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Midsouth Pulpwood Prices, 1986

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SUMMARY

In 1986, the average price for a cord of Midsouth roundwood was \$47.20, a decrease of 6 percent from the 1985 price. The average price for a green ton of chipped residues also decreased, down 1 percent to \$21.77. The average price for a green ton of sawdust fell to \$10.25, 3 percent below the 1985 price. Between 1977 and 1986, real prices for roundwood fell, but real prices for softwood chips remained stable and increased for hardwood chips. The expenditure for wood fiber in the Midsouth increased 5 percent to \$1,546 million in 1986.

Keywords: roundwood, chipped residues, sawdust.

Demand for domestic pulp and paper products made a resurgence in 1986. A devalued American dollar expanded export markets, while it reduced competition in domestic markets by restraining imports. Also, lower interest rates in 1986 aided this resurgence by strengthening domestic consumer markets. These market conditions, plus recently completed mill improvements, augmented the competitiveness of domestic pulp and paper products, resulting in increased demand.

The heightened demand for pulp and paper products was expressed regionally as a 9-percent increase in Midsouth pulpwood receipts. Contrarily, this rise in pulpwood demand did not translate into a rise in Midsouth pulpwood prices in 1986, which suggests that a regional oversupply of pulpwood still existed from the glutted markets of 1985. As a result, prices for the two major sources of Midsouth pulpwood, roundwood and chipped residues, continued the fall that began in 1985.

The average price for roundwood pulpwood fell 6 percent below the 1985 price (table 1). The price of softwood roundwood fell slightly more than 7 percent

in 1986, while the price of hardwood roundwood fell less than 1 percent. A possible explanation could be the continued impact of southern pine beetle salvage operations on the softwood pulpwood supply situation in the Midsouth.

In contrast to the decline in roundwood prices, chipped residue prices were relatively stable in 1986. The price of chipped residues for all species fell less than 1 percent below the 1985 price (table 2). Softwood and hardwood chip prices fluctuated within 1 percent of 1985 levels. The continued demand for this limited supply of pulping fiber may explain the relatively stable prices of chipped residues in 1986.

Over the 10-year period from 1977 to 1986, the rise in pulpwood prices (tables 1 & 2) was generally due to the effects of inflation. The real prices in 1977 dollars for both softwood and hardwood roundwood actually decreased (table 3). In comparison, the real prices for softwood chips remained stable over the period, while those for hardwood chips increased. Generally, chipped residues also commanded higher real prices than roundwood. The difference in price between chips and roundwood is a reflection of the additional costs of debarking, chipping, handling, and transport-

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	55.28	41.10	
1985	50.12	54.44	41.68	
1986	47.20	50.50	41.31	

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Table 2.—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
1986	21.77	22.89	19.23

Table 3.—Trends in real price per cord for Midsouth roundwood and chipped residues

Year	Softwood		Hardwood	
	Roundwood	Chips	Roundwood	Chips
-----1977 Dollars-----				
1977	31.42	30.96	28.10	25.14
1978	30.90	31.43	28.29	26.32
1979	34.33	36.18	29.04	29.58
1980	34.01	38.07	28.81	28.34
1981	36.11	43.02	28.27	32.78
1982	35.59	43.27	26.78	32.16
1983	34.35	36.46	25.97	27.91
1984	34.47	38.17	25.63	32.00
1985	32.86	31.76	25.16	26.80
1986	29.68	30.95	24.28	26.00

¹Real prices based on "Gross National Product implicit price deflators," reported in: U.S. Department of Commerce, Bureau of the Census. Statistical Abstract of the United States: 1987. (107th edition) Washington, D.C.

ing chipped residues. However, the variability in the price differences suggests that pulpwood supply and demand factors also influenced the price differences. Therefore, the average price difference over the 10-year period should aid in providing a better estimate of the additional costs associated with chipped residues. These additional costs averaged to \$2.66 per cord for softwood and \$1.67 per cord for hardwood.

The price breakdown by delivery method (tables 4 & 5) shows dramatic price fluctuations since 1985, ranging from a 9-percent drop in the price of softwood roundwood delivered by truck to a 16-percent rise in the price of hardwood roundwood delivered by rail. Generally, truck delivery prices for roundwood and chipped residues, \$47.48 per cord and \$22.19 per green ton, still exceeded rail delivery prices, \$46.41 per cord and \$20.58 per green ton. The difference between

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

Year	Softwood		Hardwood	
	Roundwood ¹	Chips ²	Roundwood ¹	Chips ²
-----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	23.18	44.07	19.54
1986	51.66	23.65	40.30	19.19

¹Price per cord.

²Price per green ton.

Table 5.—Average price for rail siding delivery of roundwood and chipped residues

Year	Softwood		Hardwood	
	Roundwood ¹	Chips ²	Roundwood ¹	Chips ²
-----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	22.33	38.35	18.74
1986	47.42	20.96	44.39	19.41

¹Price per cord.

²Price per green ton.

the truck and rail prices reflects the cost of transporting pulpwood from the rail siding to the mill yard.

Only hardwood sawdust prices were reported in 1986. The average price per green ton was 2.5 percent higher than that paid in 1985 (table 6).

Because of the heightened pulpwood demand, the expenditure for pulpwood in the Midsouth climbed to \$1,546 million in 1986, a 5-percent increase over the 1985 expenditure of \$1,470 million. Softwood purchases accounted for 70 percent of the total expenditure. Roundwood purchases accounted for slightly less than two-thirds of the entire expenditure, twice the amount expended for chipped residues. Other residue expenditures accounted for less than 1 percent of the total expenditure.

The average prices reported are based on an annual survey of prices paid for pulpwood by Midsouth

pulpmills. Forty-two mills, accounting for 70 percent of the pulpwood receipts in the Midsouth, responded to the 1986 survey. All prices reported are for deliveries to the pulpmill, merchandized yard, or rail siding and do not include freight, woodyard, overhead, or similar expenses. All prices are for standard units—cords for roundwood and green tons for wood residues. When necessary, prices from mills reporting in nonstandard units were converted to prices for standard units by using regional conversion factors.

Table 6.—Average price per green ton for Midsouth sawdust, 1981-86

Year	All species	Softwood ¹	Hardwood ²
	-----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	...
1985	10.60	11.92	10.00
1986	10.25	...	10.25

¹Prices not reported for 1986.

²Prices not reported for 1984.