

# Selling Your Timber



*Mississippi Forestry Commission*

# 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

- Use a Registered Forester
- Know the Tax Implications
- Develop A Forest Management Plan
- Conduct Pre-Harvest Planning
- Determine a Selling Method
- Develop a Written Contract
- Monitor the Harvest
- Conduct a Sale Close Out



# Basics to Consider

- Use a Registered Forester
  - Rely on the Experts
  - Best Value for Your Timber
  - To Locate a Registered Forester or Consultant Forester

Mississippi Forestry Commission  
[www.mfc.ms.gov](http://www.mfc.ms.gov)

Mississippi Board of Registration for Foresters  
[www.cfr.msstate.edu/borf/](http://www.cfr.msstate.edu/borf/)



# Basics to Consider

- Know the Tax Implications
  - Competent tax advice should be sought well before the sale for clarification of the current tax laws.
  - Internet Tax Resource Websites
    - MS Department of Revenue
    - MyForestry.com
    - Forest Service Cooperative Forestry



<http://www.dor.ms.gov>



<http://www.myforestry.com>



<http://www.fs.fed.us/spf/coop/>



# Basics to Consider

- Develop a Forest Management Plan
  - Properly managed forests yield more...
    - Timber
    - Have a higher net present value
    - Suffer fewer environmental impacts
    - Enhances wildlife habitat
  - Forest Management plans are also required for third-party certification and future markets
    - Woody Biomass
    - Carbon Sequestration



# Basics to Consider

- Management Plan
  - Document who prepared the plan
  - Clearly state your objectives
  - Describe current forest conditions
  - Describe desired forest condition
  - Include practices and activities
  - Document a feasible strategy and timeline
  - Describe any suggested monitoring activities
  - Be developed for a specified management period



# Basics to Consider

- Management Plan
  - Describe and evaluate resource elements present and their importance
  - Recommendations for each resource element present
  - Prescriptions or treatments that are stand or site specific
  - Ownership map drawn to scale, or photo that accurately depicts
    - Vegetation cover types
    - Hydrology
    - Other significant forest related resources



# Basics to Consider

- Conduct a Pre-Harvest Planning
  - Determine Boundary Line of Property and Timber Sale Area
  - Identify Streams, Existing Roads, Steep Grades, Wet Areas and Road Access
  - Identify Potential Location of Log Decks, Stream Crossings, Culverts, and Temporary Roads
  - Designate Areas Adjacent to Streams as Streamside Management Zones (SMZs)
  - Before Harvesting Begins, conduct an on-the-ground meeting with the buyer/logger to review the pre-harvest plan.



# Basics to Consider

- Determine a Selling Method

Timber is generally sold by one of two methods: **negotiation** or **sealed bid**.

- **Negotiated** sales involve face-to-face bargaining between you and the buyer.
- **Sealed bid** sales require that prospective buyers submit confidential offers in writing for your timber.

Whichever sale method is selected, you should require the logger to be Professional Logging Manager (PLM) certified.

*(If you choose to sell your timber through the bid process, you may limit your ability to specify a particular logger.)*



# Basics to Consider

- Determine a Selling Method
  - A trained professional logger can ensure trees are effectively harvested and merchandised in a manner that fully utilizes Best Management Practices (BMPs).
  - You can verify they've attended Mississippi's PLM course by going Mississippi State University Extension Service Professional Logging manager Program website at [www.logged.msstate.edu/](http://www.logged.msstate.edu/) and click on Find a Logger



# Basics to Consider

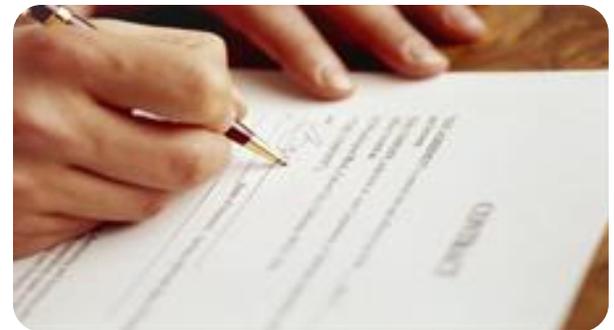
- Develop a Written Timber Sale Contract
  - You should always consult with a registered forester and attorney when drafting a timber sale contract.
  - The following items should be included in a timber sale contract:
    - Timber Description
    - Payments, Damage Clauses, and Penalties
    - Logging Clauses
    - Sale and Harvest
    - Documentation of Timber Removed  
*(When sale is paid on per unit basis)*
    - Other



# Basics to Consider

Included in Sale Contract

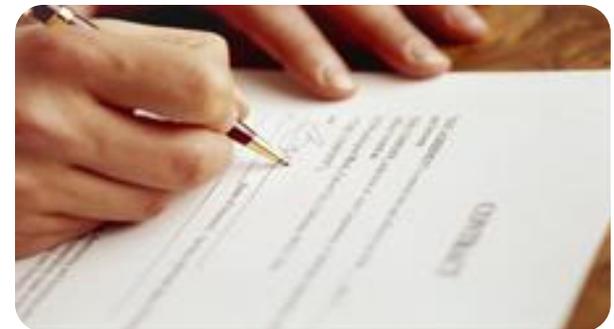
- Timber Description
  - An Accurate Legal Description
  - Marking Corners and Boundaries
  - Selling Timber on Per Unit Basis
  - The Type of Harvest



# Basics to Consider

Included in Sale Contract

- Payment, Damage Clauses, and Penalties
  - Clearly state in contract agreed-upon purchase price and method of payment
    - Lump-Sum Basis
    - Per Unit Basis (price)
  - Time Period for Cutting Timber
  - Damage to Your Land or Remaining Timber
  - Access Restrictions
  - If You are Making a Partial Cutting Included Penalty for Cutting Non-designated Trees.
  - Removing Canopy or Overstory



# Basics to Consider

Included in Sale Contract

- Logging Clauses
  - Method of Logging
  - Road Maintenance and Skid Trail Layout
  - Reduce the Possibilities for Non-point Source Pollution
    - All logging should be done in accordance with *“Mississippi’s Best Management Practices (BMPs) for Forestry.”*
  - Stump Height and Top Diameter Harvested
  - Selling Your Timber Based on Unit Volume
  - Cleanup



# Basics to Consider

- The Sale and Harvest
  - Meet with buyer/logger to discuss terms of contract
  - Check logging progress on a regular basis
  - Be reasonable in your expectations and assignment of damage penalties



# Basics to Consider

- Other Contract Provisions to Consider
  - Name and address of buyer
  - Date contract is executed
  - Declarations of the seller's ownership and right to convey. This may include a title abstract and insurance.
  - Clarify ownership of by-products.
  - Liability Insurance of all contractors and sub-contractors
  - State who is responsible for paying severance tax.
  - Statement of who suffers the loss if timber is destroyed or stolen
  - Provision for or against assignment of the contract



# Basics to Consider

- Other Contract Provisions to Consider
  - Notarization of the contract
  - 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.
  - Require PLM certification for logger.



# Basics to Consider

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:

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



# Basics to Consider

- Monitor the Harvest
  - Check the Logging Operation on a Regular Basis.
  - Requiring a load-by-load accounting of forest products removed from your timber sale is a good business practice for you and the buyer.
  - 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



# Basics to Consider

- Closeout with Buyer/Logger
  - A notice of completion of harvest from the buyer can be helpful in removing any question if the buyer considers the harvest complete and relinquishes remaining biomass back to owner.
  - Review and agree on action and timing to address any land or timber damages related to harvesting operations.
  - Address any other issues related to non-compliance to the contract.
  - Ensure compliance with BMPs.



# Timber Sale Timeline



# Summary

- Financial and forest resource sustainability and productivity are important considerations when a landowner plans a timber sale.
- Key points to remember
  - Understand the Tax Implications
  - Utilize the Expertise of a Registered Forester
  - Market Your Sale
  - Conduct Pre-Harvest Planning
  - Select a Reputable and Certified Professional Logger
  - Use a Contract and Review with an Attorney
  - Monitor the Harvest



# For More Information

Contact one of the following agencies or organizations



[www.mfc.ms.gov](http://www.mfc.ms.gov)



[www.msucare.com](http://www.msucare.com)



[www.fs.fed.us](http://www.fs.fed.us)



<http://www.msforestry.net/sfiloggers/sustainable-forestry-initiative.html>



<http://www.msforestry.net/treefarm/the-farm-program.html>

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*Caring for the Trees & Forests of Mississippi*



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