

MARKETING LAKE STATES RED PINE¹

By

Robert N. Stone

U.S. Department of Agriculture, Forest Service
Forest Products Laboratory,² Madison, Wisconsin

Introduction

I remember a demonstration at the Ford Forestry Center near Lansing, Michigan, where Cal Stott had placed a price tag on each tree. A forester well known for developing his Continuous Forest Inventory System, he was pointing out that foresters needed to know timber markets to make timber management decisions. Even with modern computers and portable terminals, we are not able to print out the future value of the red pine tree or stand in a forest. Even our best estimates of future red pine timber prices are uncertain. However, the management principle is valid.

What does a forester need to know about market conditions for red pine?

Where can a forester get information about red pine markets?

What are current red pine markets?

What are likely future red pine markets?

In this paper I discuss these questions as a basis for a red pine marketing plan.

Red Pine Wood Characteristics

What is the product? Red pine wood is moderately heavy, strong and stiff, soft, and moderately high in shock resistance.

¹Presented at the Second SAF Region V Technical Conference, "Managing Red Pine," in Marquette, Michigan, October 1-3, 1984.

²Maintained in Madison, Wisconsin in cooperation with the University of Wisconsin.

Stone, Robert N. Marketing lake states red pine. In: Marty, Robert, ed. Managing red pine: Proceedings for the national agricultural policy symposium; SAF publication 85-02; 1983 March 27-29; Kansas City, MO. [Bethesda, MD]: Society of American Foresters; [1985]: 27-42.

The wood resembles the lighter weight wood of southern pine. It is generally straight grained, somewhat less uniform in texture than eastern white pines and somewhat resinous. The wood undergoes moderately large shrinkage but is not difficult to dry and stays in place well when seasoned.

Red pine is used principally for lumber, and to a lesser extent for piles, poles, cabin logs, posts, pulpwood, and fuel.

Red pine is used for many of the same purposes as white pine. It is used most in building construction for siding, flooring, sashes, doors, blinds, general millwork, and secondarily for boxes, pallets, and crates. It takes preservatives well (Forest Service 1974).

What Does a Forester Need to Know About Markets for Red Pine?

A forester who faces an opportunity to sell timber will need to know what and where the current markets are, and how high prices are in order to sell in the market offering the greatest return.

Sources of Market Information

Timber and timber products marketing facts are published by both private and public agencies, in newsletters, statistical reports, directories, surveys, and special reports. Some are available only to organization members or to subscribers; others are available to the public without charge.

Literature about marketing forest products is voluminous and growing. A general guide to sources of information about forest products markets is Business Data and Market Information Source Book for the Forest Products Industry (Kallio 1979).

A useful report published annually by the USDA Forest Service called U.S. Timber Production, Trade, Consumption, and Price Statistics highlights national timber market trends, although some regional and state data are also reported (Ulrich 1984).

Local market conditions depend not only on the National economic conditions but on factors unique to the local area. State forestry agencies can usually provide information about local markets. Many states have forest products marketing and utilization specialists. The specialist with the

Wisconsin DNR, for example, publishes a bi-monthly timber marketing bulletin listing timber and wood products for sale or wanted. In each of the Lake States--Michigan, Minnesota, and Wisconsin--the Department of Natural Resources publishes directories of forest products firms, log buyers, brokers and wholesale timber product dealers. University Extension Service foresters also keep up on markets and, in some states, provide market reports.

In any area local timber buyers, mill operators, service foresters, District rangers, consultant foresters, and often realtors keep abreast of changing timber prices and demand.

No single source will provide the complete timber market information, nor will current information be adequate to estimate long-term market trends.

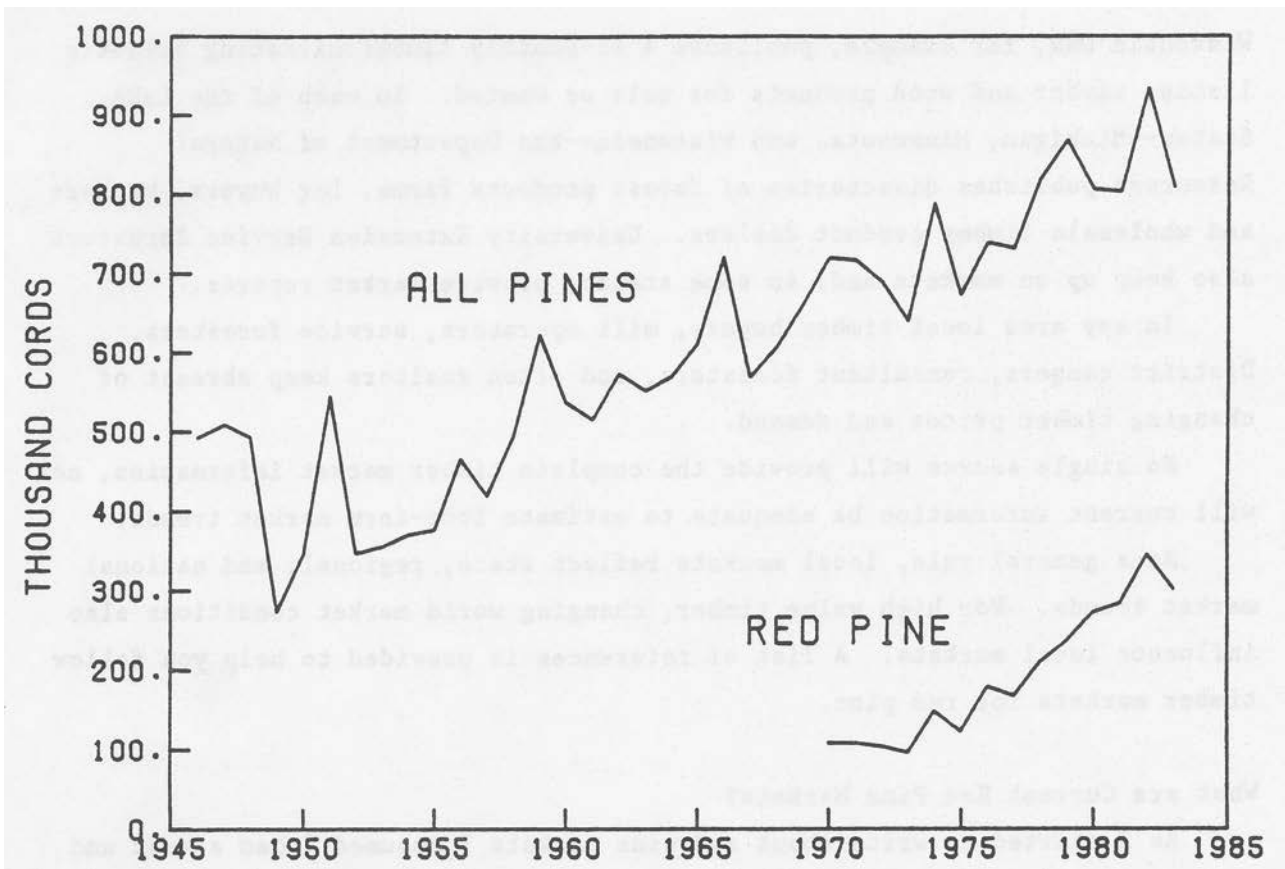
As a general rule, local markets reflect state, regional, and national market trends. For high value timber, changing world market conditions also influence local markets. A list of references is provided to help you follow timber markets for red pine.

What are Current Red Pine Markets?

As I started to write about red pine markets I assumed I had a neat and uncomplicated task. After all, red pine is a premier species in the Lake States; an important neighbor of the celebrated white pine. Foresters have favored it in management by the planting of hundreds of thousands of acres of red pine plantations. I found that "weak" best describes current red pine markets. Future markets should grow, but face uncertainties because of major changes that are underway in population, technology, and timber supply. We will return to future markets later.

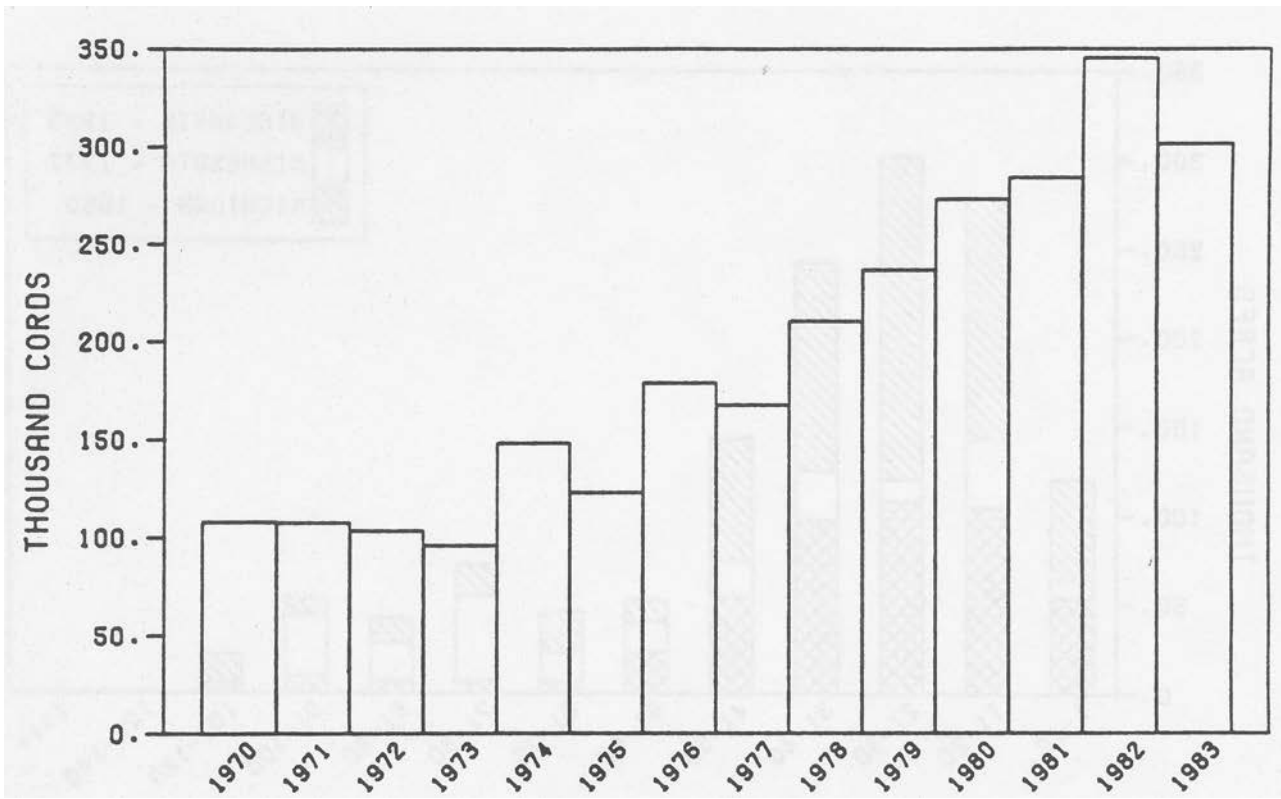
Pine pulpwood production in the Lake States has doubled since the 1950's, and red pine pulpwood output has followed the increase for all pine (fig. 1). Almost one-third of the Lake States' pine pulpwood harvest is red pine. The highest red pine pulpwood production occurred in 1982--340 thousand cords (fig. 2).

The supply of larger red pine trees is small and stems are scattered. Most red pine stands are younger than 50 years and tree sizes are best suited for pulp, posts, and small poles (fig. 3).



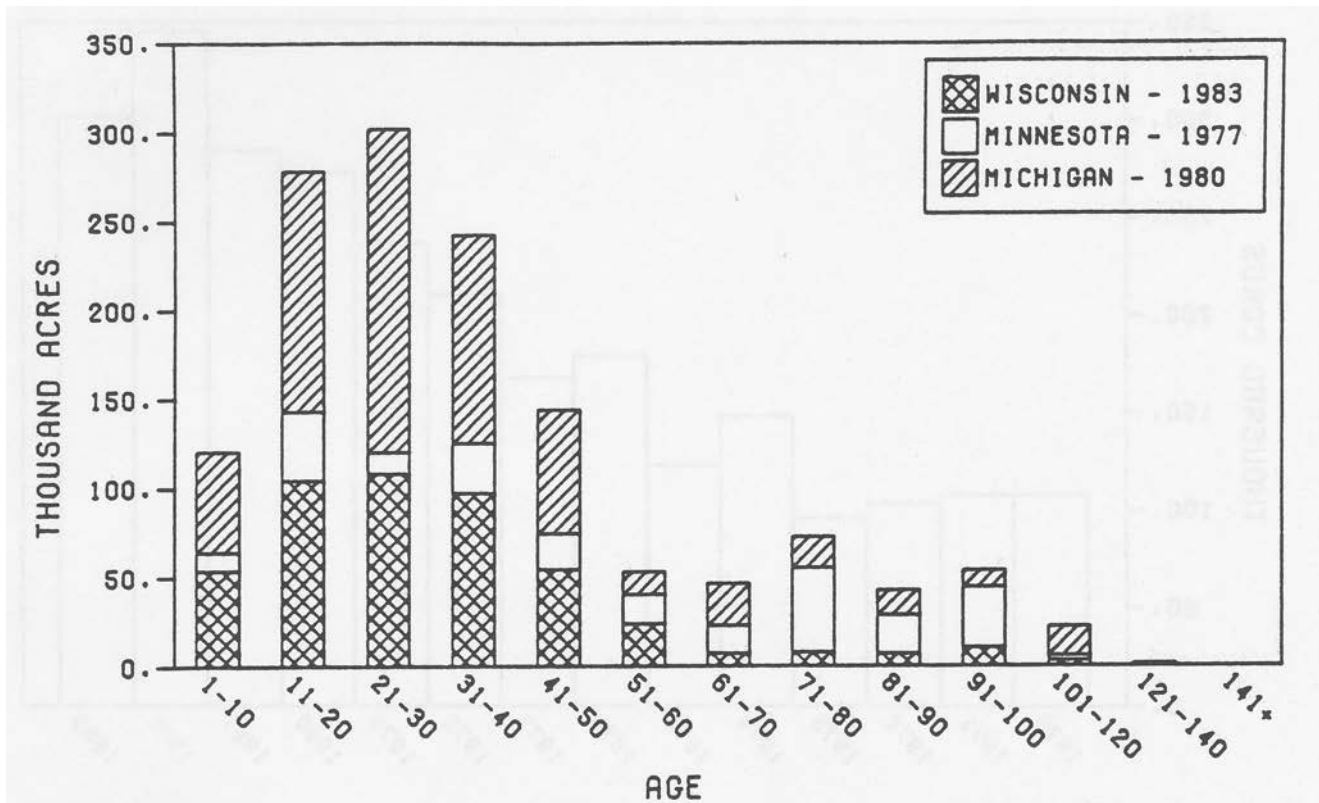
ML85 5118

Figure 1. Pine pulpwood production by selected species in the Lake States, 1946-1983.



ML85 5119

Figure 2. Red pine pulpwood production in the Lake States, 1970-1983.



ML85 5120

Figure 3. Area of red pine by state and stand-age class.

Michigan Situation.--In Michigan, red pine is processed into pulpwood, posts, utility poles, guard rails, crossarms, and plywood. The one softwood plywood plant in the Lake States is operated at Kenchlo by Forestply Industries, Inc. Michigan red pine logs are trucked to Ontario where veneer is sliced. The veneer is brought back to Kenchlo and made into plywood. At McBain, southeast of Cadillac, a red pine chip and sawmill is under construction to make 4 by 4 timbers and chips. Another sawmilling and pole processing facility, planned for Cadillac may use plantation red pine timber. This information comes largely from Professor Henry Huber at Michigan State University.

This red pine is used for guard rails because it accepts preservatives well. Preservative absorption is also an advantage for making poles and posts.

Wisconsin Situation.--Wisconsin markets are currently weak. Jack Wolter, supervisor of the Chequamegon National Forest, at a recent meeting said, "Red pine has become the most difficult species to sell." The Chequamegon National Forest has had no bids on recent red pine pulpwood offerings. In Wisconsin, red pine has traditionally been an important pulpwood species. Some utility poles are cut, some sawtimber is used to make local lumber, and some is shipped to the Potlatch lumber mill in Cloquet, Minnesota. Professor Ted Peterson, Extension Forester, University of Wisconsin, provided this information. He prepares a newsletter "The Timber Price Review" reporting on Wisconsin timber product markets. Pulpwood is selling for about \$13.75/cord for stumpage and \$54.00/cord delivered. He also noted the current weak markets.

Minnesota Situation.--In Minnesota, Lewis Hendricks, the forest products Extension Forester with the University of Minnesota cites that the Potlatch mill at Cloquet, which produces 2 by 4's from pine, is an important user of red pine. It can produce about 30 million board feet of lumber per year: In Minnesota, red pine goes into studs, pulpwood, poles, posts, cabin logs, guard posts, and landscape timbers. The Minnesota Department of Natural Resources publishes a forest products marketing bulletin called "The Market Place" which is prepared by John Krantz.

In 1978 average public stumpage for white and red pine was \$75.73/thousand board feet. Pulpwood stumpage for red pine was \$11.83/cord. Pine F.O.B. mill was \$41.25/cord.

What are Likely Future Red Pine Markets?

According to Kenneth Boulding, the noted economist, "One thing we can say about man's future with a great deal of confidence is that it will be more or less surprising." Our society is constantly changing, and current changes are more interconnected than ever.

Changes in the Nation's timber industry will affect red pine markets. Factors that influence timber markets can be grouped into economic, social, biological, or technological. The first and second influence timber demand. The third and fourth affect both timber supply and demand. What changes may affect supply and demand?

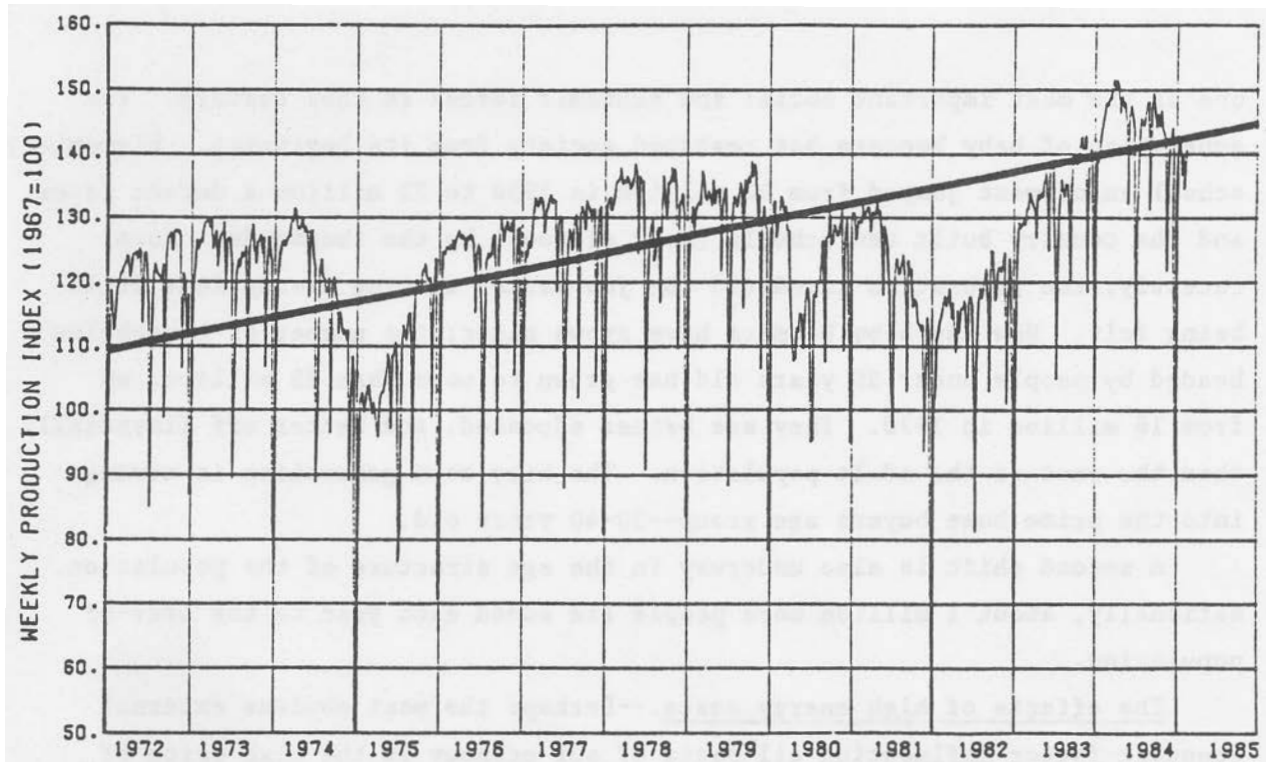
Some changes are gradual, and can be easily studied and projected. Others are cyclical, going up and down with the seasons, business activity, housing construction, or uncertain causes; still other changes are abrupt or erratic. Abrupt changes, typical of forestry markets, pose substantial difficulties to analysts and economic model builders. They bemuse the experts and amuse the public. Longer term patterns seem more orderly.

Economic Changes

The trend in National forest products markets.--For several years the Forest Products Laboratory (FPL) has calculated a barometer of economic activity in the wood using industry called the FPL Forest Products Production Index (fig. 4). Weekly data on production of lumber, plywood, paper, and paperboard are added together and divided by a comparable total for 1967 to generate a measure of the fluctuating production level.

The year 1984 will be a banner year in wood products production. The index broke into the 150's the last week of February 1984 for the first time. The wood economy was very good through most of 1984, even though the financial community seems as skittish as the proverbial cat on a hot tin roof. The index when plotted shows a pattern of advances and declines since 1968, and roughly follows a 2 percent rise per year with abrupt and wide variations.

Trends in GNP and population.--The customary determinants for national assessments, such as the recent Forest Service report "An Analysis of the Timber Situation in the U.S., 1952-2030," are the gross national product (GNP)



ML85 5121

Figure 4. FPL Forest products production index.

and population. Projected GNP and population are principal variables used to estimate future timber consumption. In the United States, GNP increases about 3 percent per year, and population increases about 1 percent per year. Wood demand is projected to increase at a rate between these two, or about 2 percent per year. Such a modest increase each year is barely noticeable by the casual observer, yet even a 1 percent per year increase causes a doubling in demand in 70 years--one rotation of pine sawtimber. Three percent growth per year leads to a doubling in about 24 years. With more people having more money to spend, higher demand for wood products seems guaranteed. Most projections show growth of demand for wood products. In the short range of 1-2 years, business cycles can interrupt the long-term tendencies, as we have seen during the recent severe economic slump.

As our population is growing its age structure is changing because the baby boom following World War II is working its way up through the age classes, the so-called "pig-in-the-Boa Constrictor" process. The aging of the baby boomers will shift demand for many wood products. Between 1946 and 1964, some 76 million people were born, the largest generation in American history, and

one of the most important social and economic forces in this century. The generation of baby boomers has reshaped society from its beginning. Elementary school enrollment jumped from 22 million in 1950 to 32 million a decade later, and the country built new schools (many of wood) by the thousands. More recently, the generation inundated the job market causing disruptions still being felt. Now the baby boomers have grown older; the number of households headed by people under 35 years old has grown to more than 25 million, up from 16 million in 1970. They are better educated, and better off financially than the rest of the adult population. The baby boom generation is moving into the prime home buyers age group--30-40 years old.

A second shift is also underway in the age structure of the population. Nationally, about 1 million more people are added each year to the over-65 population.

The effects of high energy costs.--Perhaps the most obvious external economic factor influencing all parts of our economy is the high price of energy. It has altered the competitive advantage among products and the comparative advantage among regions. Higher transportation costs are causing firms to locate production sites closer to consumer markets. An outgrowth of the energy crunch is the greater use of wood for fuel and the dramatic effect this is having on wood demand, particularly for hardwoods. We recently completed a national survey to estimate domestic fuelwood consumption and found that households burn about 42 million cords per year. Assuming \$50 per cord it has a value of \$2-1/4 billion, although most is not sold but is used by the producer. To put this in perspective, the volume of wood consumed as domestic fuel is nearly as much as the roundwood pulpwood consumed by the pulp and paper industry. Or, comparing it to total roundwood consumed for all wood products, including pulp and paper; household fuelwood consumption is nearly 25 percent of total wood consumption.

We might question the desirability of having such a large proportion of our total wood consumption burned as low-value fuelwood. Fortunately the FPL study shows less than 20 percent of fuelwood comes from "merchantable" parts of trees. The sale of this "waste wood" for fuel provides an opportunity to improve pine management by offsetting the cost of removing defective or competing trees. Fuelwood markets use little pine but import other markets.

Trends in foreign trade.--Finally, economic changes in global wood markets could benefit the region's timber industries. Certain U.S. timber export markets have been growing. Examples include the sale of U.S. oak lumber to Europeans and the sale of pine wood chips to Scandinavians. Foreign trade is changing. While we see some new foreign markets there is also increased competition for customers in the U.S. from Canadian lumber imports.

Despite our impressive forest resource base, the United States imports more wood products than any other country. Even though the soaring exchange rate for the U.S. dollar makes it difficult to sell wood products overseas, the Lake States with an expanding timber supply are in an enviable position to expand wood products exports.

A Marketing Plan

I believe that all land management plans should contain a specific marketing plan that should be updated periodically, and consider technical, economic, and social changes that change the marketability of the timber crop.

The scope of a marketing plan will differ in form depending on the size and economic power of the owner.

A woodlot owner must use the market that occurs. The owner's options include: What to sell, when, and how much. He's a classic price taker.

Managers of large corporate buildings and public forests can plan market strategies and take action to change the market. They may be able to change or guarantee wood supplies, promote new mills, improve transportation facilities and rates, provide better resource information, and make cooperative approaches to timber marketing.

The plan for the next few years will be far more specific than for the long term.

In this fast moving world the forester cannot afford to grow a crop and then see if it is salable. Marketing and production are part of the same coin.

Conclusions

Traditionally, foresters have believed natural resources will become scarce. Consequently, we have focused on timber production activities and paid less attention to timber market planning.

Over the past two to three decades, timber in red pine areas has grown faster than timber cut. In addition, red pine type forest area is predominantly stocked with plantations under 50 years of age with the largest acreage in the 20-30 year class. Each year brings a sizeable addition to the potentially marketable stock of red pine.

Current markets for red pine are weak, therefore stronger markets for red pine will need to be built to utilize the growing inventory.

In the long term, markets will improve because more wood will be needed, and the red pine trees are moving into more marketable size classes. In addition, logging economies will improve as the trees get bigger and the stands accumulate higher volumes.

Marketing is as challenging as silviculture. To sell the growing volume of red pine will require careful market development. The management plan should include a plan to market the intended production.

Market Information Sources

1. American Paper Institute, Paper, paperboard & wood pulp--monthly statistical summary. New York, NY.

Contains data on production, imports and exports of paper, paperboard, and woodpulp, pulpwood consumption, and other related subjects.
2. American Plywood Association. Monthly market report. Tacoma, Wash.

Contains data on softwood plywood production, new orders, shipments, inventories, and sales realization.
3. American Pulpwood Association. Monthly pulpwood summary. Washington, D.C.

Contains data on pulpwood consumption, domestic receipts, imports, and inventories by region and kind of wood.
4. Illinois Cooperative Crop Reporting Service. Illinois timber prices survey (semiannual). U.S. Department of Agriculture, Statistical Reporting Service, and Illinois Division of Forestry, Springfield, Ill.

Contains data on stumpage and delivered prices of sawlogs and veneer logs for selected species, and stumpage and delivered prices of pulpwood and cooperage bolts.
5. Kallio, E. 1979. Business data and market information source book for forest products industry.

Is a guide to sources of information about forest products markets.
6. Maine Department of Conservation, Bureau of Forestry. Stumpage prices (semiannual). August.

Reports data on stumpage prices for sawtimber, pulpwood, boltwood, and miscellaneous products, by zones and species.
7. Michigan Department of Natural Resources, Forest Management Division. Michigan directory of primary wood using companies, 1977 and 1978. Lansing, Mich.

Lists wood-using plants or companies; a description identifies the kind of plant, lists species used and products made, special equipment and services. These plants are users of roundwood, and do not include secondary wood using plants.

8. Minnesota Department of Natural Resources, Division of Forestry. Minnesota forest products directory, 1982. University of Minnesota, St. Paul, Minn.

Lists most of the primary and many of the secondary wood manufacturers in Minnesota, their products, the species they use, their location, and other information.
9. Minnesota University, Agricultural Extension Service. Minnesota forest products marketing bulletin (semiannual). St. Paul, Minn.

Quotes stumpage and delivered prices of sawlogs, pulpwood, posts, and piling, for selected species, and mill prices of lumber.
10. New Hampshire University, Cooperative Extension Service and New Hampshire Department of Resources and Economic Development. New Hampshire forest market report (annual). Durham, NH.

Contains data on stumpage prices, roadside and delivered prices of sawlogs, pulpwood, excelsior wood, poles, piling, boltwood, and other products, by selected species; and lumber prices.
11. New York Department of Environmental Conservation. Stumpage price report (semiannual). Albany, NY.

Contains data on stumpage prices for sawtimber, pulpwood, fuelwood and poles, by areas and species.
12. Ohio Department of Agriculture, Ohio Crop Reporting Service, Division of Markets; Ohio Department of Natural Resources, Division of Forestry, and U.S. Department of Agriculture, Statistical Reporting Service. Ohio timber prices (quarterly). Columbus, Ohio.

Contains data on stumpage prices of sawtimber, veneer timber, handle timber, and cooperage for selected species and regions; delivered prices of sawlogs and veneer logs for selected species and grades; and delivered prices of pulpwood and chemical wood.
13. Purdue University, Department of Forestry and Natural Resources and Indiana Department of Natural Resources. Indiana forest products marketing and wood utilization report (annual). West Lafayette, Ind.

Contains data on stumpage and delivered prices of sawlogs, veneer logs, and other products by selected species and grades.

14. Statistics Canada, Manufacturing and Primary Industries Division. Production, shipments and stocks on hand of sawmills east of the Rockies (monthly). Ottawa, Ont.

Contains estimates of production, shipments, and stocks by species and Province (excluding Newfoundland, Prince Edward Island, and Manitoba). Shipments are given by destination. Price information for some species is included.
15. Ulrich, Alice H. 1964. The demand and price situation for forest products, 1964. U.S. Dep. Agric., Forest Service, Misc. Pub. 983. Supt. of Documents, U.S. Government Printing Office, Washington, D.C.

Contains historical data on U.S. timber production, trade, consumption, and prices.
16. U.S. Department of Agriculture, Forest Service, Forest Products Laboratory. 1974. Wood Handbook: Wood as an engineering material. Agric. Handb. 72 rev., U.S. Department of Agriculture, Washington, D.C.

Contains data to aid in the more efficient use of wood as a construction material.
17. U.S. Department of Agriculture, Forest Service. Northeastern pulpwood--an annual assessment of regional timber output (Formerly Pulpwood production in the Northeast). Northeastern Forest Experiment Station, Broomall, Pa.

Contains data on pulpwood production by state and species group, woodpulp production, and location and name of pulp producers in the Northeast.
18. U.S. Department of Agriculture, Forest Service. Pulpwood production in the North Central region by county (annual). North Central Forest Experiment Station, St. Paul, Minn.

Contains data on pulpwood production in the Lake and Central states by state, county, and species.
19. U.S. Department of Agriculture, Forest Service. Volume and value of sawtimber stumpage sold from National Forests, by selected species and region (quarterly and annual). Washington, D.C.

Contains data on stumpage of timber sold from National Forests by selected species and region.
20. U.S. Department of Commerce, Bureau of the Census. Softwood plywood. Curr. Ind. Repts. Ser. MA-24H (annual). Washington, D.C.

Contains data on the production of softwood plywood and veneer, and consumption of softwood veneer logs.

21. U.S. Department of Labor, Bureau of Labor Statistics. Producer prices and price indexes (monthly and annual). Washington, D.C.

Contains data on prices and price indexes of several hundred commodities including selected lumber items of important commercial species and of plywood, pulp, and paper items.
22. Vermont University, Extension Service. Vermont forest quarterly. Burlington, Vt.

Reports prices for standing timber, by region and species.
23. Wisconsin Department of Natural Resources. Wisconsin forest products harvesters directory, 1982. Madison, Wis.

Lists forest products harvesters by county in Wisconsin; also DNR foresters offices by county.
24. Wisconsin Department of Natural Resources. Wisconsin primary wood using directory, 1982. Madison, Wis.

Provides a statewide listing of the primary wood-using industries in Wisconsin by county, and the species processed.
25. Wisconsin Department of Natural Resources. Wisconsin secondary wood using directory, 1982. Madison, Wis.

This directory identifies secondary wood-using markets in Wisconsin that are available to primary wood producers. Lists a county index, products sold, materials purchased, species purchased, and unused residues.
26. Wisconsin University, Forestry Department, University Extension Service. Wisconsin forest products price review (semiannual). Madison, Wis.

Contains data on delivered prices of saw logs, veneer logs, pulpwood, box and excelsior bolts, and railroad crosstie logs by selected species; delivered prices of crossties, posts, and pilings; and mill prices of selected species of lumber.

Red Pine Lake vacation rentals. We found 541 vacation rentals - enter your dates for availability. , Where. Our 2020 vacation rental listings offer a large selection of 541 house rentals around Red Pine Lake. From 157 Houses to 247 Condos/Apartments, find unique vacation rental for you to enjoy a memorable holiday or a weekend with your family and friends. The best place to stay around Red Pine Lake is on HomeAway. What are the most popular destinations to visit in Red Pine Lake? There are many lovely places to stay for a holiday trip or just for a weekend in Red Pine Lake. From HomeAway travelers, the most popular destinations to visit are: Park City: 5,023 vacation rentals.