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## Research Report No. 20, Stumpage Price Trends of Pine Sawtimber and Pulpwood in East Texas, Update: 1977-1987

J. David Lenhart

*Arthur Temple College of Forestry and Agriculture, Stephen F. Austin State University*

Kent T. Adair

*Arthur Temple College of Forestry and Agriculture, Stephen F Austin State University*

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### Repository Citation

Lenhart, J. David and Adair, Kent T., "Research Report No. 20, Stumpage Price Trends of Pine Sawtimber and Pulpwood in East Texas, Update: 1977-1987" (1988). *Informal Project Reports*. 54.

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STUMPAGE PRICE TRENDS  
OF  
PINE SAWTIMBER AND PULPWOOD  
IN  
EAST TEXAS,  
UPDATE: 1977-87

by  
J. David Lenhart  
and  
Kent T. Adair

REPORT NUMBER 20  
TO  
PARTICIPATING COMPANIES  
IN THE  
EAST TEXAS PINE PLANTATION RESEARCH PROJECT

A STUDY OF  
LOBLOLLY AND SLASH PINE PLANTATIONS  
IN  
EAST TEXAS

CENTER FOR APPLIED STUDIES  
SCHOOL OF FORESTRY  
STEPHEN F. AUSTIN STATE UNIVERSITY  
NACOGDOCHES, TEXAS 75962

March, 1988

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*J. David Lenhart 1988*

This is the twentieth in a continuing series of reports describing results from the East Texas Pine Plantation Research Project.

Subject and content of each ETPPRP report is regional in scope and of particular interest to loblolly and slash pine plantation owners in East Texas.

Any suggestions, ideas or comments will always be welcomed.

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Support from the participating companies...

Champion International Corporation,  
International Paper Company,  
Louisiana-Pacific Corporation and  
Temple-EastTex, Inc.

is gratefully appreciated.

\*\*\*\*\*

Authors are Professor ; and Dean and Professor ,  
respectively, School of Forestry, SFASU.

This report is an update to ETPPRP # 14. Additional stumpage price data collected by the authors from three different sources during January - December, 1987 is included in this report.

A report on past stumpage trends is an annual feature of the ETPPRP. Hopefully, a stumpage price prognostication or two will be included in each report.

J. David Lenhart  
Project Director  
March 22, 1988

STUMPAGE PRICE TRENDS  
OF  
PINE SAWTIMBER AND PULPWOOD  
IN  
EAST TEXAS,  
UPDATE: 1977-87

by

J. David Lenhart  
*Professor, School of Forestry, SFASU*

and

Kent T. Adair  
*Dean and Professor, School of Forestry, SFASU*

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**ABSTRACT.** An update of past stumpage price performance for East Texas pine sawtimber and pulpwood is presented, using information from Texas Forest Service 1983-87 and Timber Mart-South 1977-87. In addition, information from the Louisiana Department of Agriculture on stumpage price trends in Louisiana between 1955-87 is described. Two Prognostications on future stumpage price trends are included.

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Value of standing timber or stumpage price is one of the principal components in forest management. In order to develop accurate and reliable plantation management plans specifying activities and operations, such as thinnings and final harvests, it is necessary to be able to forecast, with confidence, the expected stumpage price at various future times. Of course, other future cash flows, as well as stumpage prices, must also be predicted for successful management.

To assist the managers of East Texas loblolly and slash pine plantations understand past trends and obtain an idea of possible future stumpage prices, we are presenting the second of an annual series of ETPRRP reports describing past East Texas stumpage price trends, plus two educated guesses at prognosticating the direction that future stumpage prices may go. We intend to publish this report at the beginning of each year, after stumpage prices from the previous year have been tabulated.

Stumpage price information listed in this report was obtained from three different sources:

TEXAS TIMBER PRICE TRENDS. A market report published every two months by the Texas Forest Service, College Station, TX 77843. Since 1983, TFS has provided this market report of East Texas timber sales. Summaries of timber sales by different species and products are presented.

TIMBER MART-SOUTH. A market report published monthly by F. W. Norris, P. O. Box 1278, Highlands, NC 28741. Since 1976, Timber Mart-South has provided information on timber sales by different species and products in 12 southern states.

## LONG-TERM PINE STUMPAGE PRICE TRENDS

To provide for convenient comparison between the three reporting services, the three double Y-axis figures presented in this section are scaled identically. The left axis represents the value per mbf of sawtimber (\$0-\$240), and the right axis represents the value per cord of pulpwood (\$0-\$60). Scaling of the axes in this manner allows the pulpwood price to track below the sawtimber price. The X-axis varies from 1954 to 1990 to allow for the different time intervals for the three reporting services. All prices are reported in current dollars without adjustment for inflation, differences in product specifications or time.

Stumpage price trends as reported by Texas Forest Service are shown in Figure 1. During the first part of this 4-year reporting interval, the current average price of standing pine timber (sawtimber and pulpwood) declined drastically. However, in the latter part of the reporting period, sawtimber stumpage prices are rebounding. After bouncing around the \$15/cord level for two years, pulpwood stumpage prices are creeping towards the \$17/cord amount.

Stumpage price trends as reported by Timber Mart-South are shown in Figure 2. After a dramatic rise and fall in value during the period 1977-85, sawtimber stumpage prices appear to be increasing. After peaking in 1985, pulpwood stumpage prices are moving towards the \$15/cord point.

Stumpage price trends as reported by Louisiana Department of Agriculture are shown in Figure 3. Since 1955, sawtimber prices increased almost eight-fold, peaking in the late 1970s. Since that peak, sawtimber stumpage prices have declined by 50%. However, in the last two years sawtimber prices have regained value to about \$140/mbf. Pulpwood prices remained stable until the mid-1970s, when they finally started to increase. By the end of 1986, pulpwood prices had declined to the \$10 range but are now approaching the \$15/cord mark.

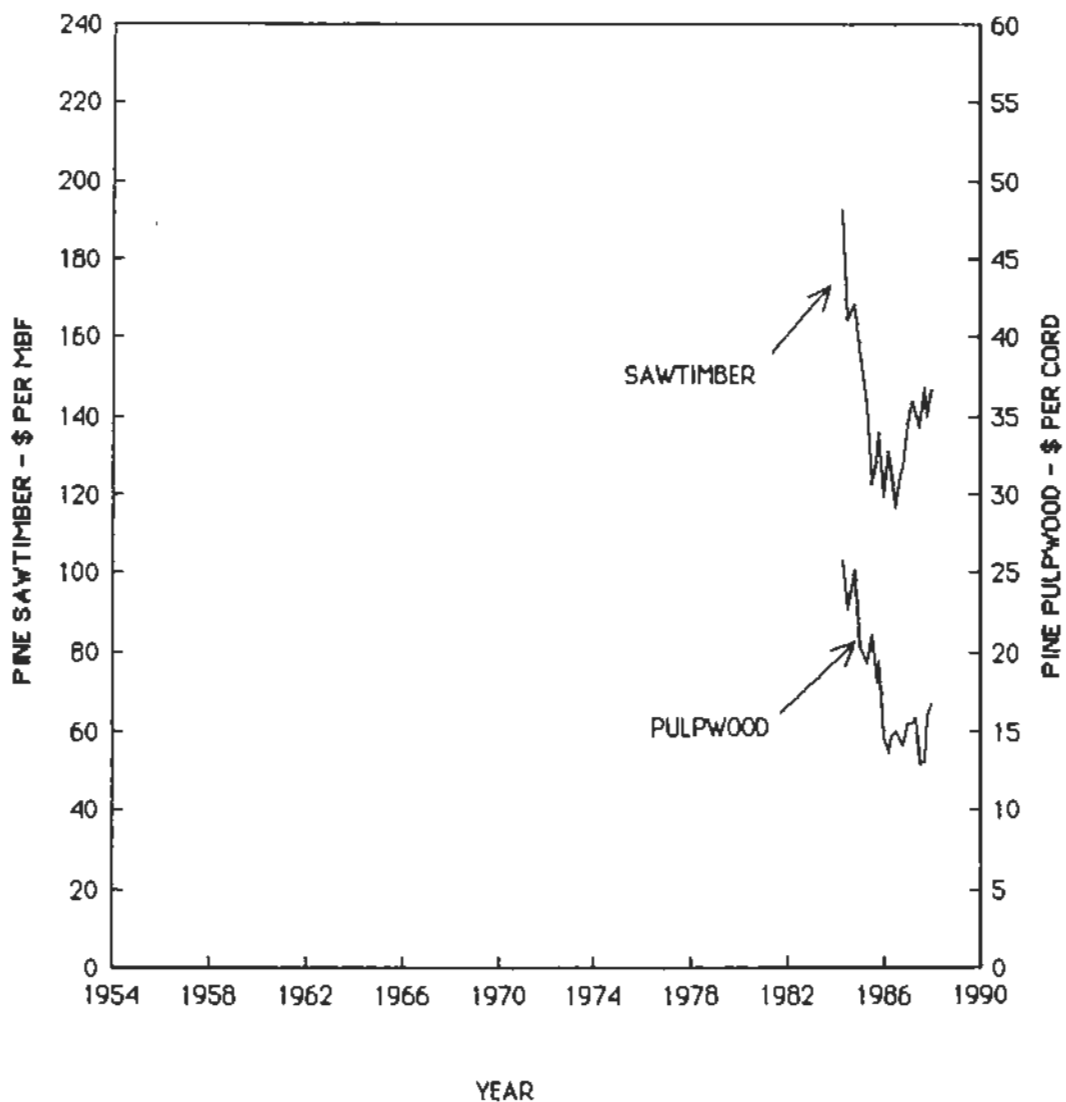


FIG. 1. PINE STUMPAGE PRICE TRENDS FOR EAST TEXAS  
 BASED ON TEXAS FOREST SERVICE DATA 1984-87.

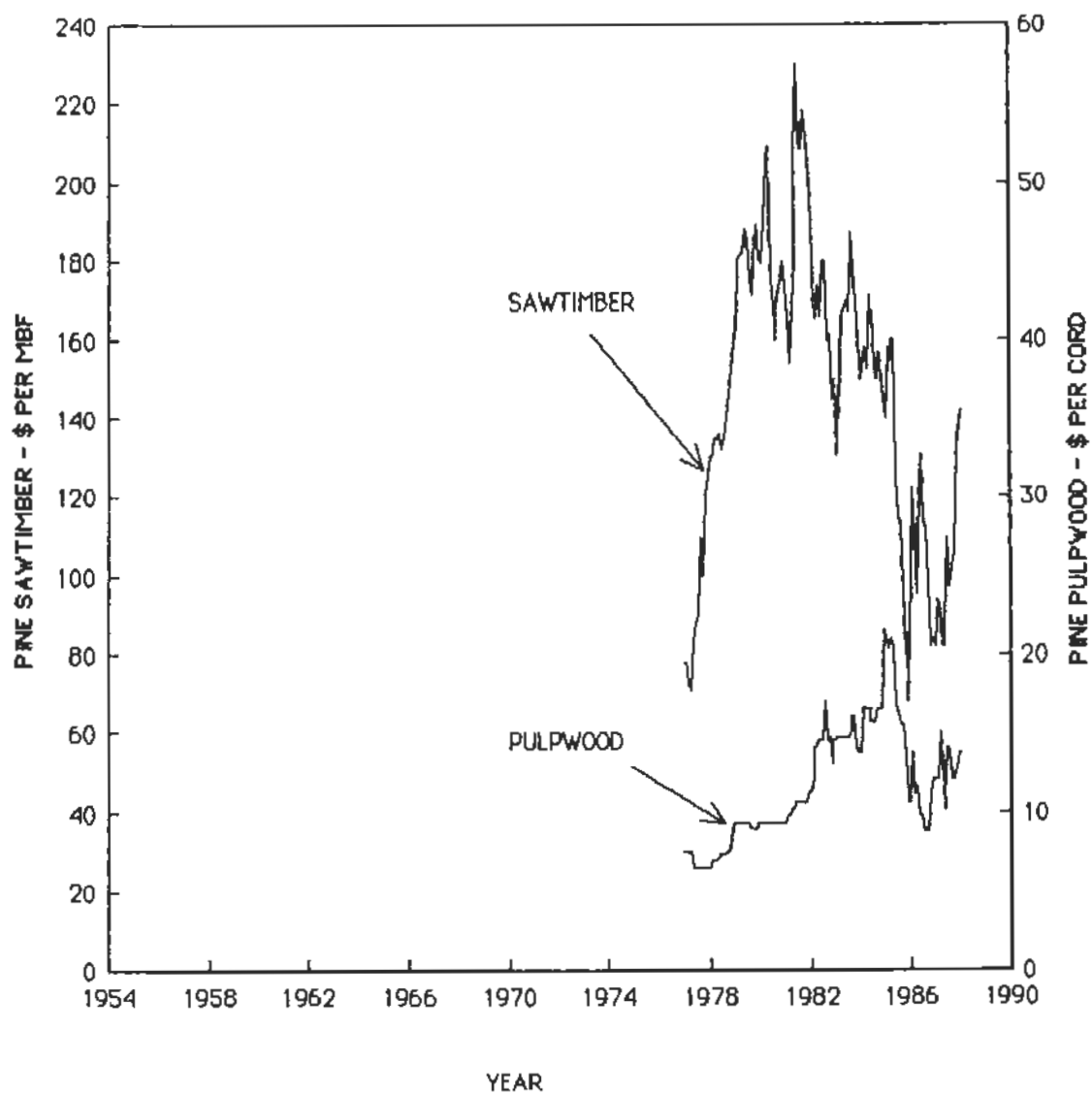


FIG. 2. PINE STUMPAGE PRICE TRENDS FOR EAST TEXAS  
 BASED ON TIMBER MART-SOUTH DATA 1977-87.



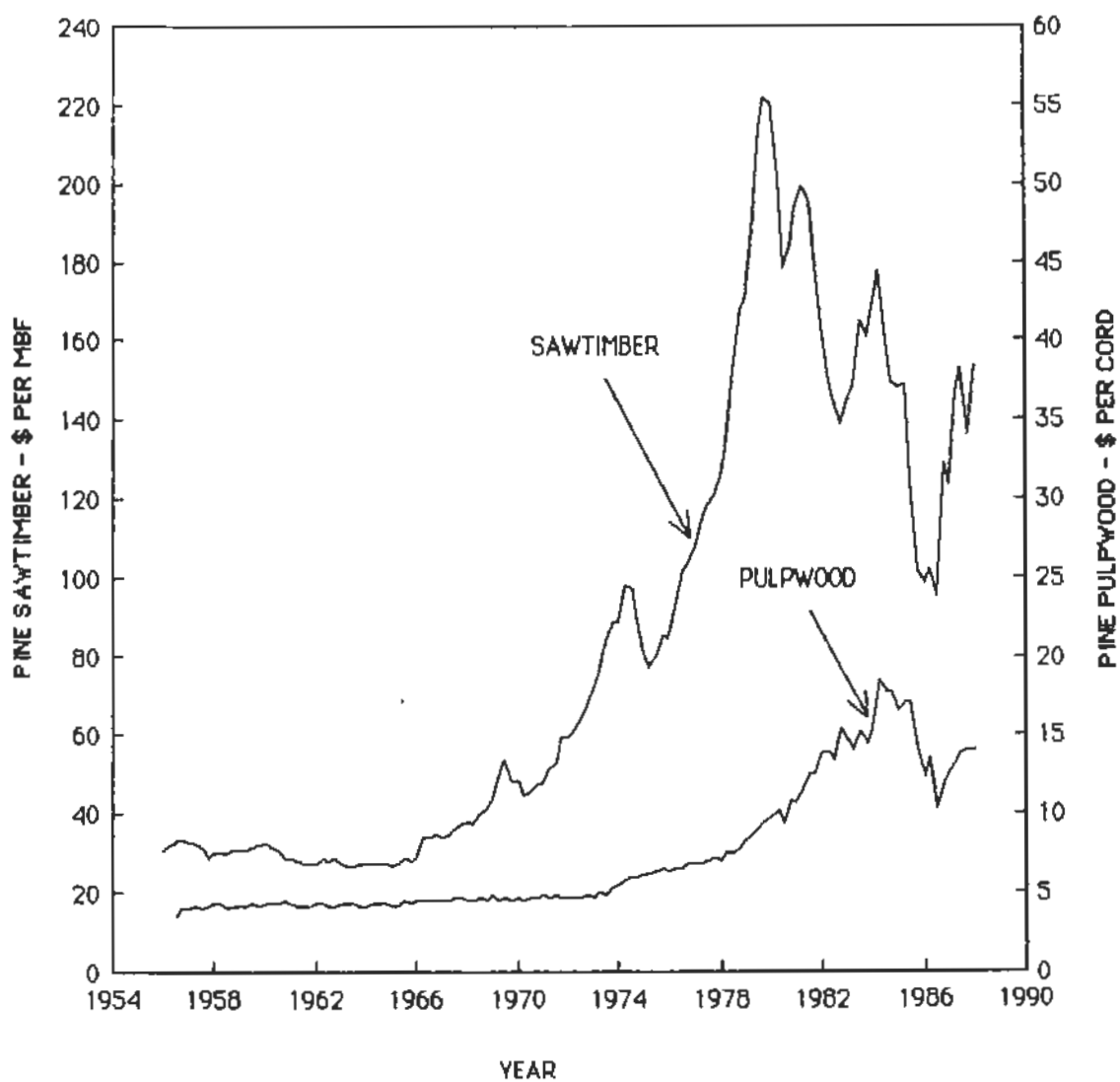


FIG. 3. PINE STUMPAGE PRICE TRENDS FOR LOUISIANA  
 BASED ON LOUISIANA DEPT OF AGRICULTURE DATA 1956-87.

## 1987 PINE STUMPAGE PRICE TRENDS

Table 1 shows stumpage price values during 1987. Values, as reported by the three services for each of the two products, have been rounded to the nearest whole dollar.

East Texas pine sawtimber prices as reported by Texas Forest Service decreased during the first half of 1987 and then increased during the latter half of 1987, and Timber Mart-South indicated a similar trend. It should be noted that Timber Mart-South prices seem to be unusually low at the beginning of 1987. For our neighboring state, Louisiana pine sawtimber prices seesawed through a \$18 dollar range from \$136 to \$154.

In general, East Texas pine pulpwood prices rose during 1987.

## REVIEW OF 1987 PROGNOSTICATION

At the beginning of 1987 in ETPPRP Report No. 14, we projected that stumpage prices during the first six months of 1987 would either be stable or slightly lower, and then for the latter part of 1987, prices would increase.

According to the prices listed in Table 1, it appears that we more or less hit it right on the button.

Table 1. Pine stumpage prices during 1987 as reported by three sources: Texas Forest Service (TFS) and Timber Mart-South (TMS) for East Texas and Louisiana Department of Agriculture (LDA) for Louisiana. Prices have been rounded to nearest whole dollar.

Month	Pine Sawtimber - \$/mbf			Pine Pulpwood - \$/cord		
	TFS	TMS	LDA	TFS	TMS	LDA
January		\$94			\$12	
February	\$144	91		\$15	15	
March		82	\$147		13	\$13
April	141	82		16	10	
May		87			11	
June	137	110	153	13	14	14
July		97			14	
August	148	102		13	12	
September		106	136		12	14
October	140	132		16	13	
November		138			14	
December	147	142	154	17	14	14

## 1988 PROGNOSTICATION

This time in this section, both Dr. Lenhart and Dean Adair, gazed into their respective crystal balls and developed the following prognostications of the expected direction of stumpage prices for Texas pine timber during 1988.

### Dr. Lenhart's view is:

"The economy and financial markets in 1988 will be burdened by leftovers from the past. Concerns about Federal budget deficits, foreign trade deficits and the decline in the value of the US dollar may influence East Texas pine sawtimber and pulpwood stumpage prices during 1988. However, consumers are expected to continue spending at increased levels in 1988.

"As a result of these contrasting trends, a modest inflation with a sluggish, slow-growth economy may occur during 1988. If consumer prices do rise, demand for solid wood products may decrease with a subsequent decrease in stumpage prices for pine sawtimber. However, pine pulpwood stumpage prices may not be affected by these economic forces.

"By the end of 1988, pine sawtimber stumpage prices may decrease from around the current \$140-150/mbf range to about the \$120/mbf level.

"During 1988, pine pulpwood prices should maintain a \$16-18/cord range."

### Dean Adair's view is:

"Population growth should continue in Texas albeit at a slower rate than in recent years. Also, the Texas economy is beginning to show signs of recovery and, by the end of 1988 may be a fully participating partner in the economic boom that has been experienced in the rest of the United States for the past five years; the longest sustained growth period in the history of the United States.

"The wood products industry also enjoyed one of the best years in 1987 with only negligible increases in stumpage prices. This is because a change in the composition

of the industry plus improved efficiency has allowed it to produce more with less. For example, the composite Value of Shipments grew 45 percent more than the Consumer Price Index during the period 1972-1984 and Value Added grew 38 percent more than the CPI during the same period. And this was accomplished using only 33 percent more wood.

"This implies more efficient utilization of each harvested tree. As a result, sawtimber stumpage prices have not increased as rapidly as product values. It also indicates that this is in the past, and there is no assurance that the industry can continue to "get more from less" in the future.

"As the demand for wood continues to grow in Texas, it is reasonable to expect that pine stumpage prices are now in a position to increase. This is particularly true in the pine sawtimber market, where industry expansion (new mills) is expected to exert a positive influence on stumpage prices. A positive pressure on pine pulpwood stumpage prices may not occur.

"As a result, the prognostication for 1988 is for stability or a slight increase in pine pulpwood stumpage prices and moderately increasing pine sawtimber stumpage prices with the potential for rapidly increasing prices in some geographic areas or spot markets.

"By the end of 1988, pine sawtimber stumpage prices may be in the \$170-180/mbf range, and pine pulpwood stumpage prices may range from \$17-18/cord.

"But, if the southern pine beetle returns during 1988 and provides an unwanted massive supply of salvage timber, pine stumpage prices will probably be depressed."