



# Extension FactSheet

School of Natural Resources, 2021 Coffey Road, Columbus, Ohio 43210

## Getting the Most Return From Your Timber Sale Don't Just Sell Your Timber, Market It

**Randall B. Heiligmann**  
State Extension Specialist, Forestry

**Steve Bratkovich**  
District Extension Specialist, Forestry

Approximately 84 percent of Ohio's forest land is owned by private nonindustrial woodland owners. Each year many of these individuals receive significant income from their woodlands by properly marketing timber. In addition, by following management guidelines in selecting those trees to be harvested and those to leave standing, they improve the health and vigor of their forest as well as its quality for other uses. However, some woodland owners sell their timber for only a fraction of its value because they do not market it properly.

If you are thinking about selling timber or if you are approached with an offer to buy some of your timber, don't "jump too quickly." Taking time to find out what you have to sell, then choosing the appropriate method of marketing will usually result in substantially more income and satisfaction for the seller.

If you have little or no experience in woodland management or timber marketing, seek the assistance of a professional forester. The Ohio Department of Natural Resources (ODNR) Division of Forestry has foresters located throughout the state who, at no cost, can provide assistance in selecting trees that should be harvested and can recommend related timber stand improvement practices to help achieve your ownership goals. They can also provide limited marketing assistance.

Many of the large forest industries in the state will also provide limited forest management and marketing assistance to private woodland owners. In addition, there are several consulting foresters who, for a fee, can provide marketing services from timber volume and value estimation to sale closure. Fees for assistance in harvesting and marketing are usually a percentage of the gross receipts of the sale. You can obtain names and addresses of consulting foresters in Ohio from local county offices of Ohio State University Extension, the Ohio Department of Natural Resources (ODNR) Division of Forestry offices, or from the Ohio Association of Consulting Foresters.

In this publication, guidelines are presented to help individuals

market timber. These suggestions are not meant as a substitute for advice and assistance from a professional forester, but rather to help you as a landowner to understand and implement proper timber marketing procedures. There are eight important steps to effectively marketing timber from private woodlands:

1. Determine the **reasons for selling timber**.
2. Determine the **specific trees to cut**.
3. Estimate the timber **volume to be cut**.
4. Select the proper **timber sale method**.
5. **Advertise** the timber sale.
6. **Select the buyer**.
7. Enter into a **contact** with the buyer.
8. **Monitor** the harvesting operation.

### Step 1: Why Sell Timber?

There are several reasons why a woodland owner may decide to sell timber. First, a harvest may be prescribed in the overall forest management plan. If a woodland owner has worked with a professional forester to develop a management plan for achieving ownership objectives, it is quite likely the plan will call for periodic timber harvesting. Timber cutting is one of the forester's major management tools and is useful not only for generating income from a forest, but for accomplishing other objectives such as improving the health and vigor of the forest, developing wildlife habitat, altering species composition, establishing planting areas, creating vistas and trails, and developing certain types of recreational activities.

Second, the woodland may be used as a source of income, which may be an objective of your management plan. While the value of woodlots will vary depending on such factors as size, quality, species composition, etc., a woodlot in good condition can have considerable value and can be managed to yield periodic or emergency income.

Third, timber may be harvested to salvage the value of trees that have been damaged to such an extent that they will not recover or where the potential for such damage is extremely high. Ice and snow storms, fire, insects, and disease are factors that could cause enough damage to justify a salvage cutting.

Fourth, timber may be harvested in order to use the land for other purposes ranging from golf courses and parking lots to crop production and pastureland. The timber on such land often has considerable value and should be marketed. However, landowners contemplating timberland conversion should carefully evaluate the proposed conversion, particularly if it is to a more intensive agronomic use such as pasture or cropland. Much of Ohio's current forestland, particularly in southern and eastern Ohio, will not support more intensive agriculture because the soils are either too shallow, too low in fertility, and/or the slopes are too steep.

## Steps 2 and 3: Determine What You Have to Sell

In order to advertise a timber sale to potential buyers and to give some indication of its potential value, the landowner must determine what to sell. This involves deciding which trees or areas in the woodland are to be cut and then determining for each species the number of trees and/or volume of wood or amount of products to be sold.

### Selecting Timber for Sale

Unless the harvest is being carried out to clear the land for other uses, selection of trees to be harvested should be done with the advice of a professional forester to ensure that the harvest will satisfy your objectives and maintain the woodland in a vigorous and productive condition. The type and intensity of harvesting required will depend on ownership objectives and the type and condition of the woodlot.

Trees selected to be cut should be clearly marked for easy identification. If individual trees are to be cut throughout the woodlot, each is usually marked with tree-marking paint. A paint splotch (yellow is the most visible in the forest) at about chest height and at ground level (stump) is recommended. In addition, veneer trees are often numbered. If small areas are to be harvested, as in a clearcut, mark the individual trees or the trees around the boundary of the area.

The trees to be cut should be marked so that they can be easily located. For example, all of the marks may be placed on the same side of the trees (e.g., the north, south, east, or west side) or the trees may be marked so they can be seen from a main trail or road.

After selecting the trees to be cut, estimate the volume of wood or the number of products that will be cut in each species. The more common products produced in a timber harvest include sawlogs, veneer logs, pulpwood, firewood, posts, and poles. Obtain publications about measuring these products from your county office of Ohio State University Extension.

## Step 4: Selecting Method of Sale

Private woodland owners may choose to harvest their own timber and sell the cut product (e.g., veneer and sawlogs, pulp-

wood, posts, poles, etc.) or sell the trees as they stand and allow the buyer to cut and haul them. The latter method is referred to as selling stumpage.

### Harvesting Your Own Timber

The woodland owner who cuts and delivers the logs or other products to the roadside or mill may substantially increase profits from the sale. Such an operation, however, should only be undertaken by someone with experience. Logging requires special skills and knowledge, and there are substantial risks involved. Logging is hard, dangerous work. In addition to personal risks, engaging in logging may alter insurance coverage.

Some types of logging may require special equipment; attempting to log with some agricultural equipment could result in extensive damage to the equipment. Logging an area often requires a much longer time than is initially estimated and therefore may interfere with other activities and responsibilities. Furthermore, improper cutting, handling, or transporting of high-value logs can destroy much of their value. For this last reason, the harvesting of high-value species, such as black walnut or white oak trees containing veneer quality logs, should always be left to the buyer.

A discussion of proper techniques of cutting, handling, and transporting timber products is beyond the scope of this publication. If you have the necessary time, skills, and experience and wish to increase profits from your timber sale by harvesting and transporting the products, keep the following points in mind:

1. Have a market for your product before you invest the time and money necessary to harvest it. If possible, have a written contract with the buyer. Don't get stuck with a product to sell without a buyer.
2. Know your buyer's specifications and requirements (e.g., size, volume or number buyer will accept in a given time, quality, etc.)
3. Know your legal responsibilities for such things as workers compensation, minimum wage, social security, state and federal income tax, OSHA requirements, etc. These responsibilities are particularly important if you employ other people.
4. Use the proper equipment.
5. Observe all safety precautions and procedures.
6. Determine if engaging in logging alters any of your insurance coverage.

### Selling Stumpage

Most private woodland owners sell their timber as stumpage. Stumpage sales are of two types.

#### Lump-Sum Sale

A timber sale in which a single payment (the "lump-sum") is made to the seller for the trees designated for sale. This is the easier of the two types of sales to administer.

#### Sale-By-Unit (also called Sale-By-Price or Sale-By-Scale)

A timber sale in which the seller is paid a certain amount for each unit of product cut (e.g., so many dollars per 1,000 board feet, per cord, per post, per pole, etc.). This type of sale requires someone to measure the products harvested (foresters call this scaling). The scaler may be the landowner, a consulting forester,

the buyer (if the seller has complete confidence in him/her), or a receiving mill. The questions of who will provide an accurate production tally and how, when, and where the scaling will be done make this type of sale more difficult to administer than the lump-sum sale.

Woodland owners contemplating a timber sale should acquaint themselves with Internal Revenue Service regulations. Depending on current rules and the landowner's individual situation, one type of sale may provide greater tax advantages than the other. Also, individuals should acquaint themselves with current Internal Revenue Service rules on treatment of sales expenses and depletion allowance, a method for recouping (when selling timber) your original investment in the timber without paying tax on it.

In both lump-sum and sale-by-sale unit stumpage sales, the sale price and buyer are usually determined one of three ways.

#### • Single Offer

In this case a single buyer contacts or is contacted by the seller, and the buyer offers to purchase the timber at a particular price. While this procedure may produce a fair price, it can result in a price below what another buyer is able to pay. In the following situations, however, it may be the best method:

- a. Seller has only a small amount of timber to sell. In very small sales, only one buyer may be interested.
- b. The timber for sale is of such low quality that very few buyers would be interested.
- c. Markets for the species for sale are so poor that very few buyers would be interested.

A forester familiar with the area will be able to tell you whether any of these situations exist and advise you accordingly. In situations other than those listed previously, selling timber by a bid process will usually produce higher income.

#### • Oral Bid or Negotiations

A sale in which the seller or seller's agent engages in verbal bidding or negotiations with one or more buyers until an acceptable sale price is obtained. While this type of procedure is fairly quick and sometimes produces the highest sale price, it is not the type of sale someone should engage in who is unfamiliar with timber markets and the quality and the value of the timber to be sold. In short, unless the seller is extremely well informed, it is best to leave the oral timber sales to foresters and timber dealers.

#### • Written Sealed Bids.

A sale in which potential buyers are informed about the sale and given a period of time (usually 4–6 weeks) to inspect the timber and submit written sealed bids. At a specified time and place, the bids are opened and the successful buyer is selected. In most situations, this form of sale produces the most desirable results for private woodland owners.

## Steps 5 and 6: Advertising the Sale and Selecting a Buyer

Stumpage is a somewhat unusual commodity in that it has no exact or "going" price. Instead, the selling price is whatever the buyer and seller agree to. This price may be influenced by many

factors, including tree species; number, size, and quality of trees or logs; distance of the trees or logs from the market; accessibility of the logging area and difficulty of the logging operation; current market conditions; the buyer's financial condition and how urgently the trees or logs are needed; and differences between buyers in their ability to use the trees or logs. To receive the highest value, several potential buyers should be contacted when timber is for sale. *Don't be too anxious to accept the first offer.*

The most effective way of notifying potential buyers of your timber sale is to send them a timber sale notice. The names of timber buyers operating in your area who would be interested in the type of timber you have to sell can be obtained from the nearest ODNR Division of Forestry office or from many county Ohio State University Extension offices. A consulting forester will also have this information.

A timber sale notice (for a sealed bid sale) should include the following:

1. The name and address of the seller.
2. The location of the sale; include both the legal description and directions for locating the area.
3. A description of the trees to be sold.
4. The type of sale; specify sealed bid lump-sum or sealed bid sale-by-unit.
5. The times when potential buyers can inspect the trees. Usually at least one month is allowed from the time notices are sent until a buyer is selected. If the seller or seller's representative has to be present for potential buyers to gain access or inspect the areas, the times they will be available or how arrangements can be made to gain access need to be described.
6. The date, time, and place at which written sealed bids will be opened and the buyer selected. Include a statement that the seller reserves the right to reject any and all bids if they are not acceptable.
7. Whether or not a deposit binding the offer must accompany the bid and, if so, the amount. The binding deposits of unsuccessful bidders are returned to them immediately after the buyer is selected. The deposit of the successful bidder might not be refunded should he/she later decide to withdraw from the sale.
8. How payment is to be made. On lump-sum sales, full payment (100 percent) by bank or certified check prior to the start of any harvest activity is desirable. On large sales, payment schedules are sometimes negotiated. On sale-by-unit sales, a definite cutting and payment time table needs to be negotiated, with the seller's intent to do this stated in the notice.
9. Any major conditions or limitations on the sale such as the time by which the trees must be harvested, restrictions on access to the area, time or conditions when the logger cannot operate (e.g., when the area is excessively wet), etc. Note that excessive restrictions on buyers may cause a reduced bid or a loss of interest in the sale.
10. The requirement of a performance bond. A performance bond is an amount of money over and above the sale price posted by the buyer and held in escrow by the seller. Its purpose is to assure that the buyer abides by and fulfills all the requirements of the contract. The necessity and amount of a performance bond depends on a number of factors including the buyer's reputation

(or lack of, in the case of a company new to the area), the size/value of the sale, and the difficulty of the operation (e.g., high-value residual trees to be left undamaged, steep topography with easily eroded soils, etc.). Performance bonds should be promptly returned at the completion of a properly executed harvest.

The bids are opened on the date and at the time and the place specified. The highest bidder is usually selected unless there is some reason to exclude that particular buyer. Exercise caution in selecting new operators or operators who have not previously logged in the area. A professional forester may offer advice as to the desirability of selecting a particular buyer on an individual sale. Most buyers perform satisfactorily when all of the trees are cut on the area, but only the most experienced and careful buyer should be selected for a timber-stand improvement or selection harvest where valuable trees will be left standing. While this may, on occasion, result in accepting a bid other than the highest, it will protect the future quality and value of your woodland.

If you desire additional advertising for a timber sale, place a brief advertisement in the newspaper directing interested buyers to contact you or your agent for a complete description of the sale. This may be a particularly useful method when the main product anticipated from your harvest is firewood. Some firewood cutters do not cut other products and may not appear on a list of local buyers and loggers.

### Step 7: Entering into a Contract with the Buyer

To reduce the possibility of misunderstandings and disagreements, a written contract between the buyer and the seller is absolutely essential when selling timber. OSU Extension Natural Resources Fact Sheet F-38, *Timber Sale Contracts*, discusses the process of developing a timber sale contract and the provisions that should be considered for inclusion in such a contract.

### Step 8: Inspecting the Harvesting Operation

If possible, the landowner should request to be informed several days before cutting begins so that he/she or a representative can be present on the harvest area the first day. This will provide an opportunity to discuss the operation with the buyer or the buyer's representative on the site. This is also a good time to

clarify points of agreement and to have some input on things not outlined in the contract.

Once the timber harvest begins, visit the area frequently to make sure that the harvest is proceeding according to the terms of the contract and to discuss questions that might arise. This will also allow you to become more familiar with timber harvesting operations which may be useful in future timber sales.

Use good judgment and discretion when checking the harvest operation. Unless a flagrant violation of the contract is discovered, a simple suggestion to the buyer will usually solve the problem. Deal directly with the buyer or designated representative. Do not complain or make suggestions to other individuals on the job.

When the job is completed and all provisions of the contract have been fulfilled, write a letter releasing the buyer from the contract and return the performance bond if one has been posted.

### Summary

In closing, it is important to emphasize several points.

1. Don't "jump too quickly" to sell your timber to the first offer, but actively market your timber as discussed in this fact sheet. Properly marketing timber usually will dramatically increase your returns. Remember, there is no "fair market" value for your timber — its value is what a buyer is willing to pay. It is important to contact as many buyers as possible in order to receive the highest offer.

2. Under most circumstances, you will be more pleased with the results of your timber sale if you seek the services of a professional forester. Studies have shown that private forest landowners who sell timber with the assistance of a professional forester receive more money for their timber, cut fewer trees, have more residual volume and economic value left in the forest, and are more satisfied with the whole experience.

3. Stay involved in the timber sale throughout its duration. By so doing, you will become more familiar with timber marketing and harvesting operations which may be useful to you in the future. Being involved will also assure you that the operation is proceeding according to your understanding and the terms of the contract.

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Keith L. Smith, Associate Vice President for Agricultural Administration and Director, OSU Extension