

What is my Tree Worth?

Woodland owners often wrestle with the question of value when looking at their trees. Often they hear stories of walnuts or white oaks worth thousands of dollars and think, 'my trees must be worth that as well.'

Unfortunately, the trees you hear about that are worth that much are not average trees, are rare find for even timber buyers, and are getting harder to find all the time.

So, what does determine the value of a tree? The answer takes into consideration a large number of variables.

The tree itself will produce a log, or many logs, each that has a different grade that can be as high as prime veneer and as low as pallet material. The difference in value can be dollars per board foot. The grade of each log is determined by where it is in the tree and whether it has defects. The number

of defects, the types of defects, and whether the defects are visible in the tree or log will affect the price a great deal. There are many publications and training opportunities to learn more about tree and log defects through Purdue Extension. To learn about them, visit <https://www.purdue.edu/fnr/extension>.

Markets determine how much each species and log grade within that species is worth. Two logs that are exactly the same going into two mills within the same county might fetch very different prices, depending on who their customers are and what products they produce from the raw material.

In order to get a more generic idea what a log might be worth, Purdue began to generate a report every year from a survey of all the saw mills in the state, and that survey is now done by the DNR Division of



The timber value of a tree depends on many factors.

Forestry. This report is called the Indiana Forest Products Price Report and Trend Analysis. The most recent reports can be found at <https://www.in.gov/dnr/forestry/3605.htm> in the Hardwood Market Information section of the website. Another factor is foreign markets—are they buying Indiana hardwoods and, if so, how much are they paying for them?

With the value of a log going into a mill, the woodland owner might think that there is indeed a large amount of money in those logs, but subtracting needs to be done before the value of the logs can accurately be estimated. Timber buyers have businesses that incur costs in removing a tree from your property and transporting it to the mill. That cost of doing business is determined by the wages being paid to employees, and by the cost of buying, running and maintaining equipment. Then, as any with any other business in the world—including your woodland business—the timber buyer’s business requires a margin of profit in order to stay afloat.

How a timber buyer purchases your trees can affect the price. In bidding for timber, timber buyers need to know their market and have a good idea of the price they will get for those logs if they are cut out of the tree in the way they envision from the look of the standing tree. Making this call has an inherent risk—being able to know how much their competitors might bid because they also need to win the bid in order to do business, and know their costs.

By bidding on a timber sale, the timber buyer takes the risk of what is in that standing tree because, if they are wrong and the tree has internal defects, their profits can be lowered considerably.

If they purchase the trees through a “shares” deal, the woodland owner and the timber buyer share that risk of the those internal defects, which means the amount the woodland owner gets paid might be higher or lower compared to the bid sale, and the woodland owner takes the risk by being paid after the logs are removed from their property rather than before.