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Midsouth Pulpwood Prices, 1987

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SUMMARY

In 1987, the average price per cord of Midsouth pulpwood was \$47.47, an increase of less than 1 percent from the 1986 price. The average price per green ton of chipped residues decreased less than 1 percent to \$21.64. The average price of other residues remained at \$10.25 per green ton. The total expenditure for pulpwood in the Midsouth increased approximately 1 percent to \$1,561 million in 1987. The real prices for roundwood and softwood chips fell between 1978 and 1987, while the real price for hardwood chips remained stable.

Keywords: chipped residues, expenditure, roundwood.

Increased exports of pulp and paper products, stable interest rates, and recently completed mill improvements and expansions combined to create a slightly higher demand for Midsouth pulpwood in 1987. In the region, this increased demand was evidenced by an increase in expenditures for pulpwood of approximately 1 percent since 1986. Because pulpwood prices generally remained stable, greater expenditures were due to increased pulpwood receipts.

The average price for roundwood pulpwood rose less than 1 percent in 1987 (table 1). The average price for both hardwood and softwood roundwood rose about 1 percent in 1987. One possible explanation for stable softwood prices is that beetle-killed wood is no longer flooding the pulpwood markets and driving prices down.

The average price for chipped residues fell less than 1 percent in 1987 (table 2). However, hardwood chip prices rose over 4 percent. A possible explanation is that mills have increased the amount of hardwood chipped residues used in the pulping

process, while the supply of quality hardwood chips has remained fairly constant. Competition, and therefore price, has increased for this limited resource. Conversely, softwood chip prices declined about 3 percent. This may be caused by an overabundance of chipped softwood residues.

As evident in tables 1 and 2, pulpwood prices have generally risen since 1978. But, when the effects of inflation are taken into account, real pulpwood prices, in terms of 1978 dollars, have decreased (table 3). Only hardwood chips commanded a 1987 real price as high as in 1978. In 1987, hardwood roundwood and softwood roundwood real prices fell almost 2 percent. Softwood chip real prices fell about 5 percent in 1987, while hardwood chip real prices increased over 3 percent.

A comparison of prices by delivery method indicated that prices remained stable for truck delivery of softwood roundwood and rail delivery of softwood roundwood and chipped residues (tables 4 and 5). In contrast, prices for rail delivery of hardwood roundwood fell over 9 percent, while prices for rail delivery of hardwood chips rose about 8 percent. Prices for truck delivery of hardwood roundwood and hardwood chips increased approximately 7 percent and 3 percent, respectively. The average price for truck delivery of softwood chips fell over 4 percent in 1987.

Only hardwood sawdust prices were reported in 1987. The average price for sawdust remained at \$10.25 per green ton (table 6).

Slightly higher demand increased the 1987 Midsouth pulpwood expenditure to \$1,561 million, approximately 1 percent larger than in 1986. Softwood expenditures accounted for nearly 70 percent of the total. Roundwood receipts accounted for 63 percent of the expenditure, while chipped residues accounted for just under 37 percent. The purchase of other

residues contributed less than 1 percent to the total expenditure.

The average prices reported are based on an annual survey of prices paid for pulpwood by Midsouth mills. Thirty-eight mills, accounting for more than 59 percent of the pulpwood receipts in the Midsouth region, responded to the 1987 survey. All reported prices are for deliveries to the pulpmill, mechanized

yard, or rail siding; freight, woodyard overhead, and similar expenses were not included. All average prices are for standard units—cords for roundwood and green tons for wood residues. When necessary, prices for mills reporting prices in nonstandard units were converted to prices for standard units using regional conversion factors.

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

Year	All species	Softwood	Hardwood
-----Dollar-----			
1978	32.10	33.15	30.35
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

Table 2.—Trends in average price per green ton for Midsouth chipped residues

Year	All species	Softwood	Hardwood
-----Dollars-----			
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	18.76
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

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

Year	Softwood		Hardwood	
	Roundwood	Chips	Roundwood	Chips
-----1978 dollars ¹ -----				
1978	33.15	33.72	30.35	28.24
1979	36.82	38.80	31.15	32.73
1980	36.49	40.84	30.91	30.40
1981	38.74	46.15	30.32	35.17
1982	38.18	46.42	28.73	34.51
1983	36.85	39.11	27.86	29.99
1984	37.04	41.02	27.55	34.39
1985	35.35	34.17	27.06	28.84
1986	31.96	33.46	26.14	28.88
1987	32.34	32.51	25.64	28.36

¹ Real prices based on "Implicit Price Deflators for Gross National Product 1929-1987" in: U.S. President. 1988. The Economic Report of the President to the Congress. Washington, DC: U.S. Government Printing Office. 374 p.

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

Year	Softwood		Hardwood	
	Roundwood ¹	Chips ²	Roundwood ¹	Chips ²
-----Dollars-----				
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
1987	52.26	22.63	43.09	19.78

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-----				
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
1987	48.37	21.38	40.03	20.98

¹Price per cord.

²Price per green ton.

Table 6.—Average price per green ton for Midsouth sawdust, 1981–1987

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
1987	10.25	10.25

¹Prices not reported for 1986 or 1987.

²Prices not reported for 1984.

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