



Fuels Planning: Science Synthesis and Integration

Economic Uses Fact Sheet: 7

Markets and Log Prices



Pacific Northwest
Research Station



North Central
Research Station

Synthesizing Scientific Information for Fire and Fuels Project Managers

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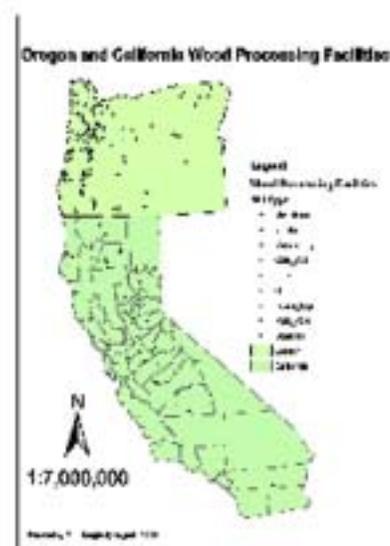
Fuels planning: Science synthesis and integration, an interagency research/management partnership to support the Ten-Year Fire Plan, led by Russell T. Graham, RMRS, and Sarah M. McCaffrey, NCRS.

Markets and prices for logs vary widely across the West, fluctuating from place to place in response to regional variables and hauling costs. They also exhibit temporal variability, going up and down with the housing market and other uses of wood.

The places where wood from fuel reduction treatments will likely have sufficient value to cover treatment costs are the places where logs command higher prices. These tend to be areas where a mix of mills can provide competition among buyers and can offer a range of uses for the various raw material coming in. Therefore, where you are located will likely determine whether you have opportunities for some fuel reduction projects to be self-financing or whether you will almost always have to pay for fuel reduction projects from other sources. Furthermore, the material from fuel reduction treatments tends to be at the low end of log values. When wood product prices are down, the least valuable wood tends to get priced out of the market first and comes back in last when the market turns up. Even places with active log markets will likely experience wide swings in their capacity to finance treatment costs solely through the wood removed. Due to this volatility, log prices may be one of the more difficult data items needed for My Fuel Treatment Planner (My FTP). While wood products are well-defined commodities whose price differences can be mostly accounted for by different characteristics and transportation costs, markets for logs are less well understood.

Log Markets Are Local

Probably the most important variable in whether there is a reasonably functioning market for logs is whether there are sufficient local mills that can use the full range of logs that come from fuel reduction treatments. Also, a sufficient number of local mills can provide enough competition that the value of logs can be passed along to forest owners/managers in bid prices. The size of area that is relevant to providing competition for logs is defined by the cost of hauling logs to mills. At some point the hauling cost eats up so much of the value that it is not possible to cover the hauling cost and have sufficient value left to pay for harvesting costs. When there is only a single potential buyer of the material, bids only have to be high enough to convince the seller to sell and do not have to be high enough to outbid others. Sales in areas with limited or no competition for logs often go at minimum bid rates.



Map of mills in Oregon and California.

The availability of a nearby functioning infrastructure can make the difference in whether a fuel reduction project is self-financing (map courtesy of P. J. Daugherty).

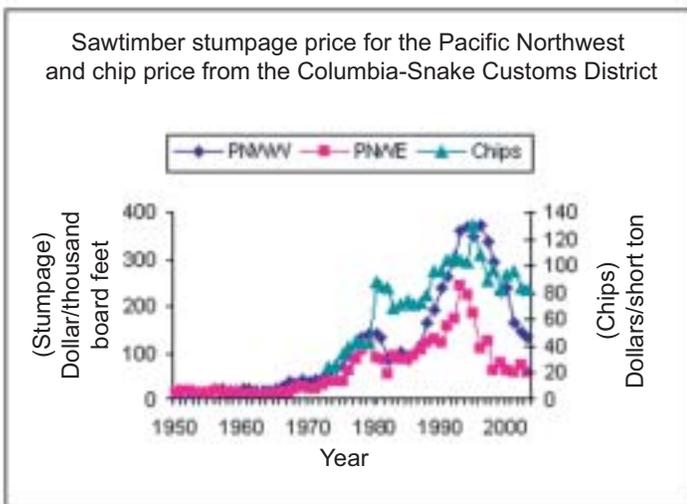
Is There a Market for Low-Value Logs?

Another important variable is the presence of a market for low-value logs that are not cost effective to use for solid wood products. A wood-fired electricity generation plant can create such a market. Tops and limbs are not readily used for pulp chips because of problems with debarking and getting the bark content down to an acceptable level. But if there is a market for energy wood it is likely that tops, limbs, and small trees would all be treated together and become dirty chips suitable only for energy.

When the price for pulp chips is up it is much easier to sell low-value logs. The price of chips can vary widely over the economic business cycle, however. The current global supply conditions for chips make it likely that the price of chips will tend to remain relatively low for most of the foreseeable future.



Small tree removal. The presence of a wood-fired electricity generation plant can increase a local market for tops, limbs, and small trees (photo credit: John Szymoniak).



Log prices in the Pacific Northwest Region, both west of the Cascades (PNWW, blue diamond line) and east of the Cascades (PNWE, pink square line), have shown high volatility, especially since the 1970s. Meanwhile, the price of chips has been falling steadily since 1995 and is expected to remain low (graph courtesy of Richard Haynes and Judy Mikowski).

Caveats

Markets are changeable and local, so users should not use default prices but should find out local price data and update this information regularly. The prices provided with My FTP are based on a limited number of mills and will probably be out of date. My FTP includes a mill map and a listing of the names and phone numbers for those mills. Except for the crudest of estimates, it will be necessary to check with the local mills to see what is being paid currently in your area. Those mills will most likely give you prices in Scribner scale. My FTP is set up to use Scribner log prices. A few mills may pay for logs based on green tons. If this is a common situation a future upgrade of My FTP will probably handle pricing in green tons.

Economics Team Fact Sheets

Look for fact sheet topics from the Economics Team including prescribed fire costs, harvesting, log hauling, NEPA and other regulations, wood utilization, economic impacts on communities, markets for wood, and harvest equipment requirements.

Fuels Planning: Synthesis and Integration

This fact sheet is one in a series being produced as part of a larger project supported by the USDA Forest Service to synthesize new knowledge and information relevant to fire and fuels management. Fact sheets address topics related to stand structure, environmental impacts, economics, and human responses to these factors. Information in the fact sheets is targeted for the dry forests of the Inland West, but is often applicable across broad regions of the country. For more information, please visit our Web site at:

www.fs.fed.us/fire/tech_transfer/synthesis/synthesis_index