

Arranging a Timber Sale - Brian Bullard

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Introduction

Forest cover is the predominant type of natural vegetation in New York State. According to the 1993 USDA Forest Service inventory for New York, approximately 62% of the state is forested. The non-industrial private landowner owns about 85% of the forestland in New York. The industrial forestry sector owns about 8% of our forestlands. Obviously, if the mill owner is to provide a continued supply of raw material (logs) to his mill, he must aggressively pursue timber purchases from private landowners. Since most landowners purchase their property for a different purpose (recreation, permanent residence, farm, etc.) the idea of revenue from a timber sale seems very attractive. Unfortunately, many landowners enter into a timber sale contract without fully understanding the value of the asset or the contractual controls needed for a landowner to be ultimately satisfied at the completion of the operation. The information provided herein can be used to guide a forest landowner toward the satisfaction that comes from the monetary, ecological and social rewards of performing good stewardship.

Demand

We have already established the fact that you hold the key to supply, so where does the demand come from?

Timber is most commonly purchased by procurement foresters that work for a sawmill, timber and veneer brokers working for themselves, and independent loggers. There is also another frontier of folks that have forestry backgrounds and are primarily concerned with the purchase of forested property for harvest and resale as smaller acreage recreational property. In each case, these people have the interest of the mill or themselves at the heart of the timber purchase, not necessarily that of the landowner. Purchasing timber or logs at the lowest possible price is their job. This is not to say that there aren't sawmills that can do a good job for you at a fair price. It's just important to know one's motivation before entering into a contract. It is your job to be knowledgeable about your resource.

Landownership Objectives

For some reason, many landowners don't consider their personal objectives for their property when someone is standing at their threshold with a check for \$20,000 (more or less). Most people own their property for hunting, wildlife observation, hiking, cross-country skiing, horseback riding, summer/winter retreat, full-time residence that offers all the above, and much more. Seldom, however, does the landowner consider how all of these uses are impacted by the sale of forest products. A management plan is the primary tool to express landownership goals and objectives. Timber harvests are specified at scheduled times in order to balance the owner's goals and objectives. A timber harvest should be a well planned event, not a hasty action in response to an offer to purchase timber.

Supply

If you are going to sell your house, you have it appraised. If you are going to sell your car or truck, you check book prices, car dealers or swap sheets for current market value. Many people spend countless hours and dollars to make sure that they get the best deal possible...except those people that sell timber. Only 10-15% of all timber sold statewide is handled by a forestry professional. Needless to say that many operations are conducted where the landowner probably didn't get the best deal possible.

A timber sale begins first by knowing your property boundaries. Whether by survey or existing evidence (fencerows, etc.) you need to know what you own before you can sell it. A timber inventory is the next and most important step to a successful outcome. Knowing the number of trees by species, the volume they contain, and their current "fair-market" value per thousand boardfeet (MBF) is absolutely essential. When you pick-up the grocery ads you know what you are willing to pay for bread, milk, corn, etc. Likewise, the timber buyer knows his monetary limits for maple, ash, cherry and oak. The key is doing your research to know what timber values are currently and applying those values to the volume you possess. With this knowledge, you can make an informed decision based on the value of the offers at hand.

Timber values vary dramatically by species and are influenced by average tree size, quality, accessibility, and site conditions (wet, dry, steep, flat, etc.), to name a few. A telephone call to the NYS Department of Environmental Conservation office, local consulting foresters, or Cooperative Extension, should result in answers to your questions about current timber prices.

It is important to note that if you cannot get a straight answer as to the number of trees, species, volume and value/MBF from a would-be timber buyer, then you probably shouldn't make the deal.

Timber Sale Preparation

Now that you know what you own and how much it is worth, you can decide that a timber sale is in your best interest. The next step would be to mark the trees to be cut. For your protection, you should be certain that trees are marked at chest height and on the root collar. This provides additional evidence that a tree was to be harvested long after the tree is gone.

Each tree is tallied as marked so that you will have a 100% inventory of what is being sold. The "fair-market" value can then be applied to derive value. It is our contention that competitive bidding brings the highest prices to a landowner for their timber. For sales with less than 10,000 boardfeet (bf), we recommend negotiating directly with one of several potential buyers, depending upon the species and dollar value. While 10,000 bf of black cherry would be relatively easy to sell, 10,000 bf of beech and hemlock would not.

When selling by bid, a bid prospectus is prepared which includes: a map showing where the property is located; the location of the timber on the property; access to the timber and log staging area(s); a timber volume estimate; a bid form; a letter which describes the terms and conditions of sale and the bid opening date. Upon opening of the bids, the high bidder is awarded the timber unless their bid does not meet or exceed the "fair-market" value. The landowner always reserves the right to reject any and all bids.

Upon selection of the buyer, a contract drawn from the seller's perspective is needed. The sale contract should describe the timber to be cut; the price and payment schedule; penalties for cutting unmarked trees; care and treatment of haul and skid roads during and after logging; erosion prevention measures; owner imposed conditions-no logging during hunting season; owner's right to suspend logging operations due to wet conditions or poor logging practices; amounts and proof of Liability and Worker's Compensation Insurance; a cash bond to assure contract performance may be requested if held by an independent third party trusted by both buyer and seller.

Lastly, show a presence during logging. Inspect the woodlot at times when no logging is taking place or at safe distances from cutting and skidding operations. Meeting the loggers at the landing site is a good place to begin so that everyone knows you are there. This gives both of you the opportunity to review contract items that may have been forgotten if the timber is cut many months after contract signing.

The NYSDEC can assist with site inspections, general questions, and timber sale marking up to 25 acres per year per landowner. The landowner is then referred to the

DEC's list of Cooperating Consulting Foresters to complete the sales process. Consulting Foresters, of course, can assist a landowner from start to finish. Most consultants do not charge a fee for an initial inspection and recommendations.

A timber sale which meets the landowner's objectives can be very rewarding as it aids in the growth and development of the woodlot, provides access for other activities, enhances wildlife habitat and provides an alternative income. All of these attributes (and many more) combined provide a landowner with a great sense of pride and accomplishment for having managed his or her woodlot in accordance with accepted forest stewardship guidelines and the knowledge that he or she knew the value of their timber at the time of sale.

References

Timber Management for Small Woodlands - Goff, G.R., J.P. Lassoie, and K.M. Layer. 1994. Cornell Cooperative Extension Information Bulletin. Bulletin No. 147IB180. Resource Center, Cornell University, 7 Business and Technology Park, Ithaca, NY 14850.

New York State Department of Environmental Conservation. Cooperating Consulting Forester Program.