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It May be a Good Time to Sell Your Mature Hardwood Timber

Author(s): Chad Niman and Bobby Ammerman | UK Forestry and Natural Resources

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If you have purchased a sheet of plywood or a 2 X 4 stud from your local lumber yard or box store recently you very likely have noticed that wood product prices have skyrocketed. The demand for wood has been on the increase and the prices for timber and lumber have risen along with the products. Kentucky forests are dominated by hardwoods, so products like plywood and 2 x 4 studs made from softwood forests typically do not impact stumpage or timber prices in our state. However, Kentucky landowners do appear to be benefiting from current hardwood markets.

Hardwood lumber prices have been drastically increasing and a few species are performing exceptionally well. Yellow-poplar and quarter sawn chestnut oak are currently setting records for prices paid. Yellow-poplar is a species that makes up a high percentage of the volume in our forests and according to the Hardwood Market Report, yellow-poplar FAS (first and second grade) lumber is averaging \$1,250 per thousand board feet currently - up 70% from a year ago. There has also been a sharp increase in red oak FAS lumber - increasing from \$735 per thousand board feet a year ago to \$1,280 currently, a 74% increase. There has been great concern with red oak markets since the trade wars began back in 2018. Domestic demand for red oak has declined significantly over the last decade and much of that demand had been replaced by developing markets in Asia. The trade wars dramatically reduced that demand. Red oak is a very important species in our forests as it represents nearly 18% of the volume growing in Kentucky. It is vitally important to the woodland owner community and the wood industry to have strong markets for red oak. The significant presence of red oak impacts harvesting and landowner's ability to manage their timber properly.

As markets for lumber improved, so has the demand for hardwood logs. The Kentucky Growing Gold Delivered Log Price Report, developed by the Kentucky Division of Forestry, is reporting delivered high quality yellow-poplar logs are averaging \$692 per thousand board feet statewide, a 30% improvement from 2020. Delivered red oak logs have improved 51% for the higher quality logs and 29% for medium quality. It needs to be pointed out that while most wood products are experiencing

much better markets this is not universally true, specifically for low grade logs. The closure of a paper mill in Northeast Tennessee has significantly impacted the price and volume of pulp wood (low grade logs) being sold from Kentucky forests. This situation is of much concern. Limited low grade markets hinder Kentucky sawmill's ability to move its byproducts and the landowner's ability to manage their timber. A lack of low grade markets could literally shut down sawmill production in the state.

At the beginning of the COVID pandemic, demand for wood products dropped considerably as housing starts dropped. Despite the forest industry being deemed essential, parts of the supply chain were limited or closed due to state governments shutting down operations for public safety reasons. Labor shortages have been an ongoing issue in the Kentucky Forest Sector and continue as not all displaced employees have returned to the workforce putting pressure on parts of the supply chain struggling to come back online. One example is the Kentucky logging sub-sector, which was already under stress and is currently desperate for employees. The fear is that parts of the supply chain may never return. As the supply chain has struggled, demand has continually increased with housing shortages and stimulus checks helping many homeowners to start home remodeling projects.

The supply chain reacted to the reduced demand from the initial onset of the pandemic by constricting and now that demand has improved, the supply chain has been severely strained. Demand is not necessarily higher than it was before the pandemic, but with the supply chain struggling to catch up, prices for wood products have increased drastically. If you are a woodland owner with mature timber, it might be a good time to consider selling—if it fits in with your overall woodland management plan. If you do not have a woodland management plan please consider getting one to help guide the harvest. However, finding a logger to do the harvest could be a challenge. Consider hiring a consulting forester (<https://kacf.org/>) as they can make sure landowners get the most value for their timber while protecting the future of the woodlands and its intrinsic values. In addition, the Kentucky Division of Forestry has foresters who can assist landowners in the management of their timber resources - <https://eec.ky.gov/Natural-Resources/Forestry/forest-stewardship-program-and-landowner-services/Pages/default.aspx>.

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Author(s) Contact Information:

[Chad Niman](#) | Primary Forest Products Specialist | chad.niman@uky.edu

[Bobby Ammerman](#) | Extension Associate of Secondary Wood Industry | bammerma@uky.edu

[UK Forestry and Natural Resources Extension](#)