

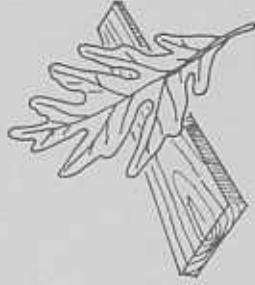
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# Landowner's Guide to Successful Timber Sales



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# A Landowner's Guide To Successful Timber Sales



Landowners often ask, "What is my timber worth?" Unfortunately, there is no simple answer. Prices for standing timber can vary widely depending on:

- quantity, quality, and species
- location and access
- current market conditions
- method of sale
- value of end product
- restrictions placed on timber harvesting

This brochure presents a series of steps that can help landowners obtain the highest price for their timber with the least damage to the property and uncut trees.



## Consult A Forester

Landowners often fail to get the best price for their timber because they lack information about its volume, quality, and fair market value and about proper marketing techniques.

Most foresters are knowledgeable about timber sales procedures and current prices. Area foresters of the Tennessee Division of Forestry can furnish free advice and provide limited assistance in preparing timber for sale. When appropriate, they may refer landowners to consulting or industry foresters for additional assistance.

Private consulting foresters usually offer a wide range of specialized services, including comprehensive timber sales assistance, on a fee basis. Most landowners find this expense more than offset by the higher selling price consultants secure for their timber.

Some timber companies also provide forestry assistance and may offer free seedlings and discounts for certain forestry services.

Landowners' other objectives for ownership and management, such as wildlife, outdoor recreation, and visual values, should also be carefully considered before any timber cutting takes place. The professional assistance of a forester when planning a harvesting operation can assure that such factors are taken into account when conducting a sale. How timber is cut today will determine the productivity and value of the forest in the future.

## Decide When To Sell

Proper timing also helps maximize timber sale profits. The best time to sell is when demand for timber and prices are at a peak and when timber has reached, but not exceeded, economic maturity.

Timber prices are cyclical. If current prices are depressed, timber can be stored on the stump until they improve, an advantage not possible with agronomic crops.

Timber, like other crops, eventually reaches optimal financial maturity. Growing timber may be compared to growing an apple orchard in which the trees grow for a number of years before producing apples. After the trees start bearing, production increases and finally reaches a maximum before tapering off. At some point the orchard is no longer profitable and must be replaced.

In the same way, timber grows for decades before producing salable wood. Volume and quality steadily increase until growth begins to slow. If it is not harvested, overmature timber can actually lose volume and quality due to decay, insects, and storm damage.

A forester can assist in obtaining a better price for timber by assessing timber quality, maturity, and market conditions.

## Know What You Have

Fair market value of timber can be estimated if its volume, quality, and species are known. A forester can inventory timber and provide an estimate of volumes available for harvest. Potential buyers are more likely to be interested if they know how much is being offered for sale.

## Sell By Sealed Bid

Timber should be sold for a lump sum rather than for a share of the harvest. The all-too-common practice of "selling on shares" is a disadvantage from the seller's standpoint. A timber volume summary, provided by a forester, will eliminate any reason to sell "on shares."

Sealed bids should be solicited from as many potential buyers as possible. The competition generated among buyers

will normally result in a higher selling price than other sales methods. State foresters can provide lists of buyers for various timber products such as sawlogs, veneer logs, pulpwood, etc.

Bid invitations should be kept simple but informative and include the following:

- date, time and location of the bid opening
- terms for payment
- timber volume summary
- location map
- notice of a "show-me" tour of the timber sale area
- bid form
- information about the performance bond
- statement of seller's right to refuse bids

A copy of the sales contract should also be sent to bidders to inform them about additional conditions of the sale.

### Prepare A Contract

All timber should be sold by written contract, a legally binding document that protects both buyer and seller. One of the most important elements in timber sale contracts is a verification of the seller's legal ownership of the timber to be sold and its freedom from liens or other encumbrances. The contract should also contain the following:

- a description of the timber for sale
- the selling price
- terms of payment
- which timber will and will not be cut
- time allowed to cut and remove timber.

Other special provisions may include: the location of log landings, roads, and skid trails; conditions under which logging

will not be permitted; protection of residual timber and other property; a procedure for settling disputes; responsibility for wildfire suppression; disposal of litter; subcontracting of parts of the work; and erosion control measures such as construction of water bars and revegetation of roads, trails, and log landings.

The seller should include any other important conditions in the contract; however, additional stipulations can and probably will reduce the number of interested bidders as well as the selling price.

Most foresters can furnish sample timber sale contracts.

### "Show-Me" Tour Of The Sale Area

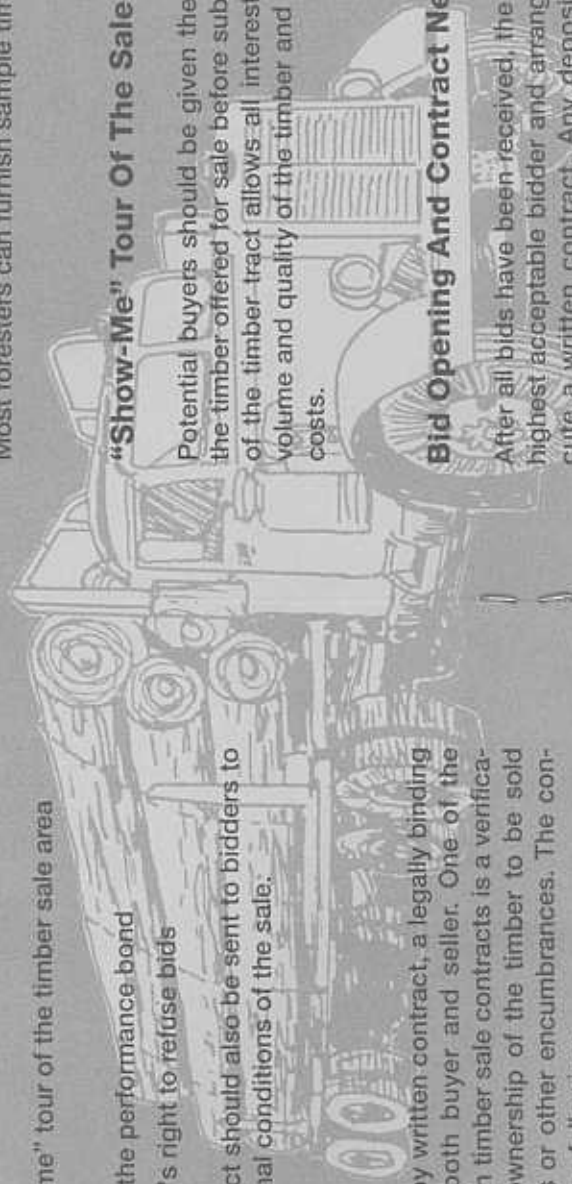
Potential buyers should be given the opportunity to examine the timber offered for sale before submitting their bids. A tour of the timber tract allows all interested buyers to check the volume and quality of the timber and to estimate their logging costs.

### Bid Opening And Contract Negotiation

After all bids have been received, the owner should notify the highest acceptable bidder and arrange to negotiate and execute a written contract. Any deposit or performance bond agreed upon should be collected. Copies of the contract should be prepared for both buyer and seller.

### Inspect The Logging Operation

To make sure terms of the timber sale contract are being met, the seller should inspect the logging operation periodically during harvesting and again upon completion of the operation before returning the performance bond to the buyer.



## Retirement Of The Sale Area

Steps should be taken immediately after harvest to protect the land from erosion and to insure the productivity of the woodland in the future. Roads, skid trails, and log landings should be reshaped and water-barred to assure proper drainage. Bare areas should be revegetated to prevent erosion and provide food for wildlife. Roads should be closed to all but occasional traffic.

Damaged, cull, and other trees of little or no commercial value should be cut or deadened to provide growing space needed by the new crop of seedlings and sprouts.



## Records And Federal Taxes

Last, but not least, retain all documents pertaining to the sale, and maintain good records of all timber sale and forest management activities and expenditures. These records will document credits and deductions claimed when computing federal taxes.

Information about tax treatment of timber sales and expenses is contained in the Farmers' Tax Guide, IRS Publication 225, and Forest Owners' Guide To Timber Investments, The Federal Income Tax, and Tax Recordkeeping, Agricultural Handbook No. 681, 1989, U. S. Department of Agriculture, Washington, D. C.