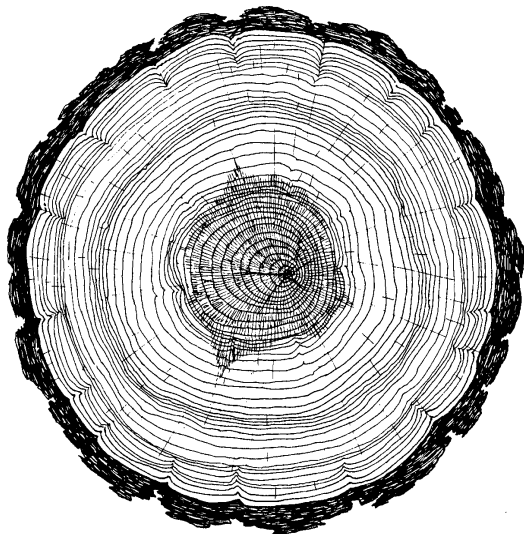


# TEXAS TIMBER PRICE TRENDS



**BIMONTHLY MARKET REPORT**

**VOL. 20 NO. 5**

**September/October 2002**

**T E X A S**  
**FOREST**  **SERVICE**  
The Texas A&M University System

# TEXAS TIMBER PRICE TRENDS

## WHAT IS THE PURPOSE OF THIS REPORT?

*Texas Timber Price Trends* is a bi-monthly publication reporting average prices paid for standing timber, commonly called the “stumpage price,” for the two months listed in the report. Its purpose is to provide timely information concerning timber market conditions in order to improve decision making and foster fair transactions that benefit both buyer and seller and encourage conservation of the timber resource. Market information is particularly important to nonindustrial private landowners who are only infrequent participants in this complex market.

## WHERE DOES THE DATA COME FROM?

Average stumpage prices published in this report are calculated from actual timber sales as reported by over 60 cooperators active in the East Texas timber market. Reporters include consulting foresters, large nonindustrial landowners, financial institutions, forest products companies, and state and federal agencies. Research has shown that a diversity of reporters tends to reduce bias and improve the reliability of the price estimates.

## HOW ARE AVERAGE PRICES CALCULATED?

The calculation of average prices weighs each sale by the volume sold. This is done to filter out the effect that the size of the sale has on the price paid, thus providing a more consistent and meaningful average. The result is that the average price reported is the average price paid per unit of volume, NOT per the average timber sale.

The price per ton for each product category is calculated from the price per volume unit using the conversion factors listed on page 8 of the report. Readers should note that volume to weight conversions vary depending on the average diameter of the logs in the sale. Because we don't have information on average diameters for each sale reported, the per ton prices presented are based on an average conversion factor and not information from the specific sales reports.

## HOW CAN I USE THIS REPORT?

*This report is intended to serve only as a guide to general price levels.* Individuals interested in selling timber can use this report to monitor market trends and get a general idea of what their timber is worth. However, it should not be used to judge the fair market value of a specific timber sale. The price paid for a specific stand of timber will vary considerably due to such factors as: size, species, and quality of timber; total volume and volume per acre; logging conditions; distance to the mill; end product of manufacture; and current demand and local competition for timber. Additionally, timber markets often change rapidly and therefore past prices are not necessarily a reflection of current market prices. We strongly recommend the use of a competitive bidding process as the ultimate determinant of market price for any specific tract of timber.

## COMMENTS

### **Pine Sawlog Price Low**

Stumpage prices of pine sawlogs fell in the range of \$300-\$325/MBF during the Sept/Oct of 2002, averaging \$325/MBF (\$48/ton). The Northeast region volume-weighted average price was \$45/ton (\$332/MBF) while the Southeast region was \$53/ton (\$314/MBF). Conversion factors reported for the Northeast region averaged 7.25 tons/MBF but only 6.21 tons/MBF for the Southeast region.

Delivered prices, collected for the first time, showed \$62/ton (\$429/MBF) for the Northeast region and \$60/ton (\$443/MBF) for the Southeast region.

### **Pine Pulpwood Price Up**

Pine pulpwood prices increased to \$6-7/ton (\$17-19/cord) during the Sept/Oct period, compared to \$3-5/ton (\$7-13/cord) in the previous two-month period. The delivered price of pine pulpwood averaged \$24/ton (\$64/cord) for both regions in Texas.

### **Pine Chip-N-Saw**

There were only two sales reported for Southeast Texas during this period. The average price (both weighted and unweighted) of the two sales was \$21/ton (\$53/cord). The delivered price for the Northeast region was \$41/ton (\$109/cord) based on only two sales and \$37/ton (\$95/cord) for the Southeast region.

### **Hardwood Sawtimber Price Steady**

The hardwood sawtimber stumpage price was steady. Based on the reported three sales for Northeast Texas, the simple average price (or unweighted by volume) was \$19/ton (\$169/MBF). The average price was \$27.3/ton (\$212/MBF) when weighted by volume of each sale. This high weighted-price is mainly driven by a sale of high-quality timber with a large volume at over \$25/ton (\$225/MBF).

### **Hardwood Pulpwood Price Stable**

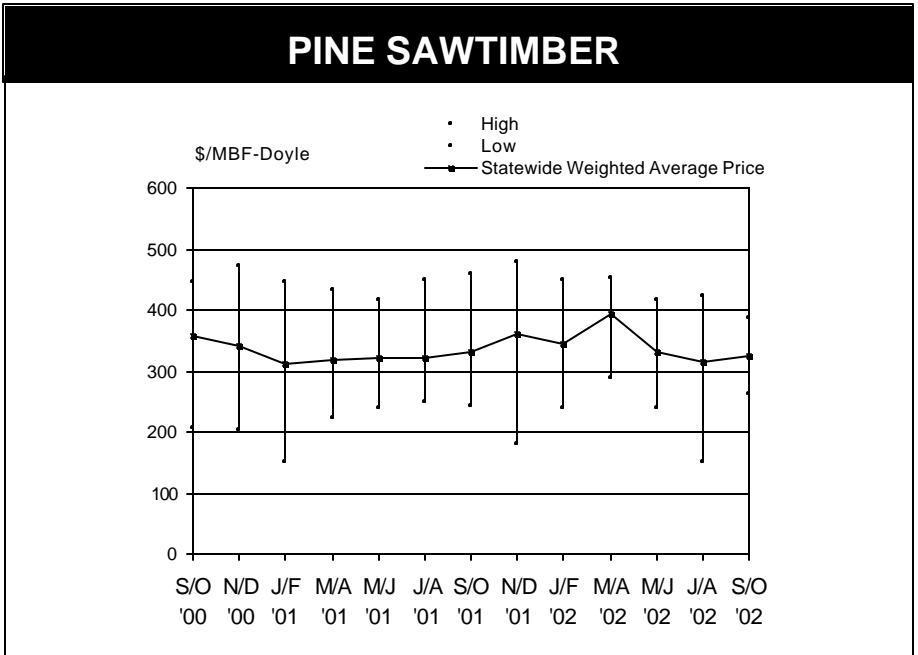
The hardwood pulpwood stumpage price seemed to be stable or drifting higher. The simple average price was \$5/ton (\$14/cord) while the volume-weighted average price was much higher at \$8/ton (\$22/cord)

## Hardwood Pulpwood Continued:

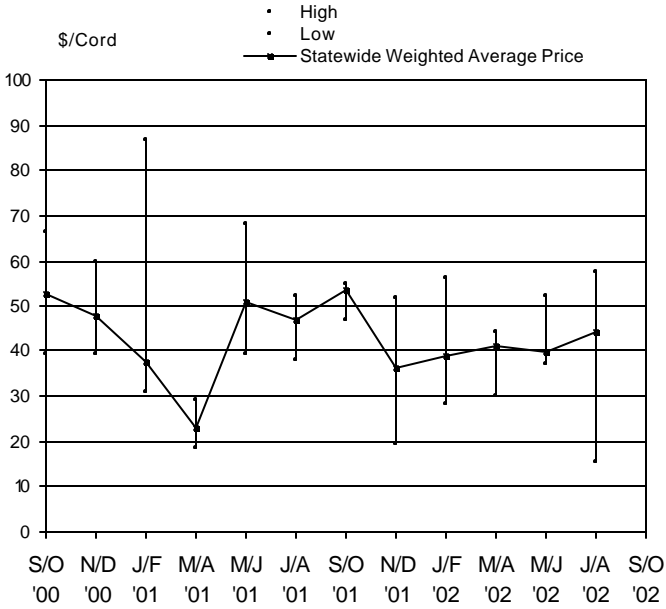
for the Sept/Oct period. Delivered hardwood pulpwood price was \$21/ton (\$58/cord) for the Southeast Texas.

## Attempts to Modify the Internal Revenue Code Section 631(b)

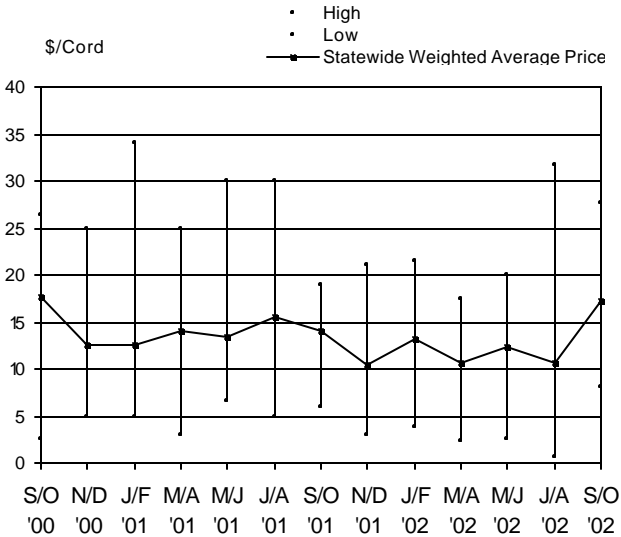
Section 631(b) permits timber sales with "retained economic interests" to be treated as Section 1231 sales (potential for capital gain treatment) when the timber holding is considered as "business". Continued efforts have been made to amend this section to allow potential capital gain treatment for timber sales with or without "retained economic interests". The Timber Tax Simplification Act of 2001 was introduced in the 107th Congress as Senate Bill 567 and House Bill 1341 to specifically address the amendment. According to the Forest Landowners Tax Council, the Congressional Joint Committee on Taxation has indicated that this amendment would have a negligible effect on federal revenue. As the 108th Congress approaches, these efforts for modifying Section 631(b) will continue. If the revision is passed by the legislation, timber landowners will be able to deduct ordinary business expenses annually and enjoy potential capital gains treatment (depending on the netting result of Sec. 1231) upon sale of timber under the "business" classification.



# PINE CHIP-N-SAW



# PINE PULPWOOD



# TIMBER PRICE TRENDS IN TEXAS

## September/October 2002

12/9/2002  
Volume 20, No. 5

Product/Region	High		Low		Unweighted Avg.		Weighted Avg. Last Period		Weighted Avg. A Year Ago		# of Sales	Total Volume	
	\$/Ton	\$/MBF	\$/Ton	\$/MBF	\$/Ton	\$/MBF	\$/Ton	\$/MBF	\$/Ton	\$/MBF		Ton	MBF
<b>PINE</b>													
<b>Sawlogs</b>													
Northeast TX	59.79	387.41	31.00	263.50	47.72	335.00	45.32	332.01	41.84	321.57	8	26,525	3,621
Southeast TX	64.33	350.00	38.43	267.00	51.00	310.42	53.43	313.68	43.23	313.96	6	12,595	2,145
Statewide*	64.33	387.41	31.00	263.50	49.20	324.75	47.93	325.19	42.85	315.94	14	39,120	5,766
USFS	**	**	**	**	**	**	**	**	**	312.77	**	**	**
<b>Pulpwood</b>													
Northeast TX	8.00	21.44	4.40	11.00	5.66	14.61	6.44	17.11	4.94	12.54	9	22,117	8,326
Southeast TX	11.25	27.56	3.06	8.03	6.33	16.64	6.70	18.76	2.79	7.29	4	1,265	452
Statewide*	11.25	27.56	3.06	8.03	5.87	15.23	6.46	17.20	4.16	10.67	13	23,382	8,777
USFS	**	**	**	**	**	**	**	**	**	17.40	**	**	**
<b>Chip-N-Saw</b>													
Northeast TX	**	**	**	**	**	**	**	**	16.71	43.67	**	Ton	Cord
Southeast TX	**	**	**	**	**	**	**	**	16.99	44.19	**	**	**
Statewide*	**	**	**	**	**	**	**	**	16.83	43.89	**	**	**
USFS	**	**	**	**	**	**	**	**	**	**	**	**	**
<b>HARDWOOD</b>													
<b>Sawlogs</b>													
Northeast TX	27.00	216.00	14.00	133.00	19.33	168.75	26.30	212.38	15.18	147.08	3	16,100	1,994
Southeast TX	**	**	**	**	**	**	**	**	13.60	130.58	**	**	**
Statewide*	27.00	216.00	14.00	133.00	19.33	168.75	26.30	212.28	15.02	145.38	3	16,100	1,994
USFS	**	**	**	**	**	**	**	**	**	112.77	**	**	**
<b>Pulpwood</b>													
Northeast TX	8.00	22.40	3.00	7.50	5.00	13.71	7.79	21.81	4.86	14.11	5	32,590	11,639
Southeast TX	**	**	**	**	**	**	**	**	2.68	7.70	**	**	**
Statewide*	8.00	22.40	3.00	7.50	5.00	13.71	7.79	21.81	4.58	13.27	5	32,590	11,639
USFS	**	**	**	**	**	**	**	**	**	**	**	**	**

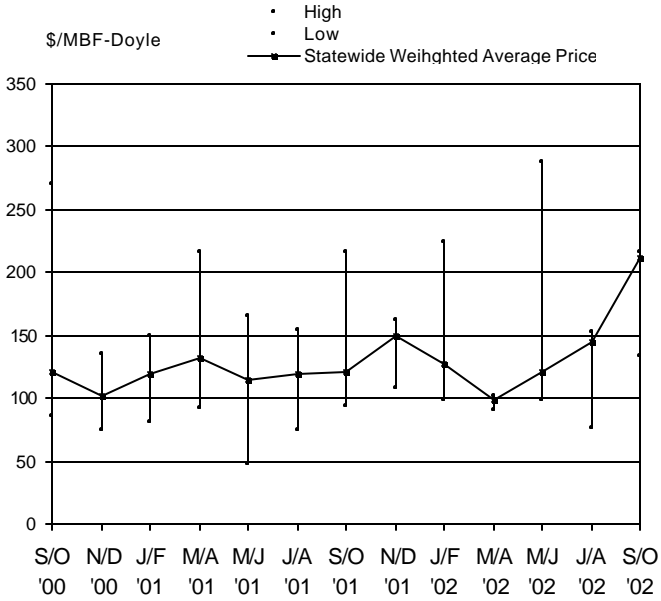
1. Price is calculated from specific conversion factor reported for each sale if available; otherwise, the average conversion factors listed on page 8 is used.  
MBF=Thousand Board Feet. The DOYLE LOG SCALE is used for all board foot measurements.

2. Please read the "Comment" starting at page 2 for further explanations of the statistics reported in the above table.

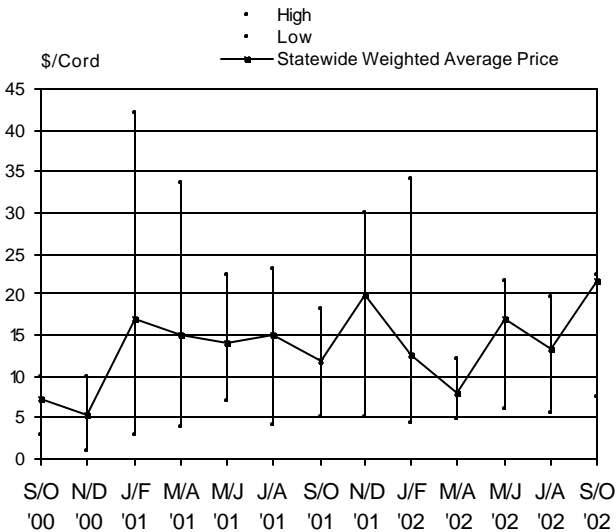
\*Statewide data excludes U.S. Forest Service sales.

\*\*Insufficient sales to report price statistics (less than three reported sales).

# HARDWOOD SAWTIMBER



# HARDWOOD PULPWOOD



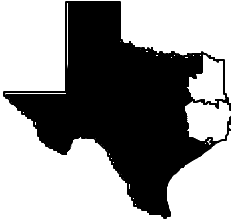
# TEXAS ANNUAL STATEWIDE AVERAGE STUMPAGE PRICES

Year	Pine			Hardwood	
	Sawlog \$/MBF-Doyle	Chip-N-Saw \$/Cord	Pulpwood \$/Cord	Sawlog \$/MBF-Doyle	Pulpwood \$/Cord
1984	170.53	30.85	23.48	54.61	4.03
1985	129.87	28.35	18.46	54.79	5.13
1986	127.45	23.68	14.53	46.16	4.18
1987	142.59	22.53	15.28	55.46	6.78
1988	152.31	24.88	16.33	64.93	6.59
1989	156.32	26.25	18.45	69.48	9.27
1990	163.34	30.12	22.17	62.20	6.03
1991	189.33	29.71	22.59	53.83	9.09
1992	252.26	39.39	27.98	67.04	10.10
1993	283.80	39.46	26.89	80.67	12.76
1994	358.03	47.81	22.75	93.77	15.57
1995	438.36	62.96	27.26	105.17	28.65
1996	395.46	59.18	25.25	88.28	10.78
1997	441.75	73.39	28.61	132.20	25.20
1998	414.51	76.40	37.01	138.75	14.41
1999	382.86	68.44	28.95	139.44	12.24
2000	376.57	57.69	19.20	120.88	7.97
2001	325.14	42.06	12.94	120.32	15.11
2002.1	344.97	38.73	13.12	126.65	12.56
2002.2	394.38	40.94	10.62	99.28	8.06
2002.3	330.67	39.73	12.35	120.93	17.02
2002.4	315.94	43.89	10.67	145.38	13.27
2002.5	325.19	**	17.2	212.28	21.81



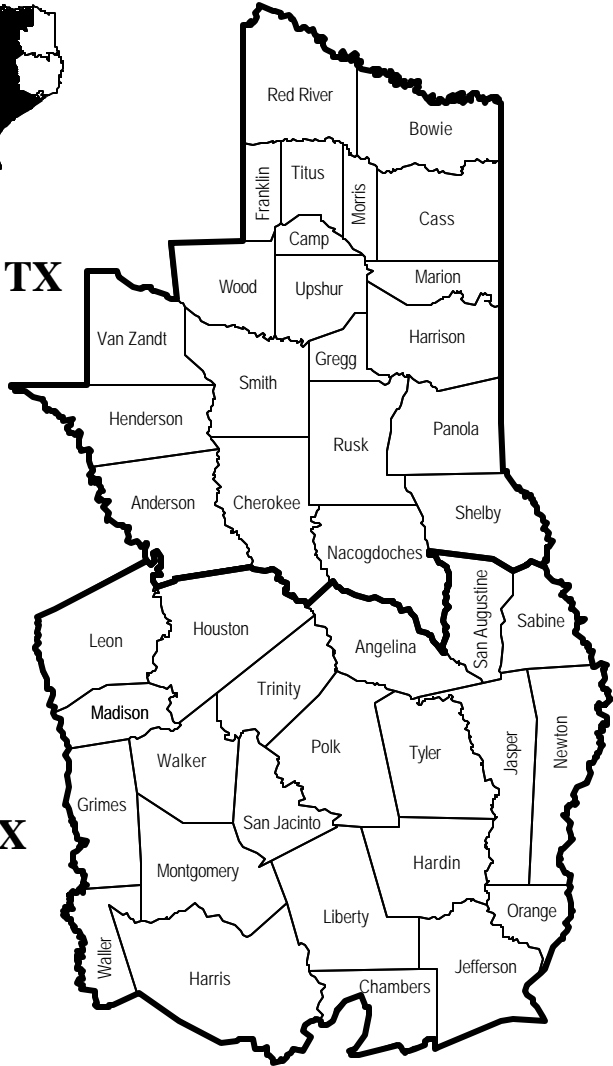
# Texas Timber Price Trends

## Market Regions



**Northeast TX**  
Region I

**Southeast TX**  
Region II



## VOLUME CONVERSION FACTORS

Specific conversion factors for each sale reported by the reporters are used for price calculations when available; otherwise, the following average conversion factors are used:

**Sawlogs** MBF-International-1/4" X 0.74 = MBF-Doyle  
MBF-Scribner X 0.78 = MBF-Doyle  
MBF-USFS Scribner X 0.814 = MBF-Doyle  
Pine - 8 Tons = 1 MBF-Doyle  
Hardwood - 9 Tons = 1 MBF-Doyle  
Pine Chip-N-Saw: 1 Cord = 2.625 tons

**Pulpwood** Pine, Northeast TX - 2.5 Tons = 1 Cord  
Pine, Southeast TX - 2.625 Tons = 1 Cord  
Hardwood, 2.8 Tons = 1 Cord  
Pine - 81 Cubic Feet = 1 Cord  
Hardwood - 80 Cubic Feet = 1 Cord

## SUBSCRIPTION INFORMATION

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## WANT TO BE A REPORTER?

If you are active in the East Texas timber market, please consider becoming a cooperating price reporter. You'll receive report forms bi-monthly with a self-return envelope. In addition, you'll receive a complimentary subscription to the report in exchange for your price information. To sign up, contact the Texas Forest Service at the above address.

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