STUMPAGE SPEAK

http://www.lsuagcenter.com/topics/environment/forestry
http://www.lsuagcenter.com/portals/blogs/stumpagespeak
http://blog.forest2market.com/us-south-stumpage-price-trends-by-region-july/august-2016
http://www.ldaf.state.la.us/forestry/reports/

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Louisiana Timber Market Report[1]
3rd Quarter (Jul.-Sep.) 2016
Dr. Shaun M. Tanger LSU AgCenter
E-mail: stanger@agcenter.lsu.edu
LSU AgCenter
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Louisiana Stumpage Prices ($/ton)	**3rd Quarter 2016**	**Change from Prior Quarter**
Product Class	**Price per ton**	**% Change**
Pine Sawtimber	**$27.50**	**-2.47%**
Pine Chip-n-Saw	**$19**	**0.57%**
Pine Pulpwood	**$10**	**-6.07%**
Oak Hardwood	**$45**	**7.69%**
Hardwood Sawtimber –Mixed Grade	**$37**	**10.93%**
Hardwood Pulpwood	**$9**	**-4.48%**

[1] The following document is intended for use by owners of forested land in Louisiana. The source of these prices is proprietary in nature and are therefore rounded per agreements to disseminate to the general public. The prices I report are also state averages and the LDAF numbers are by specific regions. I recommend using both to aid in decisions about purchases, sales, and determining harvesting schedules. As always communicate with a consultant forester on prices before executing contracted agreements with wood buyers.

****Price Conversions: Pine Sawtimber/ MBF= Tons * 8; Hardwood Sawtimber/ MBF = Tons * 9.5; CNS and Pine Pulpwood Cords = Tons * 2.7; Hardwood Pulpwood = Tons * 2.85********

Rundown of Extension Events Upcoming

1. Brain Chandler is hosting a prescribed burning workshop with burner certification on December 7-9, 2016 at the LSU AgCenter's Bob Jones Idlewild Research Station near Clinton, LA. This workshop will provide information on conducting prescribed burns safely and legally on your timberlands. It also covers LA's Certified Prescribed Burner Program. Registration is $100. Contact Brian Chandler (bchandler@agcenter.lsu.edu) for more details.
2. The Redstick Forestry Association is meeting on October 25th, 2016 at 6 pm. Contact Brian Chandler for more details.
3. I will be hosting a regional Ties to the Land workshop in Texarcana. It's a long haul for some of you, but if you are in the Northwest part of the state, it isn't too far a drive. The meeting will be held at Levi Hall at Texarcana College on December 6th, 2016. Contact Shaun Tanger (stanger@agcenter.lsu.edu) for more details.
4. For landowners looking for new sources of revenue on their property there is are two Agrotourism Financial and Legal Liabilities Workshops contact Dora Ann Hatch (DHatch@agcenter.lsu.edu) for more details.

Tuesday, Nov. 8th
9 a.m. to 2:30 p.m.
LSU AgCenter
H. Rouse Caffey Rice Research Station
1373 Caffey Road
Rayne, LA

Thursday, Nov. 10th
9 a.m. to 2:30 p.m.
LSU AgCenter Red River Research Station
262 Research Station Drive
Bossier City, La.

5. The Louisiana Forestry Association is having a board meeting the first Tuesday of November. Nov. 1: Louisiana Forestry Association Board meeting at the Country Inn & Suites, Pineville, LA starting at 1:30 p.m.
6. 2017- Forestry Forums Early Next Year (more to come in the next timber market report)

SW LA Forestry Forum
February 24, 2017, 8 am – 1 PM
War Memorial Civic Center
205 West 7th Street
DeRidder, LA 70634
Contact: Keith Hawkins, 337-463-7006
(khawkins@agcenter.lsu.edu)

Ag Expo Forestry Forum
January 13, 2017, 8:30am – 12 pm
Ike Hamilton Expo Center
501 Mane St.
West Monroe, LA 71292
Contact: Luke Stamper
(lstamper@agcenter.lsu.edu)

What is in a price (part II)?

After the positive feedback from the last quarters write up on prices, I thought I should give credit and mention that the information was adapted from a presentation given by Conner House (of Cottonport Hardwoods) at a Redstick Forestry Association Meeting from late last year. If you are not affiliated with a parish forestry association, I highly recommend it. It's a great time to compare notes with other landowners and it's a lot easier to network with others in a more personable environment.

With that let's get into the meat of what I wanted to discuss on prices.

Let's start with a paper from researchers at Auburn University (Daowei Zhang, Li Meng and Maksym Polyakov) and a study that was published in 2013 in Forest Science 59(4).

Table 1. Definition and descriptive statistics of the variables.

Variable and expected sign	Description	Mean (SD)		
		All parcels	Bare land parcels	Parcels with premerchantable stand
Price	Real price per acre of a tract ($)	1,442.58 (540.68)	1,286.30 (462.72)	1,607.53 (571.41)
Tract size (?)	Size of tracts (acres)	155.38 (172.72)	96.04 (95.45)	218.03 (210.96)
Frontage (+)	1 if there is road frontage adjacent to the tract; 0 otherwise	0.53	0.46	0.61
Hilly (−)	1 if the terrain is hilly or moderately hilly; 0 otherwise	0.27	0.16	0.39
Site Index (+)	Site index	86.81 (4.85)	85.18 (5.00)	88.54 (4.05)
Age of Plantation (+)	Age of a plantation (years) if exists; 0 otherwise	3.03 (5.04)	0.00 (0.00)	6.22 (5.69)
Age of Natural Regeneration (?)	Age of a natural regeneration (years) if exists; 0 otherwise	0.73 (2.26)	0.00 (0.00)	1.50 (3.08)
Higher and Better Use (+)	1 if the higher and better use for the tract is different from forestry; 0 otherwise	0.11	0.16	0.06
PII (+)		31.32 (9.67)	32.29 (10.79)	30.29 (8.29)
Trend (+)	Year of sale (2001 = 1; 2007 = 7)	4.40 (1.64)	4.53 (1.57)	4.26 (1.72)
of observations		111	57	54

Table 4. Marginal implicit prices and elasticities of statistically significant variables.

Variable	Marginal implicit prices (elasticities) at the mean of sample		
	All parcels	Bare land parcels	Parcels with premerchantable stand
Frontage		$436 (0.40)	
Site Index		$10 (0.67)	$15 (0.79)
Higher and Better Use		$147 (0.12)	$736 (0.58)
Age of Plantation			$56 (0.22)
Trend	$73 (0.22)		
Hilly		−$223 (−0.16)	
PII		$17 (0.43)	

Above are two tables of important variables from a study titled '**Determinants of the Prices of Bare Forestland and Pre-Merchantable Timber Stands: A Spatial Hedonic Study**'. These tables give you descriptions of variables that affected the price per acre of land sales examined in the study and the next table tells you the price impact of those variables. Data was taken from locations in the southwest of Alabama and southeast of Mississippi. They examined timberland properties that were either bare land or had pre-

merchantable[1] timber. The important findings are price per acre is not affected by property size. Keep in mind though the study only examined smaller tracts[2]. If you already own timber property many of these variables don't matter to you, but do matter for buyers or sellers of timber property.

For current owners though, the presence of road frontage increases the prices of bare land tracts by an average of $436 per acre or by one-third. So thinking back to the last Timber Market Report, you can see that frontage can provide tremendous returns to the sale price of timber property, at least if it's currently in bare land. The second table, labeled as Table 4 shows the additional price that can be claimed from these attributes examined in the study broken down by bare land and pre-merchantable properties. For interpretation, a property with hilly terrain typically had a lower per acre sale price of around $223 dollars.

Another study titled, "**Estimating Tract Value Relationships in the North Louisiana Timberland Market**" from researchers at LA Tech (Gary Kennedy & Donald Decker) and the LSU AgCenter (Lonnie Van de Veer, Steve Henning, and Huizhen Niu), published in the Southwestern Economic Review found the following. Data for the study consists of 133 tracts of timberland in the North Central Area that sold between January 1, 1993 and June 30, 1998. Tracts included in the study consisted of largely pre-merchantable and **merchantable** soft and hardwood timber properties.

Table 1
Symbols and Descriptive Statistics for Hedonic Model Variables

Symbol[a]	Variable	Mean	Minimum	Maximum	Std. Dev.
PRICE	Per acre price of land ($)	788.2	350.0	3714.0	593.9
SIZE (-)	Size of tract (acres)	91.5	10.0	842.0	124.6
RT (+)	Paved road access (1,0)	0.5	0.0	1.0	N/A
ROAD (+)	Road frontage (feet)	427.2	0.0	5350.0	928.3
DNC (-)	Distance to nearest metro. city (mi.)	35.5	9.6	58.8	10.1
VALUE (+)	Value of improvements ($)	11477.3	0.0	460000.0	46493.9
TIME (+)	Month of sale (01/01/93 = 1)	27.6	1.0	72.0	20.7

[a] Parentheses indicate expected effect of variables on selling price per acre.

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[1] Simply timber that is not ready to be harvested for typical forest products like Pulpwood, Chip-N-Saw, and Sawtimber.

[2] Data used in this study consist of 111 sales of bare forestland and pre-merchantable timber stands in Southwest Alabama and Southeast Mississippi from 2001 to 2007. Of these 111 sales, 57 are bare land, 42 have pine plantations, and 12 have natural regeneration. The size of these stands/tracts ranges from 20 to 3,100 acres, and no mature timber is present).

Table 2
Estimated Hedonic OLS Model, Marginal Implicit Prices, and Specification Diagnostics

Independent variable	Estimated coefficient[a]	Standard error	Marginal implicit price ($/acre)[b]
ln SIZE	-0.286276**	0.052125	-2.47
RT	0.309857**	0.095535	281.42
ROAD	0.000091*	0.000055	0.07
DNC	-0.007678*	0.004280	-6.05
VALUE	0.000006**	0.000001	5.20[c]
TIME	0.008078**	0.002056	6.37
Intercept	7.432630**	0.250396	

A positive marginal implicit price indicates that an increase in that characteristic, or variable, results in an increase in the per acre selling price of timberland. For example, the presence of a paved access road (RT) added $281 per acre to the tract selling price, holding other factors constant. The presence of each linear foot of road frontage added $0.07 per acre to the selling price (440 feet of road frontage would add about $31 per acre).

The marginal implicit price for the value of existing or growing timber (VALUE) indicates that each $1,000 increase in VALUE would add $5.20 to the bare land value of timberland. Similarly, each additional month added approximately $6.37 per acre to the value of each tract.

Holding all explanatory variables constant at mean characteristic levels, location and tract development potential variables (distance to nearest metropolitan city, paved road access, and amount of road frontage) accounted for approximately 30% of predicted timberland value from the hedonic model. Physical characteristics (size of tract and value of improvements) and time of sale accounted for the remainder of predicted timberland value.

References

Kennedy, G.A., L.R. Venderveer, S.A. Henning, N. Huizhen, and D.L. Deckard. 2002. Estimating tract value relationships in the north Louisiana timberland market. Southwestern. Economic Review 28(1):123- 134.

Zhang, D., Meng, L., and Polyakov, M. 2013. Determinants of the prices of bare forestlands and pre-merchantable timber stands: a spatial hedonic study. Forest Science 59(4): 400–406.

Next Time: We'll discuss the different price reports out there and what goes into them and what comes back out and so you don't misinterpret them.