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So, You Need Some Cash From Your Farm Woodlot?

by
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During these difficult financial times in the farm economy, you may be tempted to look at your woodlot as a source of emergency cash to meet pressing financial commitments. Unfortunately, because of the immediate nature of cash flow needs, many wood-lot owners sell their timber for only a fraction of its value because they either fail to recognize its true value or they do not market it properly. You can avoid these problems and protect yourself by following a few important steps in the sales process.

The First Offer

Often, the decision to sell is made when a timber buyer visits your property unexpectedly and offers to buy trees in your woodlot. **Don't accept that first offer.** It may or may not be a fair price. A better method is to send announcements of your intention to sell timber to local timber buyers and ask them to submit sealed bids for those trees. This often results in a higher return for the same number of trees sold.

What's It Worth?

One of the best ways to protect yourself is to become aware of the value of your woodlot before you sell timber from it. Price is affected by species quality and volume. Your Cooperative Extension Service office has information on current timber prices.

How Timber is Sold

Most timber is sold on a lump sum basis; that is, a single payment is made to you (the seller) for all the trees designated in the sale, with full payment made before trees are cut. Sometimes "trees designated" could be all trees above a certain diameter (as measured 4.5 feet from the ground), other times it means all trees marked with tree paint. Selling marked trees is usually the better way to go.

Contracts

Having a good contract is the single most important thing you can do to protect your interests. It should outline payment conditions, where equipment can travel, road location, construction and repair, cleanup and other provisions which can make you happier with the results. A sample timber sale contract is available at your Cooperative Extension Service Office.

Using Consultants

Consider hiring a consulting forester to manage the timber sale on your property. They can assist you in setting up the sale and may help you get the most amount of money for your timber. They commonly are paid on the basis of the value of the timber sold. Using a consulting forester will usually mean a higher financial return for you, even after the consultant's fees are paid.

Speeding Up the Process

Following all the steps listed above, the length of time from when you decide to sell timber to when you receive full payment may be 3 to 4 months. When cash is needed immediately, this wait may be too long. You can speed up the process by cutting out some of these steps. At a minimum, though, you should contact by phone at least two timber buyers and ask them to bid on the **same** trees. Contract language can be used to specify a quick starting date for logging. While quicker, cutting corners on the timber sale process may mean a lower financial return and less satisfaction with the results.

Timber Sales & the Future

The timber on your woodlot is a valuable resource that can provide significant income now and in the future. Trees that have not reached their full economic maturity should be reserved for future sales. Completely liquidating your timber resource by selling as many trees as possible may be appealing in the short run but could be disastrous in the future. Selling all the value at one time would be similar to a cow calf operator selling a portion of the brood cow herd to generate immediate cash flow. While this action might improve short-term cash flow in this case, it would be detrimental to next year's profits because of reduced number of offspring available to sell.

Where to Go For Help

Professional foresters may be able to help in choosing trees to harvest and finding possible markets. Bulletins and advice on woodlot management and timber sales is also available at your local Cooperative Extension Service office or from the nearest Department of Natural Resources regional forester.

*Adapted from materials developed by MSU Forestry Extension Specialists and district staff members.