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Midsouth Pulpwood Prices, 1985

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SUMMARY

In 1985, the average price for a cord of Midsouth roundwood was $50.12, a decrease of less than 1 percent from the 1984 price. In contrast, the average price for a green ton of chipped residues decreased to $21.97, 14 percent below the price paid in 1984. The average price for a green ton of sawdust also fell in 1985, dropping 2 percent to $10.60. The 1985 expenditure for Midsouth pulpwood fell 10 percent to $1,470 million.

Keywords: roundwood, chipped residues, sawdust.

In response to the principle of supply and demand, Midsouth pulpwood prices decreased in 1985. A strong American dollar in 1985 restrained pulp and paper export markets while it intensified competition within domestic markets. The result was a decline in the demand for pulp and paper products with a consequential decline in the demand for pulpwood, as evidenced by the 4-percent drop in Midsouth pulpwood production in 1985. Further aggravating the impact of lower demand on Midsouth pulpwood prices was an oversupply of roundwood available as pulping fiber. Overcapacity in the lumber and veneer sectors, spurred by an exchange rate favoring Canadian imports, caused saw and veneer mills to reduce or cease production, thus releasing additional amounts of roundwood onto the pulpwood markets. In addition, the salvaged roundwood from southern pine beetle spots in Texas, Louisiana, and Mississippi overwhelmed local pulpwood markets. This oversupply of pulpwood, in combination with the reduced demand for pulp and paper products, explains the slip in Midsouth pulpwood prices in 1985.

The prices associated with the three major sources of Midsouth pulpwood (roundwood, chipped residues, and sawdust) generally reflect the down market for Midsouth pulpwood in 1985. On the whole, the price of Midsouth roundwood pulpwood (the source of 64 percent of the Midsouth's fiber needs) fell slightly in 1985, down 1 percent from the 1984 price. Softwood and hardwood roundwood prices fluctuated within 1 percent of 1984 prices (table 1). Similarly, the prices for roundwood delivered by truck and rail also hovered at 1984 levels, fluctuating by plus or minus 2 percent (tables 2, 3). The difference between truck and rail prices reflects the additional costs of transporting pulpwood from the rail siding to the

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

Year	All species	Softwood	Hardwood
	Dollars		
1977	30.35	31.42	28.10
1978	32.10	33.15	30.35
1979	38.11	40.09	33.92
1980	41.23	43.31	36.69
1981	46.45	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

Table 2.—*Average price for truck delivery of roundwood and chipped residues*

	Softwood		Hardwood	
Year	Roundwood[a]	Chips[b]	Roundwood[a]	Chips[b]
	Dollars			
1977	31.47	13.82	29.43	10.57
1978	33.15	14.28	30.94	12.09
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 (21.37)[b]	23.18	44.07 (16.03)[b]	19.54

[a]Price per cord.
[b]Price per green ton.

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Table 3.—*Average price for rail siding delivery of roundwood and chipped residues*

Year	Softwood		Hardwood	
	Roundwood[a]	Chips[b]	Roundwood[a]	Chips[b]
	Dollars			
1977	31.38	13.34	27.08	11.03
1978	33.16	14.87	29.98	12.50
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 (19.46)[b]	22.33	38.35 (13.95)[b]	18.74

[a]Price per cord.
[b]Price per green ton.

mill yard. Notably, all softwood roundwood prices fell in 1985, and all hardwood roundwood prices gained in 1985. This may be attributed to the additional influx of softwood roundwood from southern pine beetle salvage operations, which compounded the existing softwood pulpwood oversupply situation in the Midsouth.

In contrast to the minor fluctuations in roundwood prices, the prices for chipped residues, which furnished 35 percent of the Midsouth's fiber requirements, fell sharply in 1985. The price declines since 1984 approached 14 percent for each chipped residue species grouping (table 4). Both truck and rail delivery prices for chipped residues also showed considerable losses, with reductions ranging up to 28 percent for rail delivery of hardwood chips (tables 2, 3). These dramatic price declines may have been due in part to an oversupply of chips caused by sawmills chipping lower grade logs in response to the oversupplied lumber markets in 1985. When compared on an equivalent weight basis by truck or rail delivery, chip prices are higher than roundwood prices (tables 2, 3). The difference between the equal weight prices for chips and roundwood is an indication of the additional costs of debarking, chipping, handling, and transporting chipped residues.

The average price of sawdust fell by 2 percent in 1985, but the prices by species group showed gains (table 5). The price of softwood sawdust climbed 10 percent above the 1984 price and the price of hardwood sawdust climbed 29 percent above the price paid in 1983, the last year a hardwood sawdust price was reported. Although these gains were substantial, sawdust and other residues only constituted about 1 percent of the Midsouth's pulpwood receipts and expenditures in 1985.

Table 4.—*Trends in average price per green ton for Midsouth chipped residues*

Year	All species	Softwood	Hardwood
	Dollars		
1977	12.96	13.46	10.93
1978	14.09	14.66	12.28
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	18.73
1984	25.44	26.61	22.31
1985	21.97	22.88	19.31

Table 5.—*Average price per green ton for Midsouth sawdust, 1981–1985*

Year	All species	Softwood	Hardwood
	Dollars		
1981	8.19	8.42	4.94
1982	9.17	9.96	8.42
1983	13.04	14.80	7.78
1984	10.79	10.79	.....[a]
1985	10.60	11.92	10.00

[a]Prices were not reported for hardwood sawdust in 1984.

Due to lower pulpwood demand and slumping prices, the expenditure for pulpwood in the Midsouth fell to $1,470 million, a 10-percent decline from the 1984 expenditure of $1,641 million. Approximately three-quarters of the total expenditure was applied toward the purchase of softwood fiber. Roundwood purchases accounted for approximately two-thirds of the entire expenditure, twice the amount expended for chipped residues.

The average prices reported are based on an annual survey of prices paid for pulpwood by Midsouth pulpmills. Forty-four mills, accounting for 75 percent of the pulpwood receipts in the Midsouth region, responded to the survey in 1985. All prices reported are for deliveries to the pulpmill, mechanized yard, or rail siding and do not include freight, woodyard, overhead, or similar expenses. All prices are in standard units—cords for roundwood and green tons for by-products. When necessary, prices from mills reporting in nonstandard units were converted to standard units using regional conversion factors.

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