



# TIMBER SALE GUIDELINES

The term "timber sale" is used to refer to any significant harvest of wood products involving an exchange of monies. Timber sales may involve sales of trees used to make lumber (sawtimber), fuelwood, whole tree chips, pulp, or any combination of these products.

A decision to harvest timber is a very critical one and should be handled as a business venture. Timber sales often culminate 50 or more years of investment in the form of taxes and management costs and have immediate and long-lasting effects on the future of all of the natural resources and amenities. Proper harvesting can provide multiple benefits: income, improved wildlife habitat, recreational access, views, and healthy and vigorous forests. Uncontrolled, exploitive cutting reduces such values, leads to environmental degradation, public resentment and legal entanglements. Your motives for selling timber should be based on informed decisions with a foundation of good stewardship of your forest and its related resources.

## Before You Decide to Sell Timber

The following questions should be considered BEFORE selling timber. If you can't answer these questions or if you respond negatively to them, you will benefit a great deal by seeking professional assistance before initiating a timber sale.

- Have you identified your long-term management objectives such as income, wildlife habitat, recreation, and aesthetics?
- Have you developed a plan to achieve your objectives?
- Have you identified your objectives for this sale?
- What harvest method is best suited to meet your objectives?
- What affect will a harvest of this type have on your forest and its related resources?
- Do you know what your forest will look like following a harvest?
- Will the harvest leave an improved stand for increased value growth?
- Have you consulted with all parties having legal interest in your land (co-owners, mortgagees, banks, etc.)?
- What laws relate to timber harvesting on your land?
- What products are saleable from your land (whole tree chips, fuelwood, pulpwood, boltwood, sawlogs, veneer)?
- What is the anticipated volume to be harvested?
- What is your timber worth by species, product and quality?
- How will you be paid?
- Do you know how stumpage values are determined?
- Are your boundaries clearly identified?
- Have you identified sensitive areas on your land?
- Who is a reliable logging contractor?
- Are you familiar with timber harvesting insurance regulations and your liability?
- Are you familiar with preparation of a timber sale agreement?
- Who is responsible for payment of the NH Yield Tax?
- Will there be adequate supervision of the harvest?
- Do you have the information you need regarding federal tax treatment of timber income?

## **Who Can Help?**

Unfortunately, many people proceed with timber sales without a clear understanding of the process and without getting professional forest management advice and guidance in advance. Assistance is available to landowners from both the public and private sectors. UNH Cooperative Extension foresters in each county are available at no charge to assist with a preliminary assessment of the situation and provide information and educational assistance to help guide landowners through the timber sale process. This may include helping to identify landowner harvest objectives and motives, and perhaps examining the property. This will help match individual harvest objectives with the resource needs and capabilities. Since their role is educational, Extension foresters have limitations on the time and effort that can be expended. They will often recommend retaining the services of a private licensed forester to assist owners with the administration of a timber sale.

Private licensed foresters assist with timber sales in a number of ways. They can, depending on your goals:

- identify property and sale boundary areas
- mark the trees to be cut
- estimate products, volumes and value of marked trees
- lay out skid trails, landings and wetland crossings
- advertise for and receive bids on your behalf
- take care of permit requirements (intent-to-cut, etc.)
- locate a reputable logging contractor
- negotiate fair stumpage values with the logging contractor
- prepare a written contract between you and the buyer
- obtain down payments and performance bonds for you
- supervise the logging operation
- assist with tax reporting

Timber harvests conducted under the supervision of licensed foresters are much more likely to achieve your management goals, will often generate higher stumpage prices than those achieved through direct negotiations with logging contractors, and will leave an improved forest poised for additional management. Increased revenue and better attainment of landowner management goals are benefits that outweigh costs associated with the assistance of a licensed forester in timber sale administration. Consulting fees for timber sale administration depend on the extent of service and the value of products being sold. Tree marking fees and commissions based on gross receipts of timber sales are common timber sale related, billing procedures.

## **Why Do You Want To Harvest?**

Perhaps the first step in a well ordered timber sale project is to consider what your management goals are and begin to develop priorities based on them. You may have been approached by timber buyers or logging contractors, or perhaps you feel pressured by a need for money. Avoid hasty decisions and take time to think through why you want to harvest and get objective non-biased assistance so you can make informed choices on how to proceed.

Consider what you hope to accomplish by having a timber sale. Keep in mind compromises are likely if objectives conflict. Your objectives might include any combination of or all of the following:

- forest improvement
- access and recreational improvement
- wildlife habitat improvement
- land conversion for other uses
- maximum income
- tax considerations
- increased earning power and future value growth

# How Is TIMBER SOLD

## ***Stumpage Sale***

Most timber marketed in New Hampshire is sold by way of stumpage sales in which the value of the trees is given as they exist in the woods or "on the stump." Stumpage value is the value associated with standing timber. Stumpage values offered for a specific timber sale at a given time depend upon market conditions, the total timber sale volume, the species and quality of the stumpage being sold, accessibility, and the seller's knowledge.

Payment for stumpage is usually made in one of two methods. Each has advantages and disadvantages. The timber may be paid for by unit of volume (per thousand board feet, per cord or per ton). Timber sold in this way is paid for as it is removed and the scale (measurement of the product) delivered to the mill is accepted as the standard for payment. Records of delivery are kept on mill scale slips. Landowners conducting their own timber sale should request copies of mill scale slips, particularly if they don't have a preharvest estimate of the volume of timber being harvested. Scale slips are the only concrete evidence of the actual volume of timber removed. Timber may also be sold by what is referred to as a "lump sum" sale. Payment in this method is based on an agreed upon estimate of the total stumpage value. This timber sale method is best applied when an accurate preharvest volume estimate is made. Lump sum payments may be made prior to the start of a harvest or by installment payments made at agreed upon intervals during the course of the harvest. Since the total amount of money is fixed in a lump sum sale, it's very important landowners know the value of their standing timber before entering into a lump sum sale agreement. There are also different federal tax laws that apply to lump-sum sales.

## ***Roadside Sale***

Roadside sale is a term used when a landowner either harvests the timber or contracts to have the logging done and sells the timber at a location accessible to a truck. Payment and measurement is most often made on the basis of mill scale though it can also be done where the timber is picked up.

## ***Delivered***

Landowners are paid a delivered price when, at their expense, they are responsible for the harvesting and transportation to the mill. Mill scale would be the basis for payment. This is commonly termed "contract logging". If you are selling high value timber, this method of sale often yields more income.

Note: Each method of sale has different implications concerning landowner liability, worker's compensation insurance, etc. It's important to understand them before proceeding.

## **Different Harvest Systems Available**

Landowners are often confused about the type of harvest they should employ. Timber harvests are, at best, a compromise of well developed resource management goals, appropriate harvesting technology, and available forest product markets. Ideally, the type of harvest you choose is dictated by a sensible combination of your forest's needs and your management goals. This issue is further complicated by confusion about the quality of a timber harvest versus the quality of management accomplished through a timber harvest. Timber harvesting quality may be rated by factors such as the utilization of harvested trees, damage to remaining trees, proper layout of skid trails, and the way that log landings are left. A timber harvest might rate highly from an aesthetic perspective but be rated poorly from a sensible forest management perspective. Depending on the method of harvest, trees may be designated for removal by marking the individual trees with tree paint, marking the areas to be harvested with flagging, or a combination of the two.

### ***Individual Tree Selection***

Trees to be removed are selected and marked with tree paint to accomplish particular forest and wildlife management objectives. This is often referred to as an improvement cutting because one of the key objectives is an overall upgrading of forest quality and growing conditions by removing the lowest quality individual trees within the forest. The residual or remaining forest treated in this way has improved timber value and a relatively high stocking of trees overall.

### ***Group Selection***

Trees are marked and removed in small groups or patches to accomplish a particular management objective which might be regeneration of a particular species and/or wildlife habitat improvement.

### ***Selective Cutting***

This term is often used as a "catch all" for all types of partial cuttings. The Society of American Foresters defines it as an exploitation cutting and in many instances it is used to describe highgrading, liquidation harvests or diameter limit cuttings. This is in contrast to a selection cutting which has forest improvement as its primary objective. The point to keep in mind is "who's doing the selecting?".

### ***Diameter Limit Cutting***

In diameter limit cuttings, all trees above an established minimum diameter are harvested. While trees are left after a diameter limit cutting, they are most often the poorest trees in terms of health and quality. Many liquidation harvests are in fact diameter limit cuttings. Most New Hampshire forests are in fact "even-aged", and small diameter trees are as old, although not as vigorous, as the larger stems. Diameter limit cuttings aren't usually regarded as wise, long-term, forest management options as they eventually cause a loss of stand vigor because the fastest growing trees are always taken first.

### ***Clearcutting***

Clearcutting harvests involve the complete or nearly complete removal of trees in a designated area. Clearcuts may be done in various shapes and sizes including patches and strips. While controversial, properly applied clearcutting is a useful forest and wildlife habitat management tool.

### ***Highgrading***

Highgrading is a harvest in which the best quality trees are removed. The remaining forest may have a "thinned" appearance but in fact usually has greatly reduced timber value and forest management potential. Genetically poorer trees are left to provide the future growing stock.

### ***Liquidation***

Liquidation harvests simply mean all merchantable forest products and hence the value associated with the timber asset of the land is removed. This is very often the net result of diameter limit cuttings. Clearcutting is also a liquidation harvest but, unlike diameter limit cuttings, the practice may very well be a valuable management practice to regenerate tree seedlings if it is completed with specific forest management goals in mind.

## Why A Written Contract Is Necessary

A written contract is necessary for a timber sale so both buyer and seller have a clear understanding of the conditions under which the sale is made. The importance of a written contract can't be stressed enough as it protects both the buyer and seller and allows each to see in writing what is expected of them. Buyer-prepared contracts may not protect your interests or rights as a landowner. Well-written timber sale contracts clearly define conditions of the timber sale, the responsibilities for performance and expenses. Any designation or condition in a timber sale agreement which doesn't express whose responsibility and at whose expense the burden lies can lead to unnecessary disputes. In other words, put in writing who is responsible for what and who pays for it!

A well-written timber sale contract should clearly:

- identify buyer and seller
- provide the location of the parcel being harvested
- specify price to be paid, basis of measurement, method and schedule of payment
- specify time limits for the timber sale including seasonal limitations if applicable
- provide for seller granting access to the tract of land for purposes of harvesting
- specify compliance with all federal, state and local regulations
- assign responsibility for payment of the N.H. Yield Tax
- provide for protection of the residual stand with penalty provisions for unnecessary damage
- provide for restoration of skid trails and landings
- describe utilization expectations of all trees harvested
- include a disclaimer by the seller for any liability for accident or injury to the buyer, his/her employees or equipment
- require written proof of adequate Worker's Compensation and Public Liability Insurance
- provide for prohibiting assignment of harvesting rights to another without written consent of the landowner
- provide for resolution of disputes, perhaps a third party agreeable to buyer and seller
- assign liability for property damage (buildings, fences, walls, power lines, etc.)
- assign liability for damages and suppression expenses if a forest fire occurs as a result of the harvesting operation or because of carelessness of those involved in the harvesting
- provide for immediate termination of the sales agreement if any of the provisions of the agreement are not adhered to
- specify when the title for timber harvested transfers (usually when the wood is paid for rather than when it is cut)

Timber sales are often unique. Therefore, provisions of each contract may vary. Licensed foresters are experienced in writing sound timber sale contracts to meet specific client and property requirements. UNH Cooperative Extension can provide sample timber sale contracts that are helpful if you are conducting a timber sale on your own. It may be advisable to obtain legal counsel when preparing a contract. Again, before proceeding with a timber sale, take time to become familiar with the process in order to make informed decisions. By all means, seek the services of a qualified licensed forester to assist you if you are unsure of any aspect of timber sale administration.