

 UI Extension Forestry Information Series

Marketing NIPF Timber: A Contractual Decision

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Selling timber products from private woodlands can be a very stressful time for landowners. Since they might only sell timber products one or twice in a lifetime, landowners can be at disadvantage, in terms of industry knowledge and negotiations with the professional timber buyers and logging contractors. However, if landowners understand their options when selling timber products, they can feel more secure, and generally, even increase their profits. The landowner has many options when selling timber. The best methods of selling woodland timber products can be consolidated under two options: 1) selling the timber to a logging operator, mill representative, or log broker based on delivered mill-scaled log volume, or 2) hiring a logging contractor, then personally marketing the logs to area mills and log buyers.

Under the first option, a purchaser both harvests and markets the timber. Normally, the best arrangement for the landowner is to specify a value to be paid per species for delivered mill scale volume. This payment can be made at intervals convenient to mill pay-dates, with sufficient time for the purchaser's bookkeeping. This option places the burden of changing log values on the purchaser. If the value for logs increases, the purchaser enjoys higher revenues. However, if the value decreases, the purchaser must bear the burden as the value paid to the landowner is fixed in the contract.

In the second option, the landowner hires a logging contractor to harvest the timber and deliver it to landowner-specified destinations. The landowner performs all marketing chores. The logging contractor is a contractor just as a plumber, electrician, or carpenter is a contractor; they are hired to complete a specific job. Unlike the first option, the logging con-

tractor is paid by the landowner to harvest and deliver the manufactured timber. Generally, the logging contractor receives payment based on volume delivered to specified buyers. The landowner contacts log buyers and secures prices for the delivered logs from the timber sale. This option places the burden of changing log values on the landowners. Since the logging contractor has a price set in the contract, he/she has no risk involved in the log market. The landowner's revenues are determined by subtracting logging costs from delivered mill value. If the value for logs increases, the landowner enjoys higher revenues. However, if the value decreases, the landowner bears the burden.

When a landowner sells logs to a logging operator, mill representative, or log broker (option 1), they sell the logs off their property for a price set on a particular date. Once that price is set in the contract and signed by both parties, it will not change unless changes are specified in the contract. However, when landowners hire a logging contractor, and market the logs directly (option 2), they retain the flexibility to ship the wood to whichever mill is currently paying the highest value for the logs. The landowner does not exchange ownership of the logs until they are delivered to the mill.

The landowner should select a purchaser or logging contractor based on a competitive market. That involves a minimum of three or four bidders, each faced with the same set of contractual conditions. Unfortunately, log markets are usually not simple to evaluate. A professional forestry consultant, hired to represent the landowner during a timber sale is generally recommended. Recent studies in Montana and

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several eastern U.S. states have shown a significant increase in landowner profits from timbers sales when professional forestry consultants were used, even after the consulting fees were subtracted. A forestry consultant should merge your ownership objectives with your timber sale requirements and help you consider options for selling your timber products. More important, a good forestry consultant will represent you and your interests during the forest management activities, protecting your needs and security, and helping you meet forest practice standards required by Idaho law.

Names of local forestry consultants are available at

your local Cooperative Extension System Offices, Idaho Department of Lands Offices, and Natural Resource Conservation Service Offices. If you have any questions, please consult a professional forestry representative in your area before you begin your timber sale activities.

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