

# Marketing the Forest Crop

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**A** timber crop that is ready for harvest is the realization of much work over many years. The landowner finally reaps the financial benefits of faithfully following the correct forest-management practices.

It is imperative, at this time, that landowners understand how to market their timber so that they can realize the maximum in financial returns. Unfortunately, many landowners do not understand the dynamics of forest marketing.

Selling timber is easy. By simply contacting a few timber buyers, you can quickly receive an offer on your timber. Unfortunately, this offer may not be what your timber is actually worth. Marketing timber requires planning and pre-sale work before you actually advertise for competitive bids. Your goal is to get the best price possible for your timber. To accomplish this goal, you should follow a step-by-step marketing procedure before selling your timber.

## **Know What You Have to Sell**

You cannot determine the value of your timber if you do not know how much you have and where it is located. Therefore, the first step in successful timber marketing

is to determine how many acres of timber you have to sell and the quantity of timber to be sold. You must also know the kinds of trees, products, sizes, quality, value, or other characteristics. You can get this information by having your timber inventoried by a professional forester. An inventory is a true estimate of the total number, species, sizes, and quality of trees on a timbered area. Information from this inventory can be used to estimate the value of merchantable timber. An inventory usually provides volumes in cords, board feet, or other products such as poles. It also provides a location map, age and growth information, and a description of the stand of timber.

Most people would not sell a house without first having it appraised to determine its value. As a landowner, you should do no less with your timber. The costs for timber inventories vary, depending on the number of acres involved and how much merchantable timber is on the land. In general, the greater the value of the timber, the

higher degree of accuracy required in the timber inventory. This is because statistical errors of the estimated value of timber are more costly in valuable timber.

Timber inventories should not be viewed as an expense, but as an investment. An investment in a timber inventory before you actually market your timber can result in a substantial increase in financial returns. Conversely, marketing timber without an inventory (not knowing what you have or its value) can result in substantial monetary losses.

## Conduct Pre-Timber Sale Preparations

As a landowner, you should have all the details pertaining to your timber sale worked out before you put your timber on the market. Potential buyers will usually make higher bids if they feel comfortable about a timber sale. If all their concerns are addressed and answered before bidding, it can lead to higher bids and a more successful timber sale.

It is important to have all details of the sale worked out in advance. Clearly mark all boundary lines on the ground so buyers know exactly what is being sold. Provide a clear logging access route to the buyers to assure them that they can get the timber out of the woods and to their markets. Also, before the sale, be sure to resolve any legal issues concerning the sale, such as a title dispute. Also, address any liens against the property or timber before the sale.

## Selling Methods

Use the proper selling method when marketing your timber. Two of the commonly used methods are "Negotiation" and "Sealed Bids." Each method has advantages and disadvantages, depending on the type of timber being sold.

### Negotiation

The most common method used in selling timber is when a buyer and seller consummate a sale by establishing the price through face-to-face negotiations. Unfortunately, if the landowner is unfamiliar with local timber markets, does not know the timber's value, or is not knowledgeable about different forest products, he or she is usually at a disadvantage in this situation.

This selling method, however, does have advantages in certain types of timber sales. A good example is the first thinning in pine plantations. A negotiated sale works very well for a first thinning because it is difficult to inventory the volume of pine pulpwood to be selectively harvested in a first thinning. Also, it is very costly to have

the low-valued pulpwood trees marked and inventoried. For example, a seller and buyer can negotiate a price per ton for pine pulpwood to be cut. This type of sale is called a "pay-as-cut" sale and is usually a negotiated sale.

Negotiated sales for higher value timber products, such as saw timber, high-value hardwoods, or poles can also be conducted, but landowners should know the estimated volume and value of their timber before entering into this type of sale.

### Sealed Bid

Many landowners choose a sealed-bid timber sale. Prospective buyers are allowed to submit confidential written offers for timber. These sealed bids will be opened at a specific time and place. Prospective buyers are allowed to make only one bid. This type of sale often results in higher offers for timber for the landowner, but the sale must be conducted properly. A sealed-bid timber sale requires prior planning and preparation by the seller. The services of a professional forester are usually required in preparing and administering a sealed-bid sale. Many landowners view this as an extra expense, but it is very important to have professional help.

Sealed-bid timber sales require a forest inventory of your timber to determine the volume and value of timber being sold. You should have timber-sale boundaries clearly marked and have road access to the property. A timber sale prospectus or bid invitation can then be prepared. The invitation to bid is a letter with supporting information that describes the sale conditions and the timber to be sold. The bid invitation should realistically answer any and all questions potential buyers may have about your timber sale. This will increase your chances of attracting more and higher bids for your timber. Every timber sale is different and, therefore, bid invitations will vary depending on the type and size of the sale. However, all bid invitations should contain the following items:

- Identification of the Seller/Seller's Agent
- Location and Size of the Sale Area
- Type of Sale
- Volume Information
- Duration of Sale Agreement
- Harvesting Restrictions and Conditions
- Bid Opening Procedure

- Conditions for Bid Acceptance
- Payment Provisions
- Attachments to Bid Invitation (maps, volume tables, etc.)

## Where To Go for Help

Professional assistance is virtually required to market timber properly. This help is available, but all too frequently, only the best-informed landowners use it. The following people and agencies are available to assist you in marketing your forest products:

- The Mississippi Forestry Commission employs professional foresters to serve as county or service foresters. These men and women can provide expertise in forest management, insect and disease management, and marketing assistance to landowners. In some states, vendor services, tree planting, and timber-stand improvement are provided for the landowner at cost. Generally, a limit is put on the amount of time, timber-marking help, or size of timber sale involved in any service given by the agency.
- The Mississippi State University Extension Service employs foresters to provide information to landowners about forest management, use of wood products, stumpage prices, taxes, etc. These forestry specialists closely follow research and help to get practical research applications into use in the field as soon as possible.
- Industrial foresters are often available to work with landowners who may be prospective suppliers of wood to

the companies who employ these foresters. They often provide free timber marking and management plans. All that most of them ask in return is to have the “right of first refusal” when you are ready to sell your timber.

- Consulting foresters are self-employed forestry professionals offering a wide variety of services to anyone who owns timberland. Fees are based on the kinds of services provided. Timber-marketing assistance is usually offered on a commission basis. The consulting forester is able to determine which trees should be cut, their volumes, and total value. He can advertise the sale, obtain bids or negotiate with a buyer, evaluate bids, prepare a contract and logging plan, and supervise the harvesting operation. It is his/her responsibility to protect the interests of the client - the landowner. Consulting foresters are very adept in handling timber sales. Forest landowners, particularly absentee owners, may find that consultant foresters are very often their best source of help.

Many landowners are disappointed with their timber-selling experience because they fail to obtain professional assistance. Timber marketing expertise is only a phone call away, but many landowners fail to take advantage of this assistance. A good marketing procedure will help you conduct timber sales that will meet your goals and objectives. You will also have the satisfaction of knowing that you received the highest possible price for your timber and that the timber sale was handled professionally.

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