

## TIMBER SELLERS QUIZ

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The phone rings or there is a knock on the door. A man identifies himself as a timber buyer/logger who is working nearby and has noticed that you have some nice timber. He has taken the liberty of walking your woods. He asks: "Would you accept \$10,000 for your timber?" Ten thousand dollars! Wow, I didn't think it was worth anything. Ten thousand dollars right out of the blue. What a lucky day!

Before you get too excited, slow down and ask yourself a few questions. Be completely honest, and if you answer any of these questions with, "I don't know," the deal is likely to bring less money than is potentially possible. One "I don't know" answer means you should seek more information. To maintain control of the sale of timber and how the timber might be harvested, the services of a professional forester are recommended.

1. How many trees will be cut?  
Don't know \_\_\_\_\_ 20 \_\_\_\_\_ 200 \_\_\_\_\_ 2000 \_\_\_\_\_
2. How many board feet will be cut?  
Don't know \_\_\_\_\_ What is a board foot? \_\_\_\_\_ 10,000 \_\_\_\_\_ 100,000 \_\_\_\_\_
3. How much is my timber really worth?  
Don't know \_\_\_\_\_ \$10,000 \_\_\_\_\_ More than \$10,000 \_\_\_\_\_
4. How and when will I get paid for the timber?  
Don't know \_\_\_\_\_ Before timber is cut \_\_\_\_\_ As timber is cut \_\_\_\_\_  
After timber is cut \_\_\_\_\_ Maybe never \_\_\_\_\_
5. Will they remove the lower-valued hickory, elm, locust, beech, red maple, etc., or will they only take the higher-valued oaks, walnut, and yellow-poplar?  
Don't know \_\_\_\_\_ Everything marketable \_\_\_\_\_ High quality only \_\_\_\_\_
6. He said they would not ruin the woods by only cutting trees 15 inches and larger. Fifteen inches measured where?  
Don't know \_\_\_\_\_ Ground level \_\_\_\_\_ Breast high \_\_\_\_\_ Top of butt log \_\_\_\_\_
7. If the logger or one of his crew members is injured or killed, who is responsible?  
Don't know \_\_\_\_\_ My liability insurance \_\_\_\_\_ His insurance company \_\_\_\_\_
8. Does the logger and crew have insurance? Are they covered by Workman's Compensation?  
Don't know \_\_\_\_\_ No insurance \_\_\_\_\_  
They supplied written proof of insurance \_\_\_\_\_
9. Who fixes the rutted roads, farm lanes, ruined fences or pulls tree tops back out of the crop fields, pastures and/or creeks?  
Don't know \_\_\_\_\_ Logger does after sale \_\_\_\_\_  
Security deposit to cover such damages \_\_\_\_\_

10. If the logger says he will do all of the above, will he let me hold a security deposit to insure my property will not sustain excessive damage?  
Don't know \_\_\_\_\_ No written arrangements \_\_\_\_\_
11. How long will they be on my land? (And have a right to cut timber.)  
Don't know \_\_\_\_\_ 1 month \_\_\_\_\_ 1 year \_\_\_\_\_  
Assumed it would be immediately \_\_\_\_\_
12. Is the money I receive from my timber sale taxable?  
Don't know \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Maybe \_\_\_\_\_

Assuming you answered "I don't know" to one or more questions, you should find the following information very valuable. The use of a professional forester can be a real bargain and asset.

Based on the answers to questions 1-5, trees should be marked by a professional. Each saleable tree (mature, overmature, damaged/defective) is measured and tallied for diameter and merchantable log lengths by species and grade and paint-marked on the trunk and the stump. By marking trees, the forester controls the sale and sells the trees which have reason to be harvested, as opposed to the logger taking what he wants and often leaving all the poorer quality trees. After marking the trees to be sold, the forester tallies the board-foot volume in the marked trees by species and grade. With this information the forester can make a very accurate evaluation of sale value. The marked timber is usually then sold by sealed bids to the highest bidder. There are many good timber buyers/loggers who are interested in buying timber at a fair market value and performing a good job of logging. By knowing the value of your saleable timber and having a good timber sale contract, chances are good that your timber sale will be a positive experience.

Always get your full payment prior to allowing any harvesting (question 4). Selling timber on shares or percentage, which is always a cut now, pay later situation is not recommended. Always know the true and fair value of your timber prior to selling.

Most timber is measured at breast height (dbh) or 4.5 feet above the ground (question 6). However, some loggers may mean 15 inches measured at ground level. Since all trees flare out at ground level, the diameter measurement is lower at dbh, and thus smaller diameter trees can be harvested. Woodlots are practically clearcut when loggers cut the small trees at ground level where the stump is largest. A diameter limit cut is very rarely used by professional foresters because it usually results in "high grading" or cutting only the best timber. A low (example 15") diameter limit may also jeopardize future high quality and high value growing stock trees.

Questions 7 and 8 can be covered by a Certificate of Insurance from the logger or by a good timber sale contract. A forester will have a good contract protecting both the seller and buyer. Selling timber on shares using only the logger's contract or a verbal agreement can put you, the landowner, at great financial and liability risk.

Questions 9 through 11 are part of the timber sale contract. A security or damage deposit is often used to insure access roads, fences, cropfields and pastures are left in original condition after the logging is complete. If the logger completes the work properly as most will when a good timber sale contract is used, the security/damage deposit is refunded to the logger.

Question 12 refers to an often overlooked situation. Since producing timber is a long-term investment, the IRS allows timber volumes to be "depleted" as timber is harvested from the property. The amount calculated to be the value of the timber when you purchased the property is known as the "timber cost

basis.” A professional consulting forester can establish through an inventory procedure, your personal “timber cost basis.” You are then entitled to subtract the value of any timber sales sold from the timber cost basis until it is entirely depleted. The term “depletion allowance” is used to describe this calculation. Taxes on your timber sale proceeds are charged on the revenue that exceeds the balance in the depletion account. Consulting a professional forester and a qualified accountant will help you assess your tax situation.

If you took the quiz, please look at your answers again! Do you still feel comfortable taking the first offer for your timber? Contact a professional forester to help you sell your timber and obtain the best dollar value for your timber. The dollar value of their services is likely to exceed many times the amount of their fees. Be informed and ask questions. Your trees and your land are your responsibility. Make sure that you are informed about all the aspects of selling timber.

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