

FACT SHEET

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STEPS TO PROFITABLE TIMBER MARKETING

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In recent years the sale of standing timber, or stumpage, has become big business in Texas. For this reason, Texas tree farmers who use good timber marketing practices are receiving more income from their timber sales.

Timberland is most profitable for tree farmers when it is kept in continuous, full production of the highest value tree species the land is capable of supporting. In many cases, thinnings are necessary to increase the growth rate and value of the timber stand. Proper timber thinning also makes more food and cover available for wildlife, and increases game populations.

In the marketing process, timber should be treated as a bank account. Just as some funds should be left in an account to produce interest, some timber should be left uncut to produce additional wood. The uncut trees also will reseed new trees, so the timber growing process is continuous. If too much timber is cut at one time, there are few desirable trees left for reforesting the land. After heavy cutting, reforestation usually occurs from undesirable timber trees.

What Timber is Most Profitable?

An average acre of land will sustain about 3 tons of plant growth each year. A guide to the relative value of various types of vegetation is:

1. In the absence of marketable timber, scrub hardwood and brush will cover the ground at about 3 tons per acre per year, but this vegetation has no monetary value.

2. Three tons of poor quality hardwood trees, 8 inches or more in diameter at breast height (d.b.h.), or 4½ feet above ground, will earn about \$2.10 per acre each year in hardwood pulpwood.

3. Three tons of pine trees 6 to 10 inches d.b.h. will earn about \$6.00 per acre per year in pulpwood timber.

4. Three tons of sound hardwood trees 14 inches or more d.b.h. will produce about \$9.00 per acre each year in sawlog and railroad crosstie timber.

5. Three tons of pine trees 10 inches or more d.b.h. will produce about \$30.00 per acre each year in plywood and sawlog timber.

Thus, the most profit will be made from fully stocked pine timber stands that are 10 inches or larger in diameter. (The average prices quoted here are relative and subject to changes in economic conditions.)

All open areas in the forest should be reseeded immediately or planted with seedlings of high value tree species so no growing time is lost. If open areas are not put back into production, they will begin growing tons of worthless hardwood brush.

What Size Tract is Profitable?

How much land does one need before he can sell timber? Almost any size tract, from just a couple of acres to several thousand or more, can be profitable. Small, 2- or 3-acre tracts of large timber near processing mills, and small pulpwood stands which can be logged in wet weather, are in high demand. Generally, however, the more timber offered for sale the higher the price paid.

Usually 2 to 3 cords per acre of pulpwood is a minimal timber harvest operation. In the case of sawtimber, about 1,000 board feet per acre is the smallest cut which will interest timber buyers. Because the cost of moving logging equipment to timber sites is high, loggers must be able to harvest enough timber to justify the expense.

What's the best time to sell timber? Since timber price is directly related to the selling price of lumber, plywood, paper and other wood products, the best time to sell timber is when wood products prices are high. Demand for timber may be highest during the winter months, especially if nearby areas are easily logged in wet weather. On the other hand, sawtimber may be highest in the spring following the annual upswing of residential construction.

Frequent checks with timber buyers and forest industry personnel will provide owners with an understanding of timber price trends. If the price

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is falling or low, owners should postpone timber sales until the price improves. Storing timber on the stump is a decided advantage to Texas tree farmers.

When one is ready to sell timber he needs to know its approximate value. There are many private consulting foresters in the East Texas area who are in business to represent timber owners in the marketing process. These foresters help owners find the best ways to market individual timber products, get the best price for their products and protect future timberland productivity.

Four Steps to Timber Marketing

There are four steps to profitable timber marketing.

The *first step* is to mark and estimate the timber by the products it will yield. Individual trees are marked with two spots of tree paint — one at the ground line to make sure only marked trees are cut, and the other at eye level so timber cutters can easily find the marked trees.

Most East Texas timber stands are marked for improvement cuttings. The purpose of this method is to remove the crooked, forked, diseased, crowded or undesirable trees in older stands. Only enough good quality trees are marked to provide adequate timber sale volume.

Depending on the age and condition of the timber stand, about one-third to one-half of the total volume generally is marked for harvest. Removing this amount usually will provide enough additional space to accelerate the growth rate of remaining trees. At the same time, adequate timber volume is left on the tract to provide reasonable annual timber growth and future income.

Each marked tree is tallied by its general category (pine or hardwood), its size and the products it will yield (pulpwood, crossties, sawtimber, poles, veneer, etc.). In the case of high value hardwoods like walnut, individual tree species may be tallied.

After trees are marked and tallied, the volume of various timber products is determined so that owners know what they have to sell. This information will be used to establish timber price(s), certain sale contract considerations, and a basis for determining the amount of timber depletion allowance on Federal income tax. The use of the timber depletion allowance may mean substantial tax savings for owners.

Timber depletion, in its simplest form, is the original timber purchase price with adjustments for any later additions or deductions of capital. If all the timber is sold, all the original cost of the timber can be taken as depletion or subtracted from taxable income. If only a portion of the timber is

sold, depletion must be prorated between the cost and the amount of timber volume sold. For this reason, timber owners must know the amount of timber sold.

The *second step* is to sell the timber for the highest value products first. If a grower has pine timber to sell, normally the poles would be sold first, followed by sawtimber and pulpwood. If the timber is hardwood, the veneer would be sold first, then the sawtimber and finally the pulpwood. There must be sufficient volume of each product to interest a buyer; if there are only a few trees of a product, for example poles, they may have to be sold as a lesser-valued product such as sawtimber or pulpwood.

One timber buyer often will take all the products. This is a good approach if the buyer purchases and pays for the timber as separate products. Such purchases should be reflected in the total price offered for the timber.

The *third step* is to offer the timber to several buyers on a bid basis. Sale notice information should be sent to buyers, and sealed bids requested. This approach assures competition and a fair market price for the owner. The timber can be offered to individual product buyers or to integrated firms able to utilize all products.

Although it is preferable to receive several bids on timber, a single bid may represent a fair price and should not be rejected simply because only one bid was received.

The *fourth step* is to sell timber only by use of a written sale agreement. A lawyer familiar with timber transactions should be employed for this purpose. Formal written contracts should be prepared for both the timber seller's and buyer's protection, and should contain:

1. Guaranteed timber title.
2. Provision that only marked trees will be cut and a penalty will be paid for cutting unmarked trees. Generally the penalty is at least twice the stumpage rate.
3. The completion date for timber cutting, which is usually 12 months but may be longer for large tracts.
4. Provision for repair to damaged improvements such as fences, gates, gaps, drainage ditches or buildings.
5. Statement of the buyer's responsibility for forest fire damage on the seller's and adjacent property resulting from logging operations.

Using these four steps to profitable timber marketing will give landowners certain contractual protections and help guarantee the future productivity of their timberland. Timber owners will profit by employing the services of consulting foresters. These men are available for hire to provide owners with expert help in making timber sales.

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