It would be inappropriate to create a long-term forecast for demand without at least mentioning the supply side of the market equation. To this end, here are a few thoughts about long-term strategies that may need to be considered.

Suppliers found themselves behind the eight ball in 2003. The wet weather kept log supply tight, and escalating demand squeezed the ability of suppliers to keep up throughout the entire year.

Then came January with the highest tie production month seen in the winter for the last two decades. Most industry observers expect that February will similarly exceed previous February months of production. What a difference a year makes.

The most comprehensive document to look at the total hardwood industry trends is the recent Hardwood Market Report’s publication “2003: The Year at a Glance.” These selections of exposés comprise a significant treatise on the complexities of the supply of hardwood materials to the marketplace. At 80-plus pages, it is a must read for anyone interested in the hardwood industry.

In the next to the last article of the publication, “Looking Forward: Market Trends for U.S. Hardwood Timber and Logs,” Dr. William Luppold, concludes his essay with these thoughts:

“The changes in the domestic market and availability of lumber from numerous international sources could cause timber prices to rise only moderately in the coming years. If this indeed does happen, it will be in sharp contrast to the rapidly escalating timber prices experienced over the last several decades. But, make no mistake, if money is spent on new equipment and technology, most or part of the initial increase in profits resulting from improved efficiency will eventually accrue to the timber resource in the form of higher prices.

“The degree of the price increase is in large part a matter of supply and demand. If the industry continues to covet a small portion of the resource when making capital planning decisions, that portion of the timber base will continue to escalate in price. If the industry starts to use the more widely available mid- and low-grade portion of the timber base, future increases in stumpage price will be less dramatic.”

The entire article is worthy of examination, but there are a couple of things that might interest railroads and tie producers in those concluding words. First, there is no way of knowing whether consumers of hardwood products will shift their interest toward more mid- and low-grade timber. But if that does happen, there could be further pricing pressure placed on those who seek tie logs.

Second, to ease this pressure if it begins to manifest even more, railroads could take a renewed interest in employing underutilized species as articulated by the Railway Tie Association Tie Usage Indices. Implementing a plan of action whereby all the domestic species that are suitable for ties are utilized, and where they are of maximum value, could go a long way toward conserving railroad capital and moderate the effects of “coveting] small portion[s] of the timber base.”

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