

6. Marketing windblown timber

6.1 Principles

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Marketing windblown timber is not without problems. The sudden availability of large quantities of wood that need to be harvested, and harvested quickly, confronts foresters, contractors and wood users with an unfamiliar situation entailing both technical and commercial risks. The technical risks have already been discussed; the commercial risks are the subject of this chapter.

Forest owners

have difficulty in setting a value on the wood: they do not know how much there is to be harvested or how far the price should be reduced because of damage, harvesting difficulties or the state of the market.

Contractors

have to assess the real cost of harvesting, taking into account additional the difficulties which leads additional costs. The normal rules of competition no longer apply. Loggers must be careful not to conclude deals at below true cost or to accept contracts in excess of their capacity.

Wood users

are attracted by the opportunity of acquiring abundant supplies at what they hope will be low prices, but they have little control over what actually happens.

All of them risk taking on financial commitments that are either premature, since the conditions of the market are not known, or excessive in relation to their own capability, particularly as regards cash flow.

If these difficulties are not to result in additional financial losses, haste must not be confused with speed, a number of precautionary rules must be observed and appropriate government aid must be provided.

6.2 Organisation of the market

The authorities must assist with the speedy, clear, effective and equitable organisation of the market.

6.2.1 Establishing the market and stimulating competition.

When damage is heavy, local buyers cannot absorb all the wood that is available and outside purchasers have to be found.

Generally speaking, news of the damage gets around quickly and buyers try to conclude contracts as early as possible.

The abundance of wood attracts unfamiliar buyers or promotes the rapid development of enterprises whose bona fides and solvency are open to question.

In such circumstances, it is preferable not to conclude any deals in the first few days, before the market has been established. Furthermore, preference should be given, even when this seems to entail financial sacrifices, to companies that are known or offer safeguards (bank guarantees).

The authorities can help owners, contractors and manufacturers alike by:

- ◆ Providing marketing informations including prices.
- ◆ Announcement of the support of competent bodies and staff.
- ◆ Valuing the wood to be harvested.
- ◆ Setting up wood and forest-work exchanges to serve as point where suppliers and demanders can meet with no immediate need for commitment on either side.
- ◆ Putting wood on the market in a coordinated way.

A distinction must be made at this stage between public forests and private forest. The marketing of windblown timber from public forests, of which trial sales can be arranged as soon as the prerequisites (catalogue, specifications, advertising) are to hand. Such sales, since they concern well-managed forests, are attractive to buyers and set benchmarks for prices and harvesting conditions (in Brittany , the Office National des Forêts was able to put an estimated 180'000 m³ on sale 40 days after the October 1987 storm).

Sales of windblown timber from private forests, for which the authorities can help with transactions by advising on selling methods and providing appropriate financial aid.

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6.2 Organisation of the market

6.2.2 Selling rules and official support

While the size of deals is a matter for the sellers and buyers, the authorities need to help them by putting forward clear selling rules and providing financial assistance.

Low-value products must not be forgotten.

Good-quality wood will always sell well. Unfortunately, for various reasons (damage, short storage life, premature harvesting), windblown timber includes substantial quantities of low-value wood. Markets should be found for it or it may be left in the wood.

Priorities must be set:

- ◆ Softwood, especially pine, keeps less well than hardwood.
- ◆ Unlike oak and chestnut, beech does not keep once cut.
- ◆ Thermomechanical pulp mills require fresh wood, whereas chemical pulp mills and panelmakers accept dry wood, but adjust the prices accordingly.

The person who pays the harvesting costs should be advised to draw up a cash-flow plan. This month-by-month plan should include forecasts of income and expenditure that take into account the agreed means and dates of payment. Points to bear in mind are the difficulty of departing from established practice and the fact that in the timber industry terms of payment are commonly several months and are longer when shipping is involved.

In the case of windblown timber, the time allowed for payment tends to be longer still, the reason being the slower rate of harvesting, saturation of the market and the long shipping distances.

Financial aid may be required for harvesting. To enable harvesting to begin rapidly, it is useful to provide special short-term, low-cost loans on the basis of cash-flow plans. One year would seem a reasonable term for such loans. As an abundance of cheap credit can give rise to imprudent behaviour, they should be for limited amounts.

6.3 Ways of sale and contracts

6.3.1 Ways of sale

Trees are commonly sold in the following ways:

- ◆ sale "as stems lie" - for a lump-sum or
- for a price per unit recovered
- ◆ Road-side sales

These types of sale and their description, advantages and drawbacks are shown in the table below. The choice of the way windblown timber is to be sold lies with the forest owner.

6.3.2 Written contracts

Whatever the way of sale, the conclusion of precisely worded contracts is the best form of security for sellers, buyers and contractors.

In Appendix 6 there is a model contract which may be used after adaptation the national selling rules and to the specific situation

The main clauses that contracts should include for the sale are described in the following:

In all cases, a written contract must be concluded spelling out:

- ◆ The nature and species of the wood being sold;
- ◆ The time-limit for clearance;
- ◆ The conditions for acceptance of the wood;
- ◆ The conditions and time-limits for payment, and the guarantees;
- ◆ The late penalties, if any;
- ◆ The conditions for cancellation in the event of non-performance.

Particulars for sales "as stems lie":

As far as the harvesting is concerned, the contract should state:

- ◆ The location, boundaries, plotnumber and approximate size of the area to be harvested;
- ◆ The nature of the wood concerned: windblown timber alone or windblown timber and designated trees or clear-cutting (for damaged trees, specify the destination);

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6.3 Ways of sale and contracts

The main ways of selling windblown timber:

Type of sale	Description	Advantages	Drawbacks	Comments
As stem lie	The owner sells to the purchaser and the latter undertakes the harvesting.	The owner is freed from the worries of harvesting and the risks of roadside selling: choice of log length, limits on storage life.	The harvesting conditions must be clearly stated and met. The buyer bears the burden of what, given the high cost of harvesting relative to the value of the wood, may be a large loan.	Suitable for owners unable to look after their own forests and for easily valued timber.
Lump-sum payment	A single price is agreed following a preharvest estimate of value.	If the harvesting conditions are met, the risk of problems is reduced.	The pre-harvest estimate must be accurate.	
or				
Payment per unit recovered	Counting of products harvested. Sum payable = volume x agreed unit price	Adjustment of the price to the volume actually harvested; possibility of selling by volume or weight, depending on the purchaser's requirements.	Difficulty of comparing bids. The wood harvested and the log lengths must be as agreed. Risk of disagreement concerning the grading of products.	Suitable for timber windfall that is hard to value but the owner must monitor operations.
Road-side sales	The owner harvests on his own behalf and sells the harvested wood.	The owner retains control of harvesting, so the forest is better protected. The sale concerns wood that is physically measurable and clearly defined.	The owner carries the burden of harvesting. He must know purchaser's requirements (log lengths, grades). Wood that stores badly (beech, pine billets for mechanical pulp mills) must be sold quickly.	Suitable for knowledgeable owners and where harvesting is difficult. It must be certain there is a market.

- ◆ The maximum diameter of the products that can be left in the cutting area (specify whether with or without bark);
- ◆ Any work required of the purchaser in disposing of lop and top should be stated.
- ◆ The skidding roads to be used and the constraints (right of way, protection of structures or crops, reserved periods, etc.) that apply to the removal of the wood;
- ◆ The storage places;
- ◆ The special conditions: soil conservation, natural regeneration of the trees left standing.

Particulars for road-side sales:

Here a distinction must be made between the harvesting by a contractor or by employees.

Harvesting by a contractor

- ◆ The forest owner must check that the contractor with whom he deals is a licensed operator (registration number, invoices, etc.);
- ◆ The contract should contain the same particulars as for sale "as stems lie" (see above);
- ◆ In addition, prices must be agreed both for the cutting and for the skidding. Generally they are fixed by volume.

Harvesting by employees

- ◆ Loggers who are not employees of a licensed contractor are generally considered as employees of the forest owner even if they are piece-workers and use their own equipment.
- ◆ That being so, the forest owner must make the declarations and pay the charges incumbent on an employer as regards to social security coverage of the people working in his forest and the risks arising from the harvesting operations (accident insurance, third-party insurance and fire insurance).
- ◆ Organization of the work will be the responsibility of the forest owner, who should bear in mind the rules set out above.

The contract for road-side sales should include:

- ◆ Surrender of a document signed by the purchaser before the wood is removed.
- ◆ The way the price is to be calculated;
 - ◆ The time-limits for clearance of and payment for the wood.

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6.4 Storage

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6.4.1 Reasons for storage

Local buyers are often afraid of being short of wood in the years following a heavy damage, therefore they are motivated to store windblown timber.

While external buyers are necessary to take up surplus wood, there is also a need for forest owners and, above all, local buyers to store some of the windblown timber in order to avoid a glut on the market.

The methods of storage, the technical and financial aspects that entails are shown in the table below.

The storage techniques described apply principally to softwood. Certain hardwoods (oak, chesnut) can also be stored without problems; storage of beech has not been successful.

6.4.2 Financial support

While storage has economic advantages, it also entails relatively high costs that justify official assistance. This assistance can take the form of low-interest loans. As in the case of harvesting, it is advisable to limit the amount of the loan according to the capacity of the borrowing enterprise. A reasonable maximum would be to lend an amount corresponding to the value of the stock for one year's consumption.

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6.4.3 Methods of storage

Storage methode	Technical aspects	Financial aspects	Comments
Storage in or near the forest	Debark and treat pine	Inexpensive	Suitable for storage of limited duration
Dry storage on storage site	Leave the bark on if storing far from coniferous forests	Inexpensive	Duration limited; suitable for low-value wood.
Wet storage with immersion in water	Leave all the bark on. Only submerged parts are protected. Problems with delivery to and recovery from storage point.	Ties up capital; amount depends on the value of wood, rage and interest rates. Possible only if suitable water body available.	If wood kept saturated, quality preserved for years. May interfere with tourism and fish-farming.
Spraying	Build piles carefully (max. height 5 m). Metal at least vehicular roads. Check availability of adequate water especially in summer; obtain the necessary permits. The sprays must cover the piles in their entirety, including the ends.	Expensive: installation, supervision, maintenance, handling and financial costs. As a rule, cost should not exceed 25 % of the wood value after storage.	Leaching of the wood may cause discoloration (harmless) of the water. The most reliable method, but should be used only for storage of large quantities (several thousand m3) of high-value wood.

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6.5 Transport

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Transport the surplus timber is important for the successful marketing of windblown material. Given that the manufacturers who habitually get their supplies from the damaged area are unlikely to be able to store more than an extra year's consumption, it is possible to evaluate the quantity to be exported.

Windfall yields heavy, relatively low-value products and transport costs soon become prohibitive as the distance of carriage increases. It is thus helpful to provide transport subsidies. The extent of the assistance must be carefully calculated in order not to distort the market. It will be greatest if the damage occurs in a region without a strong wood-conversion industry.

For saw logs and veneer logs, for which there is a multitude of buyers, it would seem preferable to calculate the subsidy relative to the distance, on the basis of a known tariff, and to apply a ceiling in order to keep down the cost and avoid giving an unfair advantage to the most distant purchaser.

As there is a limited number of potential purchasers of small roundwood the assistance can be set at a level such that wood from the windfall zone has a cost price of the same order as that normally paid by this industry.

The special case of export by sea: The export of windblown timber by sea entails more severe constraints than other forms of transport. Longer payment times, need to be familiar with maritime trading practice and the requirements of distant customers, storage and handling conditions in ports, health certificates, etc.

In addition, the need for minimum quantities, which could be up to 5'000 tonnes in order to fill a ship means that harvesting will require both more care and more time. Operations of this nature can only be handled by experienced, well-established enterprises.

The control of transport

If the volume of wood concerned is substantial, transport subsidies soon come to involve large sums of money. There is therefore a need for checks on the origin of the wood in order to prevent fresh fellings from unaffected areas leaving the damage zone with the benefit of official assistance.

For this reason, effective control is essential. The first requirement is that the wood must not be removed until it has been measured. Then control of the actual transport must be entrusted to a specialized body (in France, the national railway undertaking, SNCF, managed all the transport subsidies after the 1982 and 1987 storms).

