
Appendix Section 4: The Basics of Selling Timber

Selling timber can be a rewarding experience for some forest land owners while a traumatic experience for others. Landowners who do a thorough job of planning and marketing are usually satisfied with a timber harvest; those who did not prepare for a timber sale are likely to be dissatisfied. Many people receive a fraction of their timber's true value because they do not know what they have or do not know how to sell it. This article presents guidelines to assist individuals in selling timber from their woodlands.

Define Your Objectives

A wise man once said, "Without a road map, you will probably never get to your destination." A successful timber harvest begins with identifying your objectives. This can best be done with a written Forest Management Plan that identifies your objectives, steps to achieving them, and times when they will be conducted.

The plan should also identify the type of harvest to be conducted and steps to be taken for reforestation after the harvest.

You need to tell the log buyer exactly what you expect from the timber sale. This is best done through provisions written into a timber sale contract. For example, if one of your objectives is maintaining water quality, a provision in the contract should state that Best Management Practices (BMPs) will be followed during road building, stream crossing, and harvesting. For a list of voluntary BMPs, contact a Missouri Department of Conservation (MDC) forester.

Why Sell Timber

Other than simply for financial gain, timber harvesting is a tool for accomplishing objectives that you may have identified in your forest

management plan. Such objectives may include:

- *Improving the overall health and vigor of the forest*
- *Promoting seedling regeneration*
- *Creating wildlife habitat*
- *Reducing the density of the forest (if overcrowded)*
- *Establishing planting areas*
- *Creating vistas and trails*
- *Developing certain types of recreational activities*
- *Salvaging damaged trees*

Steps in Selling Timber

When selling timber these steps should be followed:

- 1. Know what you have to sell**
- 2. Determine what your timber is worth**
- 3. Determine what method you will use to sell your timber**
- 4. Determine a method of payment**
- 5. Advertise your sale**
- 6. Develop a written contract with the buyer**
- 7. Supervise and inspect the harvest**
- 8. Practice good forestry**

Know What You Have to Sell

Before advertising a timber sale, you first need to determine what you have to sell. This involves selecting the trees to be harvested and determining what volumes and products are present in those trees. Make sure the trees are, in fact, on your property. Settle any boundary disputes with your neighbors *before* you sell any timber. Clearly mark the trees to be harvested so the logger can easily see them. Mark each tree with a spot of paint about chest high (bright blue or orange works best) on the same side of the tree so they are visible from a main trail or road. A second spot of paint should

be placed at the ground line. This paint spot will remain after logging to serve as a check to make certain that only marked trees were harvested.

After selecting the trees to be harvested, estimate the wood volume or the number of products that will be cut by species. Timber volumes are estimated by measuring individual trees. For more details read the University Extension guide “How to Measure Trees and Logs,” which is available from a MDC forester or the county Extension Service agent.

Some common products that may be produced from trees include sawlogs, stave bolts (to make barrels), veneer logs, firewood, pulpwood (to make paper), posts and poles. These products are determined by the species, size and quality of your timber and can vary greatly in price. There may not be a market for all these products within any given area. Local mills will determine the specifications for each product they purchase. For current market conditions, Timber Price Reports are available from a MDC forester.

Determine What Your Timber is Worth

The price paid for standing trees before they are harvested (called stumpage) has no set value.

Your timber is worth whatever you and the buyer agree to. Many factors influence the price of standing trees. These include:

- **Tree species.** Wood from some species is more valuable than wood from other species.
- **Tree size.** Large trees will have more volume and clear wood than smaller trees.
- **Tree quality.** Trees with fewer defects (e.g., branch scars, decay, imbedded wire) have higher quality, more valuable wood.
- **Volume of sale.** Large volume sales will bring a higher per unit price than small volume sales.

- **Distance to the mill.** The closer a woodlot is to the mill, the lower the hauling costs.
- **Site accessibility.** The ease with which the forest land can be reached affects costs.
- **Logging difficulty.** Steepness of terrain and soil moisture conditions affect the equipment that can be used and speed of harvesting.
- **Market conditions.** Poor markets mean lower timber prices. Buyers often pay more for logs when their inventories are low to ensure continued mill operation.
- **Your restrictions** on harvesting and skidding techniques. Restrictions set forth in your timber sale contract, such as seeding skid trails after harvest, will increase logging costs.

Different buyers may offer substantially different prices for the same timber, depending on their own particular costs and markets. The only way to actually determine what your timber is worth is to offer it for sale on the open market and contact as many potential buyers as possible.

Determine a Selling Method

Selecting the appropriate selling method for marketing your timber is the key to having a successful timber sale. The two methods commonly used in Missouri are sealed bid and negotiation.

The **sealed bid** sale is recommended most often for private woodland owners. This process informs potential buyers about the timber sale. These buyers are allowed a length of time (usually 4 to 6 weeks) to inspect the sale and submit bids. Each bidder is allowed to make only one bid and late bids are always rejected. Bids are then opened at a specified time and place, and the successful buyer is selected. If no bids meet your minimum requirements, you have the right to refuse all bids. No further price negotiations should take place after a buyer has been selected and unsuccessful bidders notified that the timber was sold. A blank Bid Solicitation is available from a MDC forester.

A **negotiated sale** involves face-to-face negotiations between the seller and a single buyer. This procedure often results in a price well below what the timber is worth because the buyer has no competition and the seller is often uninformed about the timber's value. For that reason, do not be too anxious to accept the first offer for your timber. A negotiated sale, however, may be the best method if:

- *You have a small amount of timber or poor quality timber to sell.*
- *Markets for the species and products for sale are so poor that few buyers would be interested.*
- *You want to work with a particular buyer that you know and trust.*
- *You are marketing certain specialty products.*

Method of Payment

There are two methods of payment available to woodland owners who sell timber.

In a **lump sum** sale you receive a single payment for the trees to be sold before the harvest begins. Splitting payments for each cutting area may be necessary for large sales. Payment is based on the amount of timber volume estimated and not the actual volume harvested. Lump sum sales, therefore, depend heavily on the accuracy of your estimate of the volume and quality of timber for sale.

An advantage of a lump sum sale is simplicity. The landowner is relieved of the burden of keeping track of the volume of timber being harvested and income is provided before harvesting begins. A disadvantage is that the seller receives bids that are based on an estimate of the volume to be harvested, which may be different from the amount actually harvested.

In a **yield sale** the landowner is paid a certain amount for each unit of product cut. This requires that someone (usually at the mill) scale the volume of products after harvest. An ad-

vantage of a yield sale is that the landowner is being paid for the timber that is actually being harvested. The disadvantage is that problems can arise in obtaining an accurate tally since tracking the logs is difficult once they leave your property.

Advertising Your Sale

There are several steps to follow in preparing a timber sale notice. You must have accurate, reliable information and you need to send it to as many prospective bidders as possible. An up-to-date Log Buyers List is available from a MDC forester. A timber sale notice should include the basic information that will later become part of the timber sale contract including:

- *Your name, address and telephone number.*
- *Location of the timber for sale. Include a map, legal description and directions.*
- *Description of the trees or logs to be sold. Include volume by species, number of trees, diameter classes and sawlog grades if appropriate. Describe how the trees and sale boundaries will be marked.*
- *Type of bid you are expecting: lump sum or yield sale.*
- *Times when potential buyers can visit and inspect the timber.*
- *Date, time and place written bids will be opened. Include how the successful bidder will be selected and notified.*
- *Whether or not a down payment is required to bind the offer when the contract is signed. An amount of 5 to 10 percent of the bid price is normally required.*
- *Any limitations or special ownership considerations on the sale. Such considerations include harvesting deadline, restrictions on access, conditions when loggers cannot operate (such as wet conditions), streamside management zones or buffers, etc.*
- *Requirements for a performance bond. A performance deposit is an amount of money above the sale price (usually 10 percent of sale price) posted by the buyer when the contract is signed and held in escrow by the seller. The bond's purpose is to ensure that*

the buyer abides by the terms set forth in the contract. The performance deposit should be refunded immediately after the sale is completed and contract requirements are met.

- *Statement whether the logger must carry insurance and liability. Insurance will avoid possible legal complications if a logger is injured on your property and liability insurance will cover any damage to your property or adjoining lands caused by the logger.*
- *Statement indicating your right to reject any or all bids.*

Timber Sale Contract

The purpose of a timber sale contract is to protect the interests of buyer and seller and must be signed by both parties. You should meet with the logger or buyer to discuss the items to be included in the contract; this will reduce the possibility of misunderstandings.

The written contract does not need to be a complex document, but it should reflect what you and the logger have agreed to with respect to the sale. Timber buyers will frequently provide their own standard contract. Such contracts may not adequately represent your interest as a seller. A blank Timber Sale Contract is available from a MDC forester. You may want to have a lawyer draft or review your contract. It is critical that you include the provisions that you feel are important regarding the harvest on your property.

Supervise the Timber Harvest

One of the most important things you can do during the harvest is to inspect it periodically. Before harvesting begins, review the timber sale contract with the logger and point out sale boundaries. If possible, walk the site to be harvested with the logger. This will accomplish two objectives; 1) it will give you an opportunity to get to know the logger, and 2) it will give you a chance to explain your objectives of harvesting timber. A logger that is familiar with you personally and aware of your objectives will likely do a better job on the site.

Once timber harvesting begins, visit the area frequently. When you visit the site make sure that logging meets the terms of the contract. Questions that arise should be discussed with the logger. Unless you discover a flagrant violation of the contract, a simple suggestion to the logger in charge of the operation will usually solve the problem. After the harvest is completed and all provisions of the contract have been fulfilled, write a letter releasing the buyer from the contract and return the performance deposit.

Practice Good Forestry

Improper logging practices can have adverse effects on water quality, wildlife and forest regeneration. To ensure that you are satisfied with the end result of the timber harvest, it is important that good forestry practices are applied during and after the logging operation. Following BMPs and having a reforestation plan are two important considerations for harvesting timber on your property.

Sources of Forestry Advice

Landowners who have little experience in forestry should contact a professional forester to assist in managing their woodlands. There are private and public foresters available to help you with your management plan.

Private Sources. A consultant is a professional forester whose services are available on a contract or fee basis, with the fee paid by the client. Consultants can perform a variety of work including forest inventories, timber sales and land appraisal. Consultants may also serve as the main contractor in carrying out a Forest Management Plan on your land. A list of consulting foresters is available from the Missouri Department of Conservation.

Public Sources. The Missouri Department of Conservation can help private landowners become good stewards of their forest land by providing technical forestry assistance. A forester can provide a variety of services to

help you meet your land management goals. These services are free-of-charge and will be as in-depth as you need, depending on your commitment to the long-term management of your forest lands. A forester can answer your questions over the telephone or may provide on-site assistance. A brochure entitled “Forest Management Assistance for Missouri Landowners” is available from a MDC forester and describes the services offered.

Contact: State Forester or a local forester at:
Missouri Department of Conservation
P.O. Box 180
Jefferson City, MO 65102-0180

Notes

Appendix A: Sample Solicitation of Bid for Timber

You are invited to bid on timber located as follows: in the NW 1/4, Section 23, Township 25 North, Range 14 West, Timber County, Missouri. The timber is located five miles south of Oak Grove on Route AB.

For additional information or for directions on how to see the timber, contact: Forrest Farmer, Oak Grove, Missouri; telephone 573/555-1234.

DESCRIPTION:

Approximately 160 acres of mixed oak timber. The trees to be cut are marked with a fresh orange paint spot at breast height and on the stump. About 1,600 trees are marked. Bids are to be made on a lump sum basis.

BID INSTRUCTIONS:

After the bid is completed, return it to:

Forrest Farmer, Route 1
Oak Grove, MO 61234

On or before -- Time: 1:00 P.M. Date:

Mark "TIMBER BID" on the envelope.

The owner reserves the right to reject any or all bids.

BIDDER: TELEPHONE:

ADDRESS: SIGNATURE:

AMOUNT OF BID:

Appendix B: Sample Timber Sale Contract

Joe Logger of Big Cedar, Missouri, herein after called the Purchaser, agrees to purchase from Forrest Farmer of Oak Grove, Missouri, herein after called the Seller, the designated timber specified below:

WITNESSETH:

ARTICLE I. *The Seller hereby agrees to sell to the Purchaser, subject to the terms listed below, all of the timber specified below, on a certain tract owned by the Seller, located in NW 1/4, Section 23, Township 25 North, Range 14 West, County of Timber, State of Missouri, located on 160 acres, more or less.*

ARTICLE II. *The Purchaser agrees:*

- 1. To cut only those trees marked with a fresh orange paint spot. Trees marked with an "X" may be cut if desired.*
- 2. Trees other than those specified above may be cut only for access on areas used for roads and landings.*
- 3. To pay the Seller a lump price of \$12,000.00 when the contract is signed to pay for the trees designated for cutting.*
- 4. To pay three times the stumpage value per tree, a penalty rate, for each tree that is cut which is not designated for cutting.*
- 5. To keep fields, fences, roads, and streams free from tree tops and other logging debris at all times. He also agrees to remove all oil and gasoline cans and other debris accumulated during cutting.*
- 6. And understands that the Seller is not responsible or liable in any manner for injury or damage resulting from the cutting and removing of these trees.*
- 7. That this contract cannot be transferred to another party without the written permission of the Seller.*

ARTICLE III. *The Purchaser further agrees to cut and remove said timber in strict accordance with the following conditions:*

- 1. To waive all claims to the above described trees unless they are cut and removed on or before December 31, 1999.*
- 2. To do all in his power to prevent and suppress forest fires on or threatening the sale area.*
- 3. To protect from unnecessary injury young growth and other trees not designated for cutting.*
- 4. To repair damage caused by logging to fences, bridges, roads, trails, or other improvements damaged beyond ordinary wear and tear.*
- 5. To allow the owner to cut and remove any portion of a tree left on the ground by the Purchaser after he has removed his products.*

Sample Timber Sale Contract (cont.)

ARTICLE IV. The Seller agrees to the following conditions:

1. To guarantee title to the forest products covered by this agreement and to defend it against all claims at his expense.
2. To grant or secure necessary entry and right-of-way to the Purchaser and his employees on and across the area covered by this agreement, and also other privileges usually extended to purchasers.

ARTICLE V. It is mutually understood and agreed by and between the parties hereto as follows:

1. All timber included in this agreement shall remain the property of the Seller, and shall not be removed until paid for in full.
2. In case of a dispute over the terms of this contract, we agree to accept the decision of an arbitration board of three selected persons as final. Each of the contracting parties will select one person and the third will be the State Forester or his chosen representative.

Signed in duplicate this _____ day of _____, 20__.

(Witness) (Purchaser)

(Witness) (Seller)

(Witness) (Seller)

ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 20__ before me personally appeared _____ to be known to be the person(s) described in and who executed the foregoing instrument and acknowledged that _____ executed same as _____ free act and deed.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal, at my office in _____, the day and year first above written.

My Commission as Notary
Public Expires _____.

NOTARY PUBLIC [an error occurred while processing this directive]