



MARKETING TIMBER FROM THE PRIVATE WOODLAND



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*Close attention to management
guidelines for marketing timber can
result in substantial income as well
as improve the health and value of
your forest.*



For Sale Publication

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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U S Department of Agriculture, J Michael Sprott, Director of the Ohio Cooperative Extension Service, The Ohio State University

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The Ohio State University

Approximately 84 percent of Ohio's forest land is owned by private non-industrial woodland owners. Each year many of these individuals receive significant income from their woodlands by properly marketing timber. In addition, by following management guidelines in selecting those trees to be harvested and those to leave standing, they improve the health and vigor of their forest as well as its quality for other uses. However, some woodland owners sell their timber for only a fraction of its value because they either fail to recognize its true value or they do not market it properly.

If you are thinking about selling timber or if you are approached with an offer to buy some of your timber, don't "jump too quickly." Taking time to find out what you have to sell, then choosing the appropriate method of marketing will usually result in more income and satisfaction for the seller.

If you have little or no experience in woodland management or timber marketing, seek the assistance of a professional forester. The Forestry Division of the Ohio Department of Natural Resources (ODNR) has foresters located throughout the state who, at no cost, can provide

assistance in selecting trees that should be harvested and related timber stand improvement practices to help achieve your ownership goals. They can also provide limited marketing assistance.

Many of the large forest industries in the state will also provide limited forest management and marketing assistance to private woodland owners. In addition, there are several consulting foresters who, for a fee, can provide marketing services from timber volume and value estimation to sale closure. Fees for assistance in harvesting and marketing are usually a percentage of the gross receipts of the sale. You can obtain names and addresses of consulting foresters practicing forestry in Ohio from local county Cooperative Extension Service offices, Ohio Department of Natural Resources (ODNR) Forestry Division offices, or from the Ohio Association of Consulting Foresters.

In this publication, guidelines are presented to assist individuals in marketing timber. These suggestions are not meant as a substitute for advice and assistance from a professional forester, but rather to assist you as a landowner in understanding and implementing proper timber marketing procedures.

WHY SELL TIMBER?

There are several reasons why a woodland owner may decide to sell timber. First, a harvest may be prescribed in the overall forest management plan. If a woodland owner has worked with a professional forester to develop a management plan for achieving ownership objectives, it is quite likely the plan will call for periodic timber harvesting. Timber cutting is one of the forester's major management tools and is useful not only for generating income from a forest, but for accomplishing many other objectives such as improving the health and vigor of the forest, developing wildlife habitat, altering species composition, establishing planting areas, creating vistas and trails, and developing certain types of recreational activities.

Second, the woodland may be used as a source of income which may, in fact, be an objective of the management plan. While the value of woodlots will vary depending on such factors as size, quality, species composition, etc., a woodlot in good condition can have considerable value and can be managed to yield periodic or emergency income.

Third, timber may be harvested to salvage its value. Such a harvest is done to salvage the value of trees that have been damaged to such an extent that they will not recover or where the potential for such damage is extremely high. Ice and snow storms, fire, insects, and disease are factors which could cause enough damage to justify a salvage cutting.

Fourth, timber may be harvested in order to use the land for other purposes ranging from golf courses and parking lots to crop and pastureland. The timber on such land often has considerable value and should be marketed. However, landowners contemplating timberland conversion should carefully evaluate the proposed conversion, particularly if it is to a more intensive agronomic use such as

pasture or cropland. Much of Ohio's current forestland, particularly in southern and eastern Ohio, will not support more intensive agriculture because the soils are too shallow, or low in fertility and/or the slopes are too steep. Additional reasons for harvesting timber may be applicable to individual owners or woodlands.



METHODS OF SELLING TIMBER

Private woodland owners may choose to harvest their own timber and sell the cut product (e.g. veneer and sawlogs, pulpwood, posts, poles, etc.) or sell the trees as they stand and allow the buyer to cut and haul them away. This latter method is referred to as selling stumpage.

Harvesting Your Own Timber

The woodland owner who cuts and delivers the logs or other products roadside or to the mill may substantially increase profits from the sale. Such an operation, however, should only be undertaken by someone with experience. Logging requires special skills and knowledge and there are substantial risks involved. Logging is hard, dangerous work. In addition to personal risks, engaging in logging may alter insurance coverage.

Some types of logging may require special equipment; attempting to log with some agricultural equipment could result in extensive damage to the equipment. Logging an area often requires a much longer time than is initially estimated and therefore may interfere with other activities and responsibilities. Furthermore, improper cutting, handling, or transporting of high-value logs can destroy a great deal of their value. For this last reason the harvesting of high value species, such as black walnut or white oak trees containing veneer quality logs, should always be left to the buyer.

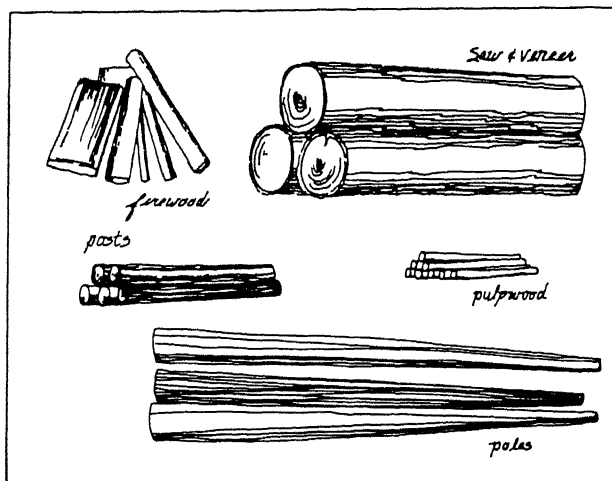
A discussion of proper techniques of cutting, handling, and transporting timber products is beyond the scope of this publication. If you have the necessary time, skills, and experience and wish to increase profits from your timber sale by harvesting and transporting the products, keep the following points in mind:

1. Have a market for your product before you invest the time and money necessary to harvest it. Have a written contract with the buyer. Don't get stuck with a product to sell without a buyer.
2. Know your buyer's specifications and requirements (e.g. size, volume or number buyer will accept in a given time; quality; etc.).
3. Know your legal responsibilities for such things as workman's compensation, minimum wage, social security, state and federal income tax, O.S.H.A. requirements, etc. This is particularly important if you employ other people.
4. Use the proper equipment.
5. Observe all safety precautions and procedures.

Selling Stumpage

Most private woodland owners sell their timber as stumpage. Stumpage sales are of two types.

1. **Lump-Sum Sale:** A timber sale in which a single payment (the "lump-sum") is made to the seller for the trees designated for sale. This is the easier of the two types of sales to administer, but under current Internal Revenue rules may have some tax disadvantages for woodland owners depending upon the original purpose for acquiring the timber and the number of timber sales carried out in the owner's lifetime.



Common products produced in a timber sale include sawlogs, veneer logs, pulpwood, firewood, posts, and poles. While most sales do not produce all of these products, greater income is often received when more than one product is removed.

2. **Sale-By-Unit** (also called **Sale-By-Price** or **Sale-By-Scale**): A timber sale in which the seller is paid a certain amount for each unit of product cut (e.g. so many dollars per 1000 board feet, per cord, per post, per pole, etc.). This type of sale requires someone to measure the products harvested (foresters call this scaling). This someone may be the landowner, a consulting forester, the buyer (if the seller has complete confidence in him/her), or a receiving mill. The questions of who will provide an accurate production tally and how, when, and where the scaling will be done make this type of sale more difficult to administer than the lump-sum sale. However, under current Internal Revenue Service regulations, this form of sale has definite tax advantages over the former for landowners contemplating more than two or three timber sales in their lifetime. Woodland owners considering a timber sale should acquaint themselves with the current Internal Revenue Service regulations concerning capital gains treatment and other benefits associated with timber sales receipts.

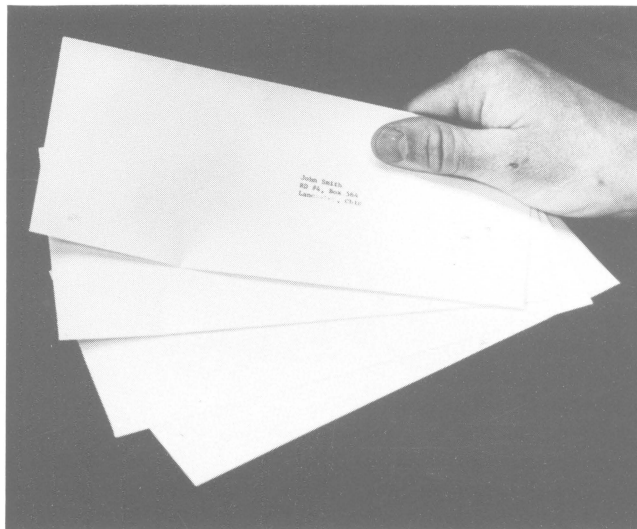
In both lump-sum and sale-by-unit stumpage sales the sale price and buyer are usually determined one of three ways.

1. **Single Offer** In this case a single buyer contacts or is contacted by the seller and the buyer offers to purchase the timber at a particular price. While this procedure may produce a fair price, it can result in a price below what another buyer is able to pay. In the following situations, however, it may be the best method:
 - a. Seller has only a small amount of timber to sell. Often, in very small sales, only one buyer will be interested.
 - b. The timber for sale is of such low quality that very few buyers would be interested.
 - c. Markets for the species for sale are so poor that very few buyers would be interested.

A forester familiar with the area will be able to tell you whether any of these situations exist and advise you accordingly. In situations other than those listed above, selling timber by a bid process will usually produce higher income.

2. **Oral Bid or Negotiations** A sale in which the seller or seller's agent engages in verbal bidding or negotiations with one or more buyers until an acceptable sale price is obtained. While this type of procedure is fairly quick and sometimes produces the highest sale price, it is not the type of sale someone should engage in who is unfamiliar with timber markets and the quality and value of the timber to be sold. In short, unless the seller is extremely well informed, it is best to leave the oral timber sales to foresters and timber dealers.

3. **Written Sealed Bids** A sale in which potential buyers are informed about the sale and given a period of time (usually 4-6 weeks) to inspect the timber and submit written sealed bids. At a specified time and place the bids are opened and the successful buyer is selected. In most situations, this form of sale produces the most desirable results for private woodland owners.



Soliciting sealed bids from as many potential buyers as possible is usually the most effective way of identifying the "best" buyer for your timber.

DETERMINING WHAT YOU HAVE TO SELL

In order to advertise a timber sale to potential buyers and to give some indication of its potential value, the landowner must determine what to sell. This involves deciding which trees or areas in the woodland are to be cut and then determining for each species the number of trees and/or volume of wood or amount of products to be sold.

Selecting Timber For Sale

Unless the harvest is being carried out to clear the land for other uses, selection of the trees to be harvested should be done with the advice of a competent professional forester to ensure that the harvest will satisfy your objectives and maintain the woodland in a vigorous and productive condition. The type and intensity of harvesting required will depend on ownership objectives and the type and condition of the woodlot.

Trees selected to be cut should be clearly marked for easy identification. If individual trees are to be cut throughout the woodlot, each is usually marked with tree marking paint. A paint splotch (yellow is the most visible in the forest) at about chest height and at ground level (stump) is recommended. In addition, veneer trees should be numbered.

The trees to be cut should be marked so that they can

be easily located. For example, all of the marks may be placed on the same side of the trees (e.g. the north, south, east, or west side) or the trees may be marked so they can be seen from a main trail or road. If small areas are to be harvested, as in a clearcut, mark the individual trees or the trees around the boundary of the area.

After selecting the trees to be cut, estimate the volume of wood or the number of products that will be cut in each species. The more common products produced in a timber harvest include sawlogs, veneer logs, pulpwood, firewood, posts, and poles. Obtain publications discussing how to measure these products from your county Extension Office.

What Is The Timber Worth?

Stumpage is a somewhat unusual commodity in that it has no exact or "going" price. Instead, the selling price is whatever the buyer and seller agree to and is influenced by many factors including tree species; number, size, and quality of trees or logs; distance of the trees or logs from the market; accessibility of the logging area and difficulty of the logging operation; current market conditions; the buyer's financial condition and how urgently the trees or logs are needed; and differences between buyers in their ability to use the tree or logs.

THE SALE

Due to the various factors that determine value, the relationship between buyer and seller on each timber sale is unique. Different buyers may offer substantially different prices for the same timber depending on their own

particular uses and market. To receive the highest value, several potential buyers should be contacted when timber is for sale. **DON'T BE TOO ANXIOUS TO ACCEPT THE FIRST OFFER.**



An understanding of Internal Revenue rules applying to the sale of timber can save substantial money. The time to become familiar with these regulations is before the sale, not after.

Advertising A Timber Sale and Selecting The Buyer

The most effective way of notifying potential buyers of your timber sale is to send them a timber sale notice. The names of timber buyers operating in your area who would be interested in the type of timber you have to sell can be obtained from the nearest ODNR Forestry Division office or from many of the county Cooperative Extension Service offices. A consulting forester will also have this information.

A timber sale notice (for a sealed bid sale) should include the following:

1. The name and address of the seller.
2. The location of the sale; include both the legal description and directions for locating the area.
3. A description of the trees to be sold.
4. The type of sale; specify sealed bid lump-sum or sealed bid sale-by-unit.
5. The times when potential buyers can inspect the trees. Usually at least one month is allowed from the time notices are sent until a buyer is selected. If the seller or seller's representative has to be present for potential buyers to gain access or inspect the area, the times they will be available or how arrangements can be made to gain access need to be described.
6. The date, time, and place at which written sealed bids will be opened and the buyer selected. A statement that the seller reserves the right to reject any and all bids if they are not acceptable.
7. Whether or not a deposit binding the offer must accompany the bid and, if so, the amount. The binding deposits of unsuccessful bidders are returned to them immediately after the buyer is selected. The deposit of the successful bidder might not be refunded should he/she later decide to withdraw from the sale.
8. How payment is to be made. On lump-sum sales full payment (100%) prior to the start of any harvest ac-

tivity is desirable. On large sales, payment schedules are sometimes negotiated. On sale-by-unit sales, a definite cutting and payment time table needs to be negotiated with the seller's intent to do this stated in the notice.

9. Any major conditions or limitations on the sale such as the time by which the trees must be harvested, restrictions on access to the area, time or conditions when loggers cannot operate (e.g. when area is excessively wet), etc. Note that excessive restrictions on buyers may cause a reduced bid or a loss of interest in the sale.
10. The requirement of a performance bond. A performance bond is an amount of money over and above the sale price posted by the buyer and held in escrow by the seller. Its purpose is to assure that the buyer abides by and fulfills all the requirements of the contract. Performance bonds should be promptly returned at the completion of a properly executed harvest.

On the date and at the time and place specified, open the bids and select the buyer. The highest bidder is selected unless there is some reason to exclude that particular buyer. Exercise caution in selecting new operators or operators who have not previously logged in the area. A professional forester may offer advice as to the desirability of selecting a particular buyer on an individual sale. Most buyers perform satisfactorily when all of the trees are cut on the area, but only the most experienced and careful should be selected for a timber stand improvement or selection harvest where valuable trees will be left standing. While this may, on occasion, result in accepting a bid other than the highest, it will protect the future quality and value of your woodland.

If you desire additional advertising for a timber sale, place a brief advertisement in the newspaper directing interested buyers to contact you or your agent for a complete description of the sale. This may be a particularly

useful method when the main product anticipated from your harvest is firewood. Some firewood cutters do not cut other products and may not appear on a list of local buyers and loggers.

Entering Into A Contract With The Buyer

To reduce the possibility of misunderstandings and disagreements, a written contract between the buyer and seller is necessary. This need not be a complicated document but it should indicate what the owner and the buyer have agreed to with respect to the sale. It provides each party with legal protection that the other will abide by the terms of the sale.

Such a contract should contain (but is not limited to):

1. The names of the parties entering into the contract.
 2. A description of exactly what is being sold. If all of the trees on an area are being cut, a legal description of the area plus a statement of how boundaries are marked should be sufficient. If the individual trees are to be removed from a stand, exactly how they are marked should be described.
 3. The value of the sale and a statement of when and how payment is to be made.
 4. If sale-by-unit sale, a statement as to who is responsible for scaling and how often and where it will be done (e.g. in the woods, roadside, or at the mill).
 5. A statement indicating whether or not the buyer has the right to resell the timber or the tree tops to a third party, and, if so, whether approval of the original seller is required.
 6. Limitations or restrictions placed on the buyer. These might include (but are not limited to):
 - a. Deadline for completing cutting. This is usually done with a statement similar to the following: Unless an extension of time is granted, all the timber covered by this contract shall be cut and removed from the property on or before _____, 19____. Occasionally the following is added in lump-sum sales: Ownership of any timber not cut and removed on or before _____, 19____ reverts to the seller unless otherwise specified.
 - b. Points of entrance to or exit from the property.
 - c. Road location, construction, and repair after logging.
 - d. Location and repair of log yarding or decking areas.
 - e. Buyer's liability for damage to crops or property or excessive damage to trees designated to remain after the harvest.
 - f. Buyer's responsibility to properly clean up trash and other debris resulting from logging activities.
 - g. Buyer's responsibility to remove logging debris from roads, streams, fields, and neighboring property.
 7. A statement that the buyer has adequate insurance and assumes liability for the safety and actions of all employees while they are engaged in any activity associated with the timber sale and harvest operation.
 8. A statement that the buyer will abide by all state and federal laws and requirements pertaining to employer-employee relationships and the operation of the logging operation.
 9. The signing of the contract should be witnessed.
- On large, high value, or complex timber sales you may wish to consult an attorney in preparing a timber sales contract. If possible, locate one with some experience in timber sale contracts.



A written contract between the buyer and the seller reduces the possibility of misunderstandings and provides legal assurance that each party will abide by the terms of the sale.

INSPECTING THE HARVESTING OPERATION

If possible, the landowner should request to be informed several days before cutting begins so that he/she or a representative can be present on the harvest area the first day. This will provide an opportunity to discuss the operation with the buyer or the buyer's representative on the site. This is also a good time to clarify points of agreement and to have some input on things not outlined in the contract.

Once the timber harvest begins, frequently visit the area to make sure that the harvest is proceeding according to the terms of the contract and to discuss questions that might arise. This will also allow the landowner to become

more familiar with timber harvesting operations which may be useful in future timber sales.

In checking the harvest operation, use good judgment and discretion. Unless a flagrant violation of the contract is discovered, a simple suggestion to the buyer will usually solve the problem. Deal directly with the buyer or designated representative. Do not complain or make suggestions to other individuals on the job.

When the job is completed and all provisions of the contract have been fulfilled, write a letter releasing the buyer from the contract and return the performance bond if one has been posted.

