

The Big Log Project: Potential Ways of Action for Improving Markets for Large Logs

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Description: This project was motivated by the depressed market situation of large logs (> 30" in diameter) in the state of Oregon. Our overall goal was to determine ways to increase the profitability of growing large diameter logs by private non-industrial timberland owners. The three specific objectives were:

1. Develop a statewide log and timber buyer database
2. Assess existing large log supply from private lands in Oregon
3. Conduct market research to help identify, enhance, and develop markets for large logs

Methods: In person interviews, literature review

Data Source: 30 interviews with processors, landowners, and other experts

Key Findings:

- A huge volume of large logs exists in private lands of Oregon
- A strong correlation exists between lumber and log prices in the Oregon marketplace during the 90's
- **Potential actions that benefit landowners**
 - Emphasize consultant foresters and associations
 - Create a corporation of forest landowners
- **Potential actions that benefit processors**
 - Secure supply by creating a joint venture with a corporation of landowners
 - Create a research fund for Colleges of Architecture

Oregonian forest landowners face a complicated situation. The price of their large, second-growth Douglas-fir logs (typically 80 years old or less) have plunged. This development may mean that many private landowners opt for liquidation of their older, larger trees in order to offset the risk of even lower prices for their large logs in the future. On the other hand, processors also confront great challenges, as the marketplace is totally different than ten years ago, with global competitors, new substitute products, and consolidation of the industry, to name a few.



Both landowners and processors can maintain their strategies and hope for adequate market evolution. But perhaps a better option is to take proactive action, as the Oregon Business Plan advises

(<http://www.oregonbusinessplan.org>).

We decided to focus the study on 3 species (Douglas-fir, western hemlock and ponderosa pine) and collected information from academic papers, commercial articles, conference talks, and 30 in-person interviews, for attaining the three main objectives already referred at the beginning.

Develop a statewide log and timber buyer database

The log and timber buyer database encompasses contact information and log requirements (species of interest, length requirements, minimum small-end diameter, maximum large-end diameter, and preferred diameter) of more than 200 companies: <http://www.cof.orst.edu/cof/extended/extserv/log.html>

Assess existing large log (>30") supply from private lands in Oregon

The net volumes of sawtimber, Scribner scale, in the target diameter (>29") including all private and public lands of Oregon, except areas in the National Forest System and/or Bureau of Land Management (BLM)*, are the following for Eastern and Western Oregon

Eastern Oregon sawtimber (>29") outside of national forests	
Douglas-fir	0.37 billion bf
western hemlock	0.00 billion bf
ponderosa pine	0.74 billion bf
Western Oregon sawtimber (>29") outside of national forests and BLM	
Douglas-fir	6.91 billion bf
western hemlock	0.44 billion bf
ponderosa pine	0.11 billion bf

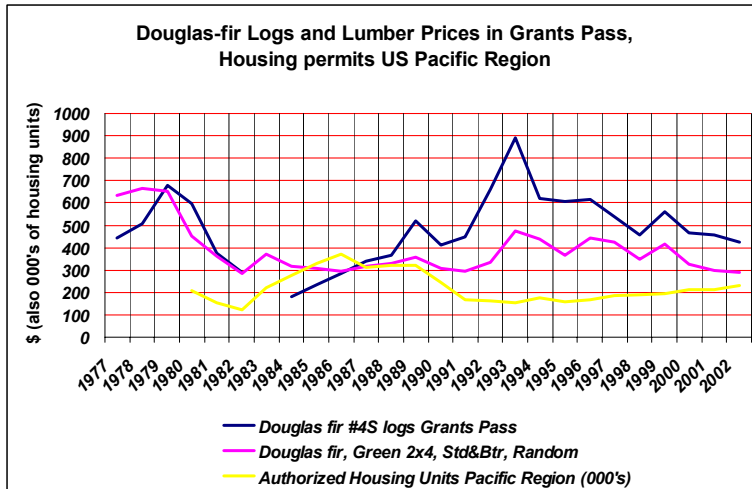
* Eastern and Western Oregon inventories are slightly different as Western Oregon excludes Bureau of Land Management Land, while Eastern Oregon does not.

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Regarding log and lumber prices, most existing reports have not adjusted for inflation (about 300% the last 25 years!). We did adjust our data for inflation and determined that there is a strong correlation between lumber and log prices in the Oregon marketplace during the 90's. The difference between log and lumber prices has held quite constant during those years (see chart). This

Conduct marketing research to help identify, enhance, and develop markets for large logs

The marketing research identified several potential actions that both processors and landowners can carry out in order to improve the profitability of their operations. Those potential actions are portrayed on the figure.

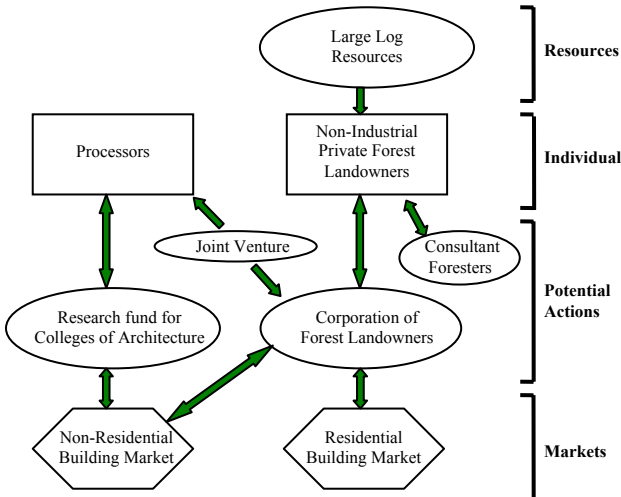


First, forest landowners can seek advice from a consultant forester. The consultant can recommend the best land management and marketing practices to follow. Another option is a corporation of forest landowners. Important tasks of this corporation would be educating landowners regarding their silvicultural options (for example, short rotations for commodity products), creating a log sort yard, and developing a joint venture with a processor. The joint venture secures raw material supply for the processor, while the corporation secures demand for at least a portion of log production. The corporation would help landowners with the price of commodity products, but

characteristic is true for any species or area of the state. Thus, log and lumber markets in Oregon tend to be transparent, with no price manipulation by any member of the marketplace, as lower or higher lumber prices trigger lower or higher log

individual landowners may still try niche markets for their fine grain logs, or logs with a special figure or pattern. So, for landowners: **education to survive, specialty products to thrive.**

Processors face a somewhat less complicated situation, as remaining sawmills that still desire large logs have specialized in certain products. Still, they can secure supply by developing a joint venture with a corporation of landowners. They can also grow the pie, by fostering wood use in non-residential applications. A potential action is the creation of a research fund for Colleges of Architecture of the Pacific Northwest. Future architects would develop non-residential applications of indigenous wood species of the Pacific Northwest. Wood is used sparingly in non-residential construction, a \$400 billion/year market, compared with a \$250 billion/year residential market. So, for processors: **develop new markets by nurturing professional groups with a wood taste.**



prices with a delay of 3 months or less.