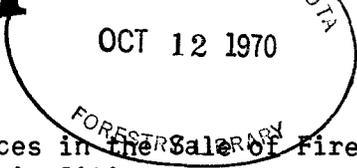


MN 4610 C2
MERN 123



MINNESOTA FORESTRY NOTES

COPY 2



No. 123
October 15, 1962

Marketing and Procurement Practices in the Sale of Fireplace Wood in the Twin Cities

Dennis L. Schweitzer and Richard A. Skok^{1/}

The need for improvement of forest stand composition to yield timber products of higher value is a common problem faced by forest managers in Minnesota. The motivation for such improvement generally can be expected only when and where suitable markets for removal of the standing lower quality timber are developed. One such market in Minnesota is that for fireplace wood.

A study of the fireplace wood retailers with outlets located in the St. Paul-Minneapolis metropolitan area was made by the School of Forestry in 1961. Interest in this timber-use stems from the fact that as the suburban areas grow and more fireplaces are brought into use, increased demand for wood fuel should develop. Also, it is generally conceded that fireplace wood in today's usage is a "superior" product, i.e. a product individuals tend to use in greater quantity as their real income increases. With the general rise in family incomes in this area, this factor should have a favorable effect on the volume of wood taken in future years. While wood was once used in large volumes in this area as a source of heat in homes, substitute products have nearly eliminated it for this purpose. Today, firewood consumed in the Twin Cities serves primarily as a source of aesthetic value to the users when burned in the fireplaces in the fall and winter seasons.

The sixteen firms contacted and reporting in this study were based in the Twin Cities area. These respondents represented a wide range of business interests and included those primarily concerned with the sale of fireplace wood only, general fuels dealers, garden stores and landscaping services, construction and home maintenance firms, and grocery stores. In addition, it was found that substantial amounts of wood were sold by truck dealers located some distance from the cities by bringing a load at a time into the area and selling directly from the truck to homes. Information from this latter category of retailers was not obtained because of difficulty in establishing their identity.

Retailers contacted reported handling a total of approximately 2000 standard cords (110 cubic feet/cord seasoned)^{2/} of firewood during the 1960-1961 fall and winter season. The counties of origin of the wood sold are indicated in Figure 1. Brokers and dealers (individuals who neither harvest nor retail the fireplace wood) supplied the majority of the Twin Cities based retailers as shown in Figure 2, with the average transaction made by such agent, 109 cords. Owner-producers (those who owned the timber, harvested it, and sold it directly to retailers) accounted for nearly one-third of the volume, averaging 40 cords per transaction. Contract producers (individuals who harvested and sold directly to retailers but did not own the timberland from which the products were obtained) averaged 30 cords per sale but were only of minor significance as suppliers.

Thirty different suppliers were identified by the reporting retailers. No written contracts were reported between buyers and sellers.

^{1/} Research Assistant and Associate Professor, respectively, School of Forestry, University of Minnesota.

^{2/} The City of St. Paul defines a cord of firewood as follows: "...if the sale is of "sawed" wood a cord shall mean 110 cubic feet when ranked...". Ordinance 10552, July, 1955.

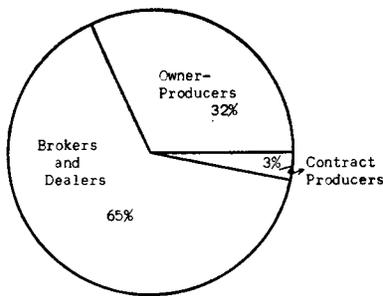


Figure 2. Proportion of Total Fireplace Wood Supplied by Agent Classes, 1960-1961 Season.

Few formal specifications had been established by the retailers for their wood. When dry wood was purchased, it was with the understanding that it had been seasoned for 10 to 12 months. This requirement, the acceptable species and stick lengths (indicated in Table 1), the proportion of split to roundwood, and the general physical condition of the wood were all verified through visual inspections.

Table 1. Specifications of Firewood Required by Twin Cities Retailers, 1960-1961.

| Species | No. of Retailers Accepting* | Stick Length | No. of Retailers Accepting** |
|----------|-----------------------------|--------------|------------------------------|
| Oak | 16 | 16" | 14 |
| Birch | 16 | 24" | 8 |
| Maple | 11 | 32" | 3 |
| Ash | 9 | 48" | 3 |
| Ironwood | 2 | | |
| Hickory | 1 | 4'-8' poles | 1 |

* 16 firms reporting ** 14 firms reporting

The volume of retail sales was divided among the principal species as indicated in Figure 3. The characteristics of most sales reflect the change in the use of firewood from a primary source of heat to a source of aesthetic enjoyment in fireplaces. The most common quantity sold was one-third of a standard cord (a "fireplace" or "stove" cord) of mixed oak and birch in 16" lengths. Substantial quantities were also sold in smaller "racks", but few sales were made of other lengths.

Purchase costs to the retailers of oak and birch ranged from \$18 to \$24 per standard cord (110 cu. ft.) for seasoned wood, and sale prices from \$45 to \$54 (or \$15 to \$18 per fireplace cord). Maple, ash, and other relatively minor species sold at these prices or somewhat less. Retailer gross margins ranged from 49% to 65% of the sale price with further increments for seasoning, splitting, drying and transporting the wood in instances where they also performed any of these functions.

Annual licences must be purchased by retailers selling in either Minneapolis (\$25) or in St. Paul (\$30). These cities have further restrictions concerning the advertising and sale of firewood, particularly in regard to dryness and units of volume.

The retailers' two most frequent complaints concerned their inability to rely on their suppliers to deliver the required quantities of properly seasoned wood (especially birch) when requested, and the severeness of price-cutting competition. A third unsatisfactory market condition found was the lack of a standard set of volume units (in spite of city ordinances) for use in purchases and sales.

Figure 1. Source of Firewood Handled by Twin Cities Retailers 1960-61 Season.

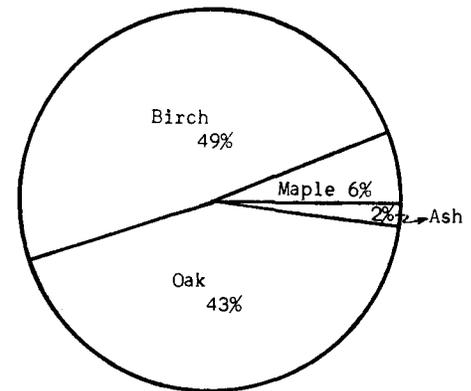
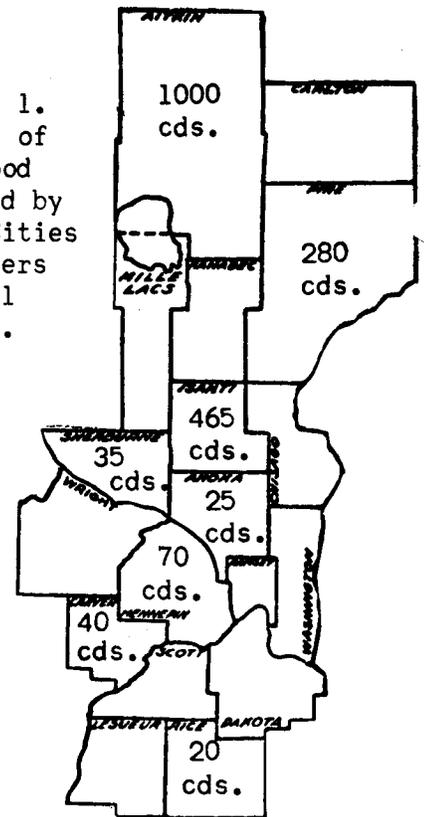


Figure 3. The Species Composition of Twin Cities Firewood Sales, 1960-1961.