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Midsouth Pulpwood Prices, 1988

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SUMMARY

In 1988, the average price per cord of Midsouth roundwood pulpwood was $49.21, an increase of approximately 4 percent since 1987. The average price per green ton of chipped residues fell 3 percent to $20.99. The total expenditure by Midsouth pulpmills for pulpwood increased about one-half percent to $1,569 million in 1988. However, the real prices, in terms of 1979 dollars, for all categories fell between 1979 and 1988. Only hardwood roundwood experienced an increase in real prices from 1987 to 1988.

Keywords: Chipped residues, expenditure, roundwood.

Demand for Midsouth pulpwood increased slightly in 1988 due to increased domestic use of pulp and paper products, greater exports of these products, and stable interest rates. The increased demand was evidenced by a one-half percent increase for pulpwood expenditures by mills operating in the Midsouth. Since pulpwood receipts remained stable, the increased expenditure was due to higher prices for pulpwood.

Overall prices for Midsouth roundwood pulpwood increased almost 4 percent from 1987 to 1988 (table 1). Softwood prices increased less than 1 percent while hardwood prices increased almost 5 percent. Since the early 1980's, many of the mill improvements and expansions have aimed to increase not only pulp production but also the proportion of hardwood in the pulp furnish. At the same time, export markets for roundwood chips developed. These two factors have combined to increase competition, and, therefore, prices for hardwood. On the other hand, the stability of softwood prices reflects the relatively steady demand for softwood pulpwood. Over the years, the amount of softwood used in the pulp furnish has increased, but the rate of increase for softwoods has been less than the rate of increase for hardwoods.

Table 1—*Trends in average prices per cord for Midsouth roundwood*

Year	All species	Softwood	Hardwood
	Dollars		
1979	38.11	40.09	33.92
1980	41.23	43.31	36.69
1981	46.25	50.44	39.48
1982	48.12	52.89	39.79
1983	48.38	53.03	40.09
1984	50.55	55.26	41.10
1985	50.12	54.44	41.68
1986	47.20	50.50	41.31
1987	47.47	51.00	41.71
1988	49.21	51.27	43.62

In contrast to roundwood, prices for chipped residues fell 3 percent from 1987 to 1988 (table 2). The price for softwood residues fell about 2 percent while the price for hardwood residues tumbled over 7 percent from 1987 to 1988. Lower prices for residues may be partly due to increased supplies of roundwood. To some degree, chipped residues compete with roundwood for a portion of the pulpwood market. Because competition for roundwood is less keen than for the limited supply of chipped residues, roundwood is less expensive. Recent mill improvements aimed at increasing hardwood utilization expanded the market for low-quality, low-priced roundwood. Trees that would have been left in the woods a few years ago are now used for pulpwood. Because low-quality roundwood is less expensive, it has replaced a portion of the chipped residues in the pulp furnish, decreasing demand, and, therefore, prices for chipped residues.

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Table 2—*Trends in average prices per green ton for Midsouth chipped residues*

Year	All species	Softwood	Hardwood
	Dollars		
1979	17.49	18.37	15.02
1980	19.75	21.08	15.69
1981	24.31	26.12	19.91
1982	25.72	27.95	20.78
1983	23.34	24.47	18.76
1984	25.44	26.61	22.31
1985	21.97	22.88	19.31
1986	21.77	22.98	19.23
1987	21.64	22.29	20.06
1988	20.99	21.84	18.56

It is evident from tables 1 and 2 that pulpwood prices have generally risen since 1979. But, when the effects of inflation are taken into account, real pulpwood prices have decreased (table 3). In terms of 1979 dollars, no category of pulpwood has a price as high as 10 years ago. Only hardwood roundwood real prices are higher in 1988 than in 1987. Increased mechanization in harvest operations, increased utilization of low-quality roundwood, and stable fuel prices have combined to decrease the real prices for pulpwood.

The average prices for truck delivery of both softwood roundwood and chipped residues increased by less than 1 percent from 1987 to 1988 (table 4). Prices for truck delivery of hardwood roundwood increased about 2 percent while the price for chipped hardwood residues fell over 6 percent. The price for rail delivery of both softwood and hardwood roundwood decreased slightly while the price for chipped hardwood residues increased nominally (table 5). However, the price for rail delivery of chipped softwood residues fell over 9 percent.

Slightly higher demand increased the 1988 Midsouth pulpwood expenditure to $1,569 million, about one-half percent greater than in 1987. Expenditures for softwood accounted for approximately 69 percent of the total. Roundwood receipts were about 65 percent of the total expenditure, while chipped residues accounted for about 35 percent.

The prices reported are based on an annual survey of prices paid for pulpwood by Midsouth pulpmills. Thirty-eight mills, accounting for 54 percent of the total expenditure, responded to the 1988 survey. All reported prices are for deliveries to the pulpmill, mechanized yard, or railsiding. Freight, woodyard overhead, and similar expenses were not included. All average prices are for standard units—cords for roundwood, green tons for wood residues. When necessary, prices from mills reporting prices for nonstandard units were converted to prices for standard units using regional conversion factors.

Table 3—*Trends in real prices per cord for Midsouth roundwood and chipped residues*

Year	Softwood		Hardwood	
	Roundwood	Chips	Roundwood	Chips
	1979 Dollars*			
1979	40.09	42.25	33.92	34.55
1980	39.72	44.46	33.65	33.09
1981	42.18	50.24	33.01	38.29
1982	41.57	50.53	31.27	37.56
1983	40.12	42.58	30.33	32.64
1984	40.25	44.58	29.94	37.38
1985	38.38	37.09	29.38	31.31
1986	34.61	36.22	28.31	30.31
1987	34.12	34.30	27.90	30.86
1988	33.22	32.55	28.26	27.66

* Real prices based on "Implicit Price Deflators for Gross National Product 1929–1989" in: U.S. President. 1990. The Economic Report of the President to the Congress. Washington, DC: U.S. Government Printing Office. 419 p.

Table 4—*Average price for truck delivery of roundwood and chipped residues*

Year	Softwood		Hardwood	
	Roundwood*	Chips†	Roundwood*	Chips†
	Dollars			
1979	41.33	19.22	35.21	14.89
1980	45.36	21.75	38.81	15.80
1981	52.12	26.21	40.38	20.08
1982	54.33	28.38	40.10	20.77
1983	54.35	25.55	41.02	17.15
1984	57.10	28.01	43.24	20.79
1985	56.64	23.18	44.07	19.54
1986	51.66	23.65	40.30	19.19
1987	52.26	22.63	43.09	19.78
1988	52.52	22.68	43.88	18.49

* Price per cord.
† Price per green ton.

Table 5—*Average price for railsiding delivery of roundwood and chipped residues*

Year	Softwood		Hardwood	
	Roundwood*	Chips†	Roundwood*	Chips†
	Dollars			
1979	38.90	18.01	32.90	15.10
1980	41.95	19.70	35.12	15.06
1981	48.27	26.05	37.52	19.62
1982	50.19	27.43	38.78	20.80
1983	50.85	23.38	38.20	21.03
1984	52.31	24.12	37.67	25.85
1985	51.57	22.33	38.35	18.74
1986	47.42	20.96	44.39	19.41
1987	48.37	21.38	40.03	20.98
1988	48.06	19.41	39.95	21.00

* Price per cord.
† Price per green ton.

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