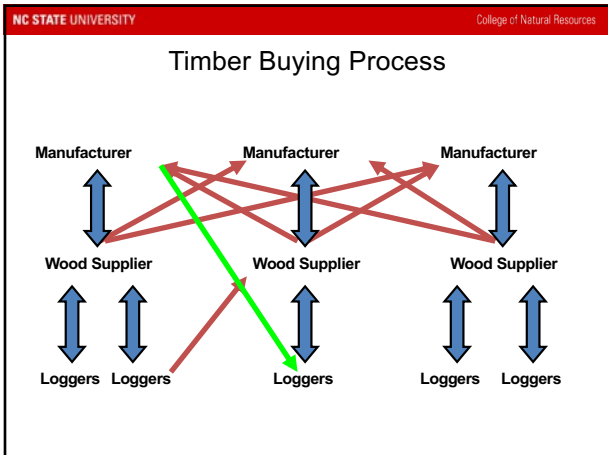


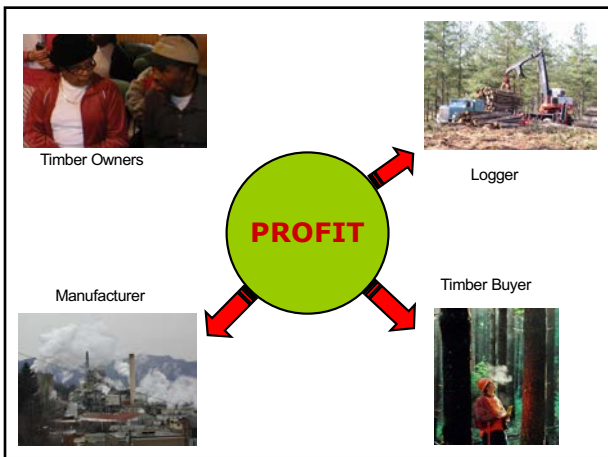
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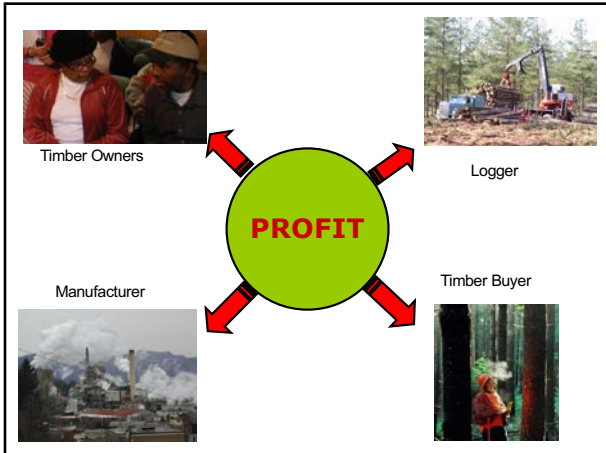


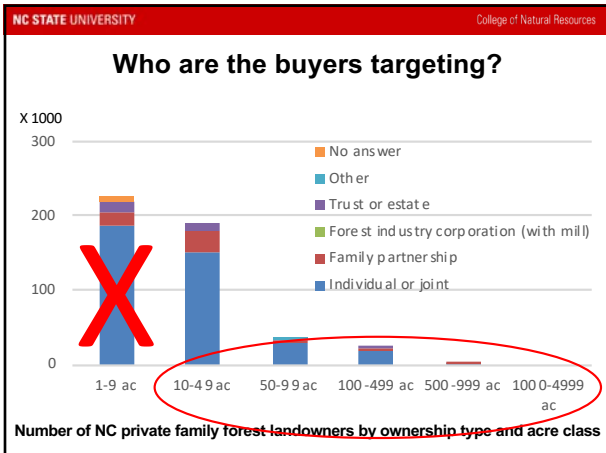
You don't have to be a forester to buy or sell timber !

- Mill Procurement Buyers
- Wood Suppliers
- Loggers
- Timber Brokers









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Ways to sell timber

By the "Unit"

- Often used for
 - Thinning
 - Poor quality stands
 - Small acres
- Sold on contract
 - Retain the rights to the timber until cut
 - Does not require registration or notarization
- Seller assume most of the risk

As a "Lump Sum"

- Often used for
 - final harvest
 - large acres
- Sold on deed
 - Timber title passes to the buyer upon deed delivery
 - Require registration and notarization
- Buyer takes most of the risks



How does the seller know if they are getting a fair market value?



Timber Appraisals

- Unbiased professional appraiser
 - Consulting Forester
- “Timber Cruise”
 - Statistical sample
 - Estimate volumes
- Apply timber values to the estimated volumes



Timber Bids

- Unsolicited bids
 - 1 bidder
 - Purpose is to avoid competition
- Negotiated bids
 - Usually 1 to 3 bidders
 - Good for small or poor valued stands
- Competitive bids
 - More than three bidders
 - Sealed bids
 - Better for high valued stands



Seller Mistakes

- Not getting enough bids
- Not knowing the volume
- Not knowing the markets
- Not spelling out all of the conditions of sale before the bidding process begins
- Playing one buyer against another
- Not getting a written contract or timber deed

Finalizing the sale

Controlling logging rights

- Practiced through condition of sales
- Included in contract/deed



Closing the sale

- Mutual confidence and understanding
- Ensure all paperwork is complete, filed and recorded
- Understand who covers what costs in closing sale

Why landowners may want help in selling timber


- Substantial sum of money
- Infrequent sales
- Sold in the forest
- Imperfect markets
- Commodity that is not well understood
- Many variables to consider
- Confusing
 - Deeds, contracts, bids, surveys, etc.



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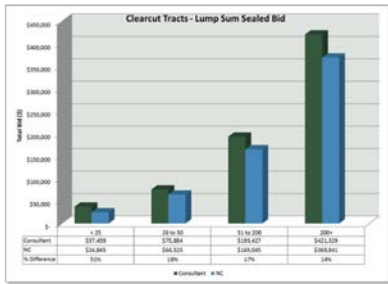
Advantages of a consulting forester

- Works on your behalf
- Understands ecological and economic aspects of forestry
- Knows environmental regulations
- Professional advice not limited to harvesting timber
- Understands timber markets
- Can save you money
 - Taxes
 - Cost share
 - Present use valuation
- Future forest more productive



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Advantages of a consulting forester




Tract	Consultant	NC	% Difference
1	\$17,400	\$14,400	21%
2	\$76,000	\$64,500	18%
3	\$184,400	\$158,000	17%
4	\$463,200	\$394,000	18%

https://blog.forest2market.com/the-value-of-a-consulting-forester

- Research shows
 - land is 120% more productive following harvest
 - more likely to be reforested
 - 11-23% more for the timber

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What does it cost?



- Fees may be based on
 - daily or hourly rate
 - forest acreage
 - flat fee
 - percentage of gross sale receipts
- He/she represents the interests of his/her clients

Finding a consulting forester

- Ask friends and neighbors
- Professional organizations
 - Association of Consulting Foresters
 - Society of American Foresters
- State Forest Services/Commissions
- Cooperative Extension



Questions

Rajan Parajuli
rparaju@ncsu.edu

Robert Bardon
rebardon@ncsu.edu