

The Timber Sale Process

[For a “Worry-Free” Harvest]

Jim Vadas, Forester/Owner, ClearWater Forestry Services LLC

Prepared for the Sustainable Timber Harvesting
& Marketing Short Course

February 6, 2010

Whitcomb Lodge, Beaverdam Park, Gloucester, Virginia



The Timber Sale Process

Preparing and
Conducting the Sale

The Need for a Formal “Forest Management Plan” or “Forest Stewardship Plan”

- Gives land owner a “picture” of what is happening – written description and map, aerial photo, etc.
- Provides professional guidance.
- Establishes goals & objectives.
- Sets a time line for doing various practices and “prescriptions.”
- Gives some idea of cash flow (income and expenses).

Obtaining Professional Assistance

- **First point of contact:
Local County Forester
for Virginia Department of Forestry**
 - Management recommendations.
 - List of consulting foresters.
 - List of local loggers/ timber buyers.
 - Does not provide timber cruising or sales services.

Obtaining Professional Assistance

■ Consulting Forester

- Fees for services.
- Commission on timber sales.
- Timber cruising, evaluations, oversees harvesting operations.
- Provides forest management services or can make recommendation.
- Works in conjunction with VDOF for cost sharing assistance.

Obtaining Professional Assistance

- Industrial Forester
 - Paper mills
 - Sawmills/ Veneer yards
- Logger or Timber Buyers
- A word about unsolicited buyers

Setting Goals & Objectives for Timber Land

- Goals and Objectives? Consider:
 - Income/ Investment.
 - Diversity: growing Longleaf pine or quality hardwood forests.
 - Aesthetic enjoyment (i.e. appearance, beauty).
 - Wildlife.
 - Recreation (Hunting, Bird Watching, 4-wheeling, etc.).
 - Pass on to future generations; benefit society.
 - Maximize timber growth.
 - Pine or hardwood management.

- Diversified Management
 - Mixture of the above.
 - Various types of timber management & forest types.

The Inventory of the Timber and Other Resources

- Cruising
- Marking
- Assessing



Why a Timber Cruise ?

- Determine volumes and timber quality.
- Determine value for timber sale or tax purposes.
- Provide volumes to entice prospective buyers.
- Schedule harvest plans.
- Forest management planning.

Why a Timber Cruise ? (cont.)

- Determine growth rate and changes in a forest.
- Establish a “basis” for time of purchase, inheritance, or gift.
- Determine loss in case of fire, storm, timber theft (“timber trespass”).
- Plan an estate.
- Wildlife or game and habitat management.

Timber Cruising

- Fixed Radius Plots
- “Points” using prism or other device
- 100 Percent Tally

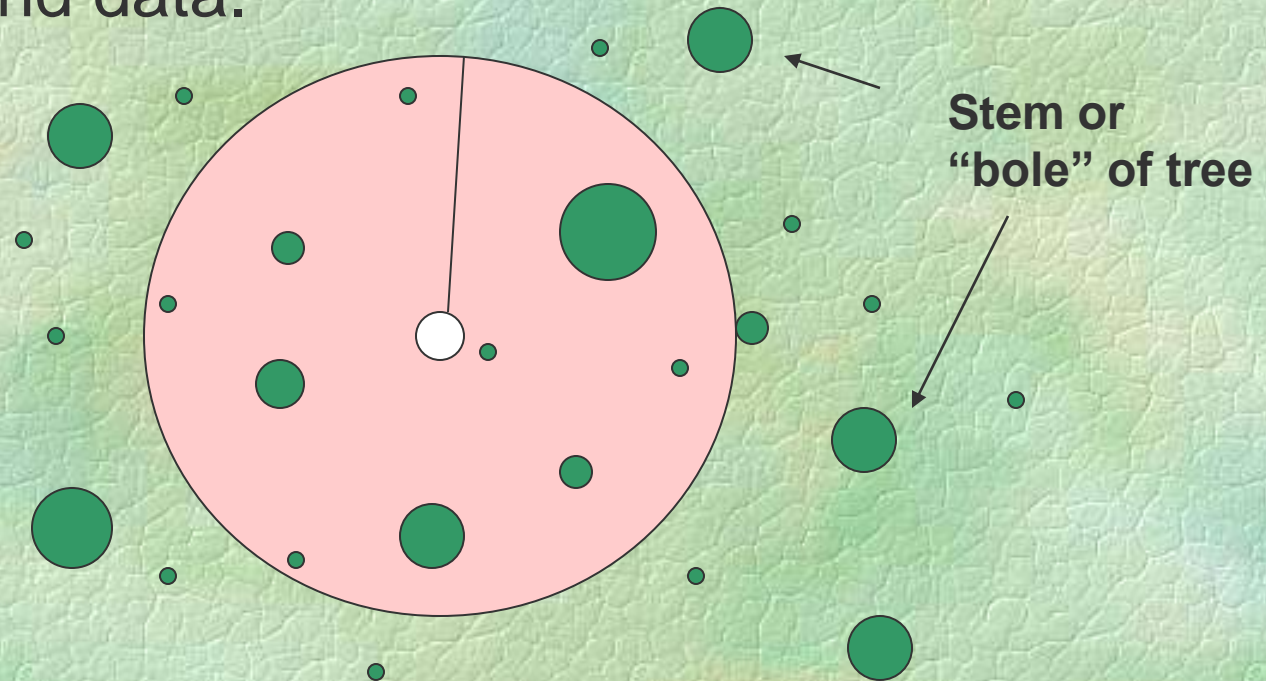


Timber “Cruise” is a **Statistical Sample**

- Sampling: Measure and record tree species, diameters, heights and/or other data at points or plots in a set pattern overlaying a property.
- These samples expanded or “blown up” to represent entire acreage in stand or tract of land.
 - Note: A “stand” is a portion of the property that has similar characteristics and timber types and tree species.

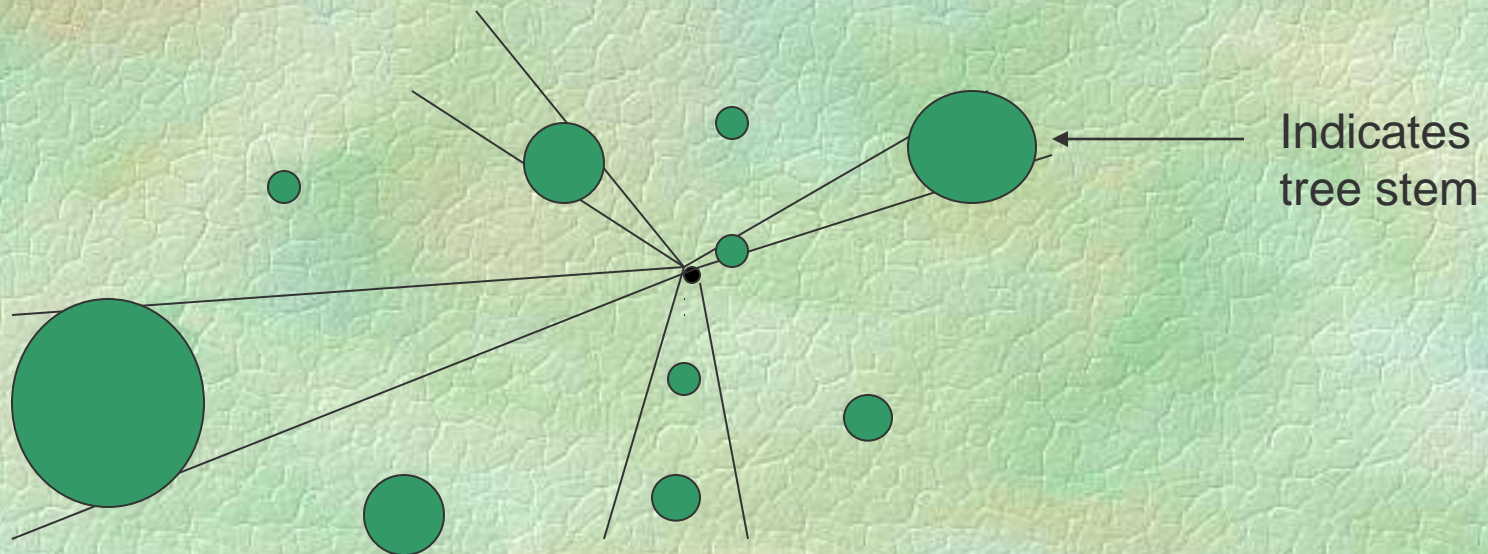
Plots

- Fixed radius: Usually 1/10 or 1/5 acre circular plots
- Measure all merchantable trees in plot
- Record tree species
- Record diameter (DBH), height , and/or other information and data.



Point Sampling

- Angle Gauge or Prism: determines whether tree is “in” or “out.”
- Usually faster than fixed radius plots.
- Usually take more points than with plots.
- Emphasizes higher value, larger trees.



In order to properly judge the forester's statement, the geometry of point-sampling is applied to a one-acre forest containing only three trees (Figure 3). The three small circles represent the cross sectional area at dbh of a six-, a twelve-, and a twenty-four inch tree drawn to a scale of 1-inch = 32 feet. If each tree is viewed with a 1:33 sighting gauge and a line is drawn about each tree at the maximum sighting distance, an imaginary circle will be described whose radius is the product of 33 and the tree's diameter. The six-inch tree will have an imaginary circle with a radius of $(6 \times 33)/12 = 16.5$ feet. The twelve-

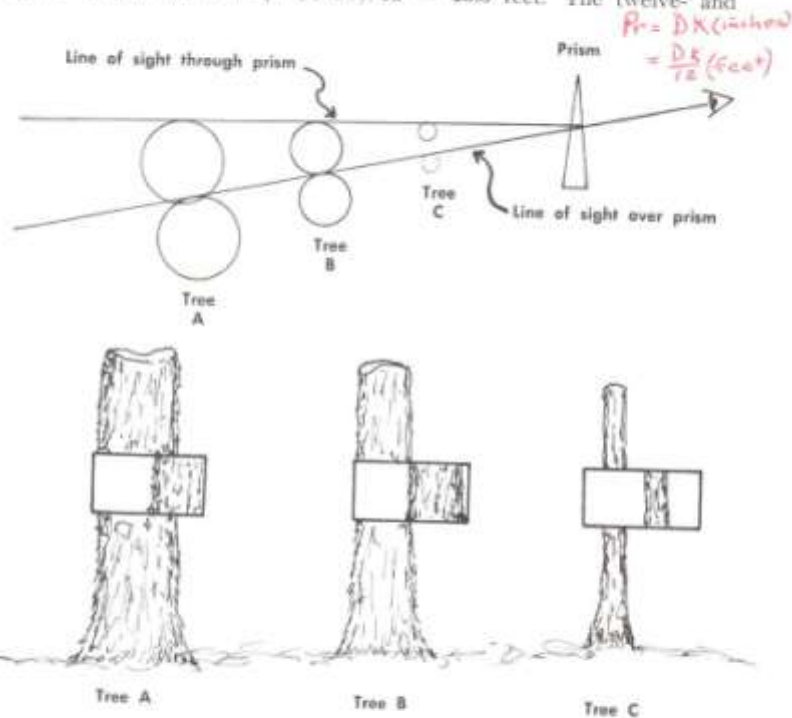


FIGURE 2. Use of the prism. The top view shows the cross section of a prism and three trees at dbh. The offset is 1.5 in this case and from Formula 1, the diopter strength is computed as 30. The prism angle and angle of offset is about $11^{\circ} 18.6'$. The bottom view shows the prism in use. Tree A is definitely included in the sample, while tree C is definitely out. Tree B is on the border and should be checked with a diameter-tape and plot radius tape.

"Elementary Point Sampling"
 West Virginia Univ. Ag. Experiment Station
 June 1969

diameters are common, the angle is enlarged to reduce excessively heavy field tallies.

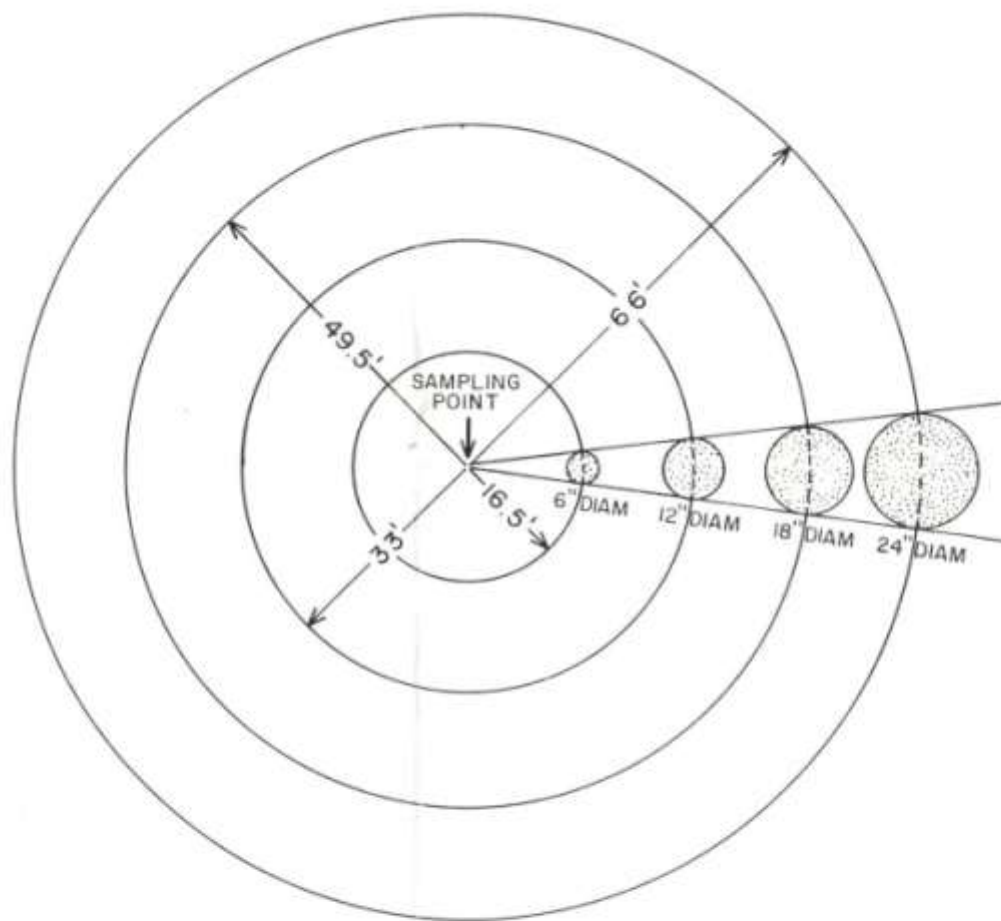


FIG. 10-1 Ratio of tree diameter to plot radius for BAF 10. Adapted from Havind and Rieck, 1961.

100 Percent Cruise



- Usually on smaller-sized ownerships or stands.
- Higher degree of accuracy.
- Often used on higher value timber.

Marking Trees for Harvest

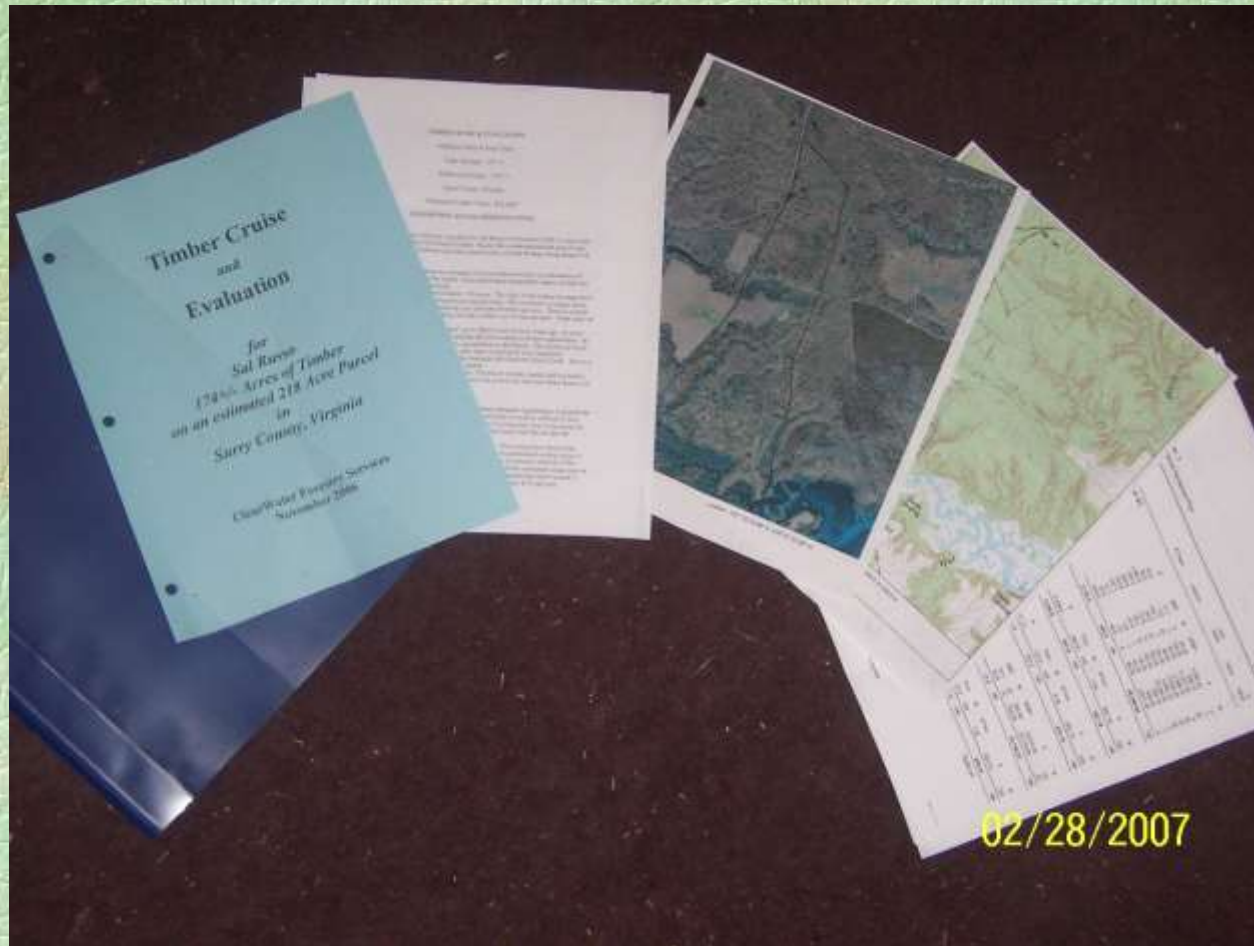
- Mark harvest boundaries.
- Mark trees to be removed or to remain.
- Specialized harvests, thinnings, selection harvesting, “crop tree improvement cuts”, timber stand improvement cuts (TSI).



Report & Valuation

- Report with maps, aerial photography, etc. is generated.
- Provides volume estimates
 - Shows volume of various merchantable products.
- Estimates value of timber
 - In \$ per “ton” and/or “board feet” (BF) or “thousand board feet” (MBF).

Report & Valuation



Maps, Aerial photographs, Topographic Maps



Factors Affecting Markets & Prices

- Distance to markets
- Tree species
- Tree size
- Quality
- Time of year
- Ground conditions



The Sale Process



“Sealed” Bids

vs.

Negotiated Sales

vs.

Getting a Price from Solicitor

“Sealed Bid”: Invitation to Bid or Sales Prospectus

- Lists agent’s or consulting forester’s name and property name; may or may not list owner.
- Date and Time of Bid Opening
- Describes property and location.
- Provides map.
- Describes length of time to harvest.
- Lists specifications of sale and reservations or exceptions.

Bid Opening

- Set date and time bids must be delivered and how can be delivered.
- Agent, forester or owner explains what is being sold and asks for questions.
- Agent, forester or owner opens bids and announces each bidder, the amount, and any exceptions to the specifications in original prospectus.
- Agent, forester or owner accepts or rejects bids or takes under advisement.

Negotiated Sales

- Forester or owner shows timber to prospective buyer or buyers.
- Gets offers from one, two or more “bidders.”



Selecting the Best Bid or Offer

- Bid price:
 - Does it fall within preset range?
- Reputation of bidder.
- Any unusual or unacceptable terms or exceptions accompanying offer.
- Any or all bids or offers may be rejected by owner – should state this in any “invitation” or discussion.
- Deposit may be required to hold until closing.

The Timber Sale Process



Contract Terms and Execution
of
Contract, Deed, or Agreement

Payment Methods

- “Per unit” or “as cut” or “shares” payment.
- “Lump sum” cash at closing.
- “In-kind” payments.

“Per unit” or “As Cut” or “Shares” Payment

- Usually weekly settlements.
- Per “unit” (such as MBF – thousand board feet of sawtimber) or per “ton” is common .
- “Shares” can be % (a percentage) of the delivered price to sawmill or veneer yard.
- Often done in thinnings, timber stand improvement cuts, selection harvests, or small acreage harvesting.
- Volume estimates not usually required.

“Lump sum” Cash at Closing

- Payment of full amount at the closing (when timber agreement or deed is signed).
- Can still include a deposit when bids are received.
 - Payment at closing is balance owed.
 - Often 10 % of purchase price.
- Deferred payments can be done.
 - Usually for tax reasons.
 - Can be spread over two or more years.
 - Seek advice from tax experts.

“In-kind” Payments

- Non-cash payment.
- Not common but is an option.
- Examples:
 - Timber harvester agrees to clear land for cultivation as payment.
 - Bulldoze old hedgerows, old house places, areas grown up in heavy brush.
 - Haul off old junk.
 - Use adjoining landowner’s access to harvest timber.
- Usually on small timbered areas.

Release from Lien Holders

- **Stumpage is real estate.**
- If a lien, must get permission to sell timber.
- When lien or mortgage on property, need to make sure timber asset is **“released.”**
- “Letter of release” allowing owner to cut timber and **“who”** receives proceeds.

Stumpage - What Is It ?



OR



?

Stumpage - What Is It ?

- Value of standing trees while on the “stump”.



- Expressed in dollars per unit of volume of pulpwood or sawtimber (usually tons or thousand board feet-MBF).

Value of Stumpage

- Determined by:
 - Tree species
 - Quality
 - Size of harvest
 - Location of property
 - Market conditions
 - Terrain or soil conditions
 - Volume or quantity (volume per acre)

Length of Time To Harvest

- Time of year.
 - Harvesting only certain times of year?
- Size of tract of timber.
 - Usually the larger the acreage, the longer the time limit (2 or 3 years).
- Reasonableness.
 - Allowances for extended periods of wet weather.

Restrictions or Exceptions

- Roads
- Fences
- Use of fields
- Trees to be left
- Time of year can be cut
- Weather conditions

Reforestation

- Who is liable for reforestation?
- Who must comply with Virginia's Seed Tree Law?
- If landowner retains responsibility, then clause indemnifies timber buyer/harvester.



Indemnification

- States who is not liable for certain actions or lack of actions.
- Negligence (who is liable in event of a negative result or action).

Insurance

- States limits or amount of insurance timber buyer/harvester must carry.
- Usually requires evidence (**copies of certificates**) of insurance be provided by buyer to owner before harvesting begins.
- Usually includes:
 - General Liability
 - Worker's Compensation
 - Automotive (trucking) policies.

BMPs

(Best Management Practices)

- Voluntary for many years in Virginia with very good results.
- Follow guidelines as published by Department of Forestry.
- Provides for buffers, streamside management zones (SMZs), water quality safeguards.
- Protects landowner from any loss, cost, or fines arising from purchaser's non-compliance.

Trash & Equipment Removal

- States that no trash is to remain on the property at the conclusion of operation.
- All equipment should be removed within thirty days (30) after completion.
- Landowner may reserve right to remove at expense of timber buyer/ harvester.

Release from Lien Holders

- Banks or other institutions or individuals may hold lien on property.
- If a lien, must get permission to sell timber.
- Timber income:
 - Received by property owner in some cases.
 - Applies to loan in other cases.

Contract Execution

- Signatures of owner(s), heirs, or powers of attorney.
- Signature of purchaser (timber buyer).
- Releases from lien holders.
- Payment is received (i.e. acceptance) from timber buyer.
- If recorded, taxes and recordation fees are paid.
- Closing may include an attorney but not always necessary.

Questions or Comments?

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