

Marketing Opportunities for Delmarva Forestland Owners

Delaware Ag Week
Forestry Workshop Series
Wednesday, January 24, 2007

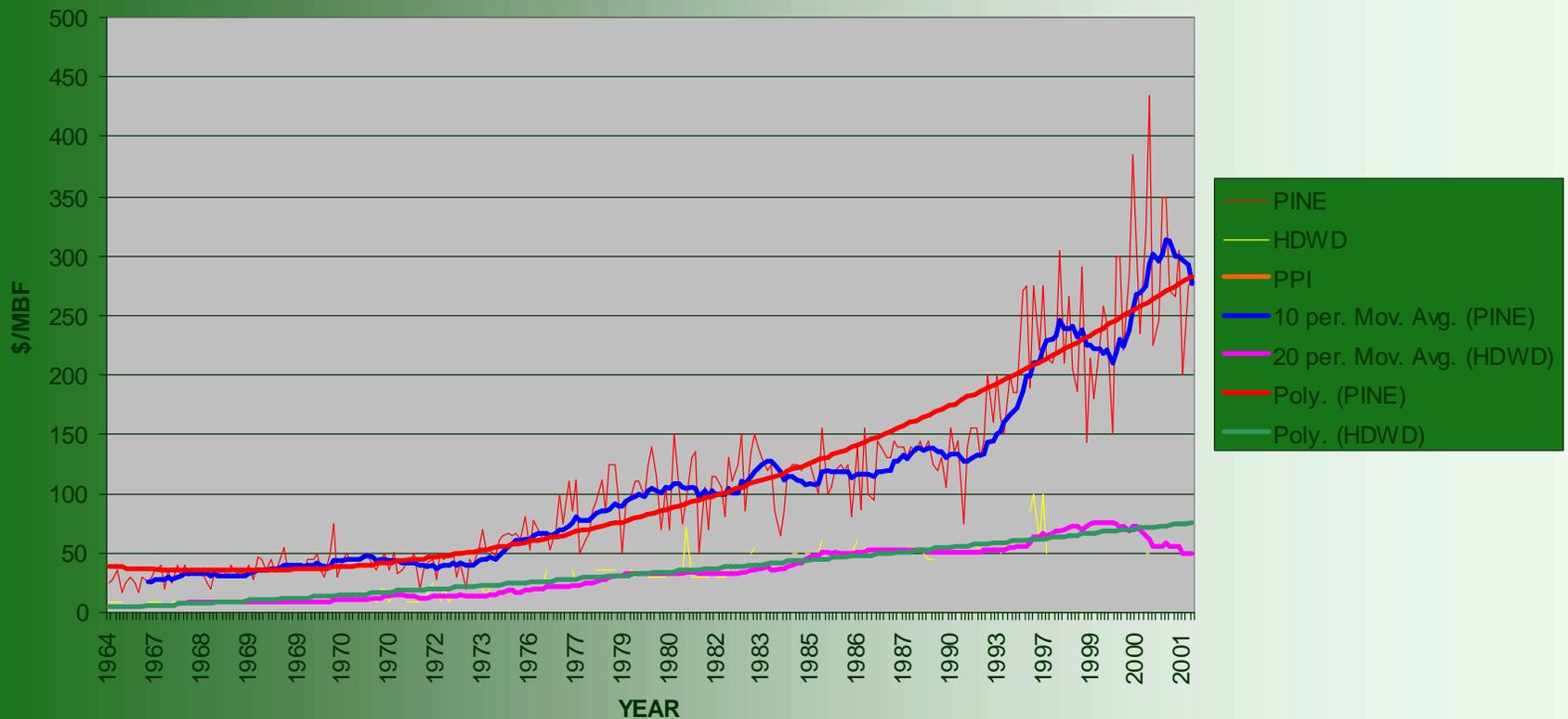
Why are we here?

Gain insights to a **successful** sale.

- The Seller's perspective.
- The Buyer's perspective.

42 Years of timber sales...

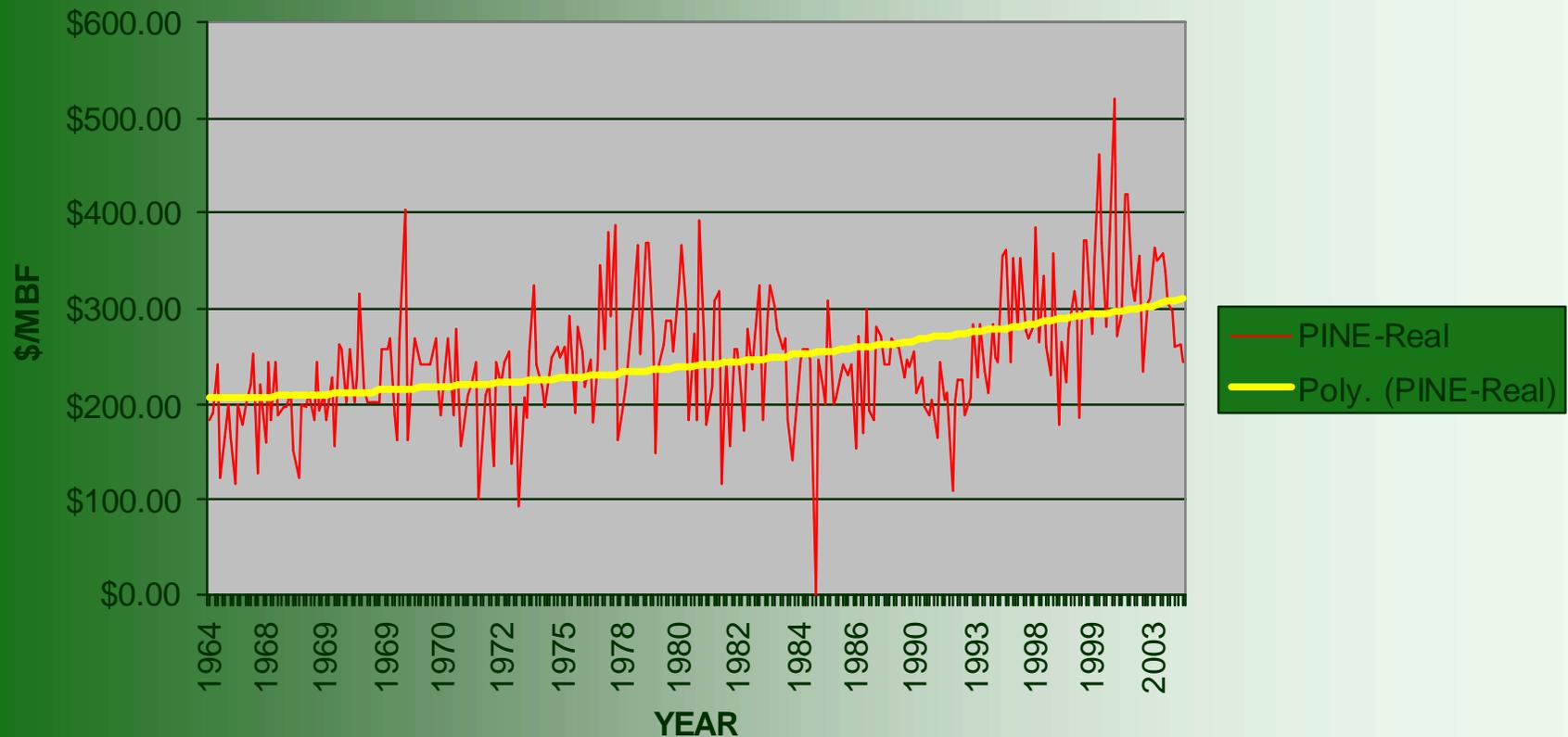
STUMPAGE PRICES



What prices really look like...

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

Base Year = 1984

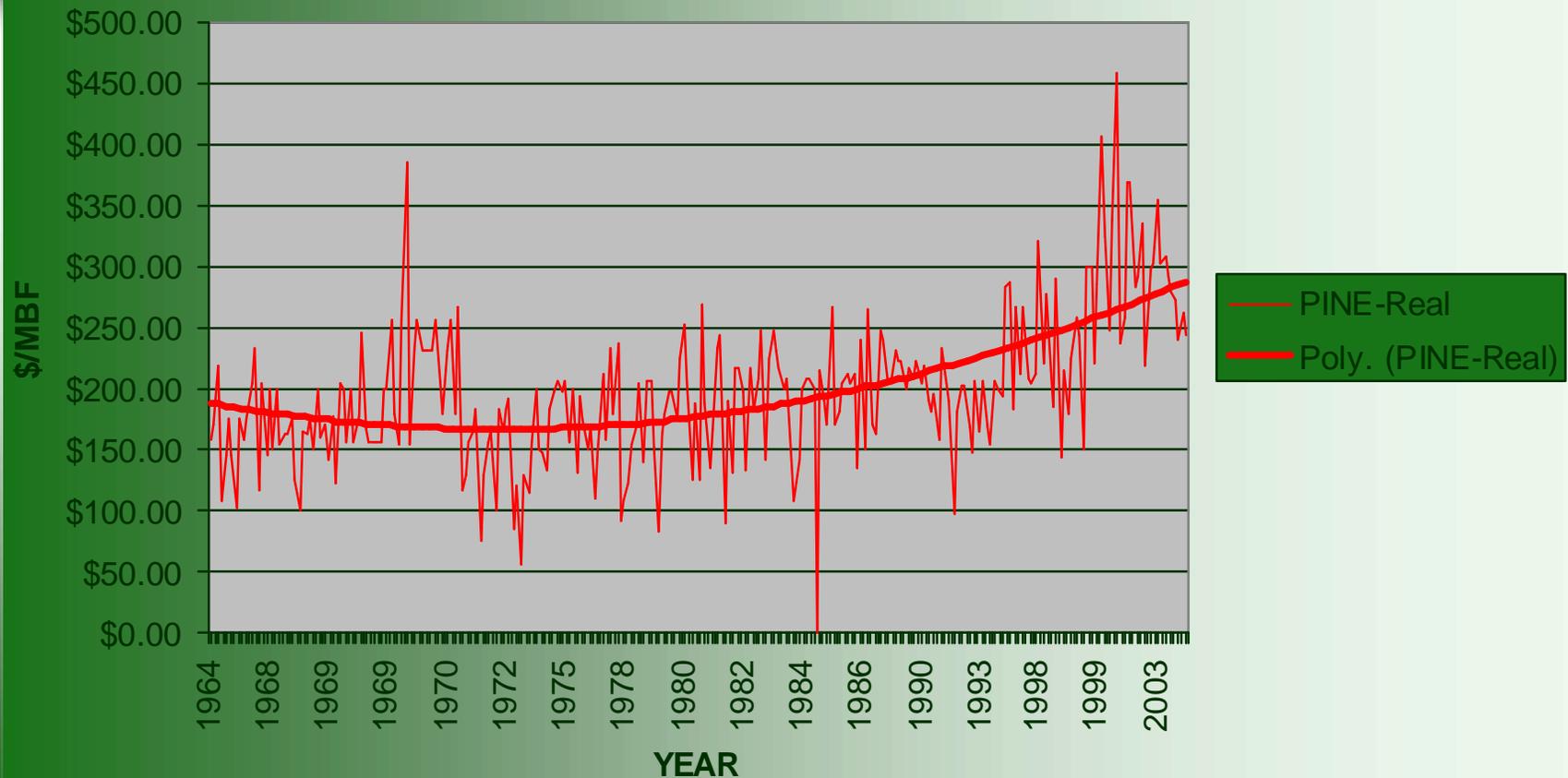


Another way to look at it...

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.

Source: R.M. Shaffer. Southern Journal of Applied Forestry, Feb. 1985

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?"

Source: R.M. Shaffer. Southern Journal of Applied Forestry, Feb. 1985

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://ag.udel.edu/extension/agnr/index.php>
- [**http://na.fs.fed.us/pubs/misc/flg/**](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.

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