

MANAGING A TIMBER SALE: FINANCIAL ASPECTS/LOG MARKETING

Rick Helman



In spite of heroic efforts to practice "good forestry," sometimes things just don't go according to plan.

Managing the Timber Sale Process

- Logger selection
- Negotiate rates and Contract
- Secure Purchase Agreements with Log Buyers.
- Monitor compliance
- Closeout (Taxes, planting, roads)



LOG ACCOUNTABILITY

- Load Tickets
- Production reports
- Mill receipts



Production Report

LOAD TALLY SHEET

JOB NAME: *Hartung Lot 20*

DATE	TICKET NO.	SORT	DESTINATION	TRUCKER
7-14-15	2144/2145	Pulp	DePaul	TRK + Pulp B-2
7-14-15	2146/2147	Pulp	DePaul	TRK + Pulp B-2
7-14-15	2148/2149	Studs	Manke	TRK + Pulp B-2
7-15-15	2150/2151	Peelers	Rainier Veneer	Trk + Pulp B-2
7-15-15	2152/2153	Pulp	DePaul	Trk + Pulp B-2
7-16-15	2154/2155	Studs	Manke	Trk + Pulp B-2
7-16-15	2156/2157	Peelers	R.V.	TRK + Pulp B-2
7-16-15	2158/2159	Pulp	DePaul	TRK + Pulp B-2

TIMBER SALE CONTRACTS



TYPE OF TIMBER SALE

- STUMPAGE SALE –
LUMP SUM OR SCALE
SALE
- NEGOTIATED WITH
CONTRACTOR –
PERCENTAGE OR PER
UNIT VOLUME (TON,
MBF)
- Special cases (hourly)



ELEMENTS OF A LOGGING CONTRACT

- Description of Sale Area
- Payment Terms
- Period
- Boundaries and Lines
- Compliance with Laws and Ordinances
- Insurance
- Subcontracting
- Logging requirements



What work is included?

- Slash treatment (piling, windrowing, lop & scatter, burning?)
- Road grading
- Water bars on yarding roads



INSURANCE REQUIREMENTS

- Logger's Broad Form
- Landowner named as additional insured
- Insurance from subcontractors (Log Truckers)

ACORD CERTIFICATE OF LIABILITY INSURANCE		Today's Date
PRODUCER <i>Insurance Agent</i> <i>Street Address</i> <i>City, State Zip</i>	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. INSURERS AFFORDING COVERAGE	
INSURED: Insured Name Insured Address	INSURER A: <i>Liability Insurance Company</i> INSURER S: <i>Auto Insurance Company</i> INSURER C: INSURER D: INSURER E:	

COVERAGE

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE Date (MM/DD/YY)	POLICY EXPIRATION	LIMITS	
A	GENERAL LIABILITY	123456789	01/01/06	01/01/07	EACH OCCURRENCE	500,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire)	100,000
	CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person)	5,000
					PERSONAL & ADV INJURY	500,000
	GEN'L AGGREGATE LIMIT APPLIES PER:				GENERAL AGGREGATE	1,000,000
					PRODUCTS - COMP/OP AGG	1,000,000
					Logger's Broad Form PD	
B	AUTOMOBILE LIABILITY	123456789	01/01/06	01/01/07	COMBINED SINGLE LIMIT	500,000
	<input checked="" type="checkbox"/> ANY AUTO				(Ea accident)	
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY	
	<input type="checkbox"/> SCHEDULED AUTOS				(Per person)	
	<input checked="" type="checkbox"/> HIRED AUTOS		BODILY INJURY			
	<input checked="" type="checkbox"/> NON-OWNED AUTOS		(Per accident)			
					PROPERTY DAMAGE	
					(Per accident)	
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	
	ANY AUTO				OTHER THAN EA ACC	
					AUTO ONLY: AGG	
	EXCESS LIABILITY				EACH OCCURRENCE	
	____ OCCUR ____ CLAIMS MADE				AGGREGATE	
	DEDUCTIBLE					
	RETENTION \$					
	WORKERS COMPENSATION AND				WC Stat Limit	Other
	EMPLOYERS' LIABILITY				E.L. EACH ACCIDENT	
	WAIVER OF SUBROGATION				E.L. DISEASE - EA EMPLOYEE	
					E.L. DISEASE - POLICY LIMIT	
	OTHER:					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS
Port Blakely Tree Farms is named additional insured as respects operations of the named insured per attached endorsement.
This insurance is deemed primary and non-contributory with any of Port Blakely's insurance policies

CERTIFICATE HOLDER	CANCELLATION
ADDITIONAL INSURED; INSURER <i>Port Blakely Tree Farms (Limited Partnership)</i> <i>8133 River Dr. SE</i> <i>Tumwater, WA 98501</i>	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL BE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE

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by Mark Parisi



ATLANTIC PICTURE © 1998 MARK PARISI

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LOGGING COSTS

What do they consist of?



EQUIPMENT MOVE-IN (MOBILIZATION)



LOGGING COSTS

- FALLING-BUCKING-LIMBING
- YARDING-SORTING-LOADING
- RIGHT-OF-WAY
- ROAD CONSTRUCTION/MAINT
- SLASH TREATMENT
- OTHER THINGS



Logging costs are based on production



High Production

- Final Harvest (Clearcut)
- 10 truckloads per day
- Base Logging Costs \$18 - \$22 per ton (on the truck)
- \$126 - \$154 per MBF
- 23% - 28%

Low Production

- Selective Harvest (Thinning)
- 2 truckloads per day
- Base Logging Costs \$32 - \$35 per ton (on the truck)
- \$224 - \$245 per MBF
- 41% - 45%

PERMITS

- FPA
 - LONG TERM FPA
 - COHP
 - CONVERSION
-
- FEES
 - COST OF REQUIRED SPECIALIST STUDIES (GEOLOGIST, BIOLOGIST)



DEVELOPMENT MORATORIUM

- No development activity for 6 years
- Counties apply differently
- Options: COHP, conversion, lifting



SO - HOW MUCH
TO REMOVE THIS
UGLY OLD TREE?

\$1,750.

IT'S NOT
THAT
UGLY.



CONSULTANT FEES

- HOURLY
- PORTAL TO PORTAL
- ONE WAY TRAVEL
- DIFFERENT RATES FOR TRAVEL AND WORK
- PERCENTAGE



HAULING COSTS

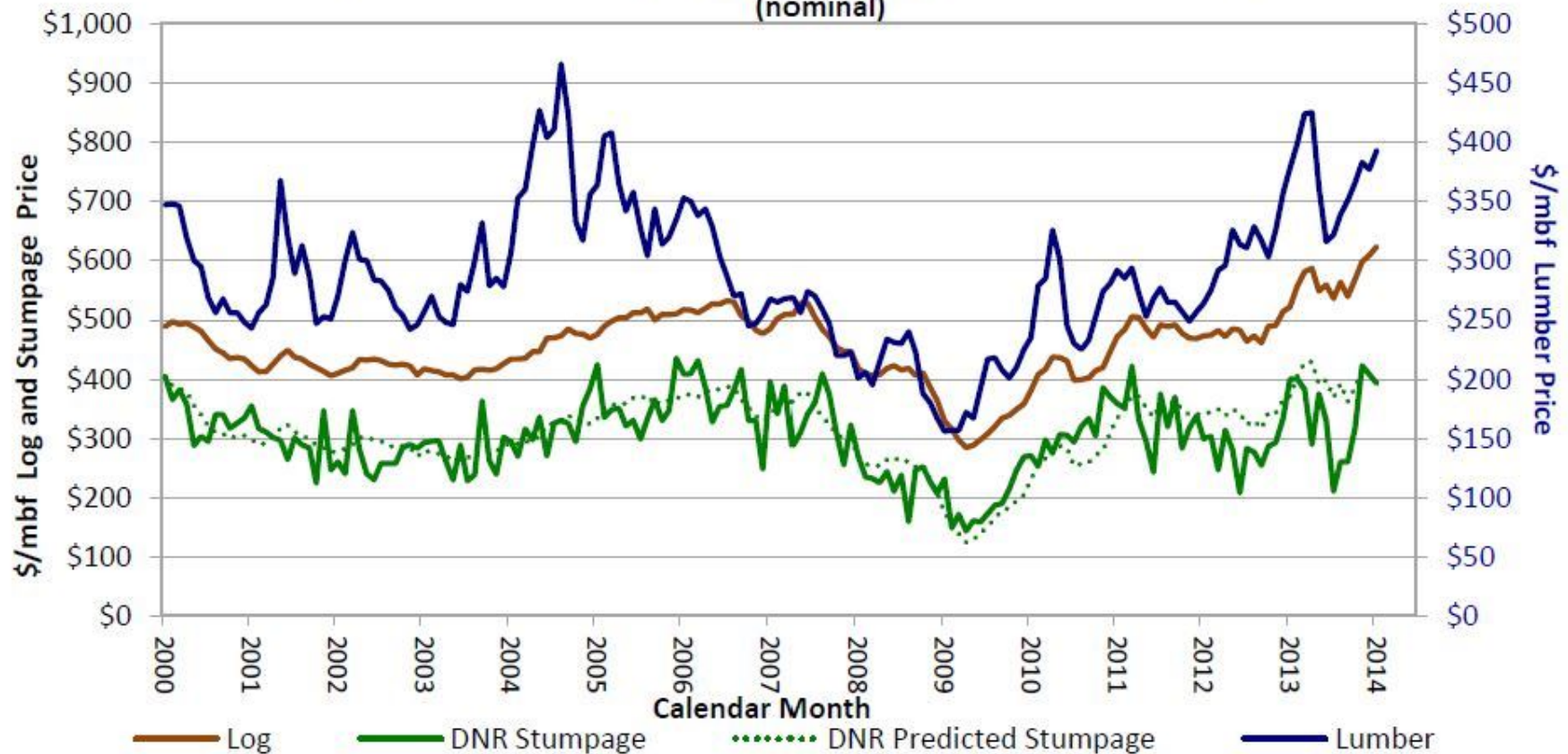


RULE OF THUMB ESTIMATES

- Conventional Truck
- Self Loader
- Mule Train, Super Train

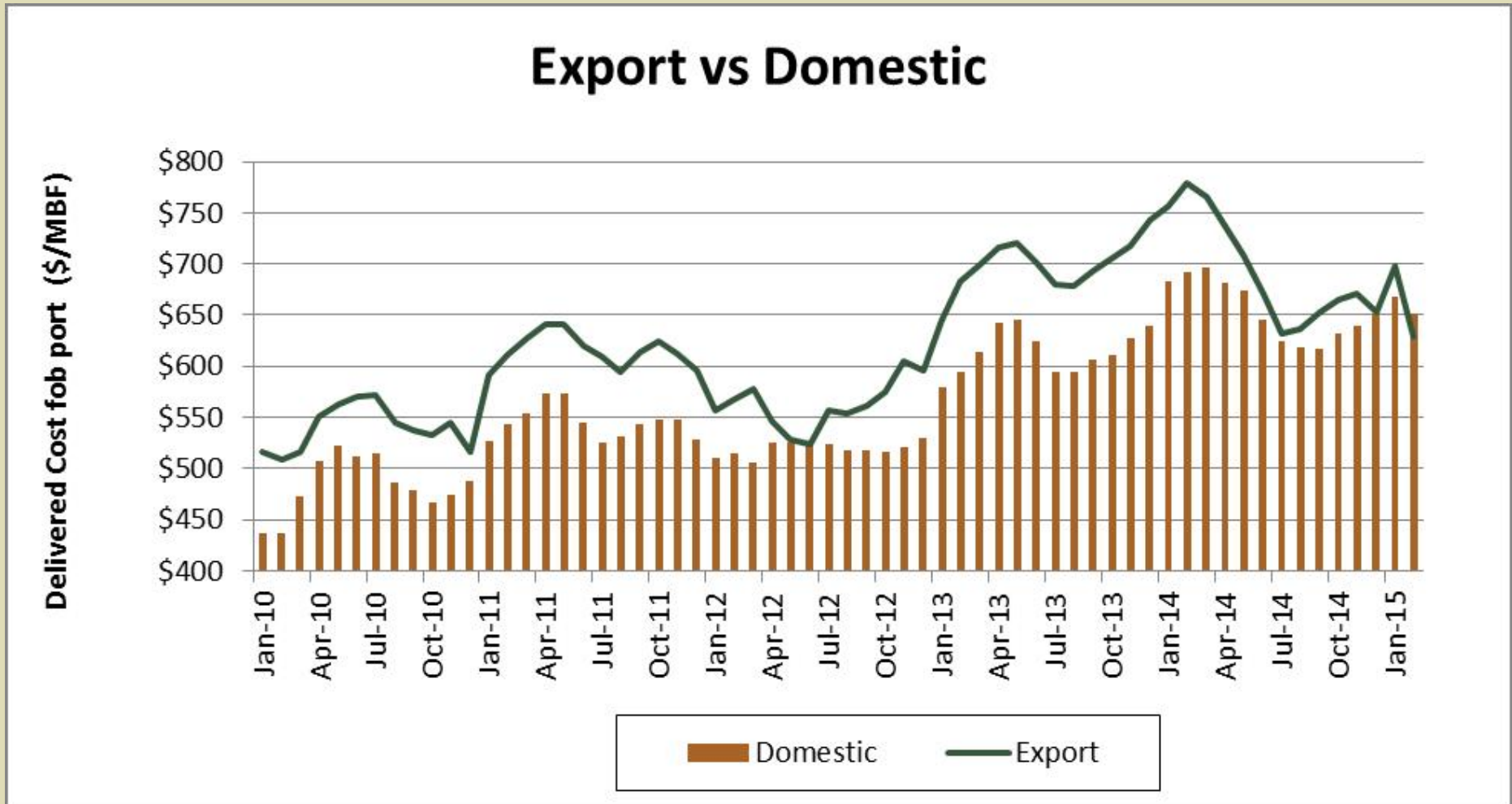
HISTORICAL LOG MARKET

Figure 2.10: Lumber, Log, and Stumpage Prices in Washington
(nominal)



Note: The two scales reflect the fact that, on average, one Board foot Scribner log scale yields about two board feet lumber scale

HISTORIC PRICE TRENDS



MARKET OUTLOOK & INDUSTRY DEVELOPMENTS

- Global log markets forecasted to improve but at a slow pace through 2017.
- Decreasing harvest levels in Canada. No net increase after 2018.
- Predicted supply imbalance by 2018-2019.
- Mill closures and consolidations.
- Softwood Lumber Agreement expiration.
- India?

SOURCES FOR CURRENT LOG MARKET INFORMATION

- Washington DNR survey prices for delivered logs.
- Subscription services: Log Lines and Washington/Oregon Log Market Report.
- Northwest Forestry Services (WA/OR Prices)
nwforestryervices.com

LOG MARKETING



CHARACTERISTICS OF HIGH QUALITY TIMBER

- KNOTS: SMALL AND WELL SCATTERED IF PRESENT.
- RING COUNT: 6 TO 8 RINGS PER INCH AVERAGE IN THE OUTER INCH OR OUTER $\frac{1}{3}$ OF LOG.
- CENTERED HEART.
- SMOOTH AND STRAIGHT

COMMON DOMESTIC AND EXPORT LOG SORTS

- DOMESTIC: UTILITY POLES, VENEER, VARIOUS TYPES OF SAWLOGS, CHIP AND SAW, PULP
- EXPORT: JAPAN, CHINA, KOREA, TEMPLE POLES,



MANKE LUMBER COMPANY, INC.

1717 Marine View Drive
Tacoma, Washington 98422
Tacoma (253) 572-6252
Tacoma (253) 383-2489 Fax
Seattle (206) 624-2090

826 Fairmount Ave.
Shelton, Washington 98584
Shelton (360) 426-5536
Shelton (360) 426-2782 Fax

AUG 11 2015

LOG PRICE LIST EFFECTIVE AUGUST 15, 2016 LOGS DELIVERED TO TACOMA LOG YARD

DOUGLAS FIR:

24" & UP, SM&BTR, NO DEFECT-ROT, PITCH ETC. CALL FOR LENGTHS	\$750M/\$125 PER TON
36' & LONGER, 12" TOPS & LARGER, #2 TYPE SAW & BTR, 6 TON MBF.	\$475M/\$79 PER TON
32' & 34', 12" TOPS & LARGER, #2 TYPE SAW & BTR, 6 TON PER MBF.	\$450M/\$75 PER TON
26' ONLY, 12" TOPS & LARGER, #2 TYPE SAW & BTR, 5.7 TON PER MBF.	\$425M/\$75 PER TON
16' TO 24', 12" TOPS AND LARGER, #2 TYPE SAW & BTR, 5.7 TON PER MBF.	\$400M/\$70 PER TON
36' & LONGER, 12" TOPS & LARGER, #3 TYPE SAW, 6 TON PER MBF.	\$200M/\$33 PER TON
ALL OTHER 12" & UP, #3 PAID BY TON MINUS DEDUCTIONS IF NECESSARY	\$200M/\$34 PER TON
32' & LONGER, 8" - 11" TOPS, #2 TYPE SAW & BTR, 7 TON MBF.	\$600M/\$86 PER TON
32' & LONGER, 6" & UP CNS (32' REQUIRED LENGTH AVERAGE).	\$75 PER TON
16' & 24' & LONGER, 5" & UP (NO 18', 20', 22' & NO PULP)	\$70 PER TON
CUT TO LENGTH FIR (12, 16 & 20, IF STRAIGHT) **	\$65 PER TON

HEMLOCK AND WHITE FIR:

32' & LONGER, 12" TOPS & LARGER, #2 TYPE SAW & BTR, 6.5 TON PER MBF.	\$350M/\$54 PER TON
20' TO 30', 12" TOPS & LARGER, #2 TYPE SAW & BTR, 6.3 TON PER MBF.	\$250M/\$40 PER TON
5" AND UP, 12' & LONGER.	\$30 PER TON

PINE AND SPRUCE:

ALL DIAMETERS AND LENGTHS, 5" MINIMUM TOP.	\$25 PER TON
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CEDAR:

ALL DIAMETERS AND LENGTHS 5" MINIMUM TOP	\$70 PER TON
WORMY CEDAR WILL BE CULLED. ALL LOGS CONTAINING METAL WILL BE CULLED.	

PAY SCHEDULE: ONE WEEK AFTER DELIVERY, WEEK ENDING FRIDAY

REQUIRED LOG LENGTHS: 24' & longer must have 11" trim; 20' & shorter must have 6" trim.

BUTT SIZES: NO MINIMUM OR MAXIMUM BUTT SIZE

HEMLOCK & WHITE FIR LOGS CONTAINING FREEZEBREAK WILL BE CULLED IF DETERMINED BY SCALER TO BE PULP.

ALL LOGS ARE ASSUMED TO BE BUCKED PROPERLY AND REASONABLY FREE OF DEFECT. IF NOT, IT MAY NECESSARY TO MAKE DEDUCTIONS. LOGS 26' AND SHORTER THAT MUST BE CUT IN TWO BEFORE PROCESSING WILL BE PAID AT LOWER PRICES. LOGS NOT SUITABLE FOR THE MANUFACTURE OF MARKETABLE LUMBER WILL BE REJECTED. BUTTS MUST BE WITHIN 1" OF SQUARE. NO BUTT SHOT. NO PISTOL BUTTS. UNDERCUTS MUST BE REMOVED FROM STUMP PORTION OF TREE. LOGS CONTAINING METAL WILL BE CULLED. IN ORDER TO MAKE PRICE SEPARATIONS ON MIXED SPECIES AND MIXED DIAMETERS IN GIVEN LOADS, THE SELLER HAS THE OPTION OF MUTUAL AGREEMENT ON AN ESTIMATE OR PIECE SCALING, OR A COMBINATION OF AN ESTIMATE AND PIECE SCALING. ON PARTIALLY SCALED LOAD, FOR REASON OF PRICE SEPARATION, SCALED FOOTAGE WILL BE CONVERTED TO WEIGHT BY THE ABOVE FIELD-TESTED GENERALLY ACCURATE RATIOS. THE SELLER HAS THE OPTION OF USING PACIFIC RIM SCALING BUREAU. PRICES APPLY TO FRESH CUT TIMBER, AND SUBJECT TO CHANGE WITHOUT NOTICE.

HIGHER QUALITY LOGS CAN BE DELIVERED TO SUMNER. PRIOR APPROVAL IS NEEDED.

The vendor agrees that by completing the load slip the logs delivered do not originate from a controversial source as defined in PEFC ST 2002:2013. As Manke Lumber Company maintains a Chain of Custody all vendors are required to sign a self-declaration indentifying the origin of the logs sold to Manke Lumber Company.

LOG BUYER:

GARY ORR
(360) 490-1081 Cell

TACOMA SCALES:

(253) 572-9029
MONDAY - FRIDAY 7AM-5 PM

SELF LOADER:

CHRIS COLEMAN
(360) 470-6124 Cell
DISPATCH 6 PM-8 PM
SUN-THURS: 360-427-8904

“Roll-out” Scale VS. Truck Scale





RED ALDER MARKETS

- Veneer/Slicers
- Sawlogs 6"+
- Resort Yard - Defiance





Special Markets





FIGURED BIGLEAF MAPLE

- Curly
- Quilted
- Fiddleback



Musical Wood





'CONGRATULATIONS ON YOUR INHERITANCE. YOUR TAX LIABILITY IS 40%—
WOULD YOU PREFER TO KEEP THE TOP OR BOTTOM 60% OF EACH TREE?'

TIMBER TAXES

- Forest Excise Tax (5% or 4.2%)
- Federal Tax (Capital Gain?)
- Maybe Real Estate excise tax.



ASK THE FORESTER

