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Lumber Market

HARDWOODS

Northern. Reductions in sawmill production have started to affect overall supplies in the marketplace. While availability of key species and grades is still sufficient to meet demand, inventories are not as bloated as before. Low grade products, such as pallet lumber and cants, are in tighter supply and, in some instances, competition for available production has fueled higher prices. Despite signs of improvement, the overall atmosphere of business remains competitive, and prices are widely mixed.

Southern. The market can be described as “competitive.” A downturn in sawmill production has eased supply-related price pressures on key items. However, price adjustments are still occurring, most notably for 4/4 Fas and 1f Red Oak. Demand for White Oak remains strong at firm to higher pricing levels. The common grades of Red Oak continue to move at a brisk pace. Supplies of KD 4/4 #1C Red Oak are tight.

Appalachian. Overall lumber production is declining, as many sawmill operators have reduced scheduled hours or eliminated shifts. Efforts are underway to bring lumber output in line with contracted consumption. There are still ample supplies of many species and grades, especially for KD stocks. Prices remain pressured for KD 4/4 and 5/4 Fas and 1f Red Oak, #1C and Btr Hard Maple, #1C and Btr Cherry, and #1C Soft Maple. At the same time, markets for #1C and Btr White Oak remains solid. Business for most all grades and thicknesses of Walnut are robust.

(Source: Condensed from Hardwood Market Report, May 19, 2007. For more information or to subscribe to Hardwood Market Report, call 901-767-9216, email: hmr@hmr.com, website: www.hmr.com)
### Hardwood Lumber Price Trends—Green

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Note: Hardwood prices quoted in dollars per MBF, average market prices FOB mill, truckload and greater quantities, 4/4, rough, green, random widths and lengths graded in accordance with NHLA rules. Prices for ash, basswood, elm, soft maple, red oak and white oak from Northern Hardwoods listings. Prices for cottonwood and hackberry from Southern Hardwoods listings. Prices for cherry, hickory and walnut (steam treated) from Appalachian Hardwoods listings. (Source: Hardwood Market Report Lumber News Letter, last issue of month indicated. To subscribe to Hardwood Market Report call (901) 767-9126, email: hmr@hmr.com, website: www.hmr.com.)

### Hardwood Lumber Price Trends—Kiln Dried

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Note: Kiln dried prices in dollars per MBF, FOB mill, is an estimate of predominant prices for lumber inspected and graded before kiln drying. Prices for cottonwood and hackberry from Southern Hardwoods listings. Prices for ash, basswood, elm, soft maple, red oak, and white oak from Northern Hardwoods listings. Prices for cherry, hickory and walnut (steam treated) from Appalachian Hardwoods listings. (Source: Hardwood Market Report Lumber News Letter, last issue of month indicated. To subscribe to Hardwood Market Report call (901) 767-9126, website: www.hmr.com.)
Buying A Portable Sawmill

With over 65 manufacturers of portable sawmills in North America, selecting the one that meets your needs can be a difficult process. The options available are endless as are the business opportunities. When purchasing a new mill, some simple planning before you buy could save you a significant amount of time and money.

Before you start “kicking tires” and looking at how much horsepower a machine has, consider what your expectations are. Determining what you want and need to produce will help you decide what machine you need. If you plan to produce lumber products for your primary income, the machine should be capable of higher production and more reliability than one that would only be used occasionally. In addition, if you expect to derive a part-time or full-time business from sawing, you need to identify products and markets before buying the machine.

Portable sawmills are typically used to: 1) saw lumber for your own use, 2) custom saw for others, 3) saw purchased logs and sell products, or 4) saw your own timber supply and sell products. If you are going to saw for your own use, you should consider the true demand you will have for lumber as well as your physical limitations. When sawing for others you must know how to saw the lumber that your customers want, be able to market your services, and know your costs and limitations. Your pricing structure will greatly affect what machine you should purchase. Let’s examine two business models before looking at machine selection.

Custom Sawing

One of the most common ways to earn money with a portable sawmill is by custom sawing. There are three general methods for determining rates or prices for custom sawing: 1) production rate, 2) hourly rate, and 3) share basis.

The production rate method is the most common; however, all income risk is incurred by the sawyer. If the logs are dirty, muddy or contain rocks, you will have to spend time cleaning logs or replacing saw blades, not producing lumber. If the work area is tight and insufficient, you may spend more time moving logs and lumber rather than cutting.

Be careful not to set one price for all lumber sawn since some woods are harder and slower to process than others. For example, sawing pine for rough lumber for barns goes much faster than sawing red oak for grade lumber. Consider setting prices that include charges for hitting a foreign object while sawing, cleaning logs, and traveling to the site and setting up the mill.

Charging an hourly rate transfers some of the risk to the customer. It encourages the customer to provide clean logs and fairly well organized work areas, which in turn allows you to focus on production. However, your reputation may suffer if you have problems that significantly reduce your production, and high volume days may leave you underpaid.

Charging on a share basis – your customer keeps a share of the lumber and you get a share – is more difficult. You must be able to judge the potential quality and quantity of lumber that will be produced from the logs. You must also have a market for your share of the lumber. Charge a higher percentage share as lumber value decreases. This type of pricing system is advantageous if sawing high quality material and very disadvantageous if sawing low quality material.

When sawing for others, it is very important to have a written contract. The contract should include the details of cutting, all charges included, how payments will be made, the handling of lumber, waste, transportation and set-up. Most machinery manufacturers can supply you with a sample contract.

Retail or Wholesale

If you plan to saw lumber products for retail sale, it is very important to identify your market(s) before you start. Many people who consider buying a portable sawmill expect that local woodworkers will supply an ample market; however, most hobby woodworkers use less than 100 board feet a year!

Find out what the local demand is for green lumber before you start. Keep in mind that many lumber markets buy dry lumber, so you may have to consider an additional investment in a dry kiln or pay for lumber drying services in order to access these markets.

Selling lumber also requires you to have inventory on hand for customers to select, so you will have money tied up in lumber. The advantage of selling dried lumber is that it is a value-added product. You gain a price advantage by adding value from other services, such as drying, planing, cutting to size or molding.

If you are thinking of selling your production, consider specialty products with higher value. Examples include quarter-sawn lumber, crotch wood, thick stock, exotic species, unique figures, heavy flitches, shakes and shingles, and beveled siding.

Portable or Stationary

Whether you are custom sawing logs for others or selling lumber products you cut, the location of your mill can have an impact on your business. A portable mill gives you the advantage of being at the customer’s location. It allows for by-products to remain at the site. You do not have to maintain a log inventory, and log transport is not required. Often the customer may help by handling and stacking lumber, increasing your productivity. Also, sawmillers say that a portable operation provides a constant change or work site and more opportunity to meet people and potential customers.

The disadvantages of a portable business include the time required to travel to and from the customer’s location and set up and take down of the sawmill. You have less control over log quality, and small volume jobs may not be profitable. Inclement weather, such as rain or snow, may keep you from sawing and making money.

A stationary sawmill allows you to erect a shelter over the mill for “year-around” sawing. It eliminates travel and time spent to set up and take down the mill. You have more control over log quality, and you may be able to use electric motors for sawing and other processing. Of course, operating a stationary sawmill means you need land, there is a potential for zoning restrictions, and you must deal with a log inventory and waste wood material.
Biomass

Editor’s Note: The following information was gleaned from an article by Greg Russell, Minnesota DNR Forerest, in the Fall, 2006 Minnesota Forest Industry Newsletter “The Market Place”. What are the biomass opportunities for Nebraska?

Statistics show: At the present time, roughly half of the electricity in the U.S. comes from Coal-fired power plants. Roughly 9% comes from renewable sources. We import about 61% of our oil, and we use 147 billion gallons of oil per year. Current US ethanol production is 4.8 billion gallons/yr. We produce only 3.2% of our electricity from biomass, mostly generated at pulp/paper facilities. The DOE has a goal to replace 30%, or 60 billion gallons, of our gasoline with ethanol by 2030.

Why the interest in biomass?: The President has called for 25% of domestic fuel to be in the form of ethanol and biodiesel by 2025. The world currently consumes 2 barrels of oil for every gallon of new oil discovered. The U.S. has only 3% of world’s natural gas reserves. These factors, along with rising fossil fuel prices, have resulted in the growing interest in biofuels.

Where will biomass come from?: Ag crops and residue, wood (poplars, willows, wood residue from mills, timber slash, pellets, etc.), animal waste, and municipal solid waste.

How do we get heat & power from biomass?: Combustion, gasification, or bio-oil extraction. The development of biomass based power and fuel production is likely to be based on small distributed facilities rather than simply changing the power source for mega-facilities.

Why Biofuels?: Several reasons, including a domestic supply, small carbon foot print, the ability to blend with conventional fuels, their good fit w/current transportation systems, and their environmental advantages. Biofuels also promise improved economic security for midwestern states, and they could potentially supply 30% of global demand without affecting food production.

What form will bioenergy take?: Ethanol, biodiesel, butanol, hydrogen, methane, syngas, bio-oil, steam, electricity and more.

Bio-oils: The University of Minnesota has developed a system to get 70% yield of bio-oil from wood and other vegetation through a fast pyrolysis system. Bio-oil comes from lignosic material, and is similar to crude oil.

Ethanol: Cellulosic ethanol is generating a lot of attention. New facilities are planned for Idaho & Iowa, and one facility is already operational in Canada. Corn based ethanol continues to expand as well, with several new facilities planned for, or under construction in Minnesota. There are new technologies for producing ethanol from bio-gas, as well as new enzymes created for the fermentation of cellulosic material into ethanol.

Bio-gasification: – Using July 2006 fuel prices, wood is a cheaper source of fuel until the cost per ton of wood reaches $30 and $75 respectively, compared to coal & natural gas. Wood and other cellulose are easier to work with than livestock waste and municipal solid waste. EERC at UND has developed a 1 megawatt micro-gasifier for small business applications, which can be used to fuel a generator or produce

Safety
Sawmilling is one of the most dangerous occupations involving strenuous labor. Make sure you follow manufacturer’s operating manuals and know your sawmill’s limitations.

Be aware of local insurance and liability laws for small businesses. If you have employees, you may have to provide help with handling and stacking lumber, you may be liable if he is injured. You may want to consider incorporating your business to limit your personal liability.

Buying a Sawmill
When you have decided what your business will be, then you can focus on selecting a machine. Consider the lumber products you will cut. Will you primarily be sawing softwood, hardwoods, or both? Will you be sawing specialty products that require additional attachments?

Most importantly, determine the necessary level of productivity, which is more critical if you are charging by the amount of lumber produced or selling lumber. Keep in mind the set-up time, transportation and days that it will rain or snow. Productivity is greatly affected by how logs are loaded, turned, held and how taper set adjustments are made.

While most everyone would agree that a hydraulic log handling system makes sawing easier and faster, is it worth the cost? A hydraulic handling system can increase production by 50%. Again, if you are being paid by the board foot or selling lumber, such an increase in production can easily pay for itself. If you are producing small quantities of lumber for your own use, a hydraulic handling system likely will not pay for itself. Carefully consider the physical labor involved in operating a portable sawmill without hydraulics. Will you be able to hand turn logs, set log holding, push the saw and offload the lumber?

Before deciding how many ‘extras’ to get, attend a machinery expo or trade show to see the equipment run. Ask the manufacturer about the price of the sawmill, the cost of hourly operation, what maintenance is required, and the expected production output. Other factors to consider: quality of manufacturing, availability of optional equipment, warranty and availability of replacement parts, and technical service and support. If you are going to operate the sawmill as a full-time business, ready access to replacement parts will be vital to your success.

Also, you may need additional equipment to operate efficiently. If your business is going to be portable, you will need a vehicle to transport the sawmill. You may want a high pressure washing system to clean logs, a blade sharpening system, and equipment for handling and moving logs and lumber.

Whether you buy a portable sawmill for a hobby, part-time or full-time business, it is important to carefully consider your expectations for the machine. If you are going to start a business, do a little research before you buy. Take time to go to a machinery show and see first-hand how the different machines and options work. A little time and planning in advance can save you a lot of strenuous work and some hard earned money later.

(Source: TimberLine, July 2006, by Dr. Brian Bond, Assistant Professor, Virginia Tech University. He is a specialist on improving efficiency in sawmills and lumber drying operations. Dr. Bond can by reached at 540-231-8752 or at bbond@vt.edu)
chemical or liquid fuels. They have run tests using: sawdust, municipal tree debris, straw board residue, wood pellets, wood chips and other feed stocks. Results from the test runs are now available.

Steam or electricity: Using syngas to make steam is a better use of the gas than generating electricity. Steam production costs are lower using syngas than natural gas, propane or fuel oil. Using biomass for steam production does not require tipping fees, making it economical / attractive to suppliers of biomass. Polk County, at Fosston, has a waste to energy facility using municipal solid waste. They create steam for several costumers. Minnesota has 12 waste to energy facilities operating at the present time. Central Minnesota Ethanol is gasifying wood to generate steam heat for their ethanol production to replace natural gas. They may have an opportunity to sell excess steam to the city of Little Falls.

Other bio-based products are also becoming more attractive: Interest is growing in making butanol from ethanol. Butanol has a better market value than ethanol, and may contribute more environmental and equipment related benefits. Polymers, resins, and fabrics are but a few of the other bio based products being developed. Over 20 biomass fuels have been successfully tested throughout the world.

What about pelletized biomass?: Wood is the most commonly pelletized fuel. However other forms of biomass are being tested with varying results. Other forms of pelletized biomass can have issues with ash, and binding qualities.

There are efforts underway to make wood pellet furnaces for use in residential use that will be compatible with other fuels such as alfalfa pellets or corn. A Minnesota company has developed a system of delivering and storing pellets for residential use, similar to how water softener salt is delivered by some vendors. This may make wood pellet furnaces more attractive to the general public.

The future: Biomass energy is not the sole answer to our energy needs. We must look at hydro power, wind power, geo-thermal, solar and other sources to get us off the petroleum kick. It appears that there are two things limiting our development of Biofuels: 1) A lack of financing and 2) A willingness to take a risk on these new technologies. As the economics become better, it looks like we will see a significant increase in demand for biomass, with agriculture and forest material leading the way. Lastly, the message that came up time and again is that small distributed facilities are likely to be the wave of the future rather than simply changing the power source for mega-facilities. So look for opportunities locally!!!

From Sawdust to Bricks

Bill Reitz used to give away his sawdust to local farmers for animal bedding just to get it out his sawmill.

“I could always get rid of it, but it was always a pain, he said.

But the owner of Sawmill Bill’s Lumber Co. along U.S. 31 South near Interlochen found a way to turn wood byproducts into a renewable energy source known as Eco Heating Bricks.

Thanks to some European technology, Reitz is taking sawdust from his and other local woodworking operations and churning out wood blocks that provide fuel for wood stoves, fireplaces, camp fires, saunas and other such uses.

“One anybody that’s been burning firewood is going to love this, he said.

Reitz searched the Internet for ideas on recycling waste products from his 27-year-old sawmill and learned about a process that’s been used for years in Europe to compress sawdust into combustible wood bricks.

“The Germans have been doing this for 20 years, he said.

“Of everything I looked at, this made the most sense.

To make the bricks, sawdust from various equipment around the sawmill is sucked into a duct system connected to a large “bag house just outside Reitz’s mill. From there, fine dust is filtered out and the remaining sawdust is pumped through more than 80 feet of metal piping into a storage house; and then into a large vat in another building before it’s piped into machinery that makes the bricks.

The machine compresses the sawdust into two-pound bricks that are pushed from the bottom of the machine up two chutes that alternately drop them into a large container. Then the blocks run down a conveyer into small bundles to be packed in paper bags.

Reitz invested around $200,000 in equipment to set up the operation, and he said his brickmaker is one of only nine such machines in use in the U.S.

The sawmill started cranking out sawdust bricks in early April and has produced around 27 tons so far. A ton of bricks, equal to about a full cord of wood, sells for around $210. A $3 bag of bricks will burn three to four hours, he said. They take up less storage space than wood and don’t create much smoke or creosote, but must be stored in a dry location to keep the sawdust from turning soggy.

It takes about four yards of sawdust to produce one ton of bricks, Reitz said. At full production the sawmill will go through about 20 yards of sawdust per day.

Bags of bricks are available at a handful of retail stores and Reitz hopes to eventually market them at campgrounds, fireplace and stove dealerships, and area lumber stores.

John Nuske, owner of Lake Ann Grocery where the Eco Heating bricks are available, said he’s sold a few so far and put a stack of them in his garage for his own use.

“One of these chilly evenings or chilly mornings, I throw a couple of these in the wood stove and they do just fine, Nuske said.

Reitz hopes he’s hitting the market with this product at just the right time, with soaring prices for heating oil and natural gas and the limits on wood-hauling around Michigan because of emerald ash borer infestations. He’s also counting on the recycling aspect of the product to appeal to consumers.

“Green is the talk of the trade right now, he said.

Reitz’s sawmill makes paneling, flooring, moldings and other wood products. So far, Eco Heating bricks are just a small part of his business, but eventually he plans to go statewide, while finding a home for scrap wood and sawdust generated by his and other sawmills.

“We’re all producing that (waste) product and there’s nothing you can do with it, he said. “We’re all paying to take it away.

(Source: Record-Eagle/Douglas Tesner. Article by Bill O’Brien)
“Ten Acre Woods” is a small wood products business owned and operated by Henry and Joan Rudnick of rural Ainsworth. Wood crafts, wood carvings, and furniture make up the Rudnick’s product line.

The business began as a hobby. The Rudnick’s prefer that it stay small and remain fun. Speaking of his wood working ability Henry says, “I am learning as I go.” Being a modest craftsman, the quality and beauty of his work speaks for itself! Joan’s primary contribution to the business is the carvings, several of which compliment and add to the value of the pieces produced by Henry.

The Rudnick’s prefer custom orders; however they do maintain a limited inventory of various items. Marketing is accomplished by setting up a product display at various craft shows, often with another local craftsman, Allen Barager. Allen produces a line of rustic furniture from both roundwood and sawn timber. Both Allen and Henry also market through Niobrara Valley Wood Products.

Niobrara Valley Wood Products began as an association of landowners, loggers, sawmills operators, small businessmen, and craftsmen organized by the North Central RC&D. “All of our members are very dedicated to preserving our natural forests and seeing that they are here for future generations to enjoy and utilize,” said Judy Newton, a former president of the organization. Now a limited liability company, a web-based marketing service is managed by Carol Jones. Local primary and secondary wood processors, including those mentioned above, all take pride in the fact that the wood used in their businesses is local wood, grown in and near the Niobrara Valley.

The Trading Post

The Trading Post is provided as a free marketing service for the forestry industry. Only forestry-related advertisements will be accepted. Please submit written ads to the Timber Talk editor at least 15 days before scheduled Timber Talk publication dates. Ads may be edited to meet space constraints.

For Sale

Hedge Corner Posts. Some hedge logs for hobby lumber. Contact: Joe Straube, Tecumseh, NE. (402) 335-2400.

Electric Bandsaw Mills. One M-324 ($1200) and one M-267 ($2195). Contact: 4M Lumber, Ravenna, NE. Phone: 308-452-4032; e-mail: fourm57@Charter.net

Wanted

Logs. Cottonwood, cedar and pine. 4" to 26" diameter, 90"-100" lengths. Below saw grade logs acceptable. Contact: American Wood Fibers, Clarks, NE at (800) 967-4789; email: mwanskike@AWF.com

Hardwood Cross Ties and Switch Ties. Size 7" x 9" – 8' only. Mixed Hardwood Timbers. All sizes. Pellet Cants. 3" x 6" and 4" x 6". Logs. C45, Veneer and C35 logs. Must be able to load 40' containers. Cherry, Walnut, Red Oak, White Oak, Ash, Hard Maple and Poplar logs. Timbers for Log Homes. Switch Ties. Oak and mixed hardwood, 7" x 9" – 15', 16', 17', 18'. White Pine Planks. 2'C, 5 T/LS per month, Rough, green, 1 1/8" x 7 1/8" or 2 1/2" x 9 1/8"; up to 1/3 – 8', bal. 10'-16' lengths. Walnut Sawlogs. Woods run, #1, #2, #3 grades. Log Inspector to inspect logs before shipment. Cross Tie Buyers. Good incentive arrangements. Mills to Produce Oak Car Decking. Surface, drill – oak or mixed hardwoods. Contact: W. Preston Germain, Germain Lumber Co., Inc., Pittsburgh, PA 15251; 402-782-3240; FAX: 412-781-2551; e-mail: germainlumber@verizon.net.

Services and Miscellaneous


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Washington: Proposed Bill Seeks to Curb Trade in Illegal Timber

It could be your new hardwood floor or coffee table with a rich mahogany hue. Although the wood may look good, there is a strong chance it came from timber harvested illegally in places such as Honduras, Indonesia or Peru, labor and environmental groups say.

Now a bipartisan group of congress members wants to crack down on illegal logging around the world. A bill introduced Tuesday would ban U.S. imports of wood products derived from illegally harvested timber.

Much like the movie “Blood Diamond” which portrays diamonds as fueling a brutal civil war in West Africa, the logging bill is aimed at reminding U.S. consumers to consider where their new bedroom dresser or hardwood floor comes from, said Rep. Earl Blumenauer, D-Ore., the bill’s chief sponsor.

“Illegal logging is a problem that crosses national boundaries to affect communities, companies and ecosystems alike,” Blumenauer said, adding that he hopes to “raise the profile” of illegal logging so that consumers pressure retailers to reveal the source of furniture and flooring, just as many do with so-called fair-trade coffee. As much as 30 percent of U.S. hardwood imports are from suspicious or illegal sources, according to the U.S. International Trade Commission. Much of the wood is sent to China, where it is processed at low cost and then exported to the United States and other countries.

Illegal logging costs U.S. companies as much as $1 billion a year in lost exports and reduced prices for timber products, according to the American Forest and Paper Association, a trade group that represents the wood products industry.

The logging bill, co-sponsored by Reps. Robert Wexler, D-Fla., and Jerry Weller, R-Ill., would extend the Lacey Act — which prohibits importation of wildlife taken in violation of conservation laws — to apply to wood and timber products.

The measure would ban the import, export, purchase or sale of timber products made in violation of any domestic or foreign law or international treaty.

The forest and paper association stopped short of endorsing the bill but said it welcomes increased interest shown by Congress in the issue.

Earlier this month, Senate Finance Committee Chairman Max Baucus, D-Mont., asked the International Trade Commission to investigate Chinese trade practices he said are hurting U.S. hardwood plywood manufacturers.

Last month, the U.S. Trade Representative filed a complaint with the World Trade Organization targeting Chinese trade practices he said are hurting U.S. hardwood plywood manufacturers.

The forest and paper association warned that laws targeting U.S. imports could increase costs for legitimate producers while decreasing risks associated with illegal production.

“It is essential that policy responses do not create perverse incentives by raising the costs of ‘legal’ forest products, thus making illegal logging even more profitable,” the group said.

A host of environmental, labor and business groups endorsed the bill, including the Environmental Investigation Agency, Sierra Club, World Wildlife Fund, Defenders of Wildlife, Natural Resources Defense Council, United Steel Workers and Wood Flooring International.

(Sources: Associated Press; Missouri Price Trends, Jan-March 2007.)
You know you’re from Nebraska if....

You know that “combine” is a noun.