

Woodland News

TAKING THE GUESSWORK OUT OF SELLING TIMBER: USING THE COMPETITIVE BID ADVANTAGE

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If you're like most woodlot owners who decide to harvest timber, you usually sell stumpage — standing timber — or market your cut logs roadside to a log buyer, timber harvester, or sawmill owner.

Some landowners shop around, others take the first offer that comes down the pike. Since most forest landowners are not professionals at marketing timber, you may come out a loser in the deal without help from an expert.

In Pennsylvania, less than 25 percent of all timber sales on private, non-industrial woodlands involve the service of a professional forester. However, repeated studies have shown that forester-assisted timber sales net a greater return for the landowner and more than cover the cost of hiring a professional forester. Three-quarters of all sales that involve a forester require an up-front *lump sum* payment to the seller before harvesting begins as opposed to a *pay-as-you-cut* method.

Moreover, competitive bidding procedures are used on forester-assisted sales, which usually result in higher returns to the landowner. Sound forest management usually results in a more productive forest and continued income-producing potential from future growing stock. A competitive bid sale allows the landowner or forester more control over harvesting activities and the flexibility to implement practices that reflect the principles of forest stewardship.

Sale Specifics:

- size of the sale (acreage and map)
- number of stands or cutting units
- timber and boundary marking system
- road construction
- seeding and mulching log landings
- silvicultural methods (i.e. clearcut vs. individual tree selection)
- dates and time limit for carrying out the harvesting
- protection of special features (biological and archaeological)
- stump height requirements
- top lopping specifications
- slash treatment
- stream crossings details

Volume Calculations:

- sawtimber and pulpwood volumes (by species, stand or cutting unit)
- number of trees
- average volume (per acre or per tree)
- log scale
- site index

Even if each tree has been tallied, volumes are not guaranteed and the bidder makes his or her own estimate of the merchantable volume. Generally, volume adjustments are not made, but this depends on the individual sale.

Contract Execution:

- contract
- Certificate of Worker's Compensation
- penalties for contract violations
- general liability insurance
- payment schedule

An acceptable performance and completion bond of 5-10 percent is usually required within 30 days of awarding the contract.

If you're a first time timber seller, you may have some questions about where to begin. For instance, how do you go about marketing timber on the stump? Do you sell timber like you sell livestock or tobacco? What goes on when a timber sale is put up for bids?

The first step in selling timber on a competitive bid basis is to send out a request to potential buyers to submit written, sealed bids on a particular tract of timber and an invitation to a timber showing. A *prospectus* that includes a timber sale map, timber sale volume estimate, and a bid form should be enclosed with the invitation letter. In addition to volume estimates and calculations, the contract requirements and sale specifications should be included in the prospectus.

Although not all foresters include the same information in their prospectus, some of the items you should expect to see in a prospectus are:



Landowners consult with professional forester about prospective timber sale.

Recently, I had the chance to follow a timber sale and observe one small step in the entire process of marketing timber — the timber showing. On this particular sale, the forester mailed 80 invitations and about a dozen people showed up for the tour of the sale area. An assortment of loggers, industrial foresters, timber buyers, and sawmill owners posted for the showing. After a brief introduction, the forester in charge of the sale read over the prospectus, discussed some of the specifics of the sale and answered questions.

Interested bidders drove out to the proposed sale location where the forester discussed landing location, access, gravel for road-building, culverts, and other erosion and sedimentation concerns. The forester then took the group into the woods and discussed the nuts and bolts of the sale: timber sale and property boundaries, cutting requirements, buffer strips to protect stream channels, location of main haul road and major skid trails. In some cases, the forester has the main skid trail flagged before the sale, other times the logger and forester work out the details once the contract is awarded. On this particular sale, one-tenth of the trees marked for removal had been scaled as *check-trees* and their volume was specified on an attached check tree sheet. Loggers were encouraged to estimate their volumes and compare them to the volumes determined by the forester.

After a tour of the proposed sale, the group returned to a roadside location for questions and last minute instructions for submitting the bids. The deadline for sealed bids with a 10 percent deposit was set for 10 business days from the showing. Of the dozen potential buyers that attended the timber showing, five submitted bids before the deadline. Two additional bids came in late and were not accepted. The bids were opened on the deadline date and, in this case, the highest bid came from a very reputable logging operator who won the sale. In most cases, the forester is not required to accept the highest bid and weighs a variety of factors before awarding the sale including, the reputation of the timber harvester and his or her ability to meet the contract specifications.

In this particular sale, the winning bid was \$62,300. The next highest bid was \$42,000 — a difference of more than \$20,000! Most consulting foresters charge 15 percent of the sale price — in this sale, about \$9,345. Without the competitive bid process, the landowner might have sold his timber for \$42,000 or less — would you spend \$9,345 to make \$20,300? If you are considering selling timber, it is in your best interest to take advantage of the competitive bid process and use the services of a professional forester to assure wise forest stewardship of your natural resources.

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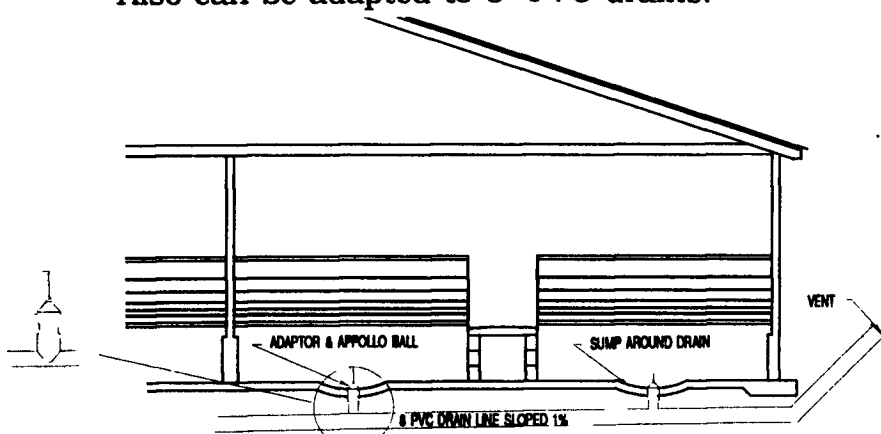
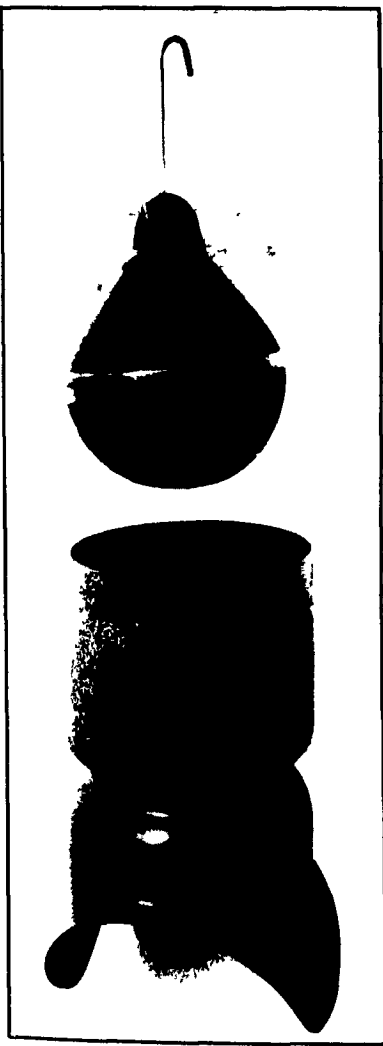
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