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We Provide Forest Landowners.

- Real Estate Land Brokerage
- Forest Management
- Timber sales
- Timber Appraisals
- Land Appraisals
- GIS Mapping
- Tract Inspections
- Reforestation
- Timber Trespass Appraisals
- Expert Witness Testimony
- Boundary Painting
- Harvest Scheduling

"A pamphlet to help answer Timber sale questions"

Brought to you by:



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FREQUENTLY ASKED QUESTIONS ABOUT TIMBER SALES

PURPOSE

The number one question landowners have when considering using a Forestry Consultant to perform their timber sale is **"Will hiring a consultant be worth the money?"** Surely, I could sell the timber myself and save the commission fees, right? To answer these questions we've researched the scholarly publications and our own records. We will present to you the evidence from the experts (publications which you can lookup for yourself) as well as our own internal evidence to show you that it is definitely worth it for a landowner to use a Forestry Consultant to execute their timber sale.

WHAT DO THE EXPERTS SAY ABOUT USING A FORESTRY CONSULTANT

An article in the 2016 edition of "The Consultant" titled "The Value of a Consulting Forester" by Greg Conner & Joe Clark studied over 15,000 timber sales from 2010-2015 to determine what effect forestry consultants had on timber sales. Some of the results are summarized below, but a full copy of the report can be found at <http://www.theforestpro.com/wp-content/uploads/2018/07/ValueConsultingForester2016.pdf>.

- On per-unit sealed bid sales on tracts greater than 50 acres, consultant involvement brought 11% higher prices for pine pulpwood, and 17% higher prices for chip-n-saw. On tracts less than 50 acres, consultant sales brought 21% higher prices for pine pulpwood, and 26% higher prices for chip-n-saw.
- On Lump Sum Sales;
 - ◊ A consistent pattern of higher total bid sales was observed when a consultant is involved. On average, sales that included a consultant from 2010-2015 brought a total bid that was **17%** higher.
 - ◊ On <25-acre sales, consultant involvement increases the average total bid over sales that do not involve a consultant by a 51%.



An article in the Winter 1995 edition of "The Consultant" titled "Do Consultants Really Generate Higher Timber Prices?" by Ian Munn & E. Carlyle Franklin which can be found at <http://www.theforestpro.com/wp-content/uploads/2018/08/ACFMunnArticleForestryConsultantsHigherPrices.pdf> had the following summarized finds:

- Per Acre prices for consultant sales were 78% greater than non-consultant sales.
- Consultants increased sale prices above and beyond the price increase generated by sealed-bid auctions.
- Returns in hiring a consultant averaged 20% higher, the **net result is the landowner receives more money.**
- Sales prices increased by an average of \$89/ac when sold by sealed bid auction. There was an additional increase of \$78/ac, on average, when a consultant was used.
- Other benefits include; locating boundary lines, establishing appropriate buffer strips, provide reasonably accurate volume estimates, harvest supervision and contract enforcement. These extra benefits accrue to the landowner at no additional cost.



An article in the August 1994 edition of "Forest Science" titled "The

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TIMBER SALES

Role of Consultants in Private Timber Sales?" by Ian Munn & Randal R. Rucker summarized:

- Consultants have positive and significant effects on timber prices.

FOREST PRO TIMBER SALE RESULTS

In 2018 we sat down and examined our own internal results from the last 14 years worth of lump-sum, clear-cut timber sales. Over this time period we have conducted 104 of these type sales with a gross stumpage value of \$14,665,696. This averages out to be \$1,047,550 per year. The results of our analysis showed the difference between the high bidder and the next closest (2nd) bid averaged 15.4%, with the lowest bid averaging nearly half (53%) of the highest bid. **These results show that it can cost you dearly, if you don't advertise your sale to all the interested timber buyers in your area.** Our average sale size over this period was 84.4 acres in size (Range 12.8ac-462.7ac) and the average price per acre received was \$1,669 per acre (Range \$251-\$5,476). Here are just a few examples of bids received on recent timber sales.

Sale ID: 46827 Acreage: 68
County: Smith

Bidder 1	\$286,450
Bidder 2	\$253,780
Bidder 3	\$248,350
Bidder 4	\$237,083
Bidder 5	\$227,981
Bidder 6	\$221,486
Bidder 7	\$217,992
Bidder 8	\$180,505
Bidder 9	\$163,000

Sale ID: 46633 Acreage: 112
County: Jefferson Davis

Bidder 1	\$413,747
Bidder 2	\$285,285
Bidder 3	\$275,950
Bidder 4	\$272,500
Bidder 5	\$247,810
Bidder 6	\$245,000

Sale ID: 46662 Acreage: 149
County: Lawrence

Bidder 1	\$293,000
Bidder 2	\$289,998
Bidder 3	\$251,321
Bidder 4	\$243,000
Bidder 5	\$180,550

Sale ID: 42431 Acreage: 433
County: Covington

Bidder 1	\$616,273
Bidder 2	\$585,858
Bidder 3	\$561,449
Bidder 4	\$547,891
Bidder 5	\$512,000
Bidder 6	\$475,251
Bidder 7	\$473,181
Bidder 8	\$417,681
Bidder 9	\$389,728

Methods of bidding & payment from a timber sale.

1. **Lump Sum** - Bids are received based on the total amount a buyer will pay for a tract of timber. Payment is made in advance of harvest and is conveyed by Warranty Timber Deed. This is the preferred method of sale for highly desirable tracts with multiple products.
2. **Per Unit** - Bids are received based on what the buyer will pay for each timber product by unit (ton, cord, MBF, etc.). Payment is made usually within two weeks after the timber is delivered to the mill. The instrument used to convey the timber is by Timber Sale Contract. This method of sale is used on less desirable tracts, tracts with few product separations, or when some flexibility is needed in during the harvest to meet the landowners objectives. A variation of this method is a "Per Unit with Advance" in which the buyer advances money based on a certain percentage of the estimated total harvest.
3. **Composite**- This method is a combination of both the above mentioned methods. Bids are received on the total price per unit by species. (i.e. total \$/ton for pine or hardwood). This type of sale requires a lengthy contract and a high degree of supervision. While common in Georgia and North Florida this method is not commonly used in Mississippi.

Each of these methods has advantages and disadvantages. Which method is best is determined by the unique characteristics of each tract.

"Do's" & "Don'ts" from the Article "Confessions of a Timber Buyer" by Carroll Gambrell

Don'ts

- Don't try to "horse-trade" with an expert. You have the horse, but he knows more about it than you do.
- Don't try to make the buyer believe that you are an expert. He will see right through you.
- Don't price your timber to him unless you have a firm idea of its value. In fact, as a seller, I wouldn't price it in any case because there is a much better way to sell it.
- Don't ever think that all buyers can pay about the same price. No one "fixes" prices for timber. Price is solely at the mercy of the laws of supply and demand.
- Don't expect to get the highest price by shopping around. Buyers do resent that, and not one in his right mind will ever make his absolute top offer in that manner. He will always hold back at first in case he has to go up later.
- Don't use an auction over a sealed bid because all buyers know what others are doing, and the high man has to be only slightly higher than the second man.

Do's

- Understand that even though the buyer may be an honorable man, he is under no obligation to look after your interests ahead of his own.
- Get an independent professional to help you. The buyers will not resent it. In fact, they may even welcome the idea, because they know then that some business will be done and that they won't be wasting their time.
- Understand that timber brings the highest price when buyers are all competing under the same conditions. Each is submitting one sealed bid, and all buyers bids will be opened at the same time by a seller who knows what he's doing.
- You want buyers in a mood to see how high they can go, not how cheaply they can buy the timber.

<http://www.theforestpro.com/wp-content/uploads/2018/08/ConfessionsofATimberBuyer.pdf>

ADDITIONAL BENEFITS OF HIRING A CONSULTING FORESTER

- **Locating boundary lines**– We use a GIS grade, sub-meter GPS unit (EOS Arrow 100 with RTK correction) to locate & record sale boundaries as well as buffer strips. This locational data is used to produce an accurate sale map which becomes part of the Timber Warranty Deed or Timber Sale Contract. These maps are also used after the sale to determine the acreage for replanting and site preparation.
- **Establishing appropriate buffer strips** - As part of any timber sale we designate the buffer strips along streams (Stream-side Management Zones or SMZ's) as prescribed by Mississippi's Best Management Practices for forestry (BMP's). Although BMP's aren't mandatory, compliance with the Clean Water Act is, and BMP's were established with this in mind. Additionally, complying with BMP's keep landowners eligible to receive cost share assistance where non-compliance will make landowners ineligible.
- **Provide reasonably accurate volume estimates**- by providing a timber cruise as part of the sale the landowner can determine whether they are receiving Fair Market Value for their timber.
- **Harvest supervision and contract enforcement**- As part of a timber sale, the harvest is supervised to ensure that the buyer is observing the requirements of the timber conveyance. In most cases the Forester requires a logging performance bond, which is money held in an escrow account to account for any logging damages.
- **Timber Basis Calculation**- This is one of the biggest items that landowners overlook when selling their timber that can save them thousands. It isn't always how much you receive for your timber, but what you get to keep. The Internal Revenue Service allows landowners to reduce the taxes owed on the timber sale proceeds by what their "cost basis" is in the timber. The "cost basis" is the original value of an asset and is determined by the way you acquired the property, usually in one of four ways:
 - *By purchasing the property*– Basis is determined by the initial purchase price plus expenses to acquire the property (legal fees, title searches, surveying, etc.)
 - *By inheriting the property*– The basis is equal to the fair market value at the time of inheritance. This is the best situation for a landowner as the IRS will allow what is called a "stepped up basis" meaning the value of the asset is increased to its value at the time of inheritance. If this is your situation, then having a forestry consultant can save you thousands.
 - *By receiving the property as a gift*– Property that is gifted to an individual has a "carryover basis" which means your basis is determined by what is carried over from the original owner. To establish your cost basis in this case you will need to know how and when the donor acquired the property as well as any timber harvest or investments that were made in the timber. Detailed records will be required.
 - *By establishing a new forest*– The cost basis in this instance will be the total cost of reforestation minus any amount recovered through tax deductions or cost share assistance.

In many cases, having an established cost basis, can often save in taxes any fees charged by the consulting forester. For more information see the following publication: <http://extension.msstate.edu/publications/publications/forestry-income-tax-series-i-basics-basis>

- **Reforestation**- The forester will provide advice on proper practices to reforest the property and scheduling of all sub-contractors to ensure that the property is properly reforested after the sale. Additionally, the forester is essential in helping the landowner prepare the necessary paperwork to receive the Mississippi Reforestation Tax credit or they can recommend available resources for cost share assistance.

Why do we use a high quality tree marking paint to designate our sale boundaries?

1. It makes it extremely difficult for someone to enlarge the sale area over what was intended, unlike tape flagging, which can be easily moved.

2. In certain circumstances it may take some time to get the best price for a tract. Painted lines last longer than flagging.



WHAT LANDOWNERS SHOULD KNOW ABOUT FORESTERS.

Many landowners don't realize that there is a difference even among consulting foresters. Just because a forester may be registered within the state he practices, referred to as a Registered Forester, doesn't mean he is a dedicated consulting forester. State law prohibits unregistered individuals from representing themselves as a Forester, but there is no state law that prevents any registered forester from representing themselves as a consultant forester. While a majority consulting foresters fulfill the fiduciary duty's of their clients honesty, there are some that represent themselves as a consultants while also having an affiliation with a timber purchasing company. This creates a conflict of interest. As the bible says in Matthew 6:24 "No man can serve two masters". Many professions such as real estate recognize this as a conflict of interest and require their practitioners to fully disclose who is their client, the person owed all fiduciary duty's, and who is their customer. The forestry profession has not such requirement.

How can a landowner be assured that their Consulting Forester is solely representing their best interest? The answer is to hire a Forester that is member of the Association of Consulting Foresters (ACF). The members of the ACF hold themselves to a higher Code of Ethics and self-polices it's membership, to ensure members meet the highest ethical and educational standards. One of the core principles of the ACF is that it's members cannot have any ownership interest in a timber buying entity. To learn more about the Association of Consulting Foresters you can visit <https://www.acf-foresters.org/>.

"If you see ACF after a forester's name, you know you're working with a true professional."



FORI

Name
Mailing Address
City, State, Zip Code

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