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**STUMPAGE PRICE TRENDS
OF
PINE SAWTIMBER AND PULPWOOD
IN
EAST TEXAS
1977-86**

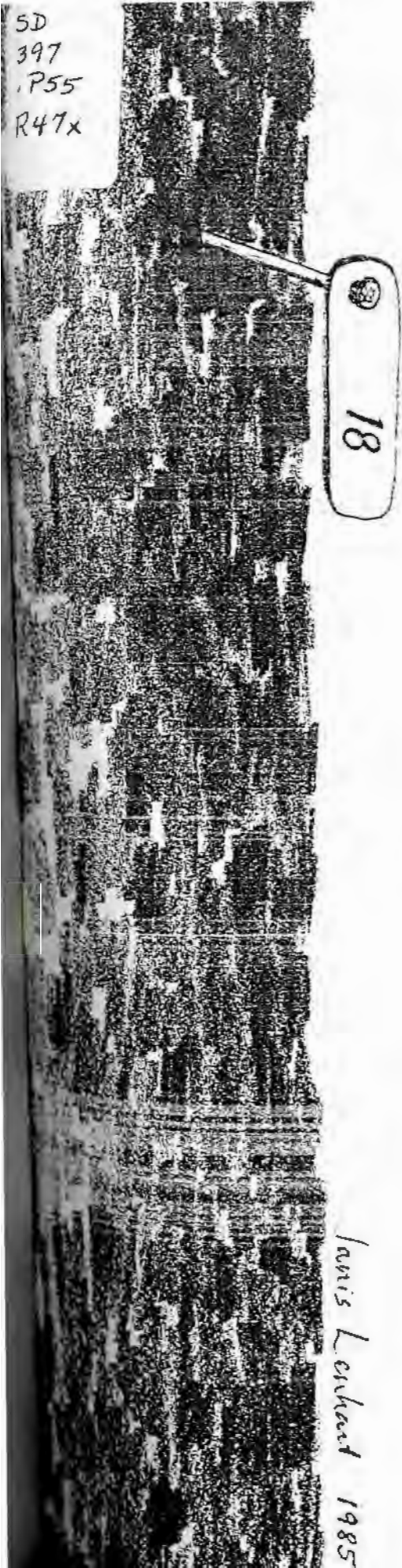
by
**J. David Lenhart
and
Kent T. Adair**

REPORT NUMBER 14
TO
PARTICIPATING COMPANIES
IN THE
EAST TEXAS PINE PLANTATION RESEARCH PROJECT

A STUDY OF
LOBLOLLY AND SLASH PINE PLANTATIONS
IN
EAST TEXAS

CENTER FOR APPLIED STUDIES
SCHOOL OF FORESTRY
STEPHEN F. AUSTIN STATE UNIVERSITY
NACOGDOCHES, TEXAS 75962

February, 1987



J. David Lenhart 1985

This is the fourteenth in a continuing series of reports describing results from the East Texas Pine Plantation Research Project.

Subject and content of each ETPPRP report is regional in scope and of particular interest to loblolly and slash pine plantation owners in East Texas.

Any suggestions, ideas or comments will always be welcomed.

Support from the participating companies...

Champion International Corporation,
International Paper Company,
Louisiana-Pacific Corporation and
Temple-Eastex, Inc.

is gratefully appreciated.

Authors are Professor ; and Dean and Professor ,
respectively, School of Forestry, SFASU.

This report is based on stumpage price data collected by the authors from three different sources through December, 1986.

As an annual feature of the ETPPRP, we are planning to publish updated price trends at the beginning of each year. Hopefully, a stumpage price prognostication or two will be included in each report.

J. David Lenhart
Project Director
February 20, 1987

STUMPAGE PRICE TRENDS
OF
PINE SAWTIMBER AND PULPWOOD
IN
EAST TEXAS
1977-86

by

J. David Lenhart
Professor, School of Forestry, SFASU

and

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ABSTRACT. Three different records of past stumpage price performance for pine sawtimber and pulpwood are presented: Texas Forest Service 1983-86, Timber Mart South 1977-86 and Louisiana Department of Agriculture 1955-86. The first two represent standing timber prices in East Texas, and the latter represents prices over a 32 year period in an adjacent state. In addition, a prognostication on future stumpage price trends is included.

Value of standing timber or stumpage price is one of the principal components in forest management. In order to develop accurate and reliable plantation management plans specifying activities and operations, such as thinnings and final harvests, it is necessary to be able to forecast, with confidence, the expected stumpage price at various future times. Of course, other future cash flows, as well as stumpage prices, must also be predicted for successful management.

To assist the managers of East Texas loblolly and slash pine plantations estimate future stumpage prices, we are presenting the first of an annual series of ETPPRP reports describing past stumpage price trends, plus an educated guess at prognosticating the direction(s) that future stumpage prices may go. We intend to publish this report at the beginning of each year, after all stumpage prices from the previous year have been tabulated.

Stumpage price information shown in this report was obtained from three different sources:

TEXAS TIMBER PRICE TRENDS. A market report published bi-monthly by the Texas Forest Service, College Station, TX 77843. Since 1983, TFS has provided this market report of East Texas timber sales. Summaries of timber sales by different species and products are presented.

TIMBER MART-SOUTH. A market report published monthly by F. W. Norris, P. O. Box 1278, Highlands, NC 28741. Since 1976, Timber Mart-South has provided information on timber sales by different species and products in 12 southern states.

QUARTERLY REPORT OF FOREST PRODUCTS. A market news service published quarterly by the Office of Marketing, Louisiana Department of Agriculture, P. O. Box 44184, Capitol Station, Baton Rouge, LA 70804. Since 1955, the LDA has provided this report of timber sales in Louisiana. Summaries of timber sales by different species and products are presented.

All three reporting services use Doyle Log Scale for board foot measurement. The Texas Forest Service defines a cord at 81 cubic feet of wood, while the other two do not specify their cord conversion factor.

We are including the Louisiana stumpage price information, because it represents a history of stumpage prices since 1955 in a neighboring state. No publicly available stumpage price information for timber sales in Texas is available prior to 1977. Texas and Louisiana stumpage price trends between 1955 and 1977 were probably similar.

The stumpage prices presented by the three services are the averages of the timber sales tabulated by them during their reporting period. Values presented for Texas stumpage by the two services vary due to different timber sales and different collecting and reporting periods.

PINE STUMPAGE PRICE TRENDS

To provide for convenient comparison between the three reporting services, the three double Y-axis figures presented in this section are scaled identically. The left axis represents the value per mbf of sawtimber (\$0-\$240), and the right axis represents the value per cord of pulpwood (\$0-\$60). Scaling of the axes in this manner allows the pulpwood price to track below the sawtimber price. The X-axis varies from 1954 to 1990 to allow for the different time intervals for the three reporting services. All prices are reported in current dollars without adjustment for inflation, differences in product specifications or time.

Stumpage price trends as reported by Texas Forest Service are shown in Figure 1. In this relatively short 3-year reporting interval, the current average price of standing pine timber (sawtimber and pulpwood) declined drastically. About a \$70 drop (-37%) for sawtimber and a \$10 drop (-40%) for pulpwood occurred by the end of 1986.

Stumpage price trends as reported by Timber Mart-South are shown in Figure 2. During this reporting interval, current average sawtimber and pulpwood stumpage prices almost tripled in price and then declined until they returned to approximately their 1977 level.

Stumpage price trends as reported by Louisiana Department of Agriculture are shown in Figure 3. Since 1955, sawtimber prices increased almost eight-fold, peaking in the early 1980s. However, during the last five years, sawtimber prices have declined by almost 50 percent.

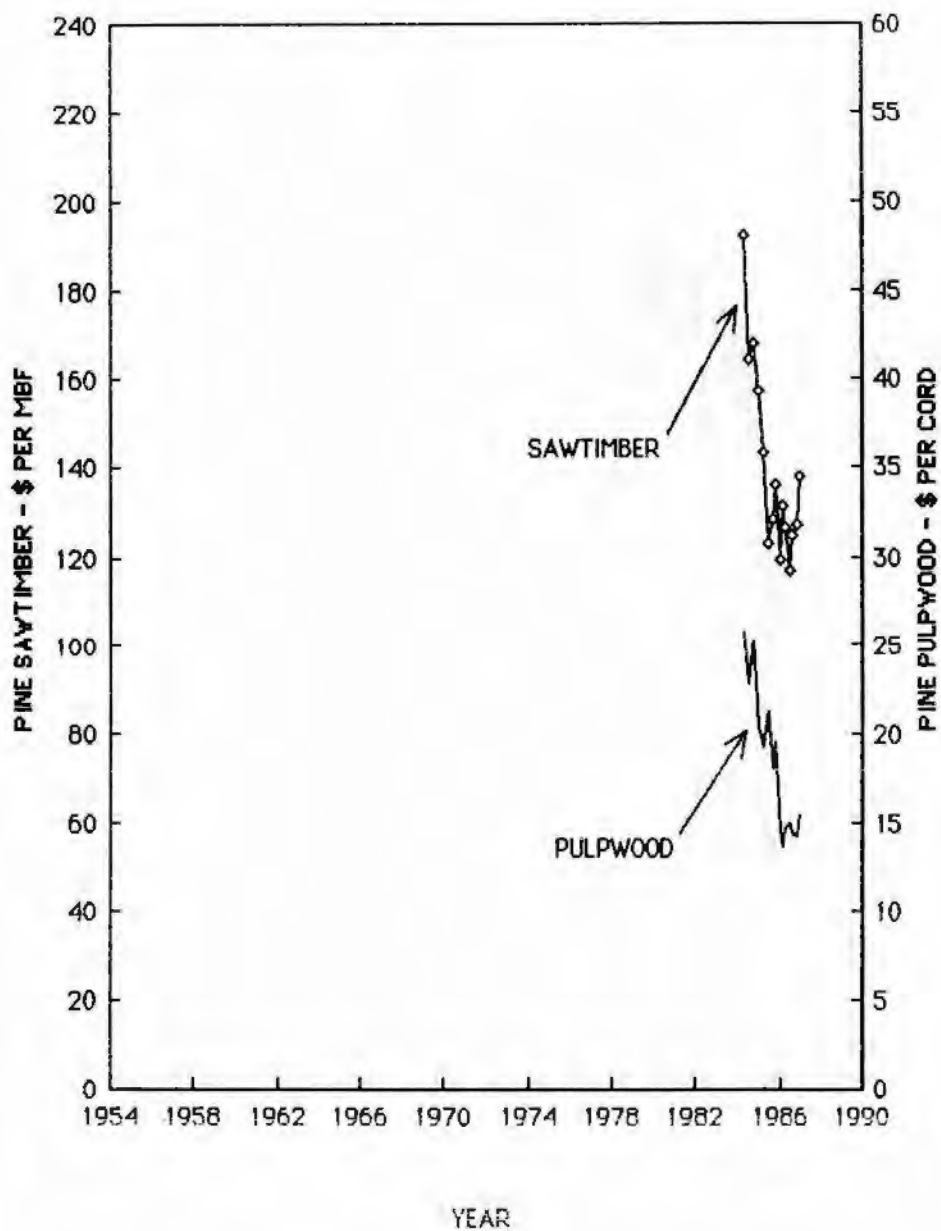


FIG. 1. PINE STUMPAGE PRICE TRENDS FOR EAST TEXAS
 BASED ON TEXAS FOREST SERVICE DATA 1984-86.

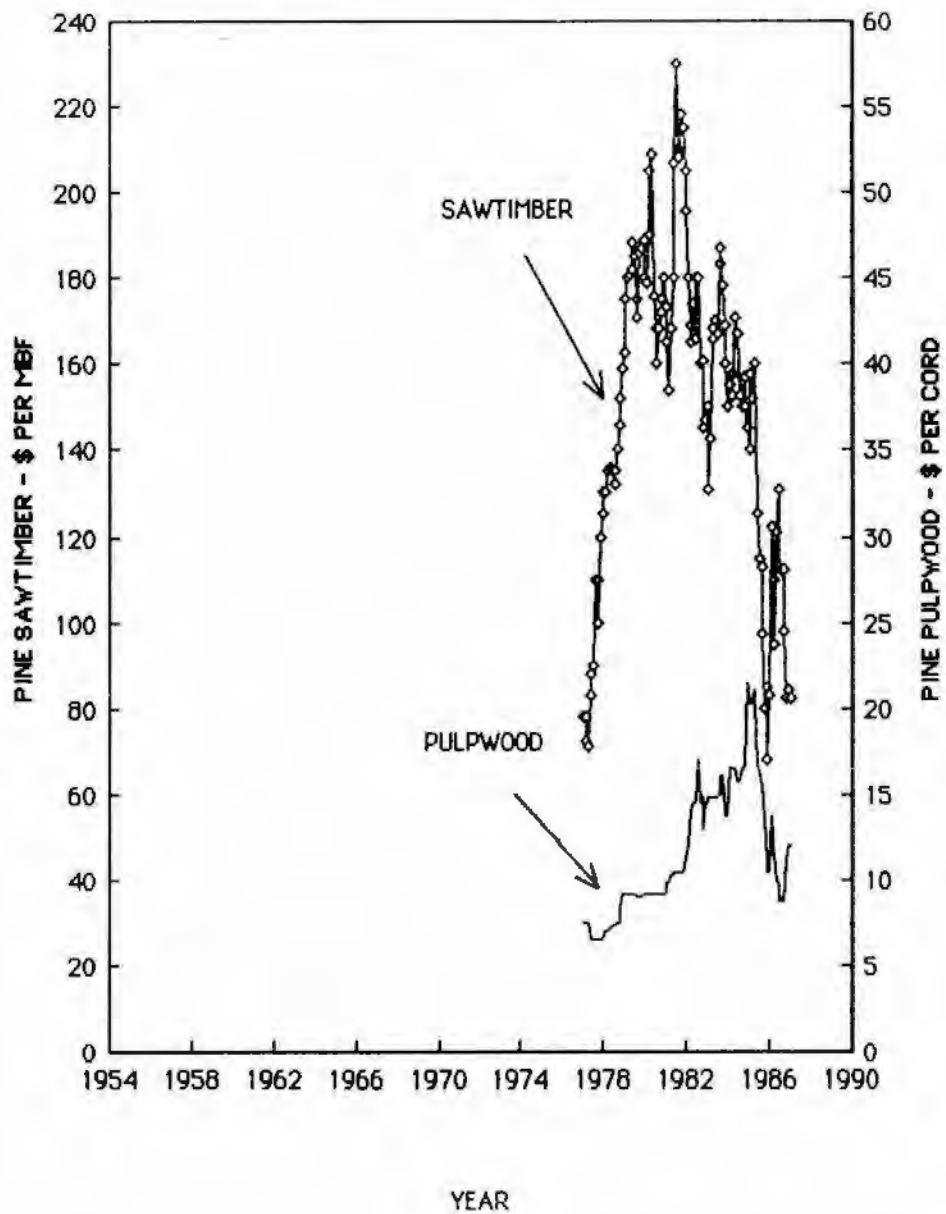


FIG. 2. PINE STUMPAGE PRICE TRENDS FOR EAST TEXAS
 BASED ON TIMBER MART-SOUTH DATA 1977-86.

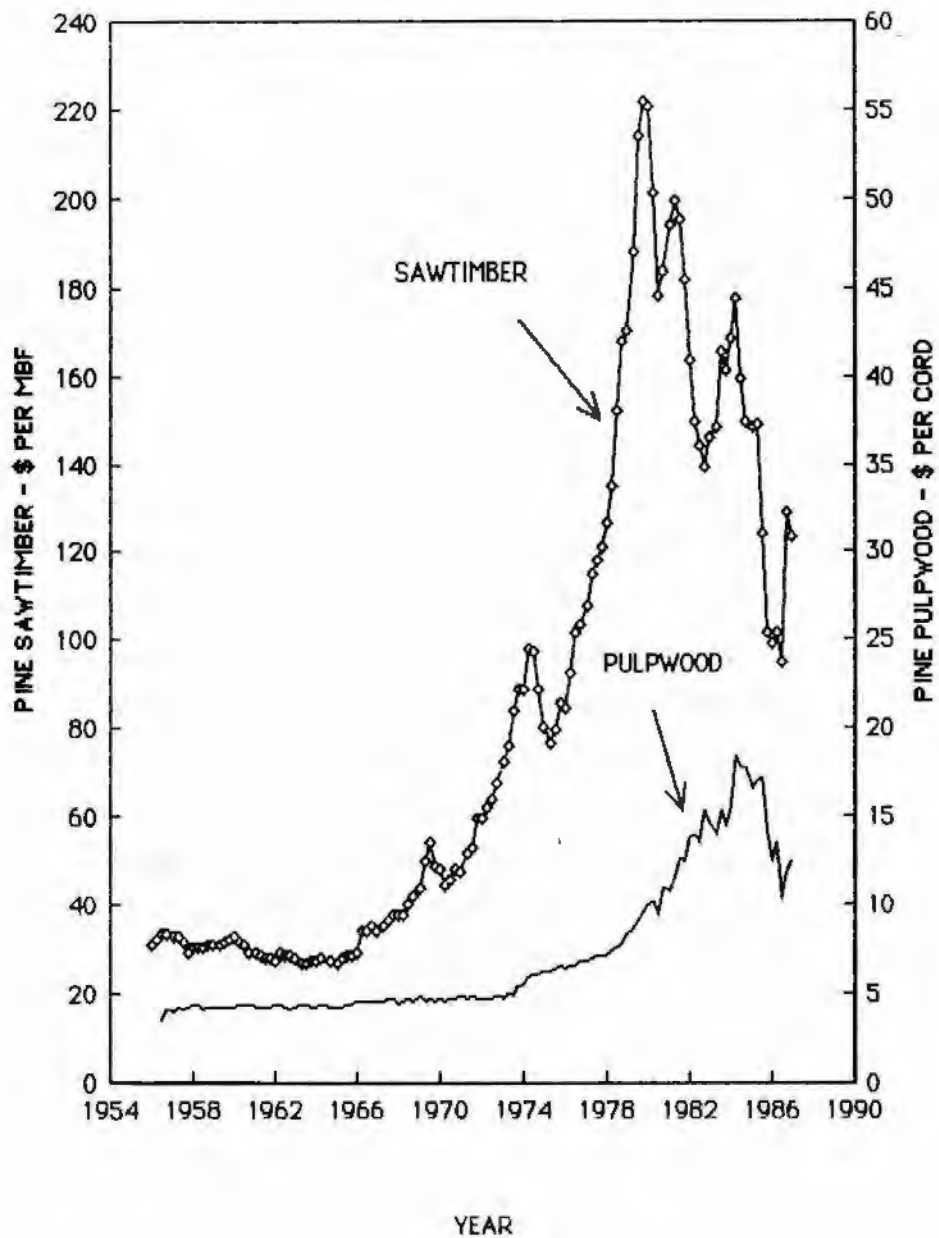


FIG. 3. PINE STUMPAGE PRICE TRENDS FOR LOUISIANA
 BASED ON LOUISIANA DEPT OF AGRICULTURE DATA 1956-86.

Pulpwood prices remained stable until the mid-1970s, when they finally started to increase. By the end of 1986, pulpwood prices had declined to the \$10 range.

PROGNOSTICATION

In this section, one of the authors, Dean Adair, gazed into his crystal ball and developed the following prognostication of the future direction of stumpage prices for Texas timber:

"Recent mergers and corporate acquisitions have changed the market for pine stumpage in Texas. On the supply side, a significant percentage of the commercial forestland in Texas is now owned by fewer than five major companies, and these companies can readily supply their own needs, if necessary. Conversely, on the demand side, because of the mergers and acquisitions, stumpage producers have fewer buyers for their timber. The result is that elasticity of supply for that portion of the market has increased. This is leverage, and leverage can influence all market segments for stumpage. Other factors also favor increased elasticity of supply, especially the Southern Pine Beetle, which can dramatically increase the supply of available stumpage in a relatively short time frame.

"Thus, strong local forces in the East Texas pine stumpage market tend to forecast lowering pressures on stumpage in the short run. Consequently, the prognostication is for relatively stable or only slightly lower prices for stumpage in the foreseeable future in East Texas.

"This prognostication is intended to cover only the second quarter of 1987. The horizon beyond that is considered long-run and is subject more to national trends in wood and paper products than local changes in market-structure. Indeed, developing shortages and planned mill expansions indicate that the long-term trend is for increasing stumpage prices for pine timber in East Texas. However, that is another prognostication."