



Oak as a Timber Investment

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How good is timber at holding value?

Kentucky is rich in its timber resources. Whether your timber stand is worth a lot or a little as time passes has a lot to do with your initial mixture of species and how you care for your timber resources. Oak sawtimber is a valuable component of our hardwood forests and its price is a reflection of the demand the public has for products made from oak, such as furniture. Of course, high quality logs, can be manufactured into high quality products. Quality in logs refers to being free of defects such as cracks, knots, and heart rot formed when a tree is has been fire scared and left open to disease.

The U.S. government tracks the prices of all goods and services in our economy using the consumer price index or CPI. CPI measures how much money it takes to buy a standard amount of common purchased goods, such as bread, milk, paper, or services such as a haircut or yard service. In 1980, the CPI for all urban consumers was 82.4, and in 2000, it was 172.6. This means that, in the year 2000, it took \$172.60 to buy the same set of goods and services that cost \$82.40 in 1980. This equates to an average inflation rate of 3.6% per year.

What does this have to do with forests and trees?

Well, in 1980, the price paid for standing oak sawtimber was \$83 per thousand board feet, and in the year 2000, landowners received \$293 for the same amount of standing timber. This is an annual increase of 6.5%. For mixed sawtimber (various species) this increase in value was 3.1% per year. This means that for oak, the value of

Table 1: Rate at which sawtimber has increased in value from 1980 to 2000

Price per MBF ¹	1980	2000	Increase in Value
Oak Price/MBF	83	293	6.5%
Sawtimber Price/MBF	60	110	3.1%

¹ MBF:Thousand Board Feet-a measurement for selling timber. A board foot is 1 inch by 1 inch by 1 foot piece of solid wood.Measurement in Doyle Log Rule from Timber-Mart South

sawtimber is rising almost twice as fast as inflation and for other mixed hardwoods, its value is almost keeping pace with inflation. In other words, oak sawtimber is an excellent hedge against inflation and will increase in value each year. Not only are oak trees growing in volume or size over time, but the per board foot value of the standing sawtimber is also increasing faster than inflation over time!

What can affect the value of your oak sawtimber?

Preventing fires from getting out of control and not using living trees for fence posts will make your trees more valuable. While not all fire is bad, fires that are uncontrolled or “torched” do damage and cost us money. Although fire can kill trees, more often it causes damage and allows insects and disease to attack. In future years the trees may look sound but the heartwood or core of the tree is rotten. This reduces the quality of the wood and takes away from its value.

When you harvest your oak sawtimber, consult with a professional forester about the quality and value of your trees. The Kentucky Division of Forestry provides landowner management assistance free of charge. And you can find private, consulting foresters that can help you get the most value for your timber. And remember, in all cases, make sure that your logger is Master Logger certified and is following the best harvesting practices defined by the Kentucky Forest Stewardship Act.

What to do to get the best value when you sell your oak sawtimber?

- ✓ Decide what to sell: the whole “boundary” or just part of your farm.
- ✓ Decide how you want to sell your timber: Ask a forester to help you make a decision.
- ✓ Request reference: to know how the logger did on other jobs.
- ✓ Advertise widely to get more than one offer.
- ✓ Sell by written contract: protects both you and the logger.
- ✓ Oversee the sale. Make sure the contract is followed.