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Ten Steps to Selling Your Timber

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TEN STEPS TO SELLING YOUR TIMBER

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Standing timber is a valuable commodity that can bring the owner a handsome return — assuming that he or she knows all the steps involved with marketing that timber. This ten-step guide, if followed, can help you obtain a fair market value for your timber.

Step 1: *Before anything else, consider the factors that will affect the sale of your timber.*

Can you sell your timber? Are there liens or other encumbrances on the property that would hold up a timber sale? Be sure that you have the right to sell your standing timber before making any other plans.

Do you have a good reason for selling your timber? Some owners sell timber based on a prescribed management plan. Others sell to salvage damaged timber or make the land available for real estate development or farming. Many landowners sell timber simply because they need money. Whatever the reason for selling, make sure that it is based on your objectives and not those of the timber buyer.

Is the timber marketable? The type and quality of your standing timber will largely determine its marketability and value. A mature pine stand with good growth characteristics is a marketable and valuable commodity. In contrast, poor-quality hardwood stands have little value and, in some cases, cannot be sold for any price.

Standing timber, or stumpage, value varies based on the type of timber products contained in that stumpage. Common products include pulpwood, chip'n'saw and sawtimber. Pulpwood-sized timber usually ranges from six to nine inches in diameter at breast height (DBH) and is the raw material for paper manufacture. Chip'n'saw timber typically ranges from 10 to 12 inches DBH and is manufactured into lumber and wood chips for paper making. Sawtimber, where the trees are at least 12 inches DBH or larger, is marketed for lumber manufacture.

A young pine stand, say 18 to 20 years old, is typically marketed for pulpwood. Timber removed at this age is typically sold as pulpwood. As a stand gets older the timber can be sold to other markets. Chip'n'saw markets are sometimes available for stumpage that is larger than pulpwood size, but smaller than sawtimber size. Stumpage sold as chip'n'saw brings more money than pulpwood. However, there are some areas of Georgia where chip'n'saw markets do not exist. Larger-sized timber can usually be marketed as sawtimber or plywood veneer stumpage. These products are usually more valuable than chip'n'saw or

pulpwood. Markets also exist in some parts of the state for poles, posts, whole tree chips and fuelwood. In marketing your timber, be aware of all the available markets.

What are the current market conditions for stumpage in your area? An advantage of owning standing timber is the ability to hold off on a sale until market conditions are just right. Use this “time aspect” to your favor. Wait until you can market your timber for a profit. Check the market conditions — if the market is bad wait until the situation changes for the better before selling. You may want to let your timber grow to a more valuable size. Finally, try not to let financial difficulties force you into a sale. Timing is one of the most important factors in making a good sale. It’s better to pick the right time to sell and get the most money. Plan your sale well in advance to avoid last minute problems.

Step 2: Determine the type of harvest you want to conduct.

The most common type of timber harvest in Georgia is the clearcut, where all the merchantable timber in a tract is harvested. Other methods, such as a seed-tree or shelterwood cut, involve saving a predetermined number of trees per acre as a seed source. Another type of harvest sale is the thinning, where a certain number of trees are removed from the stand to allow remaining trees more room to grow.

The clearcut involves the least physical preparation — marking the boundary and inventorying the stumpage for sale. Clearcut harvests will typically provide the landowner with more per unit value (dollars per cord or MBF) than other harvests because the logger is not required to leave trees on the site and can harvest the timber more rapidly. Sites that have been clearcut are most often replanted in pine, either by machine or by hand. Site preparation may be required prior to planting and a portion of the timber sale earnings should be set aside for reforestation.

Seed tree and shelterwood harvests are somewhat more difficult to set up, but have the advantage of low cost regeneration of the subsequent stand. In both systems, trees to be left for seed after harvest are selected and marked, the timber volume that will be cut is estimated and the boundaries marked prior to the sale. Many landowners hire a consulting forester to mark the stand, tally the sale timber and run the boundaries. However, these services may be more expensive than those on a clearcut sale. The landowner may receive less per unit (dollars per cord or MBF) and will receive less overall on these harvests.

There is also risk of damage to the seed trees left on site by logging equipment, disease, insect attack and windthrow. Close scrutiny of the logging operation can prevent heavy damage to the seed trees.

Finally, the seed producing trees must be removed after a young stand has been established on the site. If too few trees have been left per acre, they will probably not bring their market value when sold because of the small volume harvested per acre. This disadvantage is not apparent with the shelterwood system, where more residual trees are left to grow larger while they reseed the tract.

Thinnings are partial harvests made when the stand is still young, usually between 15 and 25 years old and when the removed timber can be marketed as pulpwood or chip'n'saw. Thinnings are similar in set up to the seed tree and shelterwood harvests where poor quality timber (i.e., suppressed, diseased and deformed timber) is marked for removal and tallied for inventory purposes. However, thinning only removes a portion of the stand and will provide less revenue than a complete harvest. The primary purpose of thinning is not to make money, but to allow more room in the stand for the better trees to grow.

If you are unsure as to how the stand should be harvested or what type of reforestation method is appropriate, ask a professional forester or your county Extension agent for his or her advice.

Step 3: Establish the tract boundaries and the acreage involved in the proposed sale.

In any sale where you want a certain stand to be harvested or thinned, you will want to mark the area to be cut. Start with a detailed description of the tract boundaries. Property lines and an estimate of the tract acreage can usually be obtained from county records. Once you have established the boundary on paper, clear and mark boundary lines on the tract to make them visible to prospective bidders and the logger who will eventually harvest the timber. Boundary surveys or resurveys should be done by a registered surveyor.

You should also prepare a map of the tract with the boundary line directions and distances provided. The map should also include access roads, features that affect harvest operations (e.g. fences, wet areas, streams) and the distance to nearby towns. Potential buyers can use this map as a reference when bidding for the sale and to guide logging operations after the sale.

Step 4: Inventory the products and volume of timber for sale.

It is very important that you get a good inventory of the timber volume on the tract before advertising the sale. Timber inventory estimates are based on samples of the standing timber on the tract. The process of sampling is called a timber "cruise". Sampling in a cruise can include all the trees being offered for sale (100 percent cruise) or some representative number of trees. A 100 percent cruise is often used for sawtimber or veneer sales where each tree is valuable. In pulpwood sales, where individual trees have less value, a representative number of sample plots is usually adequate.

The person cruising the tract measures the diameter at breast height (the diameter of the tree 4.5 feet from the groundline) and the merchantable height of the sample trees on each plot. Volume estimates are computed for the sample trees using the diameter and height measurements.

Total tract volume is calculated by expanding the sample data statistically to estimate the volume per acre and then multiplied by the number of acres on the tract. Good estimates are commonly within 5 to 10 percent of the actual volumes harvested.

You will probably want to have a consulting forester work up a cruise for the tract because of the complexity involved in cruising timber. Any inventory report provided by the consultant should include a table summarizing the total number of trees on the tract by species, diameter, height and product class. If the tract is broken up into smaller lots, each lot should have a separate table detailing this information. A table of this type is commonly called a “stand and stock” table (See Table 1). Make sure the report takes into account all the available market categories — including pulpwood, chip’n’saw, and saw logs. You can also request a value appraisal based on the cruise information to help you establish a minimum tract (or per acre) value for later bidding purposes (Step 8 provides more information on bidding).

Table 1: Sample stand and stock tables.

Species: Loblolly Pine
Product: Pulpwood

DBH	Number of Trees by Merchantable Height (feet)								Total Trees	Volume (cds)
	20	25	30	35	40	45	50	55		
6	12	26	47	99	76	41	10	1	312	12
8**	11	34	79	98	141	118	63	24	427	37
10**	2	12	51	64	112	198	78	67	584	88
Total:									1323	137

***Trees over 30 ft. can be classed as chip’n’saw product.
 Total chip’n’saw volume on tract = 87.6 cds*

Species: Loblolly Pine
Product: Sawtimber

DBH	Number of Trees by Merchantable Height (16 ft logs)							Total Trees	Volume (MBF)
	1	1.5	2	2.5	3	3.5	4		
12	4	15	20	16	12	6	0	73	1.63
14	0	8	17	25	37	19	8	114	6.27
16	0	0	10	18	13	5	2	48	12.35
18	0	0	6	12	19	6	1	44	22.79
Total:								135	43.04

Step 5: *Select the type of sale to specify in the contract.*

Standing timber can be sold in several ways, although the lump sum and scale sales are used most often. Landowners should be aware of the advantages and disadvantages of these two sales methods.

Lump sum sales are set up so that the seller is paid a fixed amount (lump sum) for the designated timber. While buyers base their bids on an estimate of the volume to be harvested, the total dollar amount the seller receives is independent of the amount actually harvested. Landowners prefer these sales because they relieve them of the burden of keeping track of the volume of timber being harvested.

Timber sold on a scale basis is sold by the unit (ie; cord, MBF, etc.) at a unit price agreed upon prior to the harvest. As timber is harvested off the tract, payments are made to the seller based on the contract price and on a tally of the harvested timber. This sales method is more difficult to administer than the lump sum sale, because problems can arise in obtaining an accurate harvest tally. Such problems have prompted two Georgia laws which give some protection to the landowner. The first law requires the buyer to provide the seller with a price quotation calculated in dollars per thousand pounds when weight is used as a basis to determine cords, board feet, etc. The second law requires that the buyer provide the landowner with a scale ticket for each and every load of logs removed from the property. Even with these two laws, the burden of keeping track of timber removals is still largely on the landowner.

Revenues from timber sales may be eligible for capital gains treatment under current federal income tax laws. Eligibility provisions for lump sum sales and scale sales differ substantially. Thus, tax laws may weigh more heavily than any other factor in the decision to use one method over the other. Consequently, the landowner should review current timber tax laws before initiating any sale. Information regarding current tax laws applicable to timber sales can be obtained through your local county Extension agent or through the Internal Revenue Service offices in your area.

Step 6: *Draw up an invitation to bid on the timber.*

An invitation to bid on the timber should be put together and sent out to all potential bidders for most timber sales. The sealed bid sale is a good way to get fair market value for your timber — if you have contacted all the right people and given them the right type of information.

The invitation should include the seller's name, address and phone number and the times that he or she can be reached at that location. Give a legal description of the tract, its boundaries and its location. Include a well-made map of the tract. Detail the type of harvest you have decided to use, e.g. clearcut, shelterwood or seed tree cut. Provide a summary of the volume estimates by species and product and indicate that the quoted volume is an estimate — not a guarantee of the existing volume. Specify the date you want to enter into a contract and the length of time available for the buyer to harvest the timber.

Spell out all the harvesting restrictions you plan to include in the contract to make sure that the buyer is aware of them. Specify the conditions required before you will accept a bid and include a statement affirming your right to refuse any and all bids. Detail the payment schedule you want to set up, such as split payments over the harvesting period. Finally, tell when, where and at what time you will open the bids, since many bidders will want to be present at the bid opening. Be sure to include any other documentation that might prove helpful in supporting your information.

A sample timber sale bid invitation is included in this publication for you to use as a guide in preparing bid invitations.

Step 7: *Send the bid invitations out to potential buyers.*

Bid invitations are successful in attracting buyers only when the invitations reach the right people. Most consultants know the buyers in a region and will, as a matter of course, send the bid invitations out to these people. A landowner, on the other hand, may know only a few buyers. In this instance, the consultant is usually more knowledgeable.

Should you decide to send out the bids without the services of a consulting forester, there are several sources available that you can use to locate timber buyers. One is the "Directory of Wood Using Industries" available from the Georgia Forestry Commission. Another source is your county Extension agent, who generally keeps up on timber sales in the county. In some cases, advertising the sale in a newspaper will bring a good response. The Georgia Department of Agriculture also provides a free advertising service in the "Market Bulletin" for landowners interested in marketing their own timber.

As bids come in, keep them in strict confidence; that is, unopened. Don't use a bid to gain leverage with another buyer. This will get you a bad reputation and will probably produce bad feelings among the other bidders. If this happens, the bidders may choose to withdraw their bids and refuse to deal with you in any future timber sales.

Step 8: *Select the best bid.*

Although this step would seem the most enjoyable, it has its pitfalls. Be sure you have a good idea of how much your tract of timber is actually worth. At least, be familiar with the average prices for stumpage in your part of the state. If the bids seem too low, you may want to reject all of them and wait for better sales conditions. One way of handling this is to include your minimum acceptable offer in a sealed envelope along with the other bids and open it only if the minimum is not reached.

You will also want to get to know a little about the prospective bidders. The high bidder may have a bad business reputation or be known for poor logging practices. In that case, you may want to reject the high bid in favor of a lower bid from a more reputable buyer.

Be sure you notify all bidders of the results, even if they do not attend the bid opening. You should contact those not present about the results as soon as possible after the bid opening date.

Step 9: *Enter into a contract with the selected bidder.*

When entering into a timber sale agreement, be sure to document the agreement and all the particulars associated with the sale. It is necessary to have a sales agreement if you are required to make any legal claim against the buyer at any time during or after the harvest. A contract is also necessary to qualify your timber sale earnings for capital gains treatment. You may want to localize the contract to take into account specific problems or conditions in your area.

As with most legal forms, the best person to write the sales agreement up is not the landowner. You should get the help of a competent lawyer who is versed in timber sales agreements. If your lawyer is unfamiliar with what goes into a timber sales agreement, Extension publication C773, "Sample Timber Sale Contract," can be used as a reference.

Step 10: *Periodically check the tract during the harvest.*

You will never know if the logger has cut down all those trees you wanted left standing unless you visit the operation. Check to see if the tract boundaries are being maintained and that the residual trees (if you choose to leave any) are left standing and uninjured. Check for site damage, like excessive rutting of skid trails and haul roads. If you plan to replant the timber, be sure to have the stumps cut low to the ground during the harvest to facilitate later site preparation work. Finally check that any fences, culverts, and roads are left in good condition — at least comparable to their condition prior to the harvest.

Sample Timber Sale Bid Invitation

November 17, 19____

Sealed bids will be received for all the merchantable timber on the property of Jim Smith. The tract is approximately 100 acres in size and contains the following timber volumes:

Species	Pulpwood†		Chip'n'Saw†		Sawtimber*	
	Trees	cds	Trees	cds	Trees	MBF
Loblolly Pine	21425	2061	8896	759	4079	243
Sweetgum	1071	54	n/a	----	98	5
Oaks	702	34	n/a	----	28	2
Poplar	894	46	n/a	----	103	6
Totals	24092	2195	8896	759	4308	256

† Pulpwood and chip'n'saw volumes taken to a 4 inch top diameter - sawlogs to a 6 inch top.

* Sawtimber volume based on Scribner Scale.

These figures are representative estimates and should be verified by interested parties prior to bidding. The tract may be viewed upon request by contacting Jim Smith at 555-3418 or -3419 between the hours of 9 a.m. and 4 p.m., Monday through Friday, and arranging a tour of the tract.

A legal description of the tract, taken from Page 103, Deed Book 189 at the Tift County Clerk's Office, follows:

Beginning at an iron stake at the corner of the intersection of the Irwinville road with the Moultrie Highway and extending 2053.4 feet due West to a mound of rocks, thence North 5 degrees, 16 minutes East for a Distance of 2156.3 feet to an iron stake, thence South 85 degrees, 12 minutes East for a distance of 2023.1 feet to an old oak tree with three slashes, and thence due South for 1964.4 feet to the point of beginning and containing 100 acres, more or less.

The successful bidder will be required to complete the harvest within 24 months of the signing of the sale contract. The seller reserves the right to visit the tract at any time during the harvest without notification. All haul roads will be graded and ditched with culverts placed where needed to minimize erosion. All unmerchantable stems on the tract will be knocked down or felled prior to completion of the harvest.

Submitted bids will be opened at 1 p.m. on Thursday, December 12, 1986 on the front steps of the Tift County Courthouse in Tifton, Ga. Bids should be returned to the following address no later than December 5 to insure receipt of the bid:

Jim Smith Timber Sale
P.O. Box 1209
Tifton, Ga. 31793

Bids received after 1 p.m. on December 12 will not be considered. Telephone notification of a successful bid will be tendered within 12 hours and written notification will be provided within five working days. The seller reserves the right to refuse any and all bids.

A certified check made payable to Jim Smith in the amount of \$1000.00 must be received by Mr. Smith or his representative within 24 hours of notification of a successful bid. The deposit will be held in lieu of a performance bond until completed performance of all terms, provisions, conditions and obligations of the contract are observed. If the deposit is not received within the specified period, bidding will be reopened and another offer will be selected. Unsuccessful bidders will be notified immediately after the deposit has been received.

Total payment by the successful bidder will be made to Jim Smith by cash or cashier's check within thirty days after the bid has been selected. If the money is not received, the bid becomes void, the deposit is forfeited and the next highest bid will be considered.

A map and blank timber sale bid are enclosed for your review.

Timber Sale Bid Form

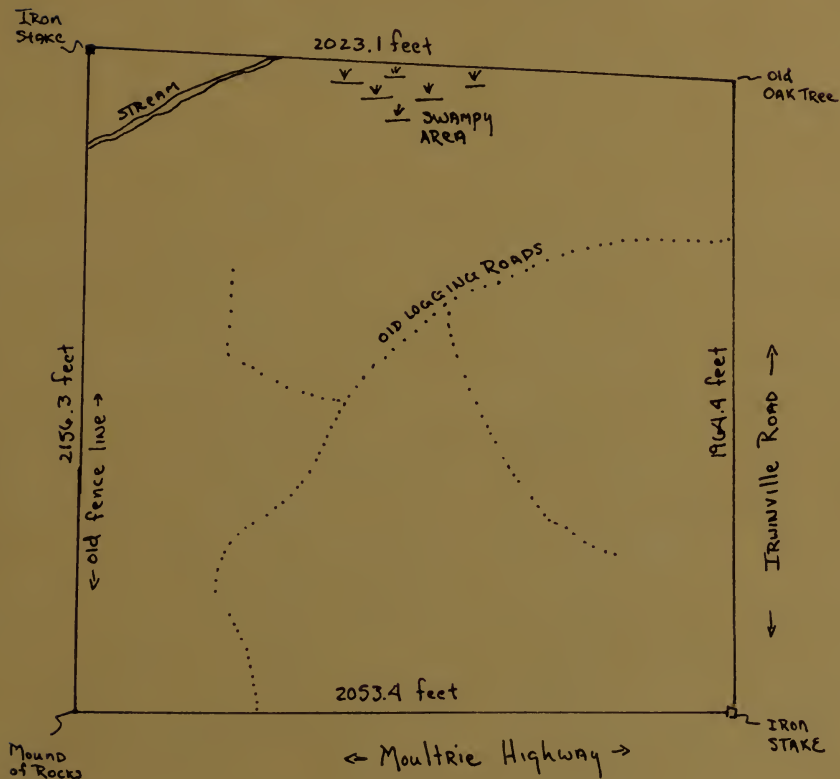
_____ bid the following amount for the standing
(Name of Bidder)
timber on the _____ tract that was advertised by
(Name of Landowner)
_____ with bids opened at _____ on _____
(Agent for Seller) (Time) (Date)
at _____,
(Address of site where bids will be opened)
_____, _____:
(Town) (State)
\$ _____
(Dollar Amount) (Spell out dollar amount)

It is understood that the purchaser will have _____ (_____)
(months) (Spell out)
months to complete the harvest and remove all merchantable timber. It is further understood that the volume estimates enclosed are not guaranteed by the seller. Note is also made of the fact that the seller has the right to refuse any and all bids.

Date: _____ Bidder's Name: _____

Signature: _____

*Rough Map of Jim Smith Tract
Containing 100 Acres (Approximate)*





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Tal C. Duvall, Director