# Best Practices for Selling Your Timber

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INTRODUCTION
This publication is an introduction to the best practices for selling your timber. Following these practices will help you achieve a profitable and successful timber sale.

PRACTICE 1: DO SOME PLANNING
Before selling your timber, think about what you value about your timberland. Be ready to learn about your timber and ask questions. Why do you wish to sell your timber? What will your property look like after the harvest? A professional forester can help you determine your goals and objectives and create a harvest plan that fits your values.

If there are property or timber boundary issues, talk with your neighbors to confirm those boundaries. Not knowing these boundaries can result in timber theft. Timber theft is the illegal and damaging act of trespassing and illegally harvesting trees. To learn more about timber theft, refer to publications on the resource page located at the end of this publication.

Make sure all of your previous taxes and land/timber ownership papers are in order and accessible. You will need these for income tax considerations.

Expect the harvest to take anywhere from a couple of weeks to months depending on the size of the sale area.

PRACTICE 2: FUTURE PRODUCTIVITY
Although the forests of Tennessee have a great natural ability to regenerate, new seedlings and sprouts on cutover sites need growing space and sunlight if they are to develop successfully. Damaged trees, culls and other trees of little or no commercial value should be cut down or deadened to prepare the site for successful natural regeneration. Planting pine may be advisable rather than hardwoods on poorer productivity sites for a more profitable utilization of the site. Owners should be prepared to reinvest a portion of their timber sale receipts in the land to assure its continued productivity as well as to provide future timber profits. Professional foresters can help you apply for government cost-share programs, if available, to help offset the costs of forest management. Talk to your forester for suggestions on maintaining soil productivity of your land to help efficiently grow your future trees. Do not cut yourself out of business by only leaving poor form or undesirable species with little chance of increasing in value, often referred to as high grading.
PRACTICE 3: CREATE THE CONTRACT
A contract is a binding written document outlining the sale and operations concerning your timber. The sale contract is essentially a communication tool for the benefit of both parties, the buyer and the seller. No agreement is final until the contract is signed. Oral agreements do not hold up in court. Think of a timber sale contract as your sales receipt for your timber. Read the contract, understand what it says, and know what is happening on your land. Contacting an attorney may be necessary in formulating a contract. Do not allow a second party (buyer) to set the terms of your assets (timber). Your trees and property are your responsibility, and as the seller you should be the one to set the terms of the sale in the contract.

The contract includes, at a minimum, statements regarding the:

- Contract term: length of harvesting operation.
- Payment by lump sum before the logging operation takes place.
- Sale description including locations and boundaries.
- Consulting forester clause indicating that the consulting forester is the landowner’s agent in the sale.
- Details of the performance bond which outlines consequences in case contract specifications are not performed as written.
- Local, state and federal law compliance.
- Suspension of harvesting: Conditions requiring suspension of work such as wet soils should be specifically stated in the contract.
- Special terms and conditions.
- Penalties: What happens if clauses in the contract were not followed properly?
- Protection of Environment: Best management practices or BMPs protect water quality. Harvesting timber can leave an impact on the property. By implementing BMPs, you can make sure that water quality is maintained.
- Liability: Who is responsible? Insurance requirements?
- Continual Agreement: The heirs, successors or appointees can carry forth with the harvest if the original person(s) cannot.
PRACTICE 4: MARKET YOUR TIMBER USING SEALED BID PROCESS
Know when to sell your timber. As with any market, there are ups and downs in the timber market as well. Recognizing when the timber market is offering higher prices is also important in determining the worth of your timber. Your forester will be familiar with the market trends and can assist in this area.

When the time is right to sell, market your timber with a sealed bid. Your forester knows all the avenues to advertise your bid and can invite as many buyers as possible encouraging more competition and higher prices than other methods. By selling your timber by sealed bid, “show-me” tours are conducted of your property for buyers to see the timber that they may buy. These tours are opportunities to inform buyers how you wish the timber to be harvested and point out boundaries, special concerns and your goals for the land. Your forester will designate locations for log landings, roads and skid trails during the tour and in bid instructions. The bidding process allows the buyer to check the volume and quality of timber expressed in the timber inventory and to estimate their logging costs. A sealed bid can also help you, the seller, do some research on the buyer before selling your timber to them. Ask your forester or check the Tennessee Master Logger website to identify if the logger is a graduate of the program. The Master Logger Program is a training course dedicated to the sustainable use of our natural resources through protecting water quality and controlling soil erosion during harvesting operations. Click on the link provided on the “Resources” page for a Master Logger searchable database from the TN Forestry Association.

Include the following in your bid:

1. Timber volume summary.
2. Location map with detailed boundary information.
3. Notice of a “show-me” tour of the sale area.
4. Information about the performance bond.
5. Bid form.
6. Terms for payment of bid, if accepted.
7. Date, time, and location of the bid opening and closing.
8. Statement of seller’s right to refuse bids.
9. Insurance requirements.
10. All contract stipulations so each buyer understands sale conditions and these conditions can be factored into the price offered.

If there is no competition for the timber, concessions must be made in order to sell. A lack of competition among buyers can arise from the amount and quality of timber for sale, current market conditions, timing or location of the sale area.

PRACTICE 5: INSPECT THE LOGGING OPERATION
Communicate with the forester and logger to make sure the terms of the contract are being met. Visit the sale area before, during and after the operation. These conditions should include BMP compliance and that property lines and harvest boundaries are honored.
PRACTICE 6: CONSULT A PROFESSIONAL FORESTER

After you have thought about your timber and determined your goals, the next step is to contact a professional forester. Much like a realtor is your representative for selling your house, a professional forester is your representative when selling your timber. There are a few types of foresters you can contact for more information. The Tennessee Division of Forestry can provide free management plans, cost-share assistance, forest health assessments and information for your sale. While their service is free, the scope is limited. A consultant forester, however, can help administer the entire sale for a small percentage of your harvest earnings. A list of consulting foresters in Tennessee is available at tn.gov/assets/entities/agriculture/attachments/AgForCfdirectory.pdf.

A consultant forester can be hired to:

1. Conduct a pre-harvest inventory: marking, measuring and estimating volume of wood to be harvested.
2. Prepare a timber sale contract.
3. Aid with special permitting and timber tax implications.
4. Lay out skid trails, log landing sites and water crossings.
5. Show timber to prospective buyers and award the contract through sealed bid.
6. Oversee the logging operation.
7. Assist with income tax reporting.
8. Prepare the site for reestablishing timber.

Why do you need a professional forester?
Professional foresters are knowledgeable about timber, timber sales and the market. Most have college degrees in forestry and have experience in administering timber sales. Their knowledge and experience can help get you the best competitive price for your timber and achieve a productive future forest.

Foresters perform inventories and evaluations to give you an estimate of what timber you have and how much it is worth at market price. Determining the worth of your timber rests heavily on the quality, quantity and species of the timber, which can be measured with an inventory. Other factors that can affect the price of your timber and can be assessed by a forester are the location of your property, distance to mills, available access to the timber, timber market conditions, land mortgage restraints and harvest requirements. An evaluation is a way to determine market value for your timber. A forester can help you decide what harvest technique is best for your land and your objectives.

A water bar is a BMP that diverts the flow of water from the road to the forest.
PRACTICE 7: KEEP ALL RECORDS OF THE TIMBER SALE

Consult with an accountant or a professional forester about tax considerations of the sale such as long-term capital gains and reforestation incentives.

Create a timeline of your management actions. By keeping a timeline of your actions, you can make sure all your expenses/income generated from your forestry management are well documented for tax season. Keeping track of every cost-inducing or income-producing action can allow a forester or tax professional to deduct/credit your timber account, estimate your timber income before and after taxes, or apply a depletion allowance. Also, retain your ownership records for the timber. You can estimate your original investment in your trees or “basis” with this information. How you obtained the timber, whether gifted to you, purchased or inherited will determine your original basis. When conducting a timber sale, you must update your original basis or investment in your property and timber. According to the IRS, your timber is a capital asset, capable of producing income in the long term. Capital assets are taxed as capital gains at a lower rate than ordinary income.
Although a professional forester is knowledgeable of most tax considerations, be familiar with the following:

- If you qualify for capital gains.
- The type of sale you are conducting: Sealed bid or lump sum sales, contract logging/delivered sale, pay-as-cut sale, negotiated or shared sale.
- Holding period: This is the amount of time the timber has belonged to you.
- Timber basis: Amount paid to obtain the timber.
- Total cost of the sale.
- Proper tax reporting practices.

**SUMMARY**

Remember, your timber and your property are your responsibility. Being a knowledgeable landowner can help you conduct the sale according to **your values**. Forest owners selling timber are in the timber business and should recognize the intricacies of the sale process. Timber, unlike other commodities, is usually sold once or twice within an owner’s lifetime. Having a professional forester administer the sale, using a written contract, and knowing the tax implications helps ensure a successful and profitable timber sale.

**RESOURCES**

**Websites**

All of the bolded websites are clickable. Please browse these sites and documents for more information.

Tennessee Forestry Association (TFA)

[tnforestry.com](tnforestry.com)

TFA is an organization representing forest landowners, loggers, forest industry and foresters. This site is an overall good information source.

TFA Log-On Before You Log

[tnforestry.com/Log-On_Before_You_Log](tnforestry.com/Log-On_Before_You_Log)

This specific page on the TFA website is useful browsing for understanding marketing timber and best management practices as well as working with natural resource professionals.

TFA Landowner Page

[tnforestry.com/Landowners](tnforestry.com/Landowners)

This specific page on the TFA website provides information for forest landowners.

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**Fact!**

Non-industrial private forest (NIPF) landowners make up 8.4 percent of the state’s population. There are 534,000 NIPF landowners out of the 6,346,105 people in Tennessee.

National Association of State Foresters

US Forest Service 2015

US Forest Service 2016
Tennessee Master Logger Searchable Database

tennessee.gov/files/1131/masterloggerdb.cfm
Identifies loggers who have been trained in the Tennessee Master Logger Program.

Timber Tax

timbertax.org
The above website is a great resource for tax questions concerning timber.

Examples of timber sales with Tennessee Division of Forestry

tn.gov/agriculture/article/ag-forests-timber-sales

Tennessee Division of Forestry Forester Contacts
tennessee.gov/agriculture/article/ag-forests-staff

UT Extension Publications for more information

extension.tennessee.edu/publications/Pages/default.aspx
Recommended publications to include in your search are listed at the end of the publication.

Consulting Foresters in Your Area
tn.gov/assets/entities/agriculture/attachments/AgForCfdirectory.pdf

UT Extension publication on Timber Theft

extension.tennessee.edu/publications/Documents/SP595.pdf

YouTube Videos

UTIA Department of Forestry, Wildlife and Fisheries

tyoutube.com/channel/UC5RtnuedsQ9uu9LyRjWLnmw

Tennessee Division of Forestry Introduction’s to Forestry Best Management Practices

youtube.com/watch?v=CSUWF-4ja7A

A Landowner’s Guide to Working with Foresters

youtube.com/watch?v=2sagBhSWm1Q

Understanding and Arranging a Timber Sale: Guidance for Private Woodland Owners

youtube.com/watch?v=CK_ZwGuRu5I
Forest Landowners Tax Council YouTube Channel
youtube.com/channel/UCcVf4pGiyI71Nx53x1CcCVQ
This website is a collection of timber tax videos provided by the Forest Landowners Tax Council.

Learn About Your Land-Timber Sale Series Session 2
youtube.com/watch?v=17YWmGVo3-A

Recommended Publications


If this is a downloaded PDF, the title for YouTube is clickable. The YouTube title will transfer you to the University of Tennessee Institute of Agriculture (UTIA) Department of Forestry, Wildlife and Fisheries, where educational videos are posted.
Programs in agriculture and natural resources, 4-H youth development, family and consumer sciences, and resource development. University of Tennessee Institute of Agriculture, U.S. Department of Agriculture and county governments cooperating. UT Extension provides equal opportunities in programs and employment.