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Toward an Elasticity of Chip-N-Saw: Demand and Supply Models of Chip-N-Saw Stumpage in Louisiana

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Abstract

Softwood chip-n-saw (CNS) is a relatively new stumpage product in the sawtimber- and pulpwood-dominated stumpage markets in the U.S. South. Based on a quarterly data series from 2003 to 2016, this study estimates the demand and supply models of the softwood CNS stumpage market in Louisiana. The two-stage least squares (2SLS) results reveal that own price elasticity of demand (PED) is price elastic, and the cross-price elasticity (XED) with sawtimber approaches unit elasticity. On the supply side, CNS is price inelastic in supply (PES), but more responsive to own price changes than sawtimber quantity supplied. Further, severance tax increases are found to decrease the supply of CNS, indicating that suppliers are responsive to severance tax incidence. As the first empirical estimation of CNS, the findings should be of interest to those involved in the analysis of Southeastern stumpage markets.

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