



Renewable Resource Notes

What Factors Affect Stumpage Prices in Tennessee? *A buyer's point of view*

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Timber prices and pricing for stumpage or standing timber may confuse Tennessee landowners. If stumpage prices for adjoining forest stands differ significantly, a landowner may assume that the timber bid is unfair and not ethically derived. This is usually not true.

A timber buyer must consider many factors when evaluating timber. A buyer observes the accessibility of the property, as well as the soils and drainage patterns of the tract. The quality and volume of the timber must also be appraised. From these factors and others, a value is set that reflects existing market conditions, logging costs, profit margin and timber value. Each buyer establishes his/her own point of view. Hopefully, the final transaction price will be set by the buyer offering the highest price.

On the back is a chart that summarizes some of the positive and negative aspects of woodlot factors affecting stumpage prices in Tennessee. Remember — the chart is written primarily from a buyer's point of view. Read closely and see the circumstances that may either increase or decrease the value of your standing timber. Understanding these factors will allow you to better evaluate the bids you receive for your tree products.

**WHAT FACTORS AFFECT STUMPAGE PRICES IN TENNESSEE?
A buyer's point of view**

FACTOR	POSITIVE	NEGATIVE
Timber Size	Large trees are more profitable to cut, log and process in mills.	It takes the same amount of work to cut and load a small tree but the logger is paid less for it. Trees with large branches close to the ground, less than 10" tall, are of little value.
Quality	Tall, straight timber with few limbs and knots (at least 17" to the first big limb or knot).	Defects such as fire scars, disease cankers and hollow lower the value greatly.
Volume/acre	Large trees growing close together are more economical to log.	Small trees or large scattered trees are much more costly to harvest.
Tract Access	All weather roads into tract; few gaps to open and close; full weight limit roads and bridges.	The requirement to build a logging road to gain access, or the presence of narrow, winding roads and steep slopes.
Ground conditions	Well drained, gentle slopes, few rocks and brush.	Wet stands may only be logged during dry conditions; poor conditions increase cutting time allowance.
Property boundaries	Marked lines or timber marked.	Unmarked property lines may result in lawsuits.
Fences and gates	Gates provide access; fenced woodlots may not have been grazed by livestock.	Restrict logger's mobility and create liability if damaged; heavily grazed woodlots may have timber with hidden defects.
Sale Agreement	Sealed bids generally bring higher values than oral bids.	Sales by unit usually bring lower prices than lump sum sales but may be necessary for tax purposes.
Time of Year	Late fall may show increased prices as mills increase log inventory going into winter. Logs decay slower during cool and wet season, thus increasing storage time.	Logging in mid-winter may be difficult due to wet site conditions.
Harvesting System	Clearcuts are most economical for logger.	Selected tree harvests require logger to avoid damaging remaining trees.
Special Equipment	Specialized loggers may pay better prices because of more efficient equipment designed to handle special trees, i.e. very small or very large.	Mule or horse logging lowers stumpage price and does not guarantee less damage to the remaining timber although it does create less ground disturbance.
Reputation of Landowner	Friendly, good natured people get better stumpage prices.	Chronic complainers will receive lower value for their timber or not be able to sell except to a disreputable buyer.
Market Conditions	If manufactured product markets are good, stumpage prices will increase.	Excess wood in mill inventories may lower stumpage price.
Regeneration Plan	A reputable buyer will coordinate harvesting with a regeneration plan.	The worst time to plan regeneration is after the sales agreement has been made.

A knowledge of the factors affecting stumpage prices is required of responsible sellers. Competition sealed bidding where reliable volume estimates have been made usually generate the highest stumpage prices. It is good business to establish the conditions of the sale through a legal document called a timber sale contract.