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Bogus cruises: How they work, Part III

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(Part I of this series presented a sample cruise [link] that will be referred to in the next three columns.)

The seller of a timberland tract may be tempted to overstate the extent and value of his stumpage. Some foresters working for such sellers have been known to structure cruise information toward that end. In Part II, I discussed three ways of doing this: 1) counting volume on inoperable acreage; 2) using the wrong scale; and 3) counting small-diameter trees as sawtimber. Here are three more ways to construct a bogus cruise.

4. Grouping species into families and using the price multiplier for the highest species as the straight-through price. Natural forest tracts frequently contain different species from the same family of trees. Each oak species, to take one example, will have its own price, based on local market conditions.

Red oak might be priced at \$300/1000bf, with black oak, scarlet oak, pin oak and chestnut oak, among others, priced lower. The spread between red oak and chestnut oak in this example is \$200/1000bf. On 10,000 feet of "oak," \$300/1000bf amounts to \$3,000 whereas there might be only half that value when each oak species volume is priced individually.

I've seen cruises that package chestnut oak volume into white-oak volume and price both at the white-oak price multiplier, which is higher. Timber buyers will disaggregate species, pricing each one individually. Sometimes mills will sell chestnut oak as white oak, but they won't pay white-oak stumpage price for chestnut oak.

5. Breaking the tops too high. Local markets determine the acceptable diameter at the small end of a sawlog. Foresters in the field "break" their estimate of sawlog volume as they "go up" the tree visually at that threshold diameter. That might be at 10" in hardwoods, but in some circumstances the market might allow them to break higher, up to a 6" diameter. The higher the break, the more volume that's included and priced as sawlog.

If the market for the tract's timber is pulp or chips, top break will be high, as much as a 4" diameter. But sawlogs are generally broken at 10", though some markets may go to 8". If the local market requires a sawlog with a small diameter end at no less than 10", all the volume that's above that diameter cannot be counted and valued as sawlog volume in a cruise. If a forester breaks at 6" where the local market breaks at 10", all the stem volume between the 10" diameter and the 6" phantom value. The sawlog buyers won't pay for

it. A buyer must determine from the forester who did the seller's cruise what diameter break he used, and then what break the market uses. Breaking too high is a common trick.

6. Counting trees that should not be counted as sawtimber. One of the many bad consequences of repeated high-grading of hardwood tracts is the long-term change in the timber stand from higher-value species to lower-value species. High-grading is the practice of cutting only the high-value sawtimber and leaving all culls and low-value species standing. High-grading is an efficient method for a logger to use, but the value of the landowner's timber stand is slowly degraded by allowing the culls and low-value species to remain, taking up resources that would be applied more profitably to higher-value species..

A high-graded tract often contains many low-value species with large diameters along with large-diameter, high-value culls—both of which may have commercial value as pulp or firewood, but not sawtimber.

Foresters are expected to separate sawtimber with value as sawlogs from sawtimber-sized culls. If they do not, they are adding in volume as sawlogs that a timber buyer will only value as pulp, if at all. A landowner can improve his timber stand by insisting that the logger, at the very least, drop these trees, thus releasing small-diameter, high-value species from their competition.

Where an inexperienced land buyer finds very large diameter trees, he must determine whether they are leftovers from earlier high-gradings or valuable sawtimber.