

Chapter 8:

Marketing Timber

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This chapter outlines procedures for selecting trees to harvest, obtaining bids, preparing a timber sale contract, and administering a sale. By working with a forester and following the steps recommended here, you can receive a fair price for your timber and better meet your other woodland management objectives.

Why Harvest Timber?

Harvesting is an important timber management tool. You may decide to harvest timber for a variety of reasons, including to:

- Improve the health and vigor of the forest.
- Promote natural regeneration.
- Control stand density.
- Release an established understory from competing overstory trees.
- Develop wildlife habitat.
- Alter the species composition of the forest.
- Establish planting areas.
- Create vistas.
- Clear trails.
- Take advantage of the timber's considerable monetary value to produce periodic or emergency income.
- Salvage its monetary value following damage by ice or snowstorms, high winds, fire, insects, or diseases.
- Clear the land for other purposes.

Steps in Marketing Timber

Follow these steps when marketing timber:

1. Select a forester.
2. Select trees to harvest.
3. Determine seasonal timing of harvest operations.
4. Determine the timber's worth.
5. Determine what method you will use to sell the timber.
6. Create a timber sale prospectus.
7. Advertise your timber sale.
8. Select a buyer.
9. Develop a written contract with the buyer.
10. Inspect the active harvest operation.

Selecting a Forester

As described in Chapter 1: Preparing a Woodland Stewardship Plan, it is important that you identify and select a forester who will work with you during the process of marketing your timber.

That individual should have experience working with many different timber sales and loggers. The forester will help you achieve your ownership goals and make sure that the forestry practices used enhance the future condition and value of your woodland. He or she can take you to previously harvested areas to provide a visual perspective of how a site looks after it is harvested. Using the services of a forester will help ensure that:

- You will receive what your timber is worth.
- You will get a timber sale designed to meet your property goals.
- You will sign an appropriate sale contract.
- Your sale will be administered fairly.

Selecting Trees to Harvest

Select the trees to be harvested with advice from a forester to ensure that the harvest satisfies your management objectives and maintains the woodland in a vigorous and productive condition. For example, the harvest could range from a light thinning that stimulates the growth of the remaining trees to a selection cut, clearcut, or shelterwood cut aimed at harvesting mature timber and regenerating a new stand. The type and amount of harvesting depends on your objectives and on stand conditions. For additional guidelines on selecting trees to harvest, refer to Chapter 6: Managing Important Forest Types.

Your forester will clearly mark with spray paint the timber sale boundaries and either the trees to be harvested or those to be retained so the logger can easily identify them, reducing the chance of harvesting beyond the sale boundary. If all trees in an area are to be harvested, as in a clearcut, only the boundary trees will be marked. If most trees will be cut but some will remain to grow longer, provide seed for regeneration, or offer wildlife habitat value, then leave-trees (the trees that will not be harvested) will be marked. If most trees will remain standing and only scattered trees or groups of trees will be cut, then the trees to be cut will be marked. To avoid confusion, your forester will mark leave-trees with a different color of



paint than was used on the sale boundary. Because timber sale boundaries are not legally recognized lines between adjoining property owners, discuss the location of property boundary lines with your neighbors before cutting begins.

After selecting the trees to be harvested, estimate the wood volume or number of products that will be cut, by species. Products commonly produced in a timber sale include sawlogs, veneer logs, pulpwood, fuelwood, posts, and poles. Local mills or buyers will determine the specifications for each product they purchase.

Information about measuring wood volumes can be found in Chapter 2: Conducting a Woodland Inventory.

Determining Seasonal Timing of Harvest Operations

Seasonal timing of harvest operations can be critical to maintaining land productivity. These factors can affect the marketability and price you receive. Your goal should be to maintain the productivity of the land and forest in the future.

Will your soils support logging equipment throughout the year, only during dry seasons, or only when the ground is frozen? Some soils are more susceptible to compaction and rutting by operating equipment. These operations occur across the site with the felling and skidding of trees, on the skid trails and landings and on any temporary haul roads needed to get the cut products to main roads for transportation to the mills. Soils maps and Ecological Classification System, or ECS, ratings and on-site visits to your forest will help you and your forester determine the answers these questions.

There can be disease or insect issues, such as bark beetles, that can be mitigated by seasonal timing of harvests. There can be wildlife issues such as nest trees of protected species that would limit operations during the nesting seasons. The bark on many hardwood trees is easily damaged and knocked off during the spring growing season. This tree dam-

age significantly reduces the future value of the trees to be left after the harvest. All of these issues should be considered in the process of setting up a timber harvest.

Determining Timber Worth

Timber is an unusual commodity in that it has no pre-established price. Instead, the price is whatever the buyer and seller agree to. It is influenced by many factors, including:

- **Tree species.** Wood from some species is more valuable than wood from other species.
- **Tree size.** Large diameter trees have more usable volume and clear wood than small trees and are of greater per unit value.
- **Tree quality.** Trees with fewer butt log (the first log from the stump) defects (such as branch scars, decay, and embedded wire) have higher quality, more valuable wood.
- **Sale volume.** On large sales, fixed logging costs can be spread over larger volumes, so the buyer can pay more per unit volume for the timber.
- **Distance to market.** The closer the woodlot is to the mill, the lower the hauling costs.
- **Site accessibility.** The ease with which the timber tract can be reached affects road construction costs.
- **Logging difficulty.** The steepness of the terrain and soil moisture conditions affect the equipment that can be used and the speed of harvesting.
- **Market conditions.** Poor markets mean lower timber prices.
- **The mill's log inventory.** Buyers often pay more for logs when their inventories are low to ensure continued mill operations.
- **Your restrictions on harvesting and skidding techniques or additional work required.** Restrictions that protect the site and residual trees tend to increase logging costs. Additional work (such as road or trail construction, trail seeding, construction of a bridge or devices to divert water off roads or trails) increases costs.

A forester can estimate the expected value of a particular sale. However, different buyers may offer substantially different prices for the same timber, depending on their own particular costs and markets. To receive the highest value, contact several potential buyers when you offer timber for sale.

Methods of Selling Timber

We generally advise landowners to sell stumpage (standing timber) instead of harvesting it yourself. When you sell your stumpage, the buyer is responsible for harvesting and transporting your timber, employing people, obtaining machinery and equipment, finding markets for the harvested material, and fulfilling all of the legal obligations associated with operating a business.

There are two general types of stumpage sales based on how the timber is priced: the lump sum sale and the sale-by-unit.

Lump Sum Sale

In a lump sum sale, payment is based on an estimate of the timber volume available in the sale area and not on the actual volume harvested. Such sales are easier to administer than sales-by-unit. Lump sum sale values depend heavily on the accuracy of the timber inventory used to estimate the volume and quality of the timber for sale. Lump sum sales may be appropriate if there is no convenient and reliable method for measuring the volume of cut logs.

You normally receive a single payment for the trees designated for sale. Alternatively, you may require a down payment of one-fourth to one-third of the sale price when the contract is signed and payment of the balance before harvesting begins or after it concludes.

Sale-by-Unit

In a sale-by-unit arrangement (also called sale-by-scale), you are paid a certain amount for each unit (such as per thousand board feet, cord, post, or ton) of product cut. A sale-by-unit requires that someone measure the products harvested (a pro-

cess called scaling). Products can be scaled by the landowner, by a professional forester, by the buyer, or by a receiving mill. You and the buyer need to determine who will scale the products based on who can be trusted to provide the most accurate information at a reasonable cost.

Although final payment is based on the actual volume harvested, some landowners ask for a down payment before the harvest of at least one-fourth of the estimated total value. Some landowners also request additional payments during the harvest, with these payments occurring at specified periods during the timber sale contract or equal to the estimated value of the next area to be harvested. Payment is adjusted at the end of the harvest to compensate for overpayment or underpayment.

Creating a Timber Sale Prospectus

In preparation for advertising your sale, create a timber sale prospectus with a detailed overview of what you are offering for sale and your contract requirements. The prospectus should include anything that may result in an additional cost for the buyer (for example, your restrictions on harvesting and skidding techniques or additional work required). Sale prospectus items include:

- Seller's name, address, and telephone number.
- Location of the timber for sale (legal description and directions, GPS coordinates).
- Description of the timber to be sold (volume by species and product; method used to estimate volume; tree species, size, and quality).
- Type of bid you are seeking (lump sum or sale-by-unit) and whether you will choose a buyer using sealed bids or an oral auction.
- Time period and procedure for inspecting the timber. (Allow at least one month for prospective buyers to inspect the timber.)
- Date, time, and place that sealed bids will be opened or an oral auction will be conducted.
- Whether a bid guarantee (usually a few hundred dollars) is required from all bidders and a down payment deposit (usually 10% or



more of the bid price) binding the offer must be paid when the contract is signed. (Bid guarantees are returned to unsuccessful bidders. For the successful bidder, that amount can be applied toward the down payment)

- When payment is to be made. (In a lump sum sale, ask for full payment before the start of harvesting. If this is not possible, negotiate a definite payment schedule that calls for specific percentages at specified dates. In a sale-by-unit situation, negotiate a definite cutting and payment timetable with the buyer.)
- Any major conditions or limitations on the sale, such as a harvesting deadline, forest management guidelines (for example, equipment limitations, method of slash disposal, restrictions on access to the area, conditions when loggers cannot operate), additional work required (such as construction of water diversion devices on roads or trails when the sale isn't active for extended periods or at the end of the sale) or who has cutting rights to tops that could be sold as firewood. (Note that excessive restrictions on buyers may result in fewer bidders or reduced bid prices.)
- The requirement of a performance bond. (A performance bond is an amount of money over and above the sale price, usually 10%, posted by the buyer and held in escrow by the seller. Its purpose is to ensure that the buyer abides by and fulfills all terms of the contract. It should be returned to the buyer when all contract conditions have been met.)
- Statement that the logger will be expected to carry workers' compensation insurance and liability insurance of \$1 million or more.
- Method recommended for scaling products.
- When the successful bidder will be notified (usually within seven days after bids are opened) and how much time the buyer has to sign the contract and provide the down payment after being notified of an acceptable bid (usually ten days).
- Statement indicating you have the right to reject any or all bids.

Advertising Your Sale

Foresters usually can provide a list of timber buyers. The most effective way to notify potential buyers about your timber sale is to send them your timber sale prospectus. If you are unable to assemble a list of buyers or have special products to sell, place a brief advertisement in the newspaper or on the internet directing interested buyers to contact you for a copy of the timber sale prospectus. Newspaper and internet advertisement may be particularly useful for locating firewood cutters who do not harvest other products and may not appear on any list of local timber buyers.

Selecting a Buyer

You can sell your stumpage through a single offer, an oral auction, or a sealed bid auction. Your forester can offer you advice about the desirability of asking a particular company or individual to bid on the sale and on a buyer who is right for your needs.

Exercise caution in selecting a buyer who has new employees, buyers who have not previously logged in your area or buyers who don't understand your management goals. Most buyers perform satisfactorily when all the trees in an area are to be cut (that is, a clearcut). However, only experienced and careful buyers should be selected for a thinning or selection harvest in which valuable trees will be left standing.

Obviously, profit is important, but a buyer who employs skilled and experienced operators who anticipate and avoid problems is worth a lot. Seek out buyers who attend training courses on safety, good business practices, and practices that protect the environment. Timber buyers should have all necessary insurance.

Before making a final selection, ask the potential buyer for the names of a few woodland owners with timber similar to yours for whom the buyer has recently harvested timber. Call one or more of those owners and ask about the logging job that was done. With their permission you also could visit one of the harvest areas to look at the results.

Single Offer

One option is to negotiate a sale price with a single buyer. This procedure often produces a price that is well below what the timber is worth, because the buyer has no competition and the seller often is uninformed about the timber's market value. However, the single offer may be the best method for you if:

- You have only a small amount of timber or poor quality timber to sell, so only one buyer is interested in the sale.
- Markets for the species and products for sale are so poor that few buyers would be interested.
- You know and want to work with a particular buyer who has a good reputation.

Oral Auction

A second option is to invite several buyers to inspect your timber and, at a given time and place, bid for it at an oral auction. To attract several buyers and create competition, you need to hold the auction at a time and location that are convenient to buyers. Auctions are most appropriate for high-value sales or when several timber tracts can be auctioned at one time, thus attracting several buyers.

Sealed Bids

A third option is to notify several potential buyers about the timber you have for sale, give them time to inspect your timber (usually four to six weeks), and request that they submit written sealed bids. Written sealed bids produce the best results for private woodland owners in most situations.

Open all of the bids at a specified time and place. Select the highest bidder unless you have other information that influences your decision. To be fair to all bidders, no further price negotiations should take place after the bids are opened, and unsuccessful bidders should be notified that the timber has been sold.

Preparing a Contract

Prepare a signed written contract with the buyer that protects both parties to reduce the possibility of misunderstandings and disagreements and to provide each party with legal assurance that the other will abide by the terms of the sale. The contract does not have to be a complicated document, but it should indicate what you and the buyer have agreed to with respect to the sale. The contract contents should be similar to those listed above for the timber sale prospectus. A sample contract is included at the end of this chapter (pg. 109). Your forester also may have a sample contract.

As a note of caution, preparing a contract is where many good transactions begin to break down. Buyers may have their own ideas of how an area should be harvested. They may believe a different layout may be more effective. They may feel that harvesting additional timber helps spread out their fixed costs or they may have a market opportunity. Some operators will offer a higher value to modify your planned forest management guidelines. They may offer their own contract in place of yours. You must evaluate such offers against your reasons for having a harvest in the first place.

While the buyer's suggestions might be reasonable, consult your forester about the effects of any suggested changes. That is why you hired the forester in the first place. Does the buyer's contract address all of your needs, or place unwanted obligations on you? Your contract terms were designed to protect you and your property, you do not have to modify them for the buyer's convenience. You may be able to find other buyers who will meet your terms. The extra money may look good, but you will have to live with any results.



Inspecting the Active Harvest Operation

Before harvesting begins, your forester should visit the site with the buyer to review the terms of the contract, point out the sale boundaries, discuss the location of log landings and roads, and point out any hazards or areas that require special protection during logging. Once harvesting begins, you or your forester should visit the area frequently to make sure the harvest is proceeding according to the terms of the contract and to discuss questions that might arise. Frequent visits will help you become familiar with timber harvesting operations and help you plan future timber sales. Keep in mind, however, that logging is a dangerous activity. Do not endanger yourself or the loggers by getting too close to an active operation. Wear a hard hat and bright colored clothing whenever visiting

an active operation, and do not approach equipment without the operator acknowledging you and motioning you forward.

If you observe any problems while checking the harvest operation, simple suggestions to the buyer usually will resolve them, unless you observe a flagrant violation. Deal directly with the buyer or the buyer's designated representative. Do not complain or make suggestions to other individuals on the job unless they are causing immediate problems and the buyer is not on site.

When all provisions of the contract have been fulfilled, all wood and equipment has been removed, and there are no outstanding financial obligations (for example, repairs to roads or gates, or rehabilitation work on the site), write a letter releasing the buyer from the contract and return the performance bond (if one was posted).

Sample Timber Sale Contract

The sample timber sale contract (below) can be a starting point for your own contract, but we encourage you to contact an attorney for help in designing a timber sale contract that meets your specific needs.

This Contract is entered into by and between _____ (Seller), and _____ (Purchaser). This agreement is made and entered into between the parties below hereinafter called the SELLER and the PURCHASER.

The Seller solely owns the timber rights to this land and has no concurrent sales agreement on the parcel described below.

◆ SECTION 1

The Seller agrees to sell and the Purchaser agrees to buy, under the terms and conditions hereinafter stated, all the timber marked or designated by the Seller on certain lands held by the Seller and described as follows: _____ acres in Section _____, Township _____, Range _____, in _____ County, State of _____.

Timber to be harvested is marked or designated as follows: [Describe cutting blocks and how timber is marked].

◆ SECTION III

The Purchaser agrees to cut and remove said timber according to the following conditions:

1. Timber harvesting may begin on [date], and may continue until the termination date of [date] unless an extension of time is requested and granted in writing. The Purchaser shall give the Seller three (3) days notice before harvesting begins. After this termination date all products remaining on the Seller’s premises, cut or uncut, become the property of the Seller unless an extension is granted. If extensions of this contract are deemed reasonable by the Seller, the stumpage price agreed upon herein shall be adjusted as follows:
 - a. First six-month extension: 0% increase
 - b. Second six-month extension: 5% increase
 - c. Additional six-month extensions: 10% increase
 - d. Other applicable charges or fees: _____
2. The Seller may terminate this contract by oral or written notice to the Purchaser upon its breach. The Purchaser shall cease all operations and immediately leave, and not return to, the Seller’s property unless otherwise provided by the Seller.
3. Trees cut for pulpwood shall be utilized to a minimum top diameter of 4 inches and those cut for saw logs utilized to a minimum top diameter of 8 inches unless decay, branching, or stem deformity limits merchantability.
4. Stump heights shall be as low as practicable, but shall not exceed one-half stump diameter.
5. Sawtimber and veneer logs shall be scaled by the Scribner Decimal C rule and pulpwood according to 128 cu. ft./cord for 8-foot wood and 133 1/3 cu. ft./cord for 100-inch wood.
6. Reasonable care shall be taken to protect the residual and neighboring stands from damage caused by logging activity.
7. Only timber designated in Section I shall be cut and removed. Whenever any undesignated trees are cut or needlessly damaged, the Purchaser shall pay for them at a rate of three times their scale value. Crown damage is defined as _____ and bole damage as _____.
8. The Purchaser shall repair, at the Purchaser’s expense, damage beyond ordinary wear and tear caused by Purchaser or Purchaser’s agents to waterways, trails, roads, gates, fences, bridges, or other improvements on the Seller’s property.
9. Locations of roads, landings, etc., shall be mutually agreed to by the Purchaser and the Seller or their agents.
10. Only nonmerchantable wood may be used for construction purposes in connection with the logging operation.
11. The Purchaser agrees to comply with appropriate forest management guidelines for the site for the duration of this contract. Particular guidelines of concern are noted below.

12. The Purchaser shall remove all sale-generated debris within twenty (20) days of sale expiration, including machine parts, oil cans, paper, and other trash, and Purchaser's equipment and structures. Items not removed are deemed abandoned, become the property of the Seller, and may be removed or disposed of at the Purchaser's expense, including but not limited to the performance deposit.
13. Care shall be exercised at all times by the Purchaser and the Purchaser's agents against the start and spread of wildfire. The Purchaser agrees to pay for any and all damage and the cost of suppression of any fires caused by the Purchaser or Purchaser's agents.

◆ SECTION IV

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

1. The Purchaser agrees to save and hold harmless the Seller from any and all claims, penalties, or expenses of any nature, type, or description whatsoever, arising from the performance of this contract, whether asserted by an individual, organization, or governmental agency or subdivision. In furtherance of this clause, the Purchaser shall carry public liability insurance in the amount of \$ _____ and property damage insurance in the amount of \$ _____. The Purchaser shall be responsible for the same insurance requirements on the part of any of its subcontractors.
2. Workers' compensation insurance, as necessary, and to at least the minimum extent required by law, shall be bought and maintained by the Purchaser to fully protect both Purchaser and Seller from any and all claims for injury or death arising from the performance of this contract.
3. This agreement shall not be assigned in whole or in part by either party without the written consent of the other party.
4. All timber included in this contract shall remain the property of the Seller until paid for in full.
5. The Seller guarantees property boundaries which are marked or otherwise designated. The Seller also guarantees that the Seller has full right and title to the timber included in this sale.
6. The Seller shall refund any performance deposit or notify the Purchaser of intent to retain said deposit within thirty (30) days of sale expiration. The Seller may suspend or cancel all operations for violation of any term of this contract by the Purchaser, and for cause may retain all monies deposited.
7. The Purchaser agrees that it is acting solely in the capacity of an independent party in carrying out the terms of this timber sale contract. It is agreed and acknowledged by the parties that the Purchaser is not an employee, partner, associate, agent, or joint venturer in any of the functions that it performs for the Seller. The Purchaser has a separate place of business.
8. The Purchaser agrees that it will furnish all materials, labor, equipment, tools, and other items necessary for the performance of this contract.
9. The Purchaser shall be responsible for filing its own legally required information returns and income tax forms.
10. The Purchaser has inspected the premises and knows and accepts it as being satisfactory to perform this contract without undue risk to person or property.
11. The Seller agrees that the Purchaser shall have sole control of the method, hours worked, time, and manner of any timber cutting to be performed hereunder. The Seller reserves the right only to inspect the job site for the sole purpose of ensuring that the cutting is progressing in compliance with the cutting practices established herein. The Seller takes no responsibility for supervision or direction of the performance of any of the harvesting to be performed by the undersigned Purchaser or of its employees or subcontractors. The Seller further agrees that it will exercise no control over the selection and dismissal of the Purchaser's employees.



- 12. Neither party shall be liable for defaults or delays due to acts of god or the public enemy, acts or demands of any government or governmental agency, strikes, fires, flood, accidents of other unforeseeable causes beyond its control and not due to its fault or negligence. Each party shall notify the other in writing of the cause of such delay within five (5) days after the beginning thereof. If such uncontrollable circumstances continue for thirty (30) days and prevent either party from complying with the terms of this agreement, either party shall have the option of terminating upon ten (10) days' notice to the other.
- 13. In case of dispute over the terms of this contract, the final decision shall rest with an arbitration board of three persons, one to be selected by each party to this contract and a third to be selected by the other two members.
- 14. Special stipulations: _____

◆ SECTION V

In witness whereof, the parties have set their hands on the dates shown below.

(Note: Separate from this form, the Seller and Purchaser are encouraged to provide one another with their Social Security Number or Federal Employer ID Number, needed to file tax returns or other financial documents.)

Seller:	Purchaser:
Name _____	Name _____
Address: _____	Address: _____
_____	_____
Phone: _____	Phone: _____
Cell Phone: _____	Cell Phone: _____

We have read and understand the entire contract comprised of _____ pages.

SELLER

Date _____ by _____

PURCHASER

Date _____ by _____

Additional Resources

Blinn, C. R., and L. T. Hendricks. 1991. *Marketing Timber from the Private Woodland* (NR-BU-2723). St. Paul: University of Minnesota, Minnesota Extension Service. Available online at: <http://www.extension.umn.edu/distribution/naturalresources/DD2723.html>

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