

PLANNING TO SELL YOUR TIMBER?

It is risky to sell timber without having a good idea of its value and the current market conditions. Do what successful owners do – sell your timber using a registered forester! Selling timber is like trading stocks and bonds. Seek sound professional advice and assistance from Timberlands Unlimited to know when and how to sell.

Be informed.

- Timber is often sold once in a lifetime.
- Timber prices depend on species, size, quality, local markets and other factors.
- Timber harvesting affects the future of your land, as well as the condition of water, wildlife, aesthetics and adjoining timber stands.
- Timber harvesting laws and regulations must be addressed to avoid problems.
- Tax laws on timber sales can be complex, and a forester can help explain them.
- It is important to plan for reforestation. Financial help may be available for this.

IS IT TIME TO SELL?

Timing is everything: when is the best time to sell?

When and how you sell your timber can greatly influence your overall financial plans, the cost of regeneration and other management objectives. You would never sell bonds before they mature or sell stocks when the market is down. In the same way, selling timber requires an understanding of the local markets and of the quality and quantities of your stand of timber. Timberlands Unlimited has a proven record of generating greater returns for landowners – whether you manage for wildlife, water, aesthetics, timber, economic or all of the above.

When selling timber, follow these steps:

- Talk with a Timberlands Unlimited forester.
- Sell when your timber is mature, the local market is good and to fulfill your economic needs.
- Plan your harvest with reforestation in mind.
- Maintain records to minimize your tax burden.

WHAT ARE THE LOCAL MARKETS LIKE?

Stumpage is the price paid to a landowner for the right to harvest trees from the owner's timberland subject to certain terms or conditions of sale. Stumpage can vary dramatically across local wood basins based on many factors.

WHAT FACTORS AFFECT TIMBER VALUES?

Species, tree quality and size, product type, acreage, location, site conditions, markets and contract provisions all affect the price paid for standing timber.

Species. In the Southeast, most pine timber brings higher stumpage prices than mixed hardwoods. High-quality white oak, red oak, sweetgum, maple, cypress and yellow poplar can bring premium prices. Species price varies widely with location and with changing market demand.

Quality and size. Large, sound trees with clear logs (logs without knots or branches) that could be used for lumber, veneer or export products generally bring the highest prices. Some mills prefer smaller diameter trees to saw lumber (framing) and make chips for pulp. Quality also determines if timber can move into other products and gain value.

Product type. Major products that can be produced from pine trees include pulpwood, chip-n-saw, sawlogs and veneer logs (also known as plylogs). Major products produced from hardwood trees include pulpwood, sawlogs and veneer logs (also known as grade or export logs). Each of these products must meet certain requirements and each varies in value based on the product, tree quality and market needs.

Acreage and volume. Logging operations require high capital investments in equipment. Low volumes of timber on small acreages usually cannot be logged profitably by highly mechanized and efficient contractors, so the relative stumpage values generally increase with both volume and acreage. Acreage and volume become less of a concern as tree quality (grade) increases.

Location. The distance to the mill, accessibility to good roads and ease of logging are important factors affecting the price paid for stumpage.

Most logging contractors would like all of their operations to be clear-cuts, located beside paved roads, near mills, on well-drained soils and without contractual restrictions, simply because these conditions reduce logging costs.

Consequently, when logging conditions are more difficult and the distance to the mill is greater, the price that the buyer is willing to pay for stumpage will be lower.

Competitive markets. Competitive bidding by timber buyers in the local area tends to assure that fair market value for timber is offered. A buyer, whose sole purpose is to avoid competition, often offers the unsolicited bid. The number of bidders and their interest in a sale can be influenced by advertising, which contributes to competition and positively affects the price paid. Some situations involving specialized products, unusual harvesting conditions, poor timber quality or poor markets may be better handled by negotiating with a single appropriate buyer.

Contract provisions. Restrictions placed upon the harvest of timber can protect the site, the residual trees, and the landowner, but they may reduce the price paid for stumpage. Contract provisions that address important considerations should be included in a timber sale contract or deed.



WHEN ARE MY TREES READY TO HARVEST?

Woodland owners harvest trees for financial and personal reasons. Deciding when is the optimal time harvest is difficult for most woodland owners. However, this important decision strongly dictates future condition, growth and composition of the next stand of trees and, ultimately, your bottom line.

Volume Growth of Trees. A tree has a fairly predictable volume growth rate. We can track how much wood a tree adds over a given time period. After several decades of vigorous development, growth rates slow, level out and eventually decline with increasing age. Even after the growth rate levels out, there is often volume growth still occurring. However, the rate of volume growth slows to the point where the market value of next year's growth falls below the rate of an alternative investment. For example, in the coastal plain of North Carolina, the biological growth rate of a loblolly pine peaks at roughly 28 – 38 years, depending on per acre stand characteristics and site conditions.

Value Growth of Trees. The value of a tree is influenced not only by biological growth rate but also by species, quality standards and available markets. Maximizing the value of trees often requires patience (while enjoying your forest) until your timber achieves the desired product class, such as sawtimber, chip-n-saw or veneer. As higher product classes are reached, volume growth rates start to decline, lessening next year's value growth. As the trees' value growth falls below an acceptable rate, the trees are considered to be financially mature and, in economic terms, ready for harvest. At this point, you will need to decide if it is time to thin or harvest the trees.

SUMMARY

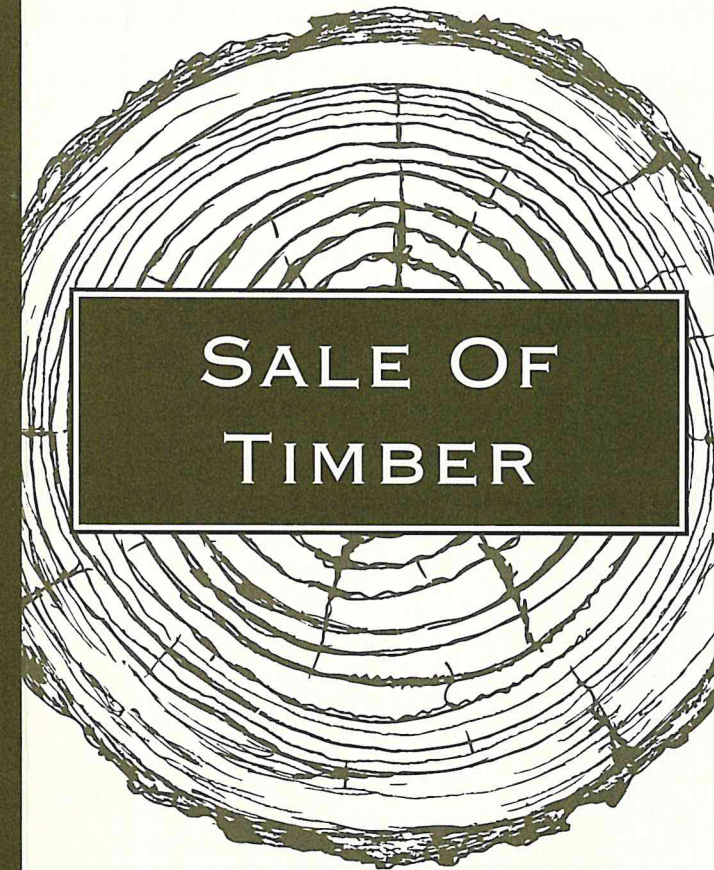
A landowner need not sell timber frequently to sell it successfully, but selling timber still can be a mysterious and complex process. Learning from experience can be very expensive when it comes to timber sales, many of which are once-or twice-in-a-lifetime occurrences. Years of growth and value are accumulated in a mature timber stand, and the combined annual income from all those years is frequently marketed in a single transaction. When and how you sell your timber can influence how much money you make, your overall financial plans, the cost of forest regeneration and other management objectives.

Too much is at stake for you to sell your own timber. Get professional help from Timberlands Unlimited. A Timberlands registered forester can make and save you money:

- By determining the maturity, value and demand for your timber.
- By advising you on selling forest products, applying for reforestation cost sharing and minimizing taxes.
- By handling legal and regulatory issues, reforestation planning and water quality concerns.
- By making long-term management plans.
- By increasing your overall economic return.



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