



Woodland Owner Notes

Before You Sell Your Timber

Years of growth are accumulated in a mature timber stand. The annual income from all those years is frequently marketed in a single transaction. Too much is at stake to sell timber without having accurate knowledge of products, volume, and value and without knowing how to establish the next crop for continued production.

Selling timber can be complicated. Trees are usually harvested by someone other than the seller, so their ultimate value to the landowner (also called stumpage value) is reduced by harvesting as well as transportation costs. Logging costs vary from tract to tract, and even differ depending on the type of logging system used.

Also the size, quality, and species of timber are highly variable. Specialized knowledge is required to identify tree species and to estimate volume and value within utilization standards accepted by local markets. Actual product volumes cannot be determined until the logs are processed (usually after the sale). Therefore, the volume of standing timber must be estimated using one of several "log rules" applied throughout the state.

There are no daily market price reports for stumpage, nor are there any government support prices. Both demand and price for many timber products fluctuate widely. Add to this the fact that many timber sales are once- or twice-in-a-lifetime occurrences. Learning from experience can be very expensive!

This Woodland Owner Note includes sections on questions to ask before you sell your timber, how timber is measured, factors affecting timber stumpage prices, steps to marketing timber, timber taxes, and a sample invitation to bid on timber. By asking the right questions at the right time, by approaching the subject in a businesslike fashion, and by getting appropriate assistance, you can make your next (or first) timber sale both a pleasant and a profitable experience.

Before You Sell Your Timber..,

Here are some questions you should ask:

- Which trees should I sell?
- How soon should I market them?
- Are property and cutting boundaries well marked?
- What is the timber volume? (By which log rule?)
- What is the growth rate?
- What is the fair market value of my timber?
- What is the current timber market price trend?
- Are the trees financially mature?
- Who and where are the appropriate timber buyers?
- What sale method should I use?
- How will the income be taxed?
- How should I re-forest harvested areas?
- How can I get advice from a professional?

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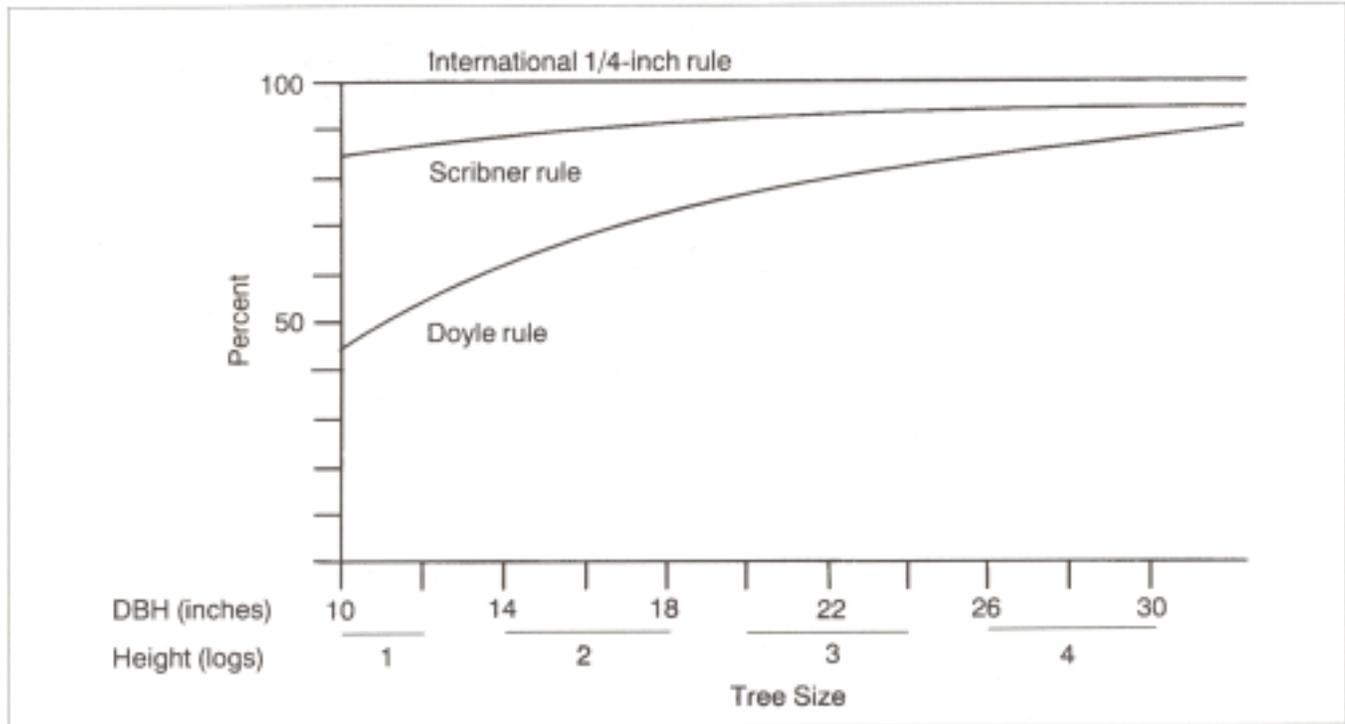


Figure 1. Relationships among three log rules in board-foot volume estimates for trees using the International 1/4-inch rule as a standard for comparison.

How Timber Is Measured

Timber owners should have at least a basic understanding of how timber volumes are customarily determined. A timber “cruise” is an inspection of a timber stand made to estimate its volume of marketable timber. In a stand of large or high-value timber, the cruise may involve measuring all merchantable trees. More commonly, the cruise is based on a systematic sample of trees on plots or strips representative of the entire stand.

Two measurements are usually needed on each tree: the diameter 4.5 feet above the ground line (diameter breast high or DBH) and the merchantable height. The height of sawtimber is generally recorded in terms of the number of “logs” (usually 16 feet long each) to some “merchantable top” (usually a small-end diameter of 7 inches or more inside the bark). Pulpwood tree height may be measured as the number of pulpwood sticks (usually 5 feet long each) or feet to a merchantable top diameter (usually 4 inches outside the bark); or total tree heights may be recorded. Tree measurements can be made using a timber scale stick or other forestry measuring device. (See Woodland Owner Note No. 5, *Measuring the Volume of Standing Trees with a Scale Stick*.)

Once the trees’ diameters and heights are known, their volumes can be determined from various tree volume tables.

The Doyle, International 1/4-inch, or Scribner log rule may be used to estimate board-foot contents of measured trees. In North Carolina the Scribner rule is more frequently used for southern yellow pines, whereas the Doyle rule is more commonly used for hardwoods.

The choice of log rule can change the volume estimate significantly (Figure 1). If both the buyer and seller are aware of this and if price is adjusted for the log rule being applied, any log rule may be used because the total value of the timber (price times quantity) would remain the same. For example, a tree 14 inches in DBH containing two 16-foot logs might be estimated to contain 130 board feet by the International 1/4-inch log rule or 115 board feet by the Scribner rule but only 75 board feet by the Doyle rule. A price of \$115 per thousand board feet (\$115 per MBF) by the International 1/4-inch rule would result in a \$15 stumpage value for the tree, whereas appropriately adjusted prices of \$130 per MBF by the Scribner rule or \$200 per MBF by the Doyle rule would be required to generate approximately the same \$15 stumpage value for the tree.

Weight scaling and other timber measurement methods are sometimes used by North Carolina buyers. The choice of log rule or measurement unit is relatively unimportant to “lump sum” timber sellers. However, those who sell timber on a “per-unit” basis need to understand the units being applied. The seller should have some means of verifying measurements and know how to accurately convert measurements to more familiar units.

Factors Affecting Timber Stumpage Prices

Many variables affect the price paid for standing timber:

Species. In North Carolina, most pine timber brings higher stumpage prices than sweetgum or mixed hardwoods. High quality black walnut, black cherry, northern red oak, cherrybark oak, white oak, and yellow poplar can bring premium prices. Species price varies widely with location and with changing market demand.

Quality and size. Large, sound trees with clear logs that could be used for lumber, veneer, or export products generally bring the highest prices.

Competitive markets. Competitive bidding by primary timber processors in the buying area tends to assure that a fair market value for timber is offered. The number of bidders and their interest in a sale can be influenced by advertising, which contributes to competition and positively affects the price paid. Some situations involving specialized products, unusual harvesting conditions, or poor markets may be better handled by negotiating with an appropriate buyer.

Acreage and volume. Logging operations require high capital investments in equipment. Low volumes of timber on small acreages cannot be logged profitably by highly mechanized and efficient contractors, so stumpage values generally increase with both volume and acreage.

Location. Distance to the mill, accessibility to good roads, and ease of logging are important factors affecting the price paid for stumpage. Most logging contractors would like all of their operations to be clear-cuts, located beside paved roads, near mills, on well-drained soils, and without contractual restrictions simply because these conditions reduce logging costs. Conse-

quently, when logging conditions are more difficult and the distance to the mill is greater, the price that the buyer is willing to pay for stumpage will be lower.

Contract provisions. Restrictions placed upon the harvest of timber may protect the site or the landowner, but they usually reduce the price paid for the stumpage. You should include contract provisions that address important considerations. (See Woodland Owner Note No. 10, *Timber Sale Agreements*.)

Steps to Marketing Timber

Be well informed and be aggressive in marketing. Buyers have more confidence in sellers who use a business-like approach. Here are some suggestions:

Consult a professional. A study by Dr. Fred Cubbage while at the University of Georgia indicated that professional help can be valuable. Landowners who received professional forestry assistance before harvesting timber averaged 23 percent more income per acre, received a price per board foot that was 64 percent higher, and had a projected income stream from future sales 120 percent higher as a result of improved regeneration and stocking.

Make certain that your timber is financially mature. Thinning may be more appropriate than clear-cutting. A short-term loan using timber as collateral could be less costly than a premature or inappropriate timber sale.

Check the current timber market demand and recent trends. Prices for sawtimber and other high-value products fluctuate widely.

Have a continuing management plan that includes reforestation. Well-planned timber sales can minimize regeneration costs.

Mark the sale boundaries clearly.

Have a registered consulting forester cruise the timber to estimate its volume, quality, and value. In preparing for a timber sale, a registered consulting forester should be willing and able to assist a landowner with all of these recommended steps. Following the harvest, these professionals also can help establish a new timber crop that will have maximum value in the

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future. Professionals may charge a daily or acreage fee, or they may handle all sales-related activities for a percentage commission. A percentage commission provides a consultant with the strongest motivation to get top dollar on a timber sale, although it also could encourage selling more timber or selling it sooner. Daily or acreage charges might be less expensive, but they do not provide the motivation to get the top price and they generally remain due even if no timber is sold. A list of registered consulting foresters may be obtained from county Cooperative Extension Centers or from the North Carolina Forest Service. (See Woodland Owner Note No. 6, *A Consumer's Guide to Consulting Foresters*.)

Inform adjoining landowners of any proposed timber sales to make certain that boundary and access road locations are acceptable. Combining sales among neighboring tracts can sometimes increase volumes without substantially increasing logging costs, which could result in higher proceeds to the sellers.

Advertise the timber to all reliable buyers in the area. High-value products or tracts could attract buyers from as far away as 100 miles. Most timber buyers are listed by county in the North Carolina Division of Forest Resources publication *Buyers of Forest Products in North Carolina*. County Extension Centers and Forest Service offices frequently have this information for local counties.

Potential buyers can be notified best by sending them invitations to bid on timber (see the sample in Figure 2). Provide as much information about the timber, the tract, and contract restrictions as can be given in the bid invitation. Describe payment provisions, including any security deposits or performance bonds that will be required. Also include with the invitations copies of vicinity maps, Plat maps, or aerial photographs indicating the location of the timber offered for sale.

Conduct the timber sale as advertised. Many marketing experts believe that sealed bids usually result in a higher offer than auctions or negotiated sales. Allow at least a month for bidders to make their own examinations, or timber cruises, before the sale is held. Reserve the right to refuse any or all bids.

A written contract in which the rights and obligations of buyer and seller are detailed should be prepared or approved by the seller's lawyer before the sale is completed. Important restrictions mentioned in the bid invitations should be included. The seller may wish to require his or her representative to hold a *performance bond* that is refunded to the buyer when all contract provisions have been satisfactorily met or used, if necessary, to correct contract violations. The contract may be used to pass title to the timber and to document that all aspects of harvest and payment meet both the buyer's and seller's approval. Contracts should be signed by both parties, notarized, and recorded in the county courthouse for protection of all concerned. A buyer may require a timber seller to produce and sign a *timber deed* and might conduct a limited search on that deed to be assured of clear title to the purchased timber. This is good business practice, but timber deeds are no substitute for contracts unless they include provisions to protect the seller.

Timber Taxes

Timber is a capital asset. Timber sales frequently involve substantial fluctuations in forest landowners' taxable incomes. Tax provisions change frequently and sometimes drastically. You should consult your tax accountant or attorney, or a good, current reference when planning your timber sale. Take advantage of favorable tax provisions to minimize your legal tax liability.

Summary

You need not sell timber frequently to sell it successfully, but marketing can be a mysterious and complex process. Remember that a single sale may be your only chance to cash in on the many years of annual income accumulated in a mature timber stand. No single publication could cover all possible marketing situations, nor could it make you an expert timber seller. But there are questions you should ask, and answers you should know. See a forester for help *before* you sell your timber. Know what to sell and when to sell. Plan for reforestation. Be a tough trader. In short, market your timber in a businesslike manner to get the most that it will bring.

Figure 2. Sample invitation to bid on timber

I, Joe Pine, offer for sale to the highest bidder all standing timber within prescribed boundaries of 30 acres as indicated on the enclosed map. The tract is bounded by hard-surfaced roads, and logging conditions are excellent.

Location. Tupelo County—5 miles east of Sycamore on State Road 1492 as indicated on enclosed county map.

Timber. The timber consists of the following species:

Loblolly pine: 1,660 trees 12 inches DBH and above, averaging 16 inches DBH, and scaling 332,000 board feet (Scribner rule), and 600 cords in tops and smaller stems.

Sweetgum: 33,000 board feet, Doyle rule.

White oak: 15,000 board feet, Doyle rule.

Yellow poplar: 12,300 board feet, Doyle rule.

Quality. The above timber is of excellent quality for export timbers, veneer, or prime sawlogs. The estimate is based on a 100 percent cruise by John Silverbell. It is shown here for information only and is not construed as implying or guaranteeing any specific amount of timber by the owner.

Inspection. The boundaries were recently surveyed and are well marked by paint, with blue flagging indicating the run of the creek. A recent aerial photograph is available for your inspection at my home.

Bids. Bids must be for a single, lump-sum amount. A minimum of 5 percent security deposit will be required of the successful bidder on the day of the sale, with the balance of payment due within 30 days. Bids will be opened at my home promptly at 11 a.m. on Saturday, January 27. You may bring your sealed bid to the house on or before January 27, or, if you wish, you may mail your bid to Joe Pine, Box 2, Sycamore, North Carolina 27001, marking the lower left corner of the envelope "Timber Bid." The owner reserves the right to reject any or all bids. We invite your inspection, appraisal, and bid.

Conditions of Sale

1. The buyer may have 24 months from the date the contract is signed in which to cut and remove the timber. The buyer will have the privilege of an additional year for 6 percent of the purchase price, provided that said payment is made before the expiration of the original cutting time.
2. The buyer is to comply with all Best Management Practices in accordance with *Forest Practices Guidelines* (15 NCAC 1L.0101-.0209) and make reasonable efforts to cut trees so that they will not fall into cultivated fields, pastures, creeks, or ponds and will immediately pull all tree tops and limbs back into the cutting area. The open land shall not be used to bunch, deck, or load logs. Fences and roads must be left in a condition no worse than before the sale (although any "in-woods" fencing within the cutting area may be ignored).
3. The buyer will use only those roads specifically designated by the owner for moving equipment and hauling.

If you have any questions, please contact:

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For more information on forestry and related subjects,
visit Extension forestry on the Internet at <http://www.ces.ncsu.edu/nreos/forest/>

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