Marketing Opportunities for Delmarva Forestland Owners

Delaware Ag Week Forestry Workshop Series
Wednesday, January 24, 2007
Why are we here?

Gain insights to a successful sale.

- The Seller’s perspective.
- The Buyer’s perspective.
42 Years of timber sales...
What prices *really* look like…

PINE STUMPAGE PRICES
Adjusted for Inflation using Consumer Price Index (CPI)

Base Year = 1984

YEAR
$0.00
$100.00
$200.00
$300.00
$400.00
$500.00
$600.00

$/MBF

PINE-Real
Poly. (PINE-Real)
Another way to look at it...

PINE STUMPAGE PRICES
Adjusted for Inflation with Producer Price Index (PPI) for Lumber

BASE YEAR = 1984
Seller’s Motivations

- Revenue. (planned vs. unplanned)
- Intermediate management activity.
- Habitat manipulation.
- Biological maturity.
- Sudden opportunity (*logger in the neighborhood*).
- Property sale.
- Pre-construction.
- Salvage.
**Products from the Forest**

**Simple View:** Sawtimber, Pulpwood, Firewood.

**More complex:**
- 3 or 4 veneer grades, 3 or 4 sawlog grades, multiple species, pulpwood vs. firewood
- Product specs (eg, piling specs, construction grades, appearance grades, marine grades, scaffolding grades, density grades, sapwood/heartwood ratios, time-of-year specs, etc.)
Selling Timber

*Rule #1.*

and there is only ONE rule:

*Always sell to the buyer’s need!!*

In other words, what is the buyer going to do with your timber?
Products of Your Customer

- Pine Sawmill
  - Construction lumber
  - Decking
  - Timbers
  - Piling

- Hardwood Sawmill
  - Construction lumber
  - Mats
  - Flooring
  - Molding
  - pallets
Buyer’s Motivations
(or, how bid prices are set)

- Volume & quality. (By species and product.)
- Average tree size.
- Logging cost. (proximity to mill, ground conditions)
- Wet weather operability.
- Terms/conditions of sale.
- Current inventory (standing and woodyard).
- Time of year.
- Timber budget.
- Current timber prices.
- Future sales.
- Markets (and prices) for merchandising.
- Likely competitors. (try to estimate all of the above for them).
- Gut feelings.

Bidding Strategies

Must Win
- Woodyard empty, key logger needs work, etc.
- Price set exclusively by estimating competitor’s price.

Strongly Competitive
- Concerned about inventory.
- Price set by comparing internal wood budget against competition.

Weakly Competitive
- Only wants to buy at their price ~ “bargain hunting”.
- Price set entirely by internal wood budget.

Non-Competitive (a.k.a. the “courtesy bid”)
- Public relations, or seeking information on market.
- Price set arbitrarily. “How low can I go without embarrassing myself?”

Who Wants It?

Who should I market my timber to?

Choices:

– the Mill.
– the Independent Logger.
– the Dealer.

Answer depends on timber type, volume, location, your goals, etc.
How to Win at this Game

- Realize that the industry is your ally and your friend, but not your philanthropist.

- They want you to succeed.

- **YOU** have to go get it.
  - Enlist help. (friends, neighbors, State, Extension, DFA/MFA, consultants)
  - Study the market. (futures, home starts, local info)
  - Don’t be cheap. (be willing to pay for expertise)
  - Be honest with yourself. (i.e., have realistic expectations).
  - Know your product. Know your customer’s needs.
A word about
MARKET TIMING

Definition: an educated decision to sell timber at a highly specific point in the timber market cycle.

WARNING:
THESE STUNTS ARE PERFORMED BY PROFESSIONALS!!
DO NOT ATTEMPT THIS AT HOME!!
Being Attractive to a Wood Buyer...

- Be knowledgeable.
- Be exceptionally clear.
- Hide nothing.
- Minimize limitations.
- Provide ample time.
- Be flexible.
- Treat all equally.
Resources

- http://www.dnr.state.md.us/forests/
- http://www.naturalresources.umd.edu/
- http://www.state.de.us/deptagri/forestry/
- http://na.fs.fed.us/pubs/misc/flg/
One Last Word...

Things we haven’t talked about:

– Non-timber products.
– Recreation-based opportunities.
– Emerging markets.
Contact

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