



CENTRAL HARDWOOD NOTES

Let The Market Help Prescribe Forest Management Practices

To obtain the best economic returns from a hardwood forest, you must consider markets. Management decisions made now will affect a stand's future character and value, whether or not the decision results in immediate timber sales. Progressive forest landowners will have a management plan for their woodlots. Typically, such plans are largely land- and resource-oriented, with very little attention to market considerations. But a comprehensive management plan for a forest should combine objectives for timber, wildlife, recreation, and other resources with consideration of current and potential markets. In other words, product and market information are just as important as resource information for good forest management decisions. Use the following four steps to incorporate a market analysis into your forest management planning and practice.

1. Identify Potential Products and Markets

This may seem obvious, but sometimes forest managers are careless in looking for marketing opportunities, or seem to think that good markets will be there when they need them. This isn't necessarily so! The most obvious and common commercial product from forests is timber stumpage. Certainly anyone wanting significant cash income from forestry should consider growing and marketing timber products. But what *specific* products are marketable in the short and long term? Just identifying potential stumpage products from a given tract as "sawtimber and pulpwood" is not as useful as identifying "red oak and walnut veneer logs, white ash and hickory handle bolts, saw logs from other species, softwood pulpwood, and firewood from hardwood tops, poletimber, and timber stand improvement (TSI) removals."

Key phrases in the preceding paragraph raise some essential points concerning product identification. First, look at long-term as well as immediate market prospects. For instance, there may be no current market for pulpwood in a given locality, but if a pulp and paper company plans to extend its procurement range into the locality, then pulpwood markets will develop in the future. This is especially true for softwood pulpwood in hardwood-dominated regions, since pulpmills value softwood material highly in such areas. As another example, veneer mills traditionally demanded large diameter logs-20 inches or more. But decreases in the number of large diameter veneer logs available, and advances in veneer production technology, have resulted in more 16- to 18-inch logs being used; this trend opens opportunities for some veneer log production on shorter rotations. Even so, large logs are still the best and most valuable.

Second, look for local market "niches," such as the handle bolts mentioned above. Be aware of established and developing local forest products industries and how your future products could meet their needs. Local speciality product markets

might be fence posts, rustic fence rails, house logs, or other products for which the revenue could be greater than with conventional sawtimber or pulpwood markets. With increasing transportation costs, local markets will increase in importance.

In contrast to local markets, the forest manager should be aware of the export market. Presently, the devalued U.S. dollar and demands have made our logs and lumber highly competitive in Europe and the Pacific Rim countries. Exporting is accomplished through log and lumber brokers; we suggest you get several bids at the time of the sale.

In identifying markets, look for those that will return the highest *value* from your timber resource. Then manage your forest to attain the highest economically feasible production. Be aware that this may be a long-term project. Typically, veneer logs and high grade saw logs of select species are the highest value timber products from hardwood forests. Of course, an immature or previously poorly managed forest will not contain many large, high quality trees. In this case, management practices such as improvement cuttings, crop tree release, and cull removal can improve stand composition and condition, to foster significant volumes of high quality timber in the future. In summary, manage in the short run with a goal to serve high value markets in the long run.

Finally, in considering potential products don't overlook income opportunities for nontimber resources such as hunting or fishing, mushroom production, recreation, etc. These may not generate substantial income, but they can help defray pre-harvest management costs.

2. Develop a Market Information File

A number of states and some forestry schools regularly publish market reports that contain price and sometimes volume information on timber product sales for their states or regions. Subscribing to area reports will give you current market information. Maintain a file of reports and review them periodically to look for long-term market trends or cycles.

Trade and industry periodicals, such as the *Northern Logger and Timber Processor* and *Southern Lumberman*, often contain valuable articles, columns, and news items on marketing topics. Subscribing to trade periodicals will keep you informed of industry developments which could affect forest management and marketing.

Personal sources of information should not be overlooked. Forest owners should keep up to date on market information and review it periodically, looking for new developments and opportunities. Seek information and opinions from consulting, governmental, industrial, and academic foresters, who have a wealth of experience and insight on forest product production and marketing. It is worth the time to seek out the most knowledgeable persons and determine what sorts of information and help they can give and at what cost, if any.

3. Be An Opportunistic Marketer

Use market insights you gain from steps 1 and 2, along with current inventory information on your forest, to recognize developing market opportunities and take advantage of them. For instance, how can you quickly seize the opportunity of a surge in the oak veneer market if you do not know whether your tract contains an economical volume of the material? Suggestion: update your inventory information after each cutting, or at least every 10 years.

To be an opportunistic marketer you must not be rigidly bound to your management plan. For instance, if the plan calls for a given saw-timber stand to be harvested at age 60, but a very good sale opportunity arises when the stand is 55 years old, calculate the economic advantage of the earlier harvest. Conversely, if the market price is low at age 60, wait a few years before harvesting. This is not to say that the management plan should be routinely ignored or severely altered without careful thought; rather, it should be viewed as a reasonably flexible guide.

Finally, have tracts set up for opportunistic marketing by developing an efficient road system. This allows access when needed, minimizes costs of harvesting, and gets you top dollar for your timber. Developing the road system in advance of harvesting will involve cost outlays not covered by current revenues, but these should be viewed as an investment that will yield returns later. Roads will also make your forest accessible for other uses including recreation (see Note 11.03 *Forest Access Roads*).

4. When in Doubt, Seek Help!

Forest landowners may not receive full value from sale of products because they are not knowledgeable about forest product market conditions. Or they may not understand that the future productivity and value of their forest can be reduced by unwise harvest operations. If you follow the suggestions we made in the preceding three steps, you can avoid some of these hazards. Even so, we urge forest owners to seek professional advice about marketing opportunities and their forest management implications. Assistance is available from consultants, state employed service foresters, or industrial foresters representing companies with cooperative forest management programs. Money spent in securing professional services can be a good investment. Returns are in the form of increased product sales and protection and enhancement of the forest's future value. Case studies show that landowners who use professional forest management services generally gain higher net returns from their forests than do owners who do not use such services.

Remember, forest products marketing is not simple, but if you follow the straightforward methods we suggest to incorporate marketing into forest management planning and practices, you can enjoy greater returns from your land, both in the short and long run. For additional assistance to identify forest products markets in

your area, contact your state's forest products utilization and marketing specialist-every state has at least one-through your State Forester. Finally, remember that the market provides lots of jobs, a wealth of useful products and a way for you to successfully practice forest management.

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