

A Log Purchasers Perspective on Buying Timber using Different Measurement Units.

Timber Measurement Society

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Here's the best advice on
how to figure out how
purchasers bid on timber
sales

Don't even bother,
because we can't either!!!

General Observations in Bidding

My Two Cents:

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Biggest concern for Mills in the Future:

Log Supply, Loggers and Truckers

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- Truckers are going to the Bakken oil Field
- Competition for logs is driving mills farther and farther away into areas we've never seen before:

Example: 200 mile trucking haul from Wyoming to railhead in MT, then an additional 427 rail trip.

Example: Mill in Livingston MT, set up a rail head in Missoula, and a mill in St. Regis set up a rail yard in Livingston. We used to get the question: “Why do I see loaded log trucks passing each other on the highway?”

Now, we see loaded rail cars passing each other.

- In Montana, starting to see more and more logging contractors bidding on timber sales as large timber companies decrease their cut on fee lands.
- Many times, Loggers have outbid mills by more than double, yet turn around and sell to the mills they outbid

- Last week a timber company bid up a USFS Sale to \$680/mbf delivered log, in a \$400 world. Minimum was \$1/ton, and was bid up to \$36/ton. (Leaving \$100,000 on the table)
- In their last 5 timber sale bids, one timber company left \$400,000 on the table.
- Timber companies have left as much as \$750,000 on one timber sale.
- Record is \$1,500,000 on one timber sale

One logging contractor alone had four MT DNRC timber sales under contract at one time, totaling over 10 MMBF. MT DNRC annual cut is only 57 MMBF

Bidders have made mistakes:

One Montana bidder didn't realize Forest Improvement was extra and not included in stumpage bid. Can range from \$3-5/ton.

One bidder was told to "Bid it up \$250", but instead, bit it up an Additional \$250 above minimum, generating a VERY expensive delivered log, but also making the log seller Very Happy.

There have been several instances where logging contractors have bought timber sales “Sight Unseen.”

Mills could either be buying logs for immediate needs, or put in “the bank” for future needs and bid up a sale and “hope” the market improves.

Sealed vs Oral,
Ton vs MBF???
Decisions...Decisions



Sealed versus Oral Bids

MT DNRC uses only Sealed bids

US Forest mostly uses sealed

Idaho Dept of Lands uses Oral (by law)

BLM: Usually sealed

Tribal: Usually Sealed:

Sealed Bids

- Bidders get one bite at the apple.
- Possibility of leaving large sums of money “On the table.”
- Bidders can try to estimate haul differentials, other mills log need and supply, and try to “out think” the other bidders: But seldom works.

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MT DNRC FY 2012

Bidders left \$1,551,352 on the table from first to second place. If oral, and \$0.25/ton minimum increase, state would have only made \$75,372.

FY 2013

Bidders left \$1,718,306 on the table from first to second place. If oral, and \$0.25/ton minimum increase, state would have only made \$136,812.

Oral Bids

Only leave a minimum amount of money on the table, based on sellers minimum raise per bid is.

Bidders know what they can or will bid prior to the bid.



Selling by the Ton, MBF, CCF, Lump Sum:

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Determination of outcome:

Ton: On the purchaser.

Bidder must determine weight factor, hidden defect, net scale, but can play the weight game.

MBF: On seller.

Net Scribner determines outcome. Purchaser buys on actual Scribner scale, but can play the scale game.



Ton Wood:

These logs were cut to length in May and hauled in July.

Removing bark accelerated drying to the point of defecting the logs net scale

CCF:

Similar to MBF, except but 90% of the mills and foresters can't figure out CCF, so we take CCF and divide by 2. (We can't walk a stand and say there's 25 CCF/Acre, or look at a load of logs and say that load has 12.5 CCF per load)

Lump Sum: Totally On Seller.

Purchaser has to determine volume, species, grade, weight factors, defect, hidden logging costs.

MT DNRC sells exclusively by the ton.

- Does not check scale or require any scaling data from the purchaser. Once it crosses the scales, they are paid “X” amount.
- Has contract penalty for leaving trees/logs cut beyond 60 days. (trees can loose 20-30% of their weight within several weeks after cutting, especially if you leave the limbs on, and happen to scuff the bark off, which also accelerates drying)

Mills very seldom purchase “Gate Wood” by the ton. Too much risk for the wrong log, cut the wrong length, extreme defect, etc. Only from trusted sellers.

MT DNRC annual sustained yield cut is by the MBF, but sell by the ton. They use generic weight factors, tweaked for some local influence.

They get credit for the MBF of each sale taken to the Land Board, not actual. If the sale over/Under Runs, no adjustment is given or credited.

Why we seldom buy gate wood by the ton



If the scalers in the audience are saying,
“What’s wrong with those logs”.....
We need to talk later



Idaho Dept of Lands

Sells by the MBF. Check scales at mills to confirm net Scribner.

(Which is a ROYAL pain in the butt by the way)

No surprises to the Purchaser.

Potential to play the scale game.



The end