

The Importance of Harvesting and Selling Forest Products

The sale and harvest of forest products are critical steps in the effective management of forest lands. Your forest crop represents the payoff of many years' growth and investment, however, a poor logging job may threaten future forest productivity. Over-cutting or selective removal of only the highest quality trees can leave the forest overpopulated with defective, low-value trees that crowd out desirable growth. This can reduce your property's potential for producing marketable trees for decades. Poor harvesting practices may result in soil damage or other environmental problems.

It makes good sense to carefully plan the harvest and selling of forest products to insure that you get a fair price and that the forest is adequately protected. Remember, it took many years to grow your timber crop, so plan carefully for its sale and harvest.

Suggested Steps to Follow in Selling Your Forest Products

Locate potential buyers or markets for your product. The Department of Environmental Conservation (DEC) maintains a list of Cooperating Timber Harvesters and sawmills. Additional buyers can be located by using the services of a forester. A list of Cooperating Foresters is also available through DEC. Trade journals may list others, as well.

Get competitive bids — as in other businesses, there are considerable variations between logging contractors in terms of their markets and overhead costs. These differences are reflected in bids, which may vary greatly. To make sure you get the best price for your product, always try to get several competitive bids.

Draw up a contract to cover the sale of your product, no matter what product you are selling. The contract is your best protection to make sure that your product is paid for and harvested to your satisfaction.

Your DEC Forester can furnish you with sample timber sale contract clauses upon request. However, the advice of an attorney should be sought in any sale of forest products. Treat a timber sale as you would treat any other important business transaction.

Inspect the progress of the sale — Problems with contract violations are often avoided when the owner, or owner's representative, stays involved by periodically inspecting the sale. Not only can this encourage better workmanship by demonstrating your interest, but it also helps you understand some of the contractor's problems.

Methods of Selling Standing Timber

Standing timber may be sold for a lump sum or by scale.

Lump-sum Sale

The timber to be cut is sold outright for a fixed sum, agreed upon in advance. The trees to be cut should be designated and tallied by a forester, to insure that potential buyers clearly understand which trees they are bidding on.

Selling by Scale

Under this arrangement, timber is sold on a thousand-board-foot (MBF) or cord basis, and payment is received only for the units harvested. Again, trees to be cut should be designated. Otherwise there is a risk that only the best species and grades will be removed increasing the percentage of inferior trees remaining for the future harvests.

A performance bond is desirable to assure contract compliance and completion.

Log Rules

Logs are often sold by the thousand-board-foot as measured by a log rule. A number of different log rules are in use throughout New York State.

The most common of these are the International 1/4 inch, the Doyle, and Scribner. Because of the formulas upon which the various log rules

are based, the same log will scale differently for each rule. When obtaining scale bids, make sure that the same log rule is used in all bids, so that you can make a valid comparison of prices.

Timber Sales and Income Taxes

If you are like most forest landowners, your net income from the sale of standing timber can be treated as capital gains. In other words, it comes from the sale of a capital asset: timber. As a result, it is very likely that only a portion of your net timber income will be taxable.

The amount you receive from the timber sale may not be your net income. It is not all clear profit if you have certain types of costs or expenses, including expense of sale, capital expenditures, and operating expenses. Additional tax information can be supplied by your forester, a qualified tax consultant, or the Internal Revenue Service.

The Role of the DEC Cooperating Forester Program

For many forest landowners, the sale of a forest crop is a once-in-a-lifetime experience. DEC can provide limited assistance and advice on marketing, but contract preparation and administration of the sale is up to the owner. A private DEC Cooperating Forester can provide these services. The professional assistance a landowner receives may pay for itself by increasing the financial returns on his timber sale.

For more information, ask about the New York State DEC Cooperating Forester Program.

Timber Harvesting Guidelines

A poorly planned timber harvest can sometimes result in such problems as soil damage and/or water pollution. Best Management Practice (BMP) guidelines, which describe ways to protect your resources, are available from DEC.

The first thing to do is seek the advice of both a forester and an attorney. Put the terms and

conditions of your sale in writing. Memories are short and a written agreement will prevent any misunderstandings and avoid problems later.

A contract is simply an agreement between two parties to sell and to buy a certain product. The terms and/or conditions under which the buying and selling are to occur and a thorough description of the product are necessary parts of a sales contract. The language of such a contract need not be difficult to understand.

On the other side of this brochure you will find some of the more important points that should be included in any agreement covering a sale of forest products. Be sure they are covered before you sign.

Getting Advice

Each woodlot presents a different harvesting situation. Therefore, it is wise to obtain the services of a forester for specific advice.

DEC Foresters can provide limited advice and assistance through the NYS Cooperative Forest Management Program. In most localities, private Cooperating Foresters offer complete services, including contract preparation. A forester's fee is often recovered because his/her services result in greater financial returns on a timber sale.

For further information on this and other related subjects, visit our website at:

www.dec.ny.gov

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RESPONSIBILITIES OF THE SELLER

1. Designate the trees to be cut. Various methods can be used, such as paint marks, tags, species, or sizes. Your Forester will use the method best suited for your woodlot. The method used to identify the product should be stated in the contract.
2. Guarantee ownership and the right to sell the forest product.
3. Locate the harvest area. You should make it absolutely clear where the boundaries of the cutting area are, and how to identify them.
4. Allow the buyer to remove the products, covered in the agreement, using necessary roads, skid trails, and landing area. Any restrictions concerning the use of equipment, road locations, and seasonal operations should be specified in the contract.
5. Give the buyer a reasonable time to remove the trees. Be sure to include a termination date in the contract.

RESPONSIBILITIES OF THE BUYER

1. Pay for the trees covered in the contract. Decide in advance when, where, and how payment will be made.
2. Comply with all laws concerning Worker's Compensation and Unemployment Insurance. Proof of compliance or of exemption from the law should be provided to the seller.
3. Guarantee the seller (landowner) against all liability for injury or accident resulting from harvest operations. Unless the buyer has both Worker's Compensation and Liability Insurance, the seller may be held responsible.
4. Define how much of the tree will be used. The contract should specify stump height and minimum top diameter to be left in the woods. If logging debris (slash) is to be left for the landowner's use, the contract should state this.
5. Protect young trees from unnecessary damage. A certain amount of injury is unavoidable because of felling and skidding.
6. Pay for, or repair, any damage to fences, buildings, bridges, roads, livestock, or other personal property of the seller.
7. Prevent forest fires. To comply with section 9-1113 of the Environmental Conservation Law (Fires Towns only), all softwood tops must be lopped to a 3 inches stem diameter.
8. Complete the job by the termination date of the contract. The buyer forfeits all rights to any product not removed by this time.

RESPONSIBILITIES OF BOTH BUYER AND SELLER

Both parties should agree on the following points and include them in the contract:

1. Where the material will be measured (in scale sales).
2. Who will do the measuring (in scale sales).
3. How disputes will be settled. A third party is often specified to settle disagreements.
4. When title to the product transfers. This may be important in case of fire or other disasters.
5. Provide that the contract will not be sublet (assigned to another buyer), without prior written approval by the seller.
6. Provide that the contract will be binding upon their heir assignees, or successors.
7. Provide that the contract is properly signed, witnessed, and dated.
8. Include a penalty clause for cutting of unmarked trees — usually two to three times the stumpage value and /or a set dollar fine per tree.
9. Provide that the contract will comply with to all appropriate laws or regulations, such as local cutting ordinances, Adirondack Park Agency restrictions, and fire laws. DEC's Regional Forester's can provide information regarding such restrictions.

DEC Regional Forestry Offices

Region 1

SUNY Campus, Building 40, Stony Brook, NY 11790-2356
631/444-0285

Region 2

1 Hunters Point Plaza, 47-40 21st Street, Long Island, NY 11101-5407
718/482-4942

Region 3

21 South Putt Corners Road, New Paltz, NY 12561-1696
845/256-3076

Stony Kill Environmental Education Center, 79 Farmstead Lane,
Wappingers Falls, NY 12590 845/831-8780

Region 4

1150 North Westcott Road, Schenectady, NY 12306-2014
518/357-2450

65561 State Hwy 10, Suite 1, Stamford, NY 12167-9503
607/652-7365

Region 5

Rte. 86, PO Box 296, Ray Brook, NY 12977-0296
518/897-1200

232 Hudson Street, PO Box 220, Warrensburg, NY 12885-0220
518/623-1200

701 South Main Street, Northville, NY 12134-1316
518/863-4545

Region 6

State Office Building, Watertown, NY 13601-3787
315/785-2238

7327 State Hwy 812, Lowville, NY 13367
315/376-3521

225 North Main Street, Herkimer, NY 13350-0089
315/866-6330

6739 U.S. Hwy 11, Potsdam, NY 13676
315/265-3090

Region 7

1285 Fisher Avenue, Cortland, NY 13045-1090
607/753-3095

2715 State Hwy 80, Sherburne, NY 13460-4507
607/674-4036

Region 8

6274 East Avon-Lima Road, Avon, NY 14414-9519
585/226-2466

Region 9

182 East Union Street, Suite 3, Allegany, NY 14706-1328
716/372-0645

270 Michigan Avenue, Buffalo, NY 14203-2999
716/851-7010

215 South Work Street, Falconer, NY 14733-1497
716/665-6111

5425 County Rte 48, Belmont, NY 14813-9758
585/268-5392



Department of
Environmental
Conservation

Selling Your Forest Products

How to Protect Yourself
And Your Forest Product

