



During the last decade, the value of stumpage coming from forestlands has increased. Demand is expected to continue to increase, and this should help to maintain the market value of forest products.

More and more demands are being placed on our forests, however, not only to produce physical wood products needed for such things as construction and paper materials, but also as sources of clean water, recreation, aesthetic values and as storage mechanisms to help reduce air pollution. Therefore, your forest may be more valuable than you know. It is not just a matter of maximizing the profit you derive from the forest. It is also a matter of practicing good forest stewardship by leaving the forest in as good or better condition than it was when it became your forest.



One of the most critical aspects of managing forestland occurs at harvest. This is not only the time you will make the most significant amount of income from the trees on your land; it is also the time at which the most significant opportunities arise to conduct long-term planning for reforestation. Therefore, you must carefully think through the process of setting out on a course of timber harvesting and regeneration. To ensure maximum revenue generation AND good land stewardship, careful timber marketing strategies should be used.

Please consider the following points as the time draws near to sell your timber.



**Capital RC&D Council
Hammond, Louisiana**

Plan Before You Harvest

Set long-term goals. The best time to figure out what you want to do on your land for the next rotation is BEFORE you harvest. Think about the following items before you harvest:

- ***What are your long-term goals?*** If, for example, your goal is to maximize the revenue you receive from your timber, it may be necessary to make concessions with the contractor with respect to how or when he harvests the site.
- ***Have you reviewed Louisiana best management practices and discussed them with your forester or contractor?***
- ***Do you have wildlife management objectives?*** If so, be sure to consider these when preparing to sell your timber. Depending on the species, wildlife management may not necessarily coincide with maximum revenue generation from a timber sale.
- ***Are there areas on your land you want protected for future use?***
- ***What are the tax consequences of selling your timber? Are there tax advantages/disadvantages associated with selling your timber now versus selling it in the future? Would it be more advantageous to sell your timber over more than one tax year?***
- ***Is this an environmentally sensitive area?*** Have you made plans to minimize the adverse impacts resulting from your activity? Will the selling of the timber from this particular site cause controversy among your neighbors? If so, you may consider proactive strategies such as informing your neighbors of your intentions ahead of time and working with them to resolve any issues, so that unexpected difficulties don't arise during or after the harvest.
- ***What sort of harvest do you wish to use, a clear cut or something less than a clear cut?*** A clear cut will generally maximize your revenue but may not be the appropriate harvesting method, depending on your goals.
- ***Do you wish to put your timber out for sale to bidders?*** Generally, a bid system is preferable because it provides you with greater opportunities for enhanced revenue and more alternatives with whom to sell your timber.
- ***How do you expect to be paid, on a pay-as-cut basis or on a lump-sum basis?*** On a pay-as-cut basis, the contractor pays you a specified amount per unit (ton, thousand board feet, etc) as the timber is removed from your land. On a lump-sum basis, the contractor pays you a specified total amount for your timber up front. Each has advantages. With a pay-as-cut sale, you are certain to get the closest possible value of the merchantable timber on your land. In this situation, however, it is imperative in this situation that you and/or your forester keep a tally of the severed timber as it leaves your

property to be sure you are paid for what is severed. You can avoid this labor intensity by using a lump-sum sale (and lump-sum sales can sometimes bring you a higher price than what you have on the site, especially if many bidders are competing for it); however, the amount you receive may not necessarily be precisely correlated with the volume of timber severed from the site.

Be Sure to Consider the Legal Aspects of Selling Timber

Before selling timber, consider these items:

- ***Be sure that you have clear title to the land.***
- ***If there is a mortgage on the land, be sure to check with the mortgage holder to make sure he will release the timber for sale.***
- ***Be sure that you have clearly marked boundaries on your property, to prevent accidental trespass by contractors on your site straying onto someone else's property.*** Be sure to walk the site with potential or actual contractors so everyone is clear regarding where harvesting should occur on your land.
- ***If your land is community property, then your spouse must also consent to the sale.***

Marketing Characteristics of Forestland

In general, these items influence prices received for timber in the southern United States:

- ***Volume of pine sawtimber per acre.*** In general, the greater the volume of merchantable pine sawtimber per acre, the higher the price the landowner will receive.
- ***Size of tract.*** In general, larger tracts attract more attention than smaller tracts because larger tracts become more economically cost-effective to harvest, all things being equal. If you have a small tract, perhaps 10 acres or less, you may want to consider trying to have your timber sale and harvest coincide with other timber sales occurring in your area. That way, the logger can maximize the volume of harvest in one area and minimize his costs. Another possible marketing tactic is to allow a longer contract period (perhaps 24 months instead of 12 months) to give the buyer time to allocate harvesting equipment and manpower in your area according to his schedule. In most cases, however, small or very small tracts will yield less income per acre than larger tracts.
- ***Easy access to the site.*** Easier access often leads to more bidders and higher prices.
- ***Proximity to main roads.***
- ***Attractiveness of the site itself.*** When potential buyers come out to cruise your timber as they prepare to decide whether or not they will solicit a bid, it is helpful if the site is easy to navigate. It is often beneficial, therefore, to conduct a prescribed burn on your site before soliciting bids. A clean site is more psychologically attractive and can help you get higher bids for your timber.

- **Clearly marked harvest trees.** If the harvest is not a clearcut, where all the merchantable trees are removed, then care should be given in clearly marking harvest trees. A professional/consulting forester can help you perform the task of marking timber to be sold. He will help in ensuring that the timber removed is done in such a way as to be sustainable to the site and can recommend further silvicultural practices that should be undertaken to improve the site after partial removal of timber.
- **Number of Bidders.** Studies show that the more bidders you have for a timber sale, the higher the price received for timber.
- **Contract length.** In general, the longer the amount of time you allow a contractor to remove the timber from a site, the higher the price will be.
- **Amount of local ordinances.** Areas where there is a significant rural/urban interface tend to have more local ordinances regarding removal of timber from sites and transportation of that material. In these areas, it is possible that fewer bidders will be interested in purchasing your timber because of increased costs associated with complying with ordinances. Fewer bidders may lead to lower prices. Also, because there may be increased costs associated with local ordinances, bidders will factor in these costs, thus lowering their bids; this will lower the amount of revenue you generate.
- **Use of a professional forester.** Professional foresters, such as forestry consultants, are typically capable of helping you to market your timber because of their intimate knowledge of local timber markets.

The Advantages of Receiving Bids

In general, you don't want to sell your timber to the first person who offers you a price for it. It is almost always better to solicit bids from as many potential buyers as possible. When preparing to "bid out" your timber, keep the following in mind:

- **Employ a professional forester.** Foresters can help you market your timber. They know the local markets and market participants. They know how to maximize the revenue you receive for your timber while at the same time ensuring your goals are met. And they know how to negotiate contracts with companies to make sure you are protected and your requirements regarding harvesting and site protection are met. Plus, studies show that, in general, the amount of money spent hiring a consultant is usually more than recovered by the additional money generated from the timber sale. Also, consult with agencies such as the Louisiana Cooperative Extension Service and the Louisiana Department of Agriculture and Forestry. These government agencies have trained professionals who can help you with ideas and guidelines for harvesting and managing your forestland.
- **Prepare a timber sale notice that is informative for potential bidders.** The timber sale notice is your advertisement to the world that you have timber for sale. It is the prime information that potential buyers will use to decide whether or not they will bid on

your timber. Therefore, you want to make the timber sale notice as accurate and attractive as possible. Highlight the positive features of the sale (based on the factors mentioned above that lead to higher prices and larger number of bidders).

Be sure to mention specific provisions regarding your property in the timber sale notice so contractors will not be surprised when it's time to sign a contract. For example, if you know there is an area on your land you want protected (perhaps a pond is on your property and you want a no-harvest buffer left in place around it), mention this in the timber sale notice so bidders will know this ahead of time. Publish the timber sale notice in local newspapers and alert as many people as possible, to generate interest among potential buyers.

- ***Less means more, but be careful.*** Remember, the fewer stipulations you place in a timber sale notice (and ultimately, in the timber sale contract), the more interest you will stimulate among potential buyers. However, it is just as important to realize that fewer stipulations also mean less clarity regarding issues with respect to your land, particularly if you have specific requirements that go unspecified.

Therefore, be sure your specific requirements and demands are met without making the contract so complicated it becomes impossible to execute. Also, allowing more time for the ultimate buyer to execute the contract can offset some of the negative aspects of more timber sale stipulations. Make all of these things clear in the timber sale notice so potential bidders and buyers can accurately assess them and calculate reasonable bids for your timber.

- ***Don't automatically accept the highest bid.*** Accepting the highest bid is normally the course of action; however, just as important is the reputation of the bidder. Before you accept a high bid and enter into contract negotiations, take time to research the person/company with whom you'll be contracting. Remember, employing a consulting forester can greatly assist you with this. Also, you may want to contact the Louisiana Department of Agriculture and Forestry, the Louisiana Cooperative Extension Service or the Louisiana Forestry Association. One or more of these can provide you with information about the person/company with whom you'll be conducting business. Use Master Loggers and other resource professionals who have been trained in BMPs and sustainable forestry practices.

Putting Together a Timber Sale Contract

Once you have published a timber sale notice, received bids and announced a winning bidder, it is time to prepare the timber sale contract for execution. Several items should be considered as you prepare the contract:

- ***No surprise is a good thing.*** Try to keep contract provisions consistent with the provisions you placed in the timber sale notice. New provisions and stipulations can mire negotiations and create new problems with executing the contract. This does not mean you have to put every common provision contained in a typical timber sale contract into

the timber sale notice as well, but if there are special considerations pertinent to you and the disposition of your land, it is important to include these in the timber sale notice.

- ***Make your contract comprehensive, but don't make it impossible to execute.*** The contract will perhaps be your most important tool in ensuring performance by the harvesting company on your land. Therefore, you should include all the pertinent provisions included in typical timber sale contracts as well as any special considerations you wish made for your land. Remember that the contract will be the instrument you use to ensure that you receive the revenues expected from the timber sale. It will help you to document whether or not the harvest was carried out according to your specifications.
- ***Consider consulting with attorneys for special provisions.*** If your land has very special considerations (for example, perhaps you have unique ecosystems or endangered species on your site), it may be worth the effort to consult with an attorney about developing specific language in the contract that specifies protecting these areas or species. Never take for granted that your intentions are understood by the party with whom you're negotiating a contract. Prepare a contract so that everyone involved is absolutely clear regarding its language and intent. Again, a consulting forester can also help you with this.

Typical Timber Sale Contract Provisions

Generally, the typical timber sale contract will contain this information.

- Names and addresses of contracting parties (typically the buyer and seller).
- Legal description of property.
- Payment amount and terms of payment (lump-sum, pay-as-cut, etc.), as well as stipulations regarding rights of seller to ensure accuracy of tally of stumpage removed from site (in the case of a pay-as-cut sale).
- Provision for which trees should be removed, if the sale is not a clearcut.
- Provision for damaged timber. If you plan to leave merchantable or potentially merchantable trees on the site, you will want to consider placing a provision in the contract that assesses fees if these trees are damaged during the harvest.
- A provision holding the seller harmless in the event of a mishap occurring on the site.
- A provision requiring that the buyer provide proof of Workers' Compensation, Public Liability and Property Insurance.
- A provision requiring the buyer to pay all severance taxes associated with the harvest.
- Contract length.
- Requirement of prior notification before cutting begins and upon completion.

- Requirement that buyer follow recommended forestry best management practices for Louisiana. Forestry best management practices have long been established for the harvest of timber in Louisiana and are widely accepted as minimum standards of acceptability for the harvest of timber on any site in Louisiana. While these best management practices are not mandatory, they are recommended and they do help protect site quality during and after a harvest. For more information on forestry best management practices or to obtain a copy of the latest Louisiana Forestry Best Management Practices publication, contact the Louisiana Cooperative Extension Service, the Louisiana Forestry Association, the Louisiana Department of Agriculture and Forestry or the Louisiana Department of Environmental Quality.
- Along with the above requirement should be a requirement that the buyer will strictly adhere to all laws and regulations pertaining to the maintenance of site quality, particularly water quality in streams and navigable waterways as well as protection of threatened or endangered species.
- In addition to requiring adherence to forestry best management practices, you may want to specify particular provisions that are critical to your site. For example, you may want to specify that all existing roads on your property be maintained and kept in a passable condition, or you may want fences damaged during the harvest to be repaired.
- Requirement that the buyer suppress any fires he may start during harvest.
- Requirement that the buyer obtains all necessary permits, if any are needed. Further, a stipulation that the buyer indemnifies the seller and protects him against any actions arising out of the buyer's failure to obtain necessary permits.
- Statement that the seller has the right to halt logging activities if any contract violations are observed, and that work will remain halted until the violations are resolved.
- Statement that you, the seller, agree to grant reasonable access across your site and adjacent property; however, you should reserve the right to approve or disapprove of the location of new roads.
- Statement that you guarantee clear title of your timber to the buyer.
- Statement that you as seller make no guarantee as to the quality or quantity of trees conveyed in the contract.

There may be other provisions that you will need to stipulate in your contract, depending on the particular circumstances surrounding your land. The Louisiana Department of Agriculture and Forestry has an excellent sample of a standard timber sale contract on its Web site, at <http://www.ldaf.state.la.us/divisions/forestry/publications.asp>.

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109 South Cate Street, Suite 1
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For more information about this and other natural resources issues, please contact the Louisiana Cooperative Extension Service, the Louisiana Department of Agriculture and Forestry, the Louisiana Forestry Association or the Natural Resources Conservation Service. Good luck with your timber sale!

Michael A. Dunn, **Associate Professor (Forestry),**
Department of Agricultural Economics and Agribusiness, LSU AgCenter

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