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## Timber Sale Bids

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Demand for Michigan timber is high. This creates great opportunities for landowners to get significant income when selling their timber. Many timber owners, however, make only one or two timber sales in their lifetime and are not familiar with timber values and timber sale procedures.

One of the most valuable rules timber sellers can follow is to get more than one bid for their timber. Competitive bid sales are the better alternative. In this type of sale, the landowner or his or her agent, advertises the timber for sale and asks for sealed bids on the timber to be sent by a specified date. The sealed bids are then opened and a bid selected, unless none are satisfactory. Records from timber sales managed by consulting foresters provide proof of how wide the gap between the high and low bid on a single timber sale may be. Even on relatively small sales, the high bid can be two to three times that of the low bid. Bids may vary due to competitive strategies as well as due to market factors such as the demand for the bidder's product, the distance to their mill, and how much inventory they currently have.

The table below, taken from actual timber sales, illustrates the huge differences in bids that private timber owners can receive for the value of their timber. The high bid in many cases, also represents a significant amount of income for timber owners. To treat a timber sale as anything other than an important business transaction could, therefore, be a costly mistake!

Landowners may be tempted to accept the first bid they receive for their timber. A single, non-competitive bid, however, is likely to be low compared to those received competitively. There are, of course, cases where getting only a single bid is O.K. For example, when there are limited markets for a landowner's timber or if the landowner has an ongoing relationship with a particular buyer.

In addition to competitively bidding timber sales, it is equally important that a private landowner use a written timber sale contract that specifies all elements of a timber sale. A well-written timber sale contract should state the amount and value of timber to be sold, method and timing of payment, how trees to be harvested are marked or identified, the time period over which the contract is valid, and it should require that the logger maintains adequate and up-to-date Worker's Compensation insurance.

Therefore, if a private landowner does not know how to manage a timber sale on his/her own, it is recommended that they seek out professional forestry assistance. Consulting foresters, whose services are available to landowners for a fee (similar to how a person might use the services of an accountant or attorney) can help landowners advertise their timber sales, solicit multiple bids, evaluate bids and the bidders and contract for sales. In addition, MSU Extension County offices can also provide information on forest management, marketing timber and current market prices for timber in Michigan.

### Examples of timber sale bid ranges by region

Timber Sale Location	High Bid	Low Bid	Number of Bids Received
UP 1994	\$7,315	\$6,441	2
	\$22,979	\$7,201	12
	\$46,700	\$15,493	8
	\$72,175	\$22,062	6
	\$91,826	\$41,970	4
NLP 1995	\$11,197	\$7,677	3
	\$66,260	\$27,690	6
	\$14,500	\$9,565	3
	\$281,485	\$133,175	12
SLP 1995	\$42,200	\$23,879	12
	\$10,000	\$5,729	7
	\$22,539	\$12,250	6
	\$16,083	\$7,729	6

Additional information available from Michigan State University Extension county offices:

Martin, A. J., K. Potter-Witter, and J. Lapidakis. 1989. Marketing Timber. Lake States Woodlands Cooperative Extension Bulletin G3297. University of Wisconsin-Extension 6p.

Potter-Witter, K. 1989. Minimizing Federal Income Tax for Forest Landowners. Cooperative Extension Service, North Central Region Educational Materials Project Publication NCR 343. 7p.

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Szydzik, J. and J. Gunter. 1993. Timber Sales Contracts. Michigan State University Extension Bulletin E1656. 12p.

Lantagne, D.O. 1993. Michigan Forestry Consultants. Michigan State University Extension, Department of Forestry Fact Sheet 19. 20p. (List of consulting foresters by region and expertise.