

Land ownership and

Timber Marketing

in the Central Sierra Nevada Region

Marketing of stumpage and logs from privately owned, small-forest properties was studied for the Central Sierra Nevada Region—the greater part of El Dorado, Placer, and Nevada counties. The region is rich in commercial forests—1,248,000 acres, or 66% of its total area. Almost half of its commercial forest resources is in private holdings, and two-thirds of the private commercial forest area are in small holdings—properties under 5,000 acres.

Annual lumber production of the region jumped from 188 million board feet in 1945 to 327 million board feet in 1946 and then increased at a moderate pace, reaching a peak of 376 million board feet in 1956. Employment in the timber industries has grown substantially, and forest-based industrial activity has reached an all-time high in the region.

The increased demand for timber made the small-forest owner—5,000 acres or less—a major source of timber supply, although he had little experience or interest in timber marketing. His main interest commonly lay elsewhere. The output increases resulted in expanded opportunities for timber marketing, although the number of sawmills steadily declined after 1946. Following a period

Scaling lumber, the method of estimating volume sold used in more than four-fifths of the small-woodland timber sales.



of prosperity in which small-forest owners found a ready market, and mill and timber operators an available supply of timber, major imperfections became apparent, to the detriment of sellers, buyers, and the region as a whole. Faulty marketing practices led to dissatisfaction with timber selling, timber-property damage, withdrawal of holdings from the market, and underestimation of the possibilities of planned forest management on small woodlands. The study was undertaken to bring together information essential to planning a sound, permanent forest economy for the benefit of the forest industries as well as of the forest owners.

The survey revealed that timber sales between forest owners and timber buyers were developed separately and on highly individualized bases. Competitive bidding was not practiced. Methods of selecting a buyer and determining the price depended on the seller's knowledge of the market; such knowledge, however, was often inadequate. The apparent satisfaction of owners with their sales seemed to lie not in the effectiveness of the arrangements but in their general lack of interest and knowledge of forestry possibilities and timber marketing.

The marketing process did not include stages with a high enough degree of concentration to bring the forces of supply and demand into focus. No centers of information existed where buyers or sellers could learn about timber availability or mill requirements. There was not even a clearly defined and uniformly applied unit for measuring the physical quantity of the timber bought or sold.

The traditional estimating and scaling practices of the lumber industry may be adequate for transactions between experienced traders, but small-forest owners did not realize the importance of the details of these methods. This put them in an unfavorable position in timber sales and obscured the price actually received per unit of volume sold.

The main weakness in marketing practices lay in the sellers' ready acceptance

of a passive role. They did not realize the complex nature of timber sales. They were reluctant to spend time and money in the prerequisites of a successful sale which requires, among other things, an informed and active seller who can provide for the detailed administration and supervision of all procedures related to the sale.

The study showed that inefficient sales practices often were used where better alternatives were available. In some cases owners did not use good marketing practices because they did not know about them; in other cases owners evidently considered the returns from selling insufficient to justify greater efforts.

Price Information

Over four-fifths of the sellers claimed knowledge of current prices, but such information as the going price rate did not adequately reflect the values at stake in individual sales.

A fundamental difficulty in the prices reported was the lack of precise and fully defined information as to price received by the sellers. Often the price or other important sale details could not be recalled by the sellers. One-fifth of the sales was on a lump-sum basis which made

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the significance of any data per thousand board feet questionable. In the remaining sales, variations in scaling practice, frequently unknown, substantially reduced the reliability of price data. In a number of cases the sale was based not only on cash payment for the timber but also on supplementary services such as road building, the value of which could not readily be determined. The timber itself ranged from residual old-growth Douglas-fir or incense cedar to second-growth Ponderosa pine, and varied widely in costs of logging and log quality. To these differences must be added variations in terms of sale such as length of cutting rights, liability for taxes, responsibility for slash removal, and similar matters, all of which must be defined to give precise meaning to quoted prices.

One-fifth of the region's private commercial forest land—123,000 acres—was nonstocked and held in small-forest ownerships. Some 30% of all commercial forest land in small ownerships was nonstocked and essentially nonproducing.

In addition to this nonstocked land, with its long-range impact on timber supply, some timber land of the region was withheld from logging, further reducing the available timber. Nearly one-fourth of the owners interviewed who had salable timber would not sell because they believed logging would conflict with their primary purposes of ownership,

mostly recreational and residential uses.

Of those small-forest owners who did sell timber many lacked interest in the income possibilities from forest land. Most cutting on these properties was done on fairly crude silvicultural bases, without informed, deliberate provisions for future growth. One-fifth of the sales was made to remove the forest in favor of grazing uses.

Marketing Improvements

Improved woodland marketing requires that small-woodland owners increase their knowledge and interest, and that forest industries develop stable and organized purchasing methods to facilitate the market access of the sellers whatever their state of knowledge.

Public agencies, through their service programs, and private forestry consultants were available in the region to provide marketing assistance and sales supervision for small-woodland owners. Over half the sales reported in the study amounted to \$2,000 or more; and a third exceeded \$5,000. Yet, outside assistance was obtained in only one-third of the sales.

Substantial marketing improvements directly through the owners, however, are unlikely because tenure is unstable, the number of owners is large, and their main interests lie elsewhere. Improve-

ments may have to come through action by the industry. Although the immediate interests of buyers and sellers are in opposition, the development of permanent forest industries, based on wood grown on small holdings, tends to bring the long-range interests of both parties into accord. Such permanent industries must rely on market forces to bring about the continuous supply of timber which they need from small holdings.

Opposite forces were found to be at work in the industry. One unfavorable element was that a substantial part of lumber manufacturing was carried on by short-lived sawmills—mostly small mills which were particularly active in obtaining timber supplies from small private forests. Over the 10-year period ending in 1956, the number of small mills declined by over two-thirds, the total number of mills dropping from 136 to 51. Hence small-forest marketing has been influenced by unstable, temporary forest operations and a shrinkage in the number of market outlets. This instability and the dominance of short-period interests on the buyers' and sellers' sides resulted in a disorganized pattern not conducive to long-term forest management.

Marketing improvement is likely to be achieved only through some stabilizing elements. The population increase and related developments in land ownership in California indicate that such stability is more likely to come from the forest industries than from the woodland owners. To this extent, the reduction in number of sawmills—mostly small, temporary operations—and the shift of production to medium and large mills, may mark an increase in stability in the forest industries that will favor improved marketing on small-forest ownership.

Additional permanent forest industries in the region would improve marketing institutions and practices. Similar industrial developments have been accompanied, in other parts of the United States, by improved methods of measuring timber volumes, standardization of terms of sale of standing timber, encouragement by the buyer to mark timber for cutting on a silvicultural basis, and greatly improved information about available and interested timber buyers.

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A small-forest property in the Central Sierra Nevada

