Montana Forest Products Marketing News

MSU Extension Forestry

November 2004

Delivered Log Prices in Montana

The chart to the right shows the average delivered log prices for Eastern and Western Montana during the second quarter of 2004. The prices are determined from surveys conducted by the University of Montana's Bureau of Business and Economic Research.

Landowners can *approximate* stumpage prices by subtracting logging and log hauling costs from the delivered log price.

Quarter 2, 2004

Delivered log prices per thousand board feet, Scribner Scale

		Sawlogs	
		Eastern Montana	Western Montana
Ponderosa Pine			
	Yellow	458	510
	Bull	388	400
Lodgepole Pine		433	437
Douglas-fir		411	463
Western Larch		xx	463
Engelmann Spruce		428	437
Subalpine fir		375	386
Grand fir		xx	380
Western Red Cedar		xx	525
Hemlock		xx	384
White Pine		xx	491
Cottonwood		xx	xx

Typical logging costs (for three logging systems) and log hauling costs are:

Helicopter logging	$300 to $350 per MBF
Cable/Line logging	$170 to $220 per MBF
Ground/Tractor logging	$100 to $200 per MBF
Log Hauling	$50 to $100 per MBF

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Montana Leads the Way in Post and Pole Production

A survey of Western US post and pole manufacturers found that in 2001, Montana produced about 16 million linear feet of post and pole material. In other words, Montana accounted for about 1/3 of all the material manufactured in the Western United States.

Another finding was that California, with its abundant agricultural industries such as vineyards and orchards, consumed the largest number of posts and poles. Wholesalers are a critical component of the distribution system for Montana's post and pole producers because they coordinate much of the preservative treatment and transportation of the posts and poles to the end customers.

Look for a complete report on the findings of this study by Ed Burke, Larry Swan, & Roy Anderson in an upcoming issue of *Forest Products Journal*.

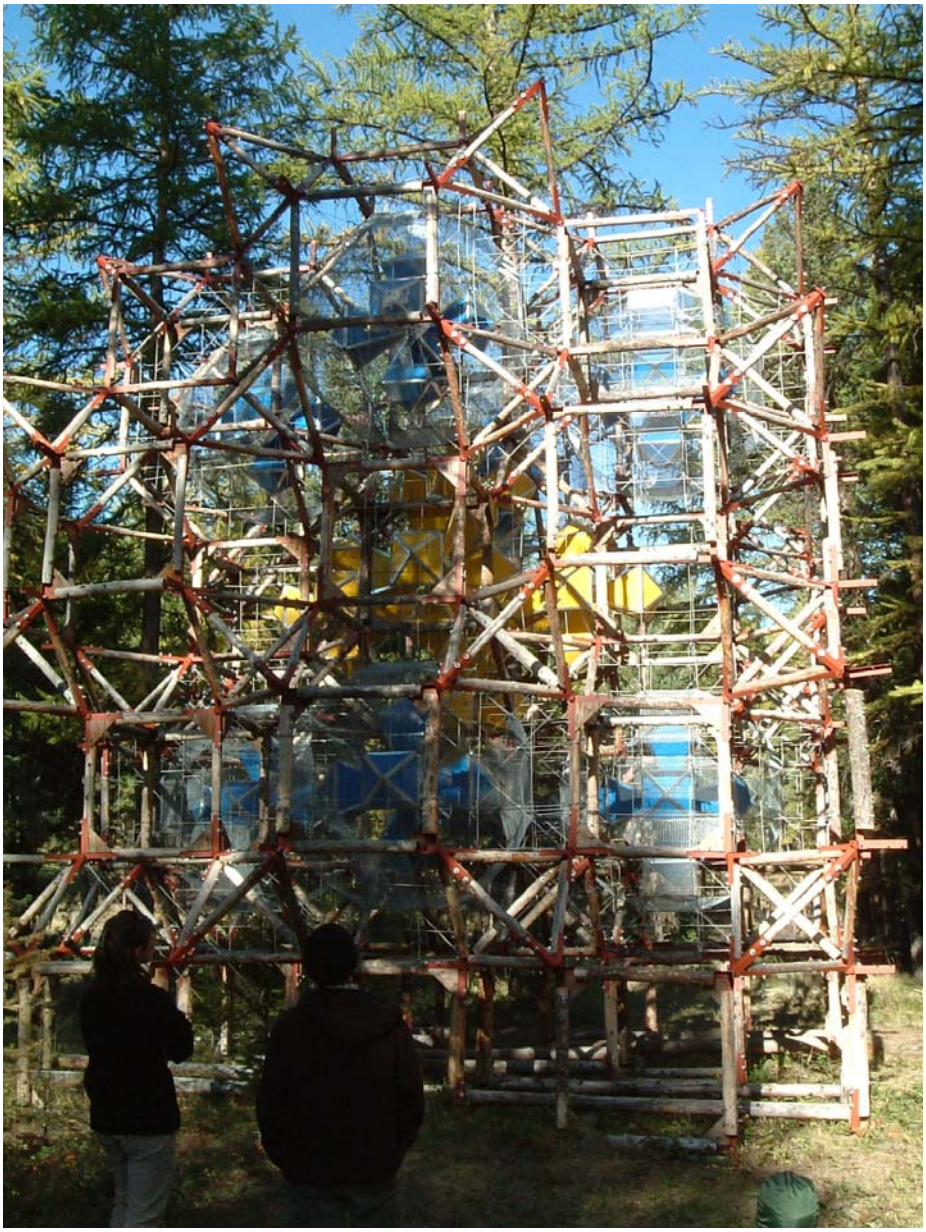
Check it out:

- Taker found for MT timber sale click here
- UW develops process to produce methanol from trees click here
- Modern Logging Uses State-of-the-Art equipment click here

Tamarack Talisman — Small Diameter Wood Sculpture

In 1971, Jim Hewes, a Salt Lake City, UT native, came to Montana to help build the Mansfield Library on the UM campus. During that visit, Hewes took a ride up the Blackfoot River Valley. Recalling the trip, Hewes said, "I just fell in love with Montana." Before returning to Utah, Hewes bought 20 forested acres near Potomac.

Hewes' plan was to some day build a home on the property, but fast forward to 2000 and Hewes had instead purchased an adjacent property with an existing home. On the original 20 acres, he found himself building the *Tamarack Talisman* — a 30' x 30' x 30' sculpture made of small logs, cables, and steel.



The *Tamarack Talisman*

Hewes' lifelong interest in art, engineering, and construction inspired the sculpture's design, which features rows of tetrahedrons whose corners are connected by alternating rows of cubes. The bottom layer is made of cubes, each containing 12 small-diameter larch or fir logs. Each log in the cube is bolted to adjacent logs with 2" angle iron connectors specially designed by Hewes. Each cube is joined to adjacent cubes. Above the cubes is a layer of tetrahedrons each made of 6 logs and joined in the same way as the cubes. All of the logs were cut on the property. Finally, steel cables run through the cubes and tetrahedrons to support several hanging geometric shapes. Hewes added the shapes so that they could be sprayed with water in the winter to form beautiful ice formations.

For the time being, Hewes is content to leave the structure on his property. But some day he hopes to move it to a public space, so that it can inspire others.

For more information visit: www.jameshewes.com

Don't Pay More in Timber Taxes Than You Have To

Article Contributed by: Russ Hudson, Consulting Forester and Montana Tree Farmer.

Landowners rarely consider how to minimize the taxes on timber sale income. Therefore, this article describes how to reduce timber tax liability.

Tree Farm Expenses

First, establish your forest property as a tree farm business so that annual operating expenses can be deducted from income on Schedule C. To qualify as a business, rather than a hobby, you must be able to document a minimum of 100 hours per year spent working on the property engaged in work that is *regular*, *continuous* and *substantial*. Additionally, your enterprise must be in business to make a profit. Normally, this would mean showing a profit 3 out of every 5 years. Tree farmers, however, can show profit by accounting for the value added by each year's tree growth. Finally, your tree farm can only be considered a business if you plan to someday sell timber.

It is fairly easy to establish a tree farm business through good record keeping. First, record all of your time spent on tree farm related activities. Second, save receipts from cultural treatment activities and equipment and supplies, e.g. herbicide, fertilizer, tractor expenses, saw expenses, rig mileage, workshop time and expenses. Finally, some equipment items with a long-term life need to have their value depreciated over several years rather than deducting the total expense in the year of purchase.

The Timber Sale

It is advantageous to treat a timber sale as a long-term capital gain because the maximum tax rate for such income is 15%. Several factors affect your ability to qualify a timber sale as a long-term capital gain. First, you must own the trees at least 1 year prior to harvest. Second, you must handle the timber sale in 1 of 2 ways:

A) The standing trees can be sold on the stump with a retained interest, pay-as-cut contract. You are paid based on the volume of logs scaled at a mill. This is a 631-b sale.

B) The tree farmer buys his/her own timber at *Fair Market Value* on the 1st day of the tax year and pays a 15% long-term capital gain. The gain is equal to the sale proceeds minus the timber cost basis, minus the logging and hauling costs, minus any costs associated with the sale. After paying someone to harvest and haul the trees, *you* sell the cut logs to a mill. The tree farmer uses the FMV of his or her stumpage as an expense on Schedule C. In the tax code, this is a 631-a sale.

It is important that a tree farmer determines, *before the sale is made*, if it is to be a stumpage sale (631-b), or a log sale (631-a). A 631-a sale requires a professional forester to make the tax year FMV determination of the trees to be cut.

Additional information is offered in *Tree Farmer* magazine or the National Timber Tax Web Site: www.timbertax.org. It is also a good idea to work with an accountant that is familiar with timber sales.

For additional information Contact Russ Hudson at: rhudson@libby.org or call him at 406-293-5698.

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Montana State University Extension Forestry is a branch of the MSU Extension Service and is housed cooperatively with College of Forestry and Conservation at the University of Montana in Missoula, Montana.

The mission of Extension Forestry is to provide education and outreach to non-industrial private forest landowners, forestry industry, and other forestry-related organizations in Montana.

Extension Forestry carries out its mission by providing its clients with educational workshops, publications, news releases, brochures, and videos. Common topics include forest stewardship planning, forest insect and disease, windbreaks/living snow fences, alternative forest management practices, wildfire hazard reduction, forest products marketing, and tree pruning & care.

We're on the Web:

http://www.forestry.umt.edu/hosting/forestproducts/index.htm

Did a friend send this newsletter to you?

If so, sign up and we can send the newsletter directly to your email address.

Do you have comments, story ideas, or other suggestions?

If so, send them to Roy Anderson, newsletter editor

Calendar of Upcoming Events

Ponderosa Pine: Management, Issues and Trends

October 18-21
Klamath Falls, OR
click here for agenda

Small Diameter Utilization Piecing Together the Puzzle

October 22-23, 2004
Eager, AZ
click here for agenda

Montana State Tree Farm Committee Meeting

9:30 AM
October 19
Missoula @ Plum Creek Offices

Society of American Foresters Missoula Chapter meeting

6:00 PM
October 19
Florence Hotel, Missoula

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