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How should a landowner sell his timber?

By Curtis Seltzer

Timber that has commercial value as determined by local standards and local buyers is referred to as merchantable timber ("merch"). Trees that have no commercial value -- due, perhaps, to their size, age, conformation, quality, species or location on inoperable acreage -- are classified as, non-merchantable. Merchantable value in each tree varies according to its end use—veneer, saw logs, chipandsaw (C&S), poles, ties, pallet wood, chips, pulp or biomass.

A landowner interested in selling his trees has to determine prior to any sale whether his woods contain merchantable timber, how much, of what end-use type and its estimated value.

Such determinations should be prepared for the landowner by a private-sector consulting forester in almost all cases. A state-employed forester or one employed by a mill may be used in some instances, but my experience has been that landowners are generally best served by retaining a private consultant with a substantial record of local timber sales and no particular ties to any one buyer.

Loggers often buy timber directly from landowners. Sometimes the landowner benefits from such an arrangement. But, again, my experience is that landowners almost always get less for their merch in this arrangement than they would through other sale methods.

My usual recommendation to a landowner is to retain a consulting forester to conduct a sealed-bid, competitive sale. The forester will provide the landowner with his estimate of the owner's merch timber that is to be sold. This might be done through a forester walk-through, cruise or what's known in my area when mixed-age, mixed-species (MAMS) hardwoods are offered, as a "marked sale."

With MAMS hardwoods, the landowner's forester typically paints stump and butt (two dots, about four feet apart) every tree that is to be sold. The forester then tallies the volume in every painted tree, grouping saw logs by species and diameter class with separate tallies and values for higher value veneer and low-value pulp. Lower value stumpage is generally sold by the ton; volume in higher-value stumpage is typically sold in board feet.

With even-age, one-species sales, like planted loblolly, the forester won't mark individual trees to be sold. He will provide bidders with information on stand ages, thinning history and estimated tonnage. He will also comment on any quality issues in the stand and other matters that would affect harvesting.

The consulting forester will obtain current stumpage prices for the type of trees he's marketing through contacting likely bidders and other buyers in the area. A consulting forester's track record with these buyers counts for a lot. Foresters who are known to puff their inventories will not have many bidders or get good bids.

With a marked sale, the landowner knows exactly what he's selling and has an estimate of what his forester thinks it's worth in the current, local market. If the bids are too low, he can hold his timber and try again.

Bidders will visit the tract and make their own volume estimates and valuations.

I've generally seen the lowest sealed bids in a marked sale come from independent loggers who plan to cut and then sell to one or more mills. The high bid usually comes from a mill, but I've seen mill bids vary widely.

Each mill bids on the basis of its own market situation. A mill with low stockpiles and good orders for the timber being sold will bid high, because it needs the stumpage. High stockpiles and few orders will produce a low bid, or no response.

Competitive-bid sales are not the rule in every area. Buyers often prefer negotiated, bilateral sales,

absent a competitive process. In many places, a landowner may only have one buyer for his timber.

Landowners can become knowledgeable about what selling their timber involves. But unless the sale is small or overwhelmingly simple, I would not sell my own timber without involving a consulting forester to represent my interests. My personal experience suggests -- and the academic research confirms -- landowners net more sale income after paying a consulting forester than they do through other methods available to them.

Landowners should research and question foresters they're considering. Rosters are available from the Association of Consulting Foresters, Society of American Foresters and state forestry agencies. I favor using a forester who has had at least 10 years of recent experience representing private landowners in the sale area. Landowners should make sure they understand exactly what a forester is doing (and not doing) for them, and what it will cost.

I like foresters, and I like working with them. I've come across a couple of duds, but my overall experience has been positive.

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