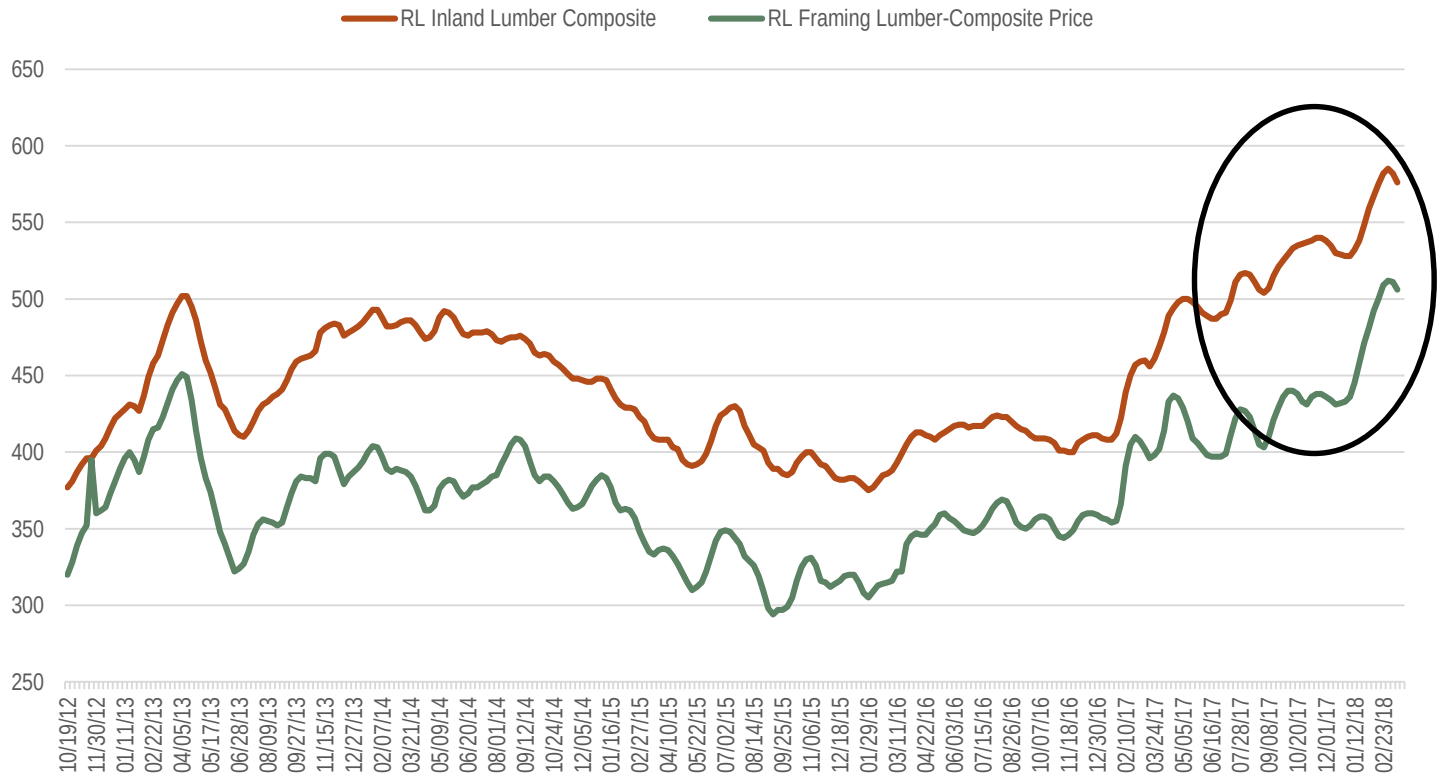
New Opportunities and old Challenges in Export from Eastside

Timber Measurement Society Central Meeting
April, 2018

New opportunities and old challenges in ~~exporting logs from the Eastside~~ Selling eastside logs to the westside



Lumber market is crazy good right now! West and east

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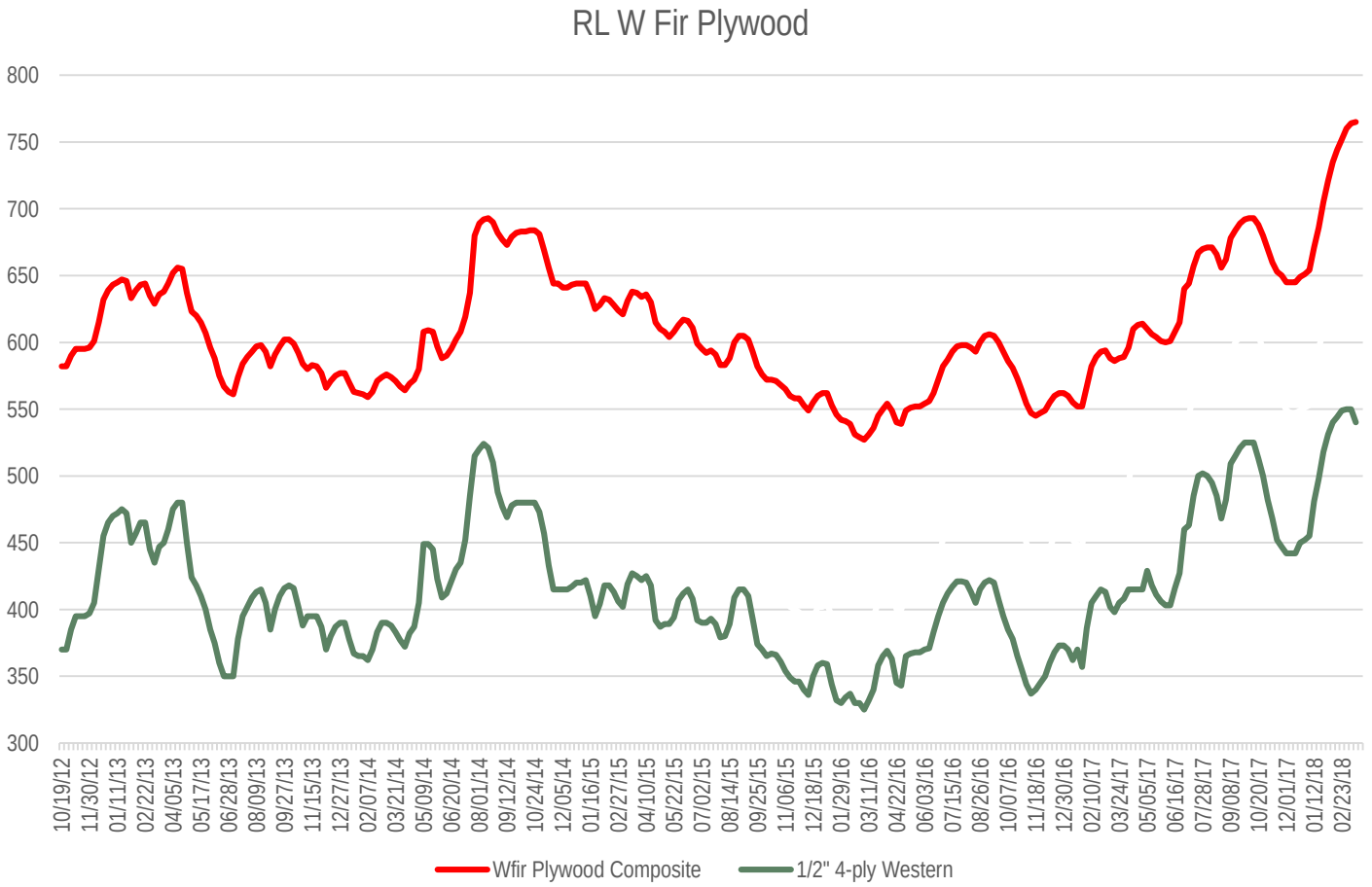
So are Plywood markets!



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Westside Buyers paying $800-1000/mbf for DF; $600-800 for WW (LL Scale)

Once you account for extra haul cost of about $150/m, does that beat local short log prices?

Here is where the old challenges come into play, those challenges include:

1) How are the differences between long log scale and short log scale going to affect the values?

2) How are the westside or export sorts or grades going to affect your values?

Understanding what those differences are and how they affect value will then allow us to evaluate bids to get the most value.

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Where in the World – Westside / Eastside

Roughly West/East of Cascade Mountain Range in Washington and Oregon – best to ask what the bidder is scaling

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Differences between Long Log and Short Log Scribner – abridged version (log seller perspective)

Focus on things that cause differences between long log (westside) and short log (eastside) Scribner:

1) Scaling diameter determination – eastside scaling diameters are rounded, westside are not (generally).

2) Segmentation – or the halving of log into segments - on the eastside occurs at 21', westside at 41'

3) Taper rules – addition diameter inches to account for more taper in eastside logs are added to the bottom segment diameter on the eastside based on regional rules, log length and species

4) Defecting differences

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Scaling diameter determination

Because generally scaling diameters are rounded on the eastside and not rounded on the westside on average you will lose an inch of diameter on every other log. What percent of volume will that cost you?

SED Eastside	32 Ft - 2" taper	34 Ft - 2" Taper	36 Ft - 2" Taper	38 Ft - 2" Taper	40 Ft - 2" Taper
7	-14%	-14%	-14%	-13%	-13%
8	-11%	-11%	-11%	-10%	-14%
9	-9%	-13%	-13%	-8%	-8%
10	-11%	-10%	-10%	-13%	-12%
11	-9%	-8%	-11%	-10%	-8%
12	-5%	-7%	-7%	-7%	-8%
13	-10%	-10%	-9%	-10%	-10%
14	-6%	-5%	-6%	-6%	-6%
15	-8%	-9%	-8%	-8%	-9%
16	-7%	-6%	-6%	-7%	-6%
17	-6%	-6%	-6%	-6%	-6%
Average	-9%	-9%	-9%	-9%	-9%
SED 8-11	-10%	-10%	-11%	-10%	-10%
SED 12-17	-7%	-7%	-7%	-7%	-7%

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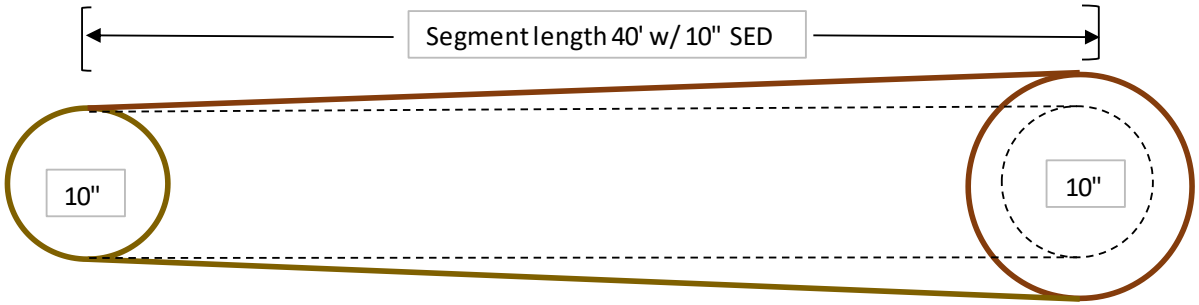
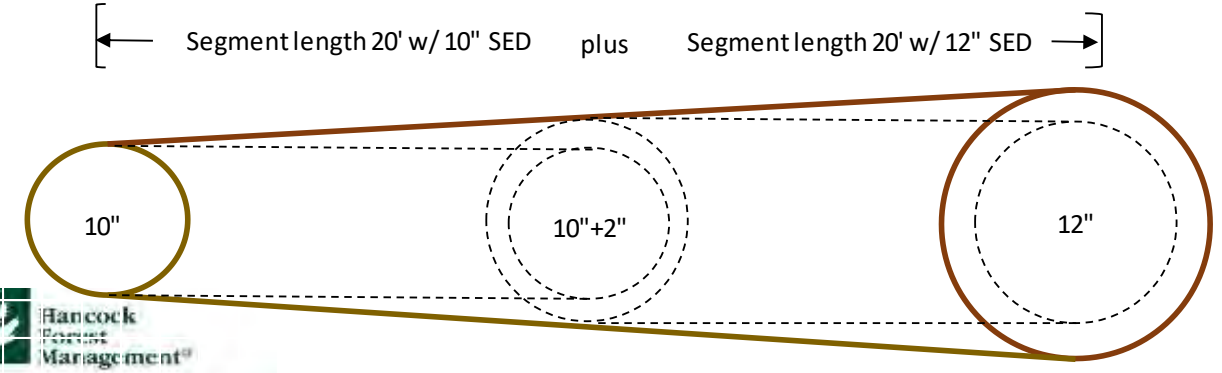
Segmentation and Taper rules (allowance)

Under westside rules, logs are not segmented until over 40', thus the scaling cylinder is projected from the small end inside bark diameter without benefit of any taper adjustment as so:



Under eastside rules, logs are segmented roughly in half when over 20'. At the segment break, a allowance for taper is given by a set of rules. For my examples, the taper allowance is 2",



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Segmentation and Taper rules (allowance)

Because logs on the westside are not segmented under 40' nor is there any allowance for taper of the log on the westside as there is under eastside rules, there is a loss in scale for logs over 20'. What percent of volume will that cost you?

SED Eastside	32 Ft - 2" taper	34 Ft - 2" Taper	36 Ft - 2" Taper	38 Ft - 2" Taper	40 Ft - 2" Taper
7	-14%	-14%	-14%	-13%	-13%
8	-22%	-22%	-11%	-20%	-18%
9	-18%	-17%	-17%	-8%	-8%
10	-14%	-13%	-7%	-13%	-12%
11	-18%	-17%	-16%	-15%	-10%
12	-16%	-19%	-18%	-17%	-17%
13	-21%	-19%	-19%	-21%	-20%
14	-15%	-17%	-16%	-18%	-15%
15	-13%	-14%	-14%	-13%	-12%
16	-14%	-15%	-14%	-16%	-15%
17	-12%	-13%	-13%	-14%	-13%
Average	-16%	-16%	-14%	-15%	-14%
SED 8-11	-18%	-17%	-13%	-14%	-12%
SED 12-17	-15%	-16%	-16%	-16%	-15%

It should be noted that logs under 21' will not have a scale difference due to segmentation and taper allowance, but will still have differences in volume.

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Defecting differences

There are differences in how defecting is done eastside and westside, but not sure how that can be generalized.

Some real data from dual scaling gives me an opposite answer than expected!

SED Eastside	32 Ft - 2" taper	34 Ft - 2" Taper	36 Ft - 2" Taper	38 Ft - 2" Taper	40 Ft - 2" Taper	32-40' - 2" Taper
7	0%	35%	0%	0%	0%	0%
8	-1%	5%	0%	0%	0%	-1%
9	-2%	7%	14%	3%	0%	-2%
10	-1%	3%	0%	0%	0%	-1%
11	-2%	5%	17%	0%	0%	-2%
12	-2%	1%	0%	-9%	0%	-2%
13	0%	-15%	0%	0%	-5%	0%
14	-1%	12%	0%	0%	-1%	-1%
15	0%	0%	0%	0%	-1%	0%
16	0%	0%	0%	0%	0%	0%
17	0%	-1%	0%	0%	1%	0%
Average	-1%	3%	4%	-1%	-1%	-1%
SED 8-11	-2%	4%	11%	3%	0%	-2%
SED 12-17	-1%	-1%	0%	-4%	-1%	-1%

This data set is heavily weighted to 32’ logs, so will use the weight average defect percent over all lengths.

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Add them up

SED Eastside	32 Ft - 2" taper	34 Ft - 2" Taper	36 Ft - 2" Taper	38 Ft - 2" Taper	40 Ft - 2" Taper
Due to Diameters					
Average	-9%	-9%	-9%	-9%	-9%
SED 8-11	-10%	-10%	-11%	-10%	-10%
SED 12-17	-7%	-7%	-7%	-7%	-7%
Due to Segmentation and Taper					
Average	-16%	-16%	-14%	-15%	-14%
SED 8-11	-18%	-17%	-13%	-14%	-12%
SED 12-17	-15%	-16%	-16%	-16%	-15%
Due to Differences in Defect					
Average	-1%	-1%	-1%	-1%	-1%
SED 8-11	-2%	-2%	-2%	-2%	-2%
SED 12-17	-1%	-1%	-1%	-1%	-1%
Total All Differences					
Average	-26%	-27%	-25%	-25%	-24%
SED 8-11	-30%	-29%	-25%	-26%	-24%
SED 12-17	-23%	-24%	-23%	-24%	-24%
R6W/R6E Ratio Basis					
Average	0.74	0.73	0.75	0.75	0.76
SED 8-11	0.70	0.71	0.75	0.74	0.76
SED 12-17	0.77	0.76	0.77	0.76	0.76

Convention wisdom rule of thumb is Ratio 0.80 R6W/R6E

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Back to the Original Question:

Westside Buyers paying $800-1000/mbf for DF and $600-800 for WW (LL Scale), is that a good price?

SED Eastside	32 Ft - 2" taper	34 Ft - 2" Taper	36 Ft - 2" Taper	38 Ft - 2" Taper	40 Ft - 2" Taper
R6W/R6E Ratios					
Average	0.74	0.73	0.75	0.75	0.76
SED 8-11	0.70	0.71	0.75	0.74	0.76
SED 12-17	0.77	0.76	0.77	0.76	0.76
DF @ LL Basis	$800	$850	$900	$950	$1,000
Average	$594	$625	$678	$712	$762
SED 8-11	$563	$601	$673	$705	$763
SED 12-17	$619	$644	$689	$718	$764
DF Extra Haul	$150	$150	$150	$150	$150
Average	$444	$475	$528	$562	~~$612~~
SED 8-11	$413	$451	$523	$555	$613
SED 12-17	$469	$494	$539	$568	~~$614~~
GF @ LL Basis	$600	$650	$700	$750	$800
Average	$445	$478	$528	$562	$610
SED 8-11	$422	$460	$524	$557	$611
SED 12-17	$464	$493	$536	$567	$612
GF Extra Haul	$150	$150	$150	$150	$150
Average	$295	$328	$378	$412	~~$460~~
SED 8-11	$272	$310	$374	$407	$461
SED 12-17	$314	$343	$386	$417	$462

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Are you smarter than a fifth grader?

Given that the R6W/R6E Ratio is .75, what would be the R6E/R6W Ratio?

This would be the ratio that you would multiple by the westside volume per load to get an estimate of the eastside volume per load.

Would it be: 4.0 mbf LL times 1.25 = 5.0 mbf SL?

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Are you smarter than a fifth grader?

Given that the R6W/R6E Ratio is .75, the R6E/R6W Ratio would be the multipliable reciprocal or:

1 divided by 0.75 = 1.33

So: 4.0 mbf LL times 1.33 = 5.32 mbf SL

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If Bid Award to Westside Scaling Logyard: Things to pay attention to:

- Westside diameters are not rounded – to do an westside 8-11 sort, tell an eastside logger the sort is 9-12. An eastside logger logging on the eastside will not make a mental shift to a westside diameter.
- Know the fall down prices – if westside buyer pays $100 for logs less than minimum is 8" westside, tell an eastside logger the minimum is 9" eastside. Eastside buyers generally pay a "camp run" price for 6"-what is oversize. Westside pay on length – diameter matrix – KNOWN the MATRIX.
- Also will have to monitor lengths and keep a minimum length or average length – KNOWN the MATRIX.
- Grades or log sorts are not as big a deal as they used to be except in the case of Japan export. Then you want to establish the value of the downfall grade or sorts and make sure it does not pull down the value of the load.

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New opportunities and old challenges in Selling eastside logs to the westside

Questions or Comments?

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