

# How Timber Is Sold

► New landowners and those who do not often sell timber need to know how timber is sold. They also need to know how to manage their land to meet their goals, how to determine their timber value, how to prepare sale documents, and who to turn to to get help with this endeavor.

New landowners or those who do not often sell timber may be curious to know how timber is sold and how to manage their land to meet their goals, determine their timber value, and prepare sale documents.

Timber sales generally occur in one of two methods, either per unit or lump sum. One system may be better than the other depending on what you are selling and how you plan on reporting the income from your sale.

Regardless of the method of sale, using the services of a consulting forester, especially if you are a new landowner or sell timber infrequently, is highly recommended. A consulting forester provides information about the tract and timber needed to attract potential buyers and helps develop a sale prospectus. Although consulting foresters charge a fee, research shows that landowners who use a consulting forester average more net income on timber sales than those who do not.

## Per-Unit Sales

Per-unit sales occur when timber buyers, who typically work for mills, wood suppliers, loggers, or timber brokers, pay for the timber *after* it is harvested. Before timber is harvested, the buyer and seller, either the landowner or consulting forester, negotiate the per-unit price of each product class that will be harvested or accept bids through a competitive bid process. The per-unit price is based on the volume or weight of the timber harvested.

Hardwoods and pines are separated into different product classes. Hardwood classes include pulpwood, sawtimber, and veneer and ply logs. Pine classes include pulpwood, chip-n-saw (also called canterwood, timbers, and scragg), sawtimber, veneer and ply logs, and poles and pilings. If your timber is very diverse and includes a variety of product classes, it is even more important for the landowner or consulting forester to ensure that the logger correctly merchandises the timber and hauls the different product classes to their



respective markets (mills). Typically, the buyer supplies the seller with the scale tickets received from the mill each week to provide proof of the volume or weight of timber harvested as well as payment for the agreed-upon price per ton of each product.

Selling timber per unit can often bring the seller more money, but the logger must sort the products according to their highest, most valuable product class. One downside of a per-unit timber sale is that the seller does not get paid until the trees are harvested and a volume or weight is known from the scale tickets. If there is a wildfire, hurricane, tornado, timber theft, or any other destruction to the timber, the landowner will not get any money. Income flow can also be affected depending on the length of the harvesting period in the contract. Sometimes revenue from a sale may be in the following tax year from when the agreement is entered. Revenue from the sale may even come in during multiple tax years if the buyer begins cutting, moves off, and then returns at a later date to complete the harvesting operation.

## Lump-Sum Sales

Lump-sum timber sales are the opposite of per-unit timber sales in that the buyer pays the seller a fixed price for the timber *before* any trees are harvested. The purchase price can be determined through direct negotiation with the buyer or through a competitive bid process involving multiple potential buyers. This competitive bid process is usually referred to as sealed bidding, which often results in a better overall offer for the timber if there is enough competition among potential buyers. Usually, this is best carried out through the work of a consulting forester with knowledge of local timber markets and buyers. In some circumstances, direct negotiation with a buyer may be favorable if operations are on a sensitive site or involve thinning younger stands and a particular buyer or logger has a reputation for minimizing damage to the land and residual timber.

A consulting forester can also create a sale prospectus that includes location information and an estimate of the timber volume to help further attract potential bidders. Lump-sum sales usually include a timber deed that proves that the seller has a clear title to the timber and provides legal backing that the timber is now owned by the buyer. Timber buyers base their bids on an estimate of the volume to be harvested, and the total dollar amount received by the seller is independent of the amount actually removed.

If you are a landowner selling timber, hiring a consulting forester to cruise your timber before selling will help provide a good idea of what your timber is worth and help determine a value for the minimum acceptable bid. This is important for a lump-sum timber sale because the seller will not be paid based on volume per product class. Lump-sum sales also place all the responsibility of merchandising the trees and transporting them to market

on the buyer, therefore reducing some of the burdens of oversight on the seller or the consulting forester representing the seller.

See the Alabama Forestry Commission website for the following helpful information and forms:

- Sample Notice of Timber Sale and Invitation to Bid
- Alabama Timber Sale Contract Considerations
- The Alabama Consulting Forester Directory, a list of consulting foresters by county

Other recommendations before selling your timber are as follows:

- Pay attention to the timber market through sources such as TimberMart-South and Forest2Market.
- Inform your neighbors of your timber harvest, and make sure your property lines are correctly marked.
- Ensure that your property has road access or can get or create access to the tract of land you are selling timber from.
- Ensure that forestry best management practices (BMPs) are implemented during the duration and immediately following the harvesting process. This can be included in your timber sale contract for specific closeout practices of skid trails, forest roads, and stream crossings. BMPs are important for water-quality protection, especially when harvesting timber in wet weather and during the winter as trees are dormant and transpiration rates are low, allowing soils to easily become saturated during wet weather.
- Be mindful of sustainable forest management practices that will provide healthy forests for future generations when considering using your timber as a source of revenue.



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**For more information**, contact your county Extension office. Visit [www.aces.edu/directory](http://www.aces.edu/directory).

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