

Fish or Cut Bait?

# Managing Your Woodlot

in Today's Forest Products Economy By Jack Savage



*Logger Mike Honkala operated this summer on the Forest Society's Dickinson Forest in Swanzey, where a significant stand of white pine was found to be suffering from pine canker. When it comes to deciding when and what to harvest, forest health and the long-term goals of a landowner should carry more weight than prices. Photo by Jack Savage.*

**How do you make a small fortune?** Start with a large one and become a tree farmer.

The old joke may be more apt than ever these days, as every segment of the timber industry has been staggered by the dramatic economic changes of the last year. At its simplest, the problem is a matter of a stunning drop in demand, driving stumpage prices down. Trying to parse the short- and long-term direction of wood markets reveals a far more complex set of influencing factors that make it challenging to predict the future.

So what should a woodlot owner do? In this down economy, what's the best forest management advice for any of the more than 11,000 private owners of forestland parcels in New Hampshire of at least 50 and fewer than 1,000 acres?

## Historical Perspective

How bad is it? To hear the talk around the landing, it's as bad as many have seen. One forester described prices as "...staggeringly poor compared to the peak we've been used to."

Prices, which vary by region, by species, and by grade, are in fact down. For example, this past summer the average price for a thousand board feet of white pine in central New Hampshire was down 15 percent from a year earlier, according to the "Market Pulse" from the New Hampshire Timberland Owners Association (NHTOA). The average price of sugar maple was down more than 20 percent, and hardwood pulp down more than 25 percent.

That said, segments of the market have been worse. "When the Berlin mill closed, pulp was in the low \$20s (per ton)," recalled Jasen Stock, executive director of NHTOA.

Sarah Smith, Forest Industry Specialist at UNH Cooperative Extension, tracks sawmill production in New Hampshire. Production peaked in 2000 at 350 million board feet, a level not seen in the state since 1952. Since then, the volume making its way through New Hampshire mills has declined to well below half of that—though the first half of this decade was still strong historically. Smith projects that 2009 volume will continue to shrink to some 150 million board feet—which is roughly the same as in 1960 (see graph).

It bears noting that wood harvested in northern New England often crosses state and international boundaries. Not all wood harvested in New Hampshire forests goes to New Hampshire mills, and vice-versa.

Combine lower prices with the overall volume of logs going to mills slowing down to a trickle, and it's clear that the dollars flowing from consumer to retailer to mill to logger and forester to landowner are severely reduced.

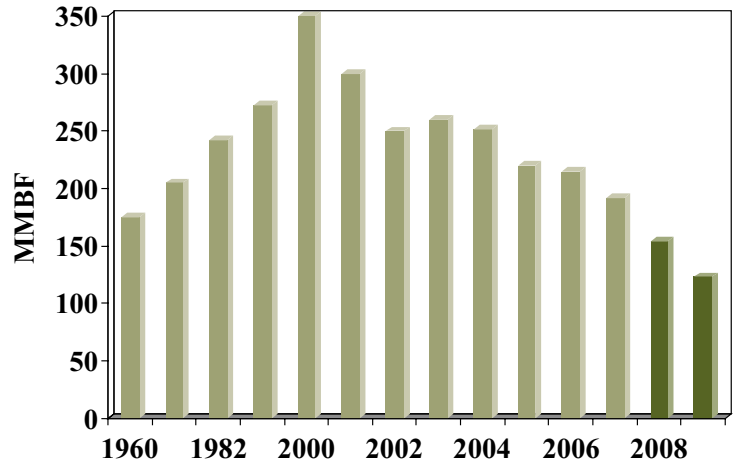
## Conventional Wisdom

Sounds like now is definitely not the time to be calling your consulting forester to arrange that harvest you both carefully planned for your woodlot, right? Well, the conventional wisdom would concur, following some pretty common-sense thinking along the lines of 'buy low, sell high.'

"Conventional wisdom says that if you can wait to harvest, then wait," said long-time forester George Frame, who works at the Forest Society as an easement steward. With timber prices depressed, a landowner who doesn't need the potential revenue today from a timber sale may well enjoy a better return sometime down the road.

After all, with the average New Hampshire woodlot growing half a cord per acre per year (this figure can vary depending upon the site, the species, and the level of forest management), waiting has the potential of generating more money per board foot on more board feet.

But Frame and other foresters point out that not only are there



*The volume of wood (in million board feet) flowing through sawmills in New Hampshire has declined significantly since 2000. (Volumes do not include wood harvested for the pulp or chip markets.) But the wood market is complex and can be driven by global market changes and consumption trends. Wood harvested in New Hampshire often goes to sawmills outside of the state, or even the country. Source: NH Division of Forests and Lands. Projections from Sarah Smith.*

exceptions to the conventional way of thinking, but woodlots are different enough that conventional wisdom often may not apply. They make the case that while this is certainly a painful downturn for the forest products industry, what's really happening is that the industry—driven by the market—is changing.

"I think there are opportunities to continue to work in the woods by changing the business model," said Frame. These changes may offer opportunities for forest landowners, too.

## Goals for the Land

Managing a woodlot is a long-term endeavor, and consulting foresters listen carefully to determine the long-term goals the owner has for his or her land. Which is to say that timber prices at any given moment very well may not be a factor in making forest management plans or decisions.

"I try to help forestland owners keep in mind the larger context of what stewardship is," said Jeremy Turner, a consulting forester with the Ecosystem Management Company, a division of Meadowsend Timberlands, Ltd.

"Be informed," suggested Turner. "Take the time to work with your consulting forester and learn about the bigger picture. The primary goal is a healthy forest."

To that end, the Forest Society—working with consulting forester Swift Corwin of Corwin and Calhoun Forestry, LLC—decided to proceed with the harvest of a significant stand of white pine at its Dickinson Forest despite the down market. One year ago, the fungus caliciopsis canker (pine canker) was discovered in the stand. After consulting with state forest entomologist Kyle Lombard, it was determined that the long-term health of Dickinson Forest would benefit from a significant cut to remove the infected trees.



*Now or later? Conventional wisdom says a woodlot owner might be better off waiting for prices to improve while the trees continue to grow. But waiting isn't without risk. Foresters counsel landowners to long-term goals their guide. Photo by Joyce El Kouarti.*

“We’re harvesting a bit more than we might have otherwise,” Corwin said. “The goal is to create some larger openings among the remaining trees to increase air flow, reduce moisture, and encourage regeneration.”

In response to the slower market, Corwin worked with logger Mike Honkala to harvest at a pace a local mill would handle.

If the long-term health of your own woodlot calls for some timber stand improvement (TSI), now may be an ideal time. TSI typically means harvesting lower-grade wood to release higher value trees, and there are still select markets for biomass chips and pulpwood. The consumer demand for wood pellets has that industry harvesting whole trees as well.

From the private landowner’s standpoint, the down market may make smaller TSI operations on smaller woodlots more viable. You may only be able to cover your costs and end up with some log-length firewood, but at least your consulting forester can get an appropriate logger with the right equipment for your operation to do the job.

## A Strategic Approach

So does it take a stand full of pine canker to upend conventional wisdom? Is the economy such that the only real option is to improve your woodlot and wait for better times? What if an owner of a significant woodlot can’t wait for the prospect of better timber prices? After all, taxes are still due, kids may be needing college tuition, or the roof of the barn may need replacing, and the only savings account may be tallied in board feet. What then?

And even if you can wait, how solid is that conventional wisdom? Traditionally, wood markets have been cyclical. “Conventional wisdom assumes that prices will return to where they were a couple of years ago,” said Jasen Stock. “But some sawmills and log buyers are questioning whether we’ll see those prices again.”

Then there’s the risk factor. There’s more than one story out there about ice storm damage devastating recently thinned woodlots, especially where the storm hit hard in the southwestern part of the state. So the landowner must gauge the risk: if I wait, what might I lose thanks to high winds, ice storms, or even disease? Should I take the bird in the hand?

In fact, there is wood going to market in today’s economy, and as Sarah Smith points out, some stumpage sales are still getting good prices. This is where the simplicity of a supply-and-demand explanation for today’s timber markets falls short. There are wood market opportunities you and your forester may be able to take advantage of—it all depends on your woodlot. It depends on where it’s located, the type and quality of wood that’s growing on it, and what it might take to harvest it.

Quality still sells. An unmanaged woodlot full of poor quality wood is still full of poor quality wood even if the landowner waits five or ten years to cut. Or a landowner may have a parcel well-stocked with a species that a nearby mill needs.

“I need white pine,” said Marcella Perry, general manager of Middleton Lumber, in late July. “In our yard today we only have half of the board feet I have orders for.”

Perry saw two reasons for the short-term pinch in her white pine supply. The first is good news: she’s seeing an uptick in housing renovation, which calls for dimensional pine. Second, all the rainy weather in early summer kept local loggers out of the woods—conditions weren’t right for harvesting, and the supply tightened up in the short term.

Today’s niche markets demand niche marketing. Go to a landing today, said Stock, and you’ll see more sorting than ever among the various species and grades from the harvest, each headed for a different buyer. For the landowner, the key is working closely with a forester to identify what can be harvested today at a profit, and what should be left—for another day or for wildlife, recreation, and aesthetics.

The best foresters will admit that if you ask ten of them their opinions, you’ll hear at least 12 different answers. The decision about whether to harvest now or later may be influenced by today’s prices, but ultimately depends on your goals as a landowner and the very specific attributes of the forest land you and your consulting forester manage. And while it may be confusing, just consider yourself lucky if you’re not also a dairy farmer.

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*Jack Savage is editor of Forest Notes and can be reached at [jsavage@forestsociety.org](mailto:jsavage@forestsociety.org).*