



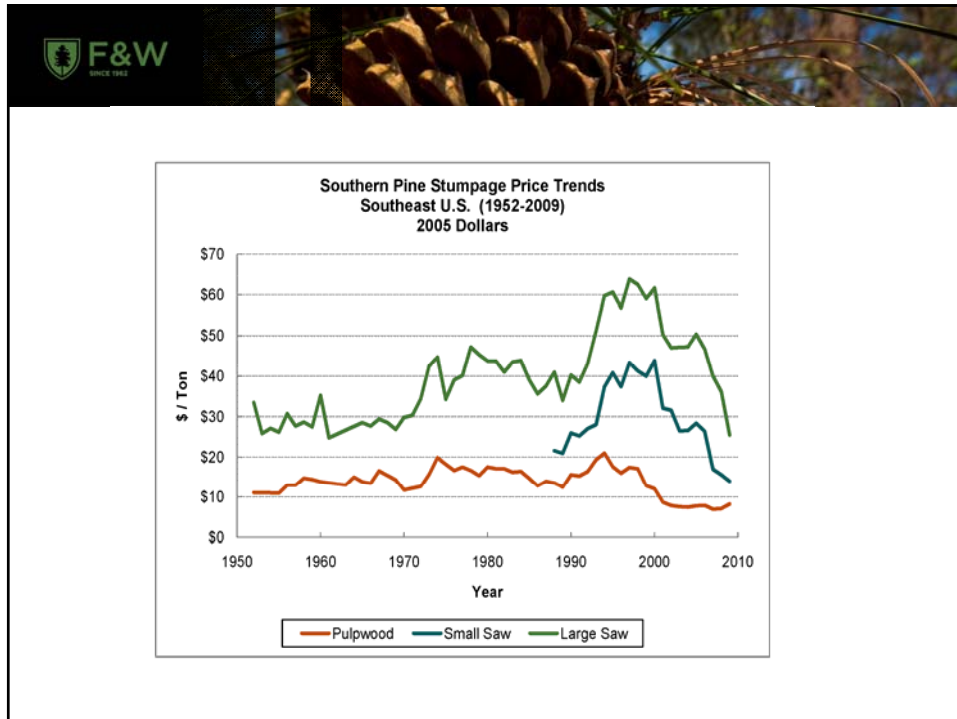
VALUE ADDED TIMBER HARVESTING

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WHAT ARE HIGHER VALUED PRODUCTS?

- Pulpwood
 - 5-inch DBH
- Sawtimber
 - 12-inch DBH
- Posts
- Biomass



TIMBER SALES – WHAT MAKES TIMBER UNIQUE?

- Frequency of sales
- Species composition
- Products
- Timing
- Purpose of sale
- Unique property



WHAT MAKES TIMBER SALE AGREEMENTS UNIQUE

- Thinning
- Clearcut
- Selection cut
- Multiple products
- Lump sum
- Per unit



LUMP SUM SALES

- Buyer purchases the trees as designated in the contract
 - Clearcut – typically all trees in the sale area
 - Partial harvest – trees identified by paint
- Payment schedule
 - One payment
 - Multiple payments
- Payment schedule with performance



PER UNIT SALES

- Buyer agrees to pay a price per unit
 - \$/ton for pine pulpwood, \$/ton pine sawtimber, \$/ton hardwood pulpwood, etc.
- Sale could be a percentage sale (shares)
 - Buyer and Seller split timber money
- Product specifications important
- Owner is paid for products delivered
- Frequency of payments
 - Mill receipts
- Load tracking system
- Camera surveillance



COMPARISON OF LUMP SUM AND PER UNIT SALES

LUMP SUM

- Landowner gets money upfront
- Title to timber transfers at closing
- Buyer assumes risk of fire/storm damage
- Buyer assumes risk for volume cutout

PER UNIT

- Landowner is paid as timber is cut
- Title to timber transfers when timber is cut
- Landowner retains risk from fire/storm damage
- Income will vary based on buyer utilization



WHAT TYPE OF SALE METHOD SHOULD I USE?

- What are your goals/objectives of the sale?
- Short term gain vs. long term gain



LUMP SUM BID SALES TYPICALLY YIELD HIGHEST PRICES

	Sale #1	Sale #2	Sale #3	Sale #4	Total
Acres	171.2	210.7	175.1	223.4	780.4
Bidder #1	\$576,427	\$655,471	\$481,250	\$656,631	\$2,369,779
Bidder #2	\$341,540	\$598,685	\$371,483	\$453,080	\$1,764,788
Bidder #3	\$332,268	\$587,343	\$294,296	\$377,374	\$1,591,281



BASIC CONTENT OF ALL CONTRACTS

- Identify parties – buyer and seller
- Identify areas for harvest
 - Specifically – how are they delineated on the ground
 - Paint or flagging
- Streamside management zones or other buffers
- Identify type of harvest
- Terms
 - Payment(s)
 - Length of contract
 - Timing of harvest
- Require notification 24-48 hours prior to harvest
- Sale Type – Lump sum or Per Unit



BUYER FOLLOWS ALL RELEVANT LAWS

- Water Quality Law (BMPs and sedimentation)
 - Landowner does have responsibility
- Debris in Stream Law – no tops in streams
- Seed Tree Law – who will be responsible
 - Typically landowner
- VDOT entrance permits
 - Temporary or permanent
- OSHA standards



SPECIFIC HARVEST ITEMS

- Access route
 - Identified on ground/map
- Condition of access route
 - During harvest
 - After harvest
- Use of fields or adjacent open spaces
- Condition of property after harvest
 - Decks and logging debris



DAMAGE CLAUSES

- Damage deposit
 - Fixed amount or percent of sale
 - Held in escrow until harvest release agreement signed
- Timber Damages
 - For thinning or partial harvests
 - Price per ton or per tree for damage to residual trees
 - Make it high enough to get buyers attention



INSURANCE REQUIREMENTS

- General Liability Insurance - \$1 million/occurrence with \$2 million aggregate
- Automobile insurance - \$1 million/occurrence
- Workman's comp – when required by law
- Landowner named as ADDITIONAL INSURED on general liability and automobile liability insurance policies



ADDITIONAL CLAUSES

- Indemnification Clause
- Arbitration Clause
 - 3 member panel
- Wet weather extension
 - Typically 3-6 months
- Bank release – mortgage or lien



TIMBER DEEDS

- Similar to contracts – except recordable
- Why record?
 - Notice of timber ownership
- Must be notarized
 - Buyer does not have to sign timber deed
- Could be a cloud on property title
 - Hold release in escrow and record after completion of harvest
- Have attorney review
 - All contracts or deeds



QUESTIONS??

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