

## **22. Economics:**

J. F. Kelsey - - - 2024 May - - - Rev 3

I am so uneducated in economics, that I shouldn't say a word. I can't even understand a paper by a real economist (Bill Hoover). However, I know establishment cost, how black walnut trees grow, and 2019 timber prices. I'm good at math and spreadsheets; (and fearless of insults). So, I made a spreadsheet, all in 2019 dollars. There is a spreadsheet row for each growing year, and many columns. It is assumed that all the initial money is borrowed at some interest rate and any payback only comes from timber sales. The debt keeps growing to pay interest, even with no new borrowing.

I'm sure my analysis is flawed, but still there are some worthwhile observations:

1. Raising black walnut veneer timber might make long term profit. Raising black walnut saw logs likely cannot.
2. Black walnut and agriculture want the same land. On abandoned land the alternative is letting invasives and pioneer species take over. On usable agricultural land the base case should be rental or raising soybeans. That's the real alternative.
3. If you had to borrow money to buy agricultural land, the bank makes all the money.
4. No sane bank would lend you money without a payment for 50 years. You need self-finance with no expectations of a return in your lifetime.
5. Up front expenses (like tree tubes) murder the economics.
6. If you want to reap the profits, you need your grandfather to have planted the trees.

So my conclusion is: for a person to be interested in this book they need to: (1) already own at least a small parcel of walnut-suitable land; (2) have enough income so they don't care about the income from the parcel; (3) like trees; and (4) be literate. It seems that a calculating commercial scaled black walnut plantation venture is a poor idea, but there are other appropriate situations. I know many black walnut growers and none of them are really in it for the money. Their motivations vary, but it is usually abandoned agricultural parcels, that were going to become a low value woodlot if they did nothing. Such parcels are the target of this veneer growing method. Several want to include black walnut in a mixed planting to raise the general value, if the black walnut survives. Others just want to create a beautiful park-like setting. They all say it's for their grandchildren.

“Wise is the man whose grandfather planted walnut trees”