



CWFC Facts 007

Canadian Wood Fibre Centre

Fibre Facts

Segregating and marketing veneer logs to the 'right' buyer increases revenue by 26%

A recent study in Huntsville, Ontario led by Peter Hamilton of FPInnovations showed a 26% increase in revenue when veneer grade logs were marketed to the 'right' buyer. This Fibre Fact Note explains the advantages of directing veneer logs to the buyer offering the highest individual log price. Traditionally all veneer logs were sold to one mill, usually a rotary veneer mill, accepting the price offered by that mill because it was four to ten times higher than the sawlog price. In this study we examined pricing from two veneer purchasers to see if marketing selected logs to different purchasers could increase net revenue.

The Great Lakes – St. Lawrence forest region is complex with multiple species, multiple products, and differential pricing for forest products. This complexity presents opportunities for separating and sorting logs and then selling them to different buyers. Such an approach helps sell logs to the right buyers.

Peter Hamilton has been studying tolerant hardwood operations in eastern Canada and the northeastern United States with the intent of finding extra value in the wood fibre supply chain. Collaborators include Steve D'Eon of the Natural Resources Canada-Canadian Wood Fibre Centre and Tom Fisher Logging Inc. of Huntsville, Ontario. Support was provided by the Ontario Ministry of Natural Resources.

At a central location 88 veneer logs were laid out and evaluated using a veneer buyer's standard price list. A second veneer buyer's price for each log was independently obtained with comparative prices for 73 of the 88 veneer logs. Prices were normalized for mill gate destinations and for dollar exchange rates. No attempt was made to evaluate grade or scale differences between the two buyers.

There was little difference in the total price when all of the logs were purchased by one buyer (\$8,180 vs. \$7,997). When the logs were segregated and sold for the higher individual log price one buyer purchased 31 logs and the other 42 logs for a combined price of \$10,175; an increase of over \$2,000 or 26%. Individual log prices differed significantly for two thirds of the logs, with an average difference of \$45 for yellow birch logs and \$75 for sugar maple logs.

Table 1 Pricing differential between two buyers for 73 veneer logs

	Buyer A	Buyer B	Total revenue
Price paid - all logs purchased by one buyer	\$8,180	\$7,997	\$8,089
Number of logs with higher price	31 logs	42 logs	
Sum of higher price bids	\$5,227	\$4,948	\$10,175





Measuring for less than 50% heart in sugar maple veneer

The two buyers generally agreed about the grade of 70% of the logs with some disagreement (+/- two grades) regarding 18% of the logs and significant disagreement about 12% of the logs (Table 2). We could not discern a reason for different log gradings by different buyers.

Table 2 Grade differential between two buyers for 73 veneer logs

Grade differential	Buyer A	Buyer B	Total logs
Same or +/- one grade			51 (70%)
Two grades below other buyer	7 logs	6 logs	13 (18%)
Three grades below other buyer	5 logs	4 logs	9 (12%)

Differences in log grading by buyers can greatly affect the price. One buyer may downgrade a log because of a defect the other buyer considers inconsequential. One buyer may include a higher top-end grade on their price list. For example, one sugar maple log had a difference in price of \$600 between the two buyers. In this case, one buyer graded the log 'slicer' quality while the other buyer did not include this grade on their price list. Slicer Grade logs are suitable for vertical or stay-log slicing methods rather than rotary lathe production. Important log characteristics for 'slicer' include a large, blemish-free area, consistent and desirable colouration, and a tight growth ring pattern. Surprisingly, even a smaller log can be of 'slicer' quality and yield a much higher price when a buyer recognizes the grade and is willing to pay to obtain the log.

Figurewood such as birds-eye, curly, and fiddleback can add more value to the same harvest when the logging contractor identifies, sorts, slashes and sells these specialty

products to the right buyer. There is no standard price list for figurewood. Knowing the ever-changing market and grades for specialty products is an added challenge for logging contractors that could be solved by pooling logs in a merchandizing yard.

A merchandizing yard is where multiple suppliers can market their logs to multiple purchasers. Creation of a merchandizing yard would allow the development of localized skill in recognizing high value figure wood, slicer grades, and other specialty grade logs. Logging contractors would benefit from increased revenue and reduced sale costs. Purchasers would benefit by being able to accumulate suitable loads of the species, size, and quality of logs they require for their mill. Selling the right log to the right buyer should benefit all groups in the business. The next step in the study is to examine the feasibility of establishing a merchandizing yard near Huntsville, Ontario.

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