Tree Alliance

Private Forests Tasmania

How to sell wood from your private forests

Over the years Tasmania has seen many traditional forestry companies go but new entrants have been quick to take the resultant opportunities; recent events in the forestry industry in Tasmania have resulted in opportunities for selling current or future forest produce that are many and varied.

The process of selling your timber can be very complex, the following points highlight stages within a typical timber sale

Typical stages of a timber sale

- Negotiations with potential buyers to agreement on grades, quantities, prices and timing;
- Forest inspections, volume estimates, potential returns, Forest Practices issues, infrastructure and reforestation;
- Agree on sales terms, type of agreement and finalise (timber purchase agreement);
- Preparation of Forest Practices Plan (FPP);
- Arrange contractor(s) and agreed rates;
- Harvest, deliver and supervision,
- Reforestation, etc.

Methods of offering timber for sale

There are 3 main methods of offering your timber for sale:

1. **Private treaty**
   In this method, as a landowner you must know the value of the timber.
   No competition between potential timber buyers. As a landowner this is the least expensive method.

2. **Tender**
   Either public (particulars are published in local press etc.) or private (particulars are privately distributed to potential buyers).
   Offers are submitted in writing before a given date. Some competition between potential timber buyers.
   This is not an expensive method.

3. **Auction**
   Only for large, valuable timber parcels.
   Can achieve higher prices – depends on auctioneer and auction process.
   Potentially most expensive option due to: commission, costs, process, etc.; but with the advent of on-line timber auctions this may change.

The most common action by forest owners in Tasmania appears to be negotiating simultaneously with a number of potential buyers, either directly or via a broker/advisor, to arrive at the best price they can get.

That may involve a period of "sole negotiation" with a preferred buyer, as a hybrid tender/private treaty outcome.

Method of selling timber

There are various methods of selling the timber:

1. Standing timber

a. The price is agreed for the timber as it stands. The price is a lump sum, based on the estimated volume and estimated value of the standing timber. The buyer will safeguard themselves where trees are of doubtful quality and quantity.
Harvesting is carried-out by the buyer.
Not common in Tasmania.

b. The trees are sold standing. The price per cubic metre (m^3) and/or tonne (t) is agreed before harvest, but the volume is agreed after harvesting and weight is agreed before or after haulage.
Harvesting is carried-out by the buyer.
A common method in Tasmania.

2. Felled timber

a. At stump

The timber is sold after felling and processing. The price per cubic metre (m^3) &/or tonne (t) and volume is agreed before extraction and weight is agreed before or after haulage.
Extraction is usually carried-out by the buyer.
Not a common method in Tasmania.

b. At roadside

The timber is sold after felling, processing and extraction to roadside. The price per cubic metre (m^3) &/or tonne (t) is agreed before haulage - volume is agreed before haulage and weight is agreed before or after haulage. Haulage is usually carried-out by the buyer.
Not a common method in Tasmania.

c. At mill-door

The timber is sold after felling, processing, extraction and haulage. The price per cubic metre (m^3) and/or tonne (t) is agreed before haulage - volume is agreed before haulage and weight is agreed before or after haulage.
A common method in Tasmania.

Potential wood buyers

There are 3 main types of timber buyers in Tasmania:

1. **Large industrial forestry companies**
   The large companies will usually carry-out the majority of the work involved in a typical timber sale and offer a corresponding stumpage rate to the landowner.

2. **Independent forest management / timber brokerage companies**
   The amount of work that the independent companies carry-out in a typical timber sale varies and is flexible according to the situation, the stumpage rate can vary also but generally, due to greater product segregation, increased market sectors and lower overheads, the stumpage rate is slightly higher than the large companies.

3. **Country sawmillers / portable sawmillers / harvesting contractors**
   The smaller operators tend to rely on consultant foresters to collate Forest Practices Plans, etc. on their behalf; but the applicant is usually the landowner and therefore they take ultimate responsibility for the plans. Stumpages can fluctuate widely, but these operators are generally suited to smaller operations that the larger operators would find uneconomic.

Timber purchase agreements

The large and independent companies use relatively standard agreements for the purchase of timber, that should generally include, but are not limited to:

- estimated harvest volumes;
- pricing of forest products and price reviews;
- payment conditions;
- timing of operations, etc.

It should also contain the standard industry utilisation standards and completion conditions; environmental conditions will be covered in the *Forest Practices Act* and the associated Forest Practices Plan. Landowners should be very wary of operators without an agreement and are unable to demonstrate their competency in sustainable forest management and product segregation.

In general, there are three main variations that come with the timber purchase agreement:

1. Lump sum. Can include option(s) for additional quantities of wood – less likely to be available when buyer's free cash position is poor;
2. Standard stumpage agreement; and
3. Advance payments, often as a proportion of the estimated total.

Sometimes the type of timber purchase agreement that will be entered into is a negotiating point when the timber is being offered e.g. if a buyer can agree to a Lump sum plus Options, the seller may accept a lower price than offered by another buyer who isn't prepared to do so. Due to taxation and opportunity cost reasons, the seller may still be better off financially.
Which of these is preferable for a forest owner depends on their specific circumstances (length of property ownership, annual income, how they have documented their tree growing, etc.) and financial and legal advice

should be sought before entering into any agreement.

To ensure that all parties are paid correctly, harvesting records are usually provided in the form of sawlog delivery dockets and/or weighbridge dockets depending on the log grades. Copies of the dockets must be presented to the landowner, harvest contractor, haulage contractor, timber buyer and a book copy.
NB - sawlog and sliced veneer is usually measured in cubic metres (m^3); pulpwood, rotary peelers and treated roundwood in tonnes (t).

It is recommended that if the landowner is not entirely conversant with the processes and work involved with the sale of their timber, that they gain further advice from an impartial forest advisor &/or employ the services of a qualified and experienced consulting forester, and consult with their financial and legal advisor.

Studies show that timber sellers using a professional forestry advisor can get up to 50 percent more per sale. A forestry professional who sells trees for a living and practices within your area is your best partner; they will know timber product grades and values; they will be familiar with local timber buyers and the general market. Private foresters usually offer their services on a fee basis. Timber owners often find this expense more than offset by the higher selling price received for their timber (forestry.about.com).

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