



Selling Your Timber



A timber sale is a serious matter requiring careful preparation. The results of many years of past timber growth are at stake, and the condition of the forest after the sale profoundly affects its productivity for many years to come.

Basics to Consider

Your best interest should be the top priority of anyone you hire to assist in your timber sale. They should fully disclose and resolve any existing or potential conflicts of interest.

1. Hire a Registered Consulting Forester to Help With the Planning and Sale of Your Timber

Selling timber can be a source of great satisfaction to a landowner. It may also be surprising, frustrating and stressful, especially for landowners who conduct timber sales infrequently.

Relying on the expertise of a registered consulting forester for help with harvest planning and timber sales reduces the likelihood that sellers or buyers will be caught off guard - and that helps landowners get the highest return for their timber.

Georgia laws require individuals practicing forestry to be registered with the state as foresters. To find a registered consulting forester, visit the Georgia Forestry Commission's website at www.GaTrees.org or the Association of Consulting Foresters at www.acf-foresters.org. To confirm that an individual is registered, check the Georgia State Board of Registration for Foresters at www.sos.state.ga.us.

2. Develop a Forest Management Plan

Properly managed forests yield more timber, have a higher net present value, suffer fewer environmental impacts and provide richer wildlife habitat than non-managed forests.

Forest management plans are also required for third-party certification, including the American Tree Farm System (ATFS), Sustainable Forestry Initiative (SFI), Forest Stewardship Council (FSC) and future markets, such as woody biomass and carbon sequestration. These plans are the first pieces of evidence federal, state and local regulators examine to determine silvicultural exemptions.

3. Plan the Pre-Harvest

Pre-harvest planning ensures that your forest management objectives and goals are not

If profit is your primary objective, avoid the temptation to make a "quick sale." Think about what you are going to do, and don't be pressured into making a decision. Using the competitive bid process can maximize your profits.

compromised. It reduces opportunities for misunderstandings between you and the buyer and/or logger, helps ensure the harvest will maximize financial returns for all parties, protects water quality and maintains or enhances forest productivity. Reforestation alternatives should also be planned prior to timber harvests to ensure that the specific harvest methods used complement long-term forest management goals.

Clearly marking sale boundary lines helps ensure that loggers don't cut non-designated trees or trespass on neighbors' property.

The use of USGS topographic and NRCS county soil survey maps are valuable tools that identify streams, existing roads, property boundaries, steep grades, road access, wet areas and soils that can be easily damaged during the logging process. The use of these maps also helps in planning the best time of year to harvest, and the potential location of logging decks, stream crossings, culverts and temporary roads. Areas adjacent to streams should be clearly designated as Streamside Management Zones, where timber harvesting should be controlled or avoided.

All of the items identified during pre-harvest planning should be written in a pre-harvest plan that includes a map of the timber sale area. Before harvesting begins, you or your representative should conduct an on-the-ground meeting with the buyer and logger to review the pre-harvest plan.

Potential consequences of not having a pre-harvest plan include time and money spent on unintended problems, degraded post-harvest forest and soil conditions, illegal activities, declining water quality, excessive forest land impacted by skidding, trees more susceptible to disease and insect damage, reduced regeneration of seedlings and stunted sapling growth.

Tax Implications

Competent tax advice should be sought well before a sale. It is recommended that prior to making the sale, you contact your CPA for clarification of the current tax laws.

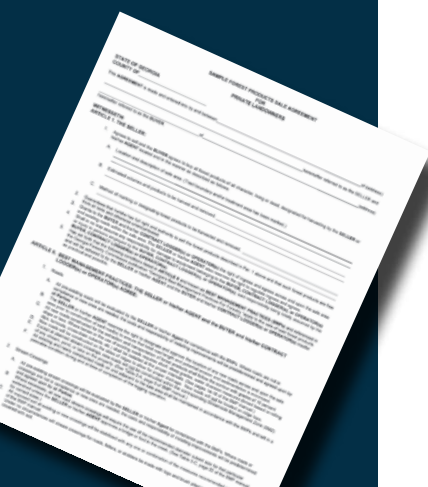
There are also various sources of information that you can access on the Internet. The Georgia Cooperative Extension System, my-forest.com, the U.S. Forest Service Cooperative Forestry, and the National Timber Tax websites provide tax information that may help you better understand the tax implications of selling your timber.

Those sites are:

- www.caes.uga.edu/extension/anr
- www.my-forest.com
- www.fs.fed.us/spf/coop/
- www.timbertax.org

Properly managed forests yield more timber, have a higher net present value, suffer fewer environmental impacts, and enhance wildlife habitat more than non-managed forests.

You should always check with a registered consulting forester when drafting a timber sale contract.



Sample contracts are available on our website at www.gatrees.org, under the "Forest Management" menu.

Whether you're dealing directly or indirectly with a timber buyer, wood supplier, logger, registered forester or consultant, you should always request references, experience, applicable licenses and certifications.



4. Determine a Selling Method

Timber is generally sold by one of two methods: negotiation or sealed bid. You should seek the advice of your registered consulting forester to determine which method best achieves your harvesting objectives.

- **Negotiated sales** involve face-to-face bargaining between you (the seller) and the buyer. The negotiated sale is used more frequently for specialty products such as high-value hardwoods, in which there are typically few bidders. These sales usually involve selling timber by the unit; in Georgia, the unit is calculated by the ton for each species and product class (pine pulpwood, hardwood sawtimber, etc.). A price per ton is negotiated for each species and product class. A timber cruise by a registered consulting forester to determine the species, volume and current market price for each product class is critical to knowing what you are selling.
- **Sealed bid sales** require that prospective buyers submit confidential lump-sum offers in writing for your timber. Generally, the sealed bid method returns the highest dollar value to you, the landowner, especially if you are unfamiliar with local markets. Payment is typically made in full at the time of sale, unless installment payments are preferred for tax purposes. Contracts should be signed and executed, and performance bonds may be considered. Landowners are required to pay county ad valorem taxes on timber sales.

Whichever sale method is chosen, always confirm the buyer is a current Georgia Master Timber Harvester (MTH). A trained MTH ensures that trees are effectively harvested and merchandised in a manner that fully utilizes Best Management Practices (BMPs). This is particularly important as more emphasis is placed on protecting and enhancing water quality. It is a good idea to take time to know the prospective logger by asking for references, business experience and whether they have completed MTH training. You or your agent can verify that your buyer has attended Georgia's MTH course by visiting <http://ga-mth.forestry.uga.edu/db>.

5. Have a Contract

A written contract is essential and will reduce unwanted surprises for you and your buyer and/or logger. Preparing

Preparing a contract encourages forethought and planning, which will minimize difficulties and ensure that the transaction meets your expectations.

a contract encourages forethought and planning, which minimizes difficulties and ensures that the transaction meets your expectations. A contract is not a substitute for good faith and fair dealing between parties; it is a framework in which good faith and fair dealing operate in an orderly and effective manner. The following items should be included in a timber sale contract:

Timber Description

- **An Accurate Legal Description:**
State the exact location and legal description of the timber sale area.
- **Certified Wood Products**
Landowners who participate in forest certification systems should consider including a contract clause or attachment listing the certification numbers or documentation associated with the harvested timber. This provides additional confirmation of participation in the certification program.

The Type of Harvest

Specify the type of harvest you desire. If the timber is marked, explain how it's marked. For example, if you are making a seed tree cut, you may specify that all trees banded with blue paint 4-1/2 feet above ground (Diameter at Breast Height, DBH) are seed trees and will not be cut or damaged. If you are thinning or using a select cut, you may want to designate the trees to be cut with one paint spot above DBH and another below the stump height. If you are doing an operator-select harvest, specify selection guidelines in the contract.

Payment, Damage Clauses and Penalties

The following are provisions to consider including in a timber sale contract. Be aware that some restrictions placed on harvesting may lower the price prospective buyers are willing to pay for your timber. Be reasonable in your expectations.

- **Selling Timber on a Lump-Sum Basis:**

(A lump-sum sale is the outright sale of standing timber for a fixed dollar amount agreed upon in advance. The sale price is not a function of the volume cut.) If you are selling your timber on a lump-sum basis, specify that you desire payment in full at the time of contract execution; or if you are deferring payment, the exact date(s) you expect payment.



As important as it is, the contract is only one of many issues that needs to be considered when the decision to sell timber is being made. The following concerns should have a bearing on the content within the contract:

• **Selling Timber on a Per-Ton Basis:**

(A per-ton price is determined in advance, but the amount of timber to be harvested is not. Sorting logs into highest-value products is critical to maximizing profit.) If selling on a per-ton basis, specify the payment per unit for each species and product, as well as timing of payments. Payment is typically based on weight at first point of delivery. Landowners should receive a copy of each scale ticket (required by OCGA 12-6-23*). The contract should also specify that the buyer provides a complete accounting of all harvested species and products by delivery point. This should include any harvesting of logging residues for biomass energy purposes and should detail the specifications of each product in the contract, such as minimum top and butt diameter, minimum length, etc.

• **Time Period for Cutting Timber:**

Timber cutting is typically completed within 12 to 24 months of contract signing. Provisions can be made for extensions, but details and timing should be defined. There is usually a cost to the buyer for an extension, and you may consider the value of additional growth if the buyer holds for longer than 12 months.

• **Changes to Your Land or Remaining Timber:**

A certain degree of aesthetic change should be expected. You may want to visit a comparable site that has been recently harvested by your chosen logger. You may also want to state your expectations, such as no more than a maximum number of trees per acre having visible skidding damage, or the expected condition of roads after harvesting is complete.

• **Access Restrictions:**

Specify any restrictions you have for ingress and egress to your property. For example, if you do not want the logger to use a certain entrance to your property, such as through your pasture or beside your house, specify this requirement in the contract.

• **If You are Making a Partial Cut:**

Include a penalty for cutting or damaging non-designated trees. If you specify in the contract a dollar value per merchantable tree volume for the cutting of non-designated trees, future problems may be more easily resolved. The customary penalty for such damage is double or triple the stumpage rate.

• **Removing Canopy or Overstory:**

If you intend to remove a canopy or overstory to allow growth in the future stand, you should likewise specify a penalty for failure to cut designated trees.

• **Logging Notification:**

Agree on when logging can begin and ask to be notified prior to the logger moving on the sale site.

Logging Clauses

• **Method of Logging:**

To minimize damage to your residual stand during a thinning operation, you may specify a certain method of logging be used, such as a forwarding system instead of tree-length skidding.

1. Do you have a clear title for the timber being sold?
2. Have you established your tax basis for the land and timber you plan to sell to claim your capital gains treatment?
3. What are the market conditions for the products being sold or retained?
4. How will the sale be marketed to receive the best price or the best job?
5. Will there be any environmental issues (i.e. cemeteries, wetland management or threatened & endangered species) involved in the sale area?
6. How will the sale area be accessed? You would not want large equipment utilizing trails or traveling on property outside the sale area.
7. Site preparation and reforestation options.

These topics are not all inclusive but show why pre-harvest planning is important.

Timber Sale Timeline

Develop a Forest Management Plan



Determine a Selling Method



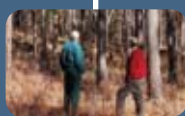
Execute the Sale and Harvest



Closeout with Buyer/Logger

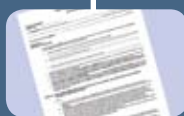


Hire a Registered Consulting Forester



Plan the Pre-Harvest

- Plan reforestation alternatives
- Clearly mark sale boundary lines
- Identify streams, roads and other topographic features
- Review pre-harvest plan with buyer



Have a Contract

- Timber description
- Type of harvest
- Payment, damage clauses and penalties
- Logging clauses
- Pre-Harvest Conference with Buyer/Logger



Monitor the Harvest



Monitor the Harvest Operation

Check the logging operation on a regular basis to ensure contract requirements are being met. Always require as part of pay-per-unit sales that you are provided with a full accounting of what's being harvested. This information should be provided to you by the buyer. The frequency with which you receive this information is up to you, but it's recommended that it be provided on a regular time schedule, i.e. weekly, monthly, etc.

Record-keeping on per-unit sales:

- Load number
- County and state of origin
- Landowner's name
- Date and time
- Scale ticket number
- Species and product
- Destination
- Purchaser

Acknowledgements:

- Dr. Richard Brinker, Auburn University
- Alabama Cooperative Extension System
- Arkansas Forestry Commission
- Association of Consulting Foresters
- North Carolina Department of Forest Resources
- Cornell Cooperative Extension
- Steve Nix, About.com Guide
- USDA Forest Service, Cooperative Forestry
- www.forestry.alabama.gov
- www.GaTrees.org

- **Road Maintenance and Skid Trail Layout:**
If you want roads maintained to a minimum standard, refer to that standard in the contract. A typical requirement is to "return roads to as good or better condition than before logging occurred." Address your expectations for repair of fences or other special places that may be damaged during the harvesting operation.
- **Reduce the Possibilities for Water Pollution:**
Specify that all logging should be done in accordance with "Georgia's Best Management Practices (BMPs) for Forestry." For more information on BMPs, visit the GFC website at www.GaTrees.org.
- **Stump Height and Top Diameter Harvested:**
If stump height and top diameter harvested are important to you, then specify, in inches, the maximum stump height or top diameter allowed. If you want to easily machine-plant your next timber stand, allow a maximum stump height over which the tree planter can easily maneuver.
- **Cleanup:**
Include a statement requiring removal of all litter and trash from the logging operation. You may also want to specify that logging debris be scattered back over the site, versus piled at the logging deck.

6. Execute the Sale and Harvest

- Arrange a meeting with the buyer, consultant and/or logger so that you or your representative can point out any special restrictions that you have imposed. Walk the sale site to ensure sale boundary lines and other restrictions are understood.
- Check the logging operation on a regular basis and inform the logging supervisor if you think terms of the contract are not being followed.
- Be reasonable in your expectations and assignment of damage penalties. The amount that you receive for your timber could be reduced due to excessive restrictions.

Other Contract Provisions to Consider

- Name, address and phone contacts of buyer and logger;
- Date contract is executed;
- Declarations of the seller's ownership and right to convey (may include a title abstract and insurance);
- Clarify ownership of by-products;
- Liability and workers compensation insurance of all contractors and sub-contractors;
- Name of party responsible for paying ad valorem tax*;
- Name of party who suffers the loss if timber is destroyed or stolen;
- Provision for or against assignment of the contract;
- Notarization of the contract;

*OCGA 12-6-23 requires buyers to furnish the seller all load tickets on timber purchased on a per-ton basis.

- Recording of the contract at the county courthouse;
- A performance bond or deposit collected from the buyer prior to the commencement of harvesting to be held by a third party until provisions of the contract are met.

7. Monitor the Harvest

You or your agent should frequently inspect the harvesting operation to ensure the contract terms are being fulfilled.

When you sell on a per-ton basis, a full accounting of what was removed during the harvest should be provided by the buyer. You can designate how frequently you want the information: weekly, monthly or at the end of the sale. Per OCGA 12-6-23*, the following information must be included on all load tickets:

- Each load of timber leaving a cutting site must be assigned a load number. Load numbers for each job site should be in numerical sequence.
- The county and state where the timber was cut.
- The landowner's name, or if multiple owners, the name of the estate where the timber is being cut.
- Date and time the product was loaded on the truck.
- The scale ticket number that corresponds to each load number, verifying delivery of individual loads of forest products.

Additional Information You May Wish to Request

- The forest product type identified;
- Destination of the first wood-receiving facility to which the forest product is being transported;
- The name of the logging company, wood dealer or producer removing the forest product(s).

8. Closeout with Buyer/Logger

- A notice of completion of harvest from the buyer can be helpful, confirming the buyer considers the harvest complete and relinquishes remaining biomass back to owner.
- Review and agree on action and timing limits to address any land or timber damages related to harvesting operations.
- Address any other issues related to non-compliance of the contract.
- Ensure compliance with BMPs.
- If a performance bond was required, make sure to return it once all contract terms are met.

