

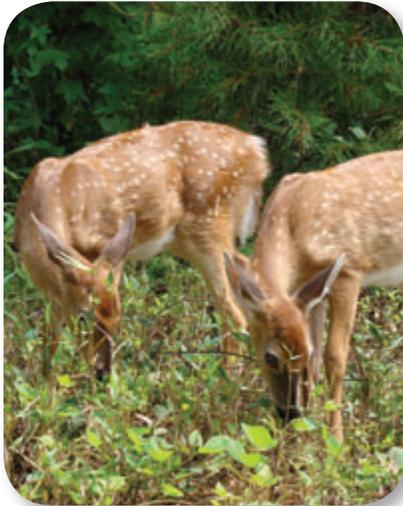
A **TIMBER** Sale Contract PLAN AND PREPARE

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Know your management objectives

Prior to initiating any timber sale, the landowner should formulate his or her land management objectives. This will involve prioritizing the reasons for owning the land and then making them a part of a forest management plan. The plan will state the landowner's desire to maximize timber production, wildlife habitat, recreational opportunities, or forest aesthetics, or more likely, some combination thereof.



The landowner should seek professional help with the management plan by way of a forestry consultant, state agency forester, or industry landowner assistance forester. A professional forester can also provide the help needed in the subsequent steps of selling timber such as timber valuation, harvest planning, sale preparation, sale advertising, contract negotiations, and harvest monitoring.

throughout the tract for access, and then selectively thin the remaining rows to the desired density. Operator selection is also often used for a first thinning in natural stands that are composed mainly of pulpwood-sized products. **Diameter limit** harvests have been much used in the past in determining which trees to harvest, such as all trees under or over a certain diameter. This method should be used with caution as it could result in degraded stand quality; however, there are still some cases where, with proper professional planning, it might be used. **Species-only** sales may also be used whereby only pine or only hardwoods may be cut. In other cases it may be more prudent for a trained **timber marker** to select the trees to harvest. In this method, either the trees to be harvested or the trees to remain are marked with paint at eye and stump levels.



Whether the sale is a thinning or a clearcut, the remaining steps are much the same. The sale and/or property boundaries should be marked either with paint or flagging. Sensitive areas such as streamside management zones (SMZs), stream crossings, new roads, logging decks, etc., should be designated and/or marked, although some of these may be left until the logger moves onto the site.



Prepare the timber sale

The management plan will determine the type of harvest to be used; i.e., whether the sale will be a thinning or a clearcut. If a thinning is planned, then the decision has to be made as to the method of selecting the trees to harvest. In a first thinning of pine plantations the more usual method is by **operator selection** whereby the tree cutter will clearcut certain rows or paths



Know the value of the timber for sale

Several factors will determine the value of the timber: timber type, timber quantity, mill proximity, and site conditions. Timber type involves tree species, size, and quality of timber to be sold.

Knowing how much timber will be sold at any one time (sale acreage, volume per acre, and whether the sale is a clearcut or thinning) will greatly determine the sale price. One large sale will probably bring more than several small sales over a period of years. Due to today's high transportation costs, the proximity of the sale area to the various timber mills greatly impacts the value. Site conditions which could affect the value of one's timber include distance of the harvest area to a main highway, need to create or improve interior roads, slope, and soil wetness. If the tract is on ground that can be accessed and harvested during wet weather, it is likely that the sale will command a premium.



Other factors affecting the value of the landowner's timber include federal, state, or local regulations as pertains to wetlands, protected species, highway access, logging restrictions, etc. Any regulations which would increase a logger's operating costs will likely lower the landowner's revenue.

A professional forester will be able to analyze all of these factors and derive a good estimate of the timber's potential value.

mailed to as many buyers as possible who operate in the area, who in turn provide the landowner with the price they are willing to pay for the timber. The sealed bid method often brings the highest prices to the landowner. Potential buyers should usually be required to be Professional Logging Manager (PLM) certified. Loggers who have taken Alabama's PLM course, administered by the Alabama Forestry Association, are taught Best Management Practices (BMPs) which stress efficient harvesting and merchandizing of timber products with an emphasis on protecting and enhancing water quality. A list of potential buyers for each county may be obtained from the Service Providers database under "Timber Buyers/Loggers" on the Alabama Forestry Commission website at www.forestry.alabama.gov/ServiceProviders.aspx.

The next decision to be made is whether the sale will be paid on a lump-sum or per-unit basis. A **lump-sum** payment is usually paid at the time of contract closing or may be deferred to a date(s) of the landowner's choosing. In a lump-sum sale, the price is not determined by the actual volume cut, but by the buyer's estimate of the timber's value which may be either under or over the timber's actual value.

If the sale is on a **per-unit basis**, each species/product should be specified as well as the unit of measurement and timing of payments. The most common measure is in tons and payments are usually made weekly. The logger should also be required to provide settlement statements and copies of all weight/scale tickets. This method is sometimes referred to as "pay-as-cut" and overall sale income is based solely on volume actually harvested.



Determine a selling method

The method used to sell timber may be broken down two different ways: negotiated versus sealed bid refers to the way in which a buyer is selected; lump-sum versus per-unit refers to the way the buyer is to pay for the timber.

A **negotiated sale** is one in which the landowner or a consultant bargains for the best price with one or more buyers. This is more common in sales of specialty products such as high-value hardwoods where there are relatively few buyers. Sales are also often negotiated for a first thinning where there may be few quality loggers, or when you want to demand the best harvest outcome for future growth and earnings.



The other method of selecting a buyer is by way of a **sealed bid**. In this, a notice of sale is



Protect your interests

Always use a written contract not only to protect your land and resources, but also to ensure that your sale objectives are met. The contract should contain a legal description of the sale area, method of selecting trees to harvest, provisions for payment, penalties for damages, logging specifications, time period for cutting timber, and provisions for making corrections during and after the logging period. The landowner should always consult a professional forester and/or attorney when drafting a timber sale contract. The landowner and/or agent should make frequent inspections of the harvest operation to ensure that contract terms are being fulfilled. Be sure to make a final inspection after the harvest is complete and address any issues of contract non-compliance.

For more information, please visit www.forestry.alabama.gov/PDFs/Selling_Your_Timber_color.pdf.

