

Managing Your Timber Sale



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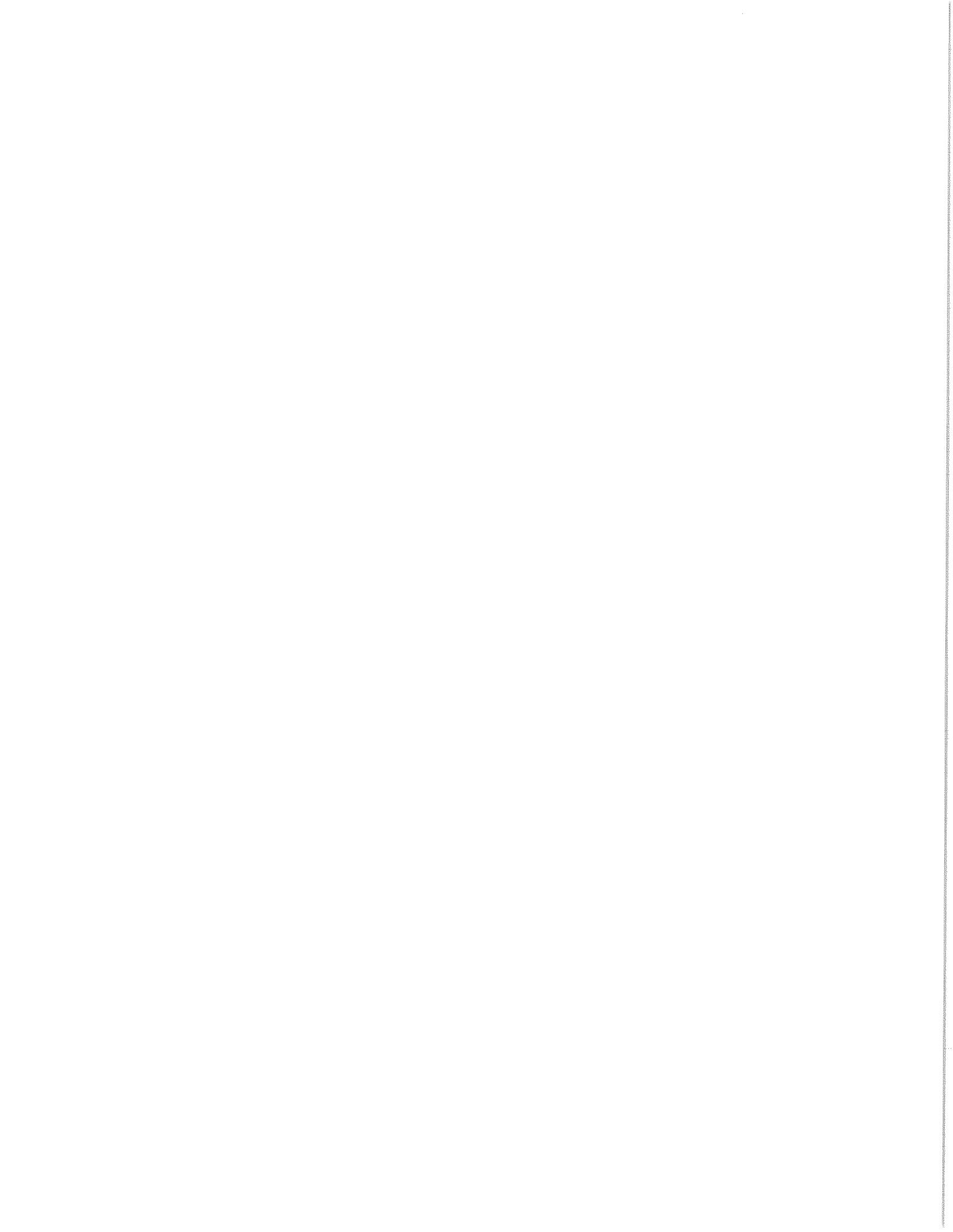
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MANAGING YOUR TIMBER SALE

A timber sale is one of the most complicated activities involved in the management of forest lands for the nonindustrial private forest (NIPF) landowner. Many landowners don't spend enough time researching markets, interviewing logging operators, paying attention to forest practice laws, and ensuring adequate attention to postsale concerns. A timber sale should be more than the single event of harvesting trees; it involves the integration of landowner goals, silvicultural needs, specific site requirements, and

the long-term productivity of the site. This publication addresses many topics related to the management of a timber sale including:

- Professional and other assistance available
- Elements of a timber sale
- Types of harvesting systems
- Contracts
- Timber sale administration and close-out
- Postharvest concerns

WHERE TO START

Timber products are a commodity, just as wheat, gold, and international monetary currencies are commodities. Individuals regularly buy and sell timber to make a profit on the resale of the logs. Professionals buy and sell timber daily in the forest industry—either for resale to log brokers and log mills or for manufacture in their log mills. Many types of individuals are involved in the timber industry. Each offers slightly different services, and different methods of payment. Before discussing the industry, it is useful to discuss each type of professional the forest landowner is likely to encounter when offering a timber sale.

PROFESSIONAL ASSISTANCE AVAILABLE

Private Consulting Foresters

A private consulting forester works for the private forest landowner as a professional representative. Generally, these individuals have degrees in forest management and represent a large number of individuals at the same time. They are available to make forest management recommendations over a long time period, including estate planning, insect and disease control, management planning, and timber sale administration. As professional consultants, they are contractually obligated to represent your best interests during their work for you. As such, they generally are paid a consulting fee for their services, either on a per day basis, on a total bid basis, or more commonly during a timber sale on the amount of timber volume (either percentage of

total, or some dollar amount per thousand board feet (MBF)).

Generally, a consulting forester will evaluate your forest with your goals and objectives in mind, mark timber to be removed, lay out roads, log landings and skid trails, advertise the timber sale to logging operators and mills, market the logs, administer the timber sale, ensure proper timber sale close-out, and track all payments to the landowner. For owners not familiar with the timber industry, the use of a consulting forester is highly recommended.

Public Agencies

WSU - Cooperative Extension Forestry

Washington State University Cooperative Extension has county offices across the state. Personnel specializing in forestry and forest management provide educational assistance to private forest landowners through workshops, demonstrations, field tours, written materials, video demonstrations, and one-on-one visits. The Extension Forestry program in Washington is the educational branch of forestry assistance, and is the agency responsible for providing this publication.

Forest Stewardship Assistance

The nonregulatory Washington Forest Stewardship Program is designed specifically to advise and assist small forest landowners. The Washington Department of Natural Resources (DNR) has stewardship foresters and a wildlife biologist who are available to advise interested landowners about management activities

that best meet their objectives. They customize advice to meet the needs of each individual landowner. Landowners can request a site visit by contacting the DNR Region Office serving the area where their property is located (toll-free number 1-800-527-3305). The USDA Natural Resources Conservation Service (NRCS) (formerly Soil Conservation Service) also provides conservation planning assistance to forest landowners in most areas. Public agency foresters can give you overall management advice for your property, including general information about timber sales, how to find consulting foresters and loggers in your area, and information about reforestation and other silvicultural practices.

Publicly employed foresters do not estimate volume and value of timber, lay out timber sales, supervise logging, or market timber for private landowners. Private consulting foresters provide these services. You can obtain a copy of the Consulting Foresters Directory for Washington Landowners, EB1303 from any WSU Cooperative Extension office or Washington Department of Natural Resources Region offices.

Forest Practices Assistance

In Washington, timber harvesting and related activities on private lands (road construction, chemical application, reforestation) are regulated by the state's Forest Practices Act and Forest Practices Rule. The Act, and subsequent rules, protect water, fish, wildlife and capital improvements of the state and its political subdivisions, while maintaining a viable forest products industry. The DNR forest practices foresters provide field administration and assistance. Forest practices office staff in each of the seven DNR Region offices are available to answer your questions, to help you understand the rules, and to assist you in obtaining a permit. Copies of the Forest Practices Act and Rules are available from any DNR Region office. Again, the phone number is 1-800-527-3305.

OTHER ASSISTANCE AVAILABLE

Log Mills—Log Purchasing Agents

Area saw mills generally purchase logs from a variety of sources: federal lands, state lands, industry owned lands, and nonindustrial private forest lands. When mills do purchase the latter, they generally employ a log purchasing agent responsible for acquiring logs from private landowners. Some mills will offer to harvest the timber using a logging operator either employed by the mill or hired by the mill. Other mills will offer professional forestry assistance during the sale, such as timber marking, road layout, and insect and disease control.

A landowner must understand the difference between the services provided by the private consulting forester and a log purchasing agent. The private consulting forester is the agent of the landowner, dedicated to ensuring the best interests of the landowner. The log purchasing agent is a representative of a mill dealing in the sale and purchase of timber commodities, and works for the log purchaser, not the landowner. This is not to say that mills are untrustworthy, but the landowner must be aware of the role that the log purchasing agent provides under this situation.

Timber Brokers and Log Brokers

A timber broker is an individual or business that buys timber for the purpose of selling logs to other log brokers or to manufacturing facilities. These businesses generally do not manufacture the logs that they purchase. Many times, these businesses have a log yard or storage facility to sort logs of various species and sizes. Yards can ship sorted loads to buyers at a higher price. Occasionally, log brokers will ship logs directly from the logging site to the next buyer of the logs. In some cases, the log or timber broker will buy standing timber, hire a logging operator to harvest the timber, then pay the landowner some amount specified in a contract. The log or timber broker rarely provides professional forestry assistance to the forest landowner.

Logging Operators

The logging operator (logger) is the backbone of the forest industry. These individuals and businesses often complete road construction, timber harvest, log manufacture, erosion control, and various other duties involved in a timber sale. Good operators and poor ones exist in many industries. Unfortunately, poor logging operations are more visible to the general public and overshadow the good logging operations in our region. A logging operator's business focuses on the harvest and manufacture of timber and logs from a forest. While some logging operators offer other services, logging operators at a minimum will harvest designated trees,

manufacture logs from those trees, load them onto logging trucks, ensure their delivery to specified mills or log buyers, and complete logging site clean-up activities.

A logging operator can fill two important roles, as a harvester of timber products.

- The first involves the forest landowner hiring the logging operator to complete the logging operation. In this capacity, the logging operator is a contractor hired to complete the specific task of logging the property, given the constraints of a logging contract. The logging operator harvests the timber, manufactures the logs, and delivers the logs to mills as specified in the logging contract with the forest landowner. These logging operators never actually purchase the logs, they just deliver the logs on behalf of the landowner. This is generally termed a delivered log sale. The logs are paid for generally on a bi-weekly basis as the deliveries arrive at the mill facilities.

- In a second situation, the logging operator buys the timber from the forest landowner. The logging operator is still responsible for harvest of the timber and manufacture of the logs, but the logging operator takes possession of the logs as soon as they are loaded onto the logging truck. The logging operator is responsible for marketing the logs to the area's mills and brokers.

The difference between the two scenarios may seem minor. The importance becomes evident in the development of a logging contract, the price you actually receive for your timber, and how income taxes from the profits of a timber sale are handled. This type of operation is generally a stumpage sale. Sales can be set up on payments or on a lump-sum basis.

EVERY LANDOWNER SHOULD HAVE...

Timber sales are just one of the activities that influence how forests grow. This activity, when coupled with others, determines the long-term management of the forest. To ensure that these activities are not random, and that all focus on a common set of goals and objectives, the forest landowner is urged to develop a formal, written **forest management plan**. A forest management plan is a detailed document outlining long- and short-term goals and objectives. It includes details about how to move from the current status to a desired future status.

A **forest activity plan** is a detailed document outlining exactly how to accomplish short-term goals on your property. It includes exact management prescriptions, expected outcomes, and dates by which activities will be accomplished. Forest landowners should have a forest management plan written and implemented prior to beginning any timber sale on their property.

Landowners wanting to integrate the management of a variety of resources, including timber, may wish to develop a **Forest Stewardship Plan** for their property. **Forest Stewardship Plans** provide an organized and integrated approach to managing for timber, fish, wildlife, soil and water resources, and aesthetics and

recreation. Developing a plan well in advance of potential timber harvesting, directs the harvesting activity in a well-planned manner that supports the landowner's long-term goals. Some form of written plan normally is required to apply for forestry property tax classification, to join forestry cost sharing programs, or to receive recognition as a Tree Farm or Stewardship Forest.

Many landowners hire a consultant to prepare their plan. Others participate in Coached Forest Stewardship Planning Workshops, in which they learn to develop their own plan with instruction from natural resource professionals. Planning assistance also may be available from DNR or USDA-NRCS foresters in some areas.

Your WSU forestry extension agent or DNR stewardship forester can advise you about resources available in your area.

18 STEPS TO A SUCCESSFUL TIMBER SALE

Forest landowners need to carry out a sequential series of events to experience a successful timber sale. Forest landowners can complete these tasks individually or with the assistance of either a private consulting forester or those they come in contact with during their timber sale. Many forest landowners are not familiar with forest management concerns, insect and disease problems, or the Washington State Forest Practices Act. These forest landowners should consider contacting a private consulting forester for assistance during their timber sale. Other owners are more familiar with forest management concerns; however, they may still prefer to use a professional forestry consultant. A landowner can gain from their expert marketing experience when selling logs and their professional forestry advice in setting up the silvicultural prescriptions. Still, other forest landowners prefer to administer and set up their own timber sales. This publication will be useful to individuals hiring a professional consultant or for administering their own timber sale.

The following 18 steps will assist the forest landowner in having a successful timber sale. However, this publication is not a substitute for the professional advice of an experienced consulting forester.

1. Determine management objectives.

The first step in any timber sale should be a formal evaluation of landowner goals and objectives. Goals are the driving force for activities on a forest. By ranking goals, the forest landowner can determine what is more important: long-term financial returns or aesthetics; wildlife or immediate dollar returns. Many times separate goals will complement each other or be mutually achievable. When goals conflict, the landowner must choose which is more important.

After forest landowners evaluate their goals they can begin to define objectives. Objectives are the specific actions that lead to listed goals. Objectives without

goals to drive them are not focused and will lead to "shotgun" management; sometimes hitting the mark, sometimes missing. The best method of formalizing goals and objectives is through a written forest management plan. A forest management plan considers the resources of the site including soil, water, trees, wildlife, access, and other characteristics, then combines them with forest landowner goals to form specific management objectives.

Some common forest landowner goals

- Immediate Cash Flow
- Forest Health
- Aesthetics
- Wildlife
- Forest Land Grazing
- Long-term Financial Security
- Recreation
- Watershed Management

2. Determine silvicultural prescriptions.

The word silviculture means, literally, the culturing of trees. Just as horticulture focuses on growing shrubs, bushes, and flowers; silviculture focuses on growing trees. A silvicultural prescription is a set of activities designed to create or improve an environment for specific tree species for the habitat in

which they exist. Silvicultural prescriptions include precommercial thinning of overcrowded sapling trees, fertilizing forest trees, pruning limby trees, removing insect infected and diseased trees from an otherwise healthy forest, and employing many types of harvest techniques.

Two primary types of harvest systems exist: even-aged and uneven-aged. Even-aged harvesting removes all or most of the existing trees. Natural regeneration or, more commonly, planting of new seedlings follows. Uneven-aged harvesting results in forest stands of various tree sizes and age classes. The most appropriate harvest method depends on the species present, the condition, site characteristics, and the landowner's objectives.

Be cautious regarding "selective harvesting." The removal of selected trees, such as occurs in a commercial thinning, can be a financially and environmentally beneficial practice in many cases. Unfortunately, the term "selective harvesting" sometimes is used as a euphemism for the detrimental practice of "high-grading." High-grading occurs when owners harvest the biggest and best trees, leaving behind the smallest and poorest.

Prescribing Silvicultural Harvests on a Forest.

Forest landowners who are unfamiliar with silvicultural harvest techniques and the consequences that a misapplied harvest practice could have should consult a private consulting forester before making harvest plans. A professional forester can make silvicultural prescriptions that will improve the overall health, vigor, and growth of forests. Forest landowners should always use professional forestry assistance in deciding which harvest method or combination of harvest methods to use.

3. Determine property boundaries and timber sale boundaries.

Before any harvesting begins, determine property lines and ownership boundaries precisely. Clearly marked property line boundaries are critical to successful relations with adjoining landowners. One can avoid negligence charges by clearly marking the property lines for logging operators, road builders, and others who will be working on your property. If property lines have not been identified by a state licensed surveyor, hire one to identify your property boundaries.

Timber sale boundaries are critical to timber sales. Using the forest management plan and forest activity plan, the owner can identify where to apply timber sale activities. In many cases, timber sale and property boundaries will be identical. In other cases, they may be totally separate. One of the most common methods of marking a timber sale boundary is by tying colored ribbon along tree branches and in bushes to indicate edges. Another method of marking a timber sale is to spray tree marking paint on the stems of trees along the border of the unit. However, tree paint will remain visible on leave trees for many years after the harvest is complete. If aesthetics are an important goal, removable ribbons may be preferred.

Elements of Sound Silvicultural Prescription

- “Fit” the ecological requirements of the site
- Accomplish the goals of the forest activity plan and the forest management plan
- Meet the short- and long-term goals and objectives of the landowner

In determining where to place timber sale boundaries, consider topography, insect and disease areas, special management areas, and the productivity of the sites to be harvested. Often it is possible to follow a contour line when placing the boundaries to imitate a clearing, thus minimizing the visual effect of the change. Many times it is necessary to prescribe a more radical harvest when insect and disease problems are present. Whatever the prescription, the forest management plan and the forest activity plan should outline the goals that drive the management objectives for the harvest, including the placement of timber sale boundaries.

4. Contact adjacent landowners.

Although not absolutely necessary or required by a state statute, contacting adjacent landowners can avoid problems of confusion or misunderstanding. Even if adjacent landowners were contacted when property lines were being surveyed, this is a good time to walk adjoining property lines with neighbors.

Where cutting boundaries fall next to property lines, obtain formal agreement to the property lines in writing. This identifies the surveyed line or fence line and agrees that for the purpose of the timber sale it will serve as a property boundary.

Discuss road building needs for the proposed timber sale. One road system built across multiple ownerships might better serve everyone. As forest parcels are divided into smaller and smaller units, road systems become more and more difficult to manage. By agreeing on a road system that crosses multiple ownerships, landowners can dedicate fewer total acres to roads at a lower cost to all parties involved.

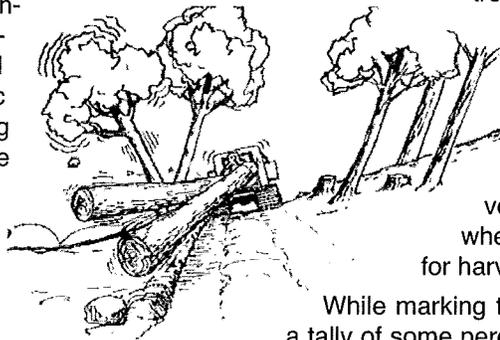
Advise adjacent landowners of the times that a timber harvest is going to take place. This practice avoids unnecessary concern and apprehension from others who might assume that timber theft is taking place.

5. Investigate log markets.

At this stage of the timber sale, the landowner should collect information from area mills and log buyers on what species and sizes specific mills are accepting and the prices they are paying. This information determines what limitations will be levied on the harvest of trees during the sale. It also is very useful for the landowner to understand the economic trade-offs between harvesting and leaving certain trees during timber sale marking.

Although timber prices and log size information are collected by the landowner at this time, no deals are solidified and no agreements are signed with the buyers. These economic data are very useful when deciding what species to harvest and where to sell the harvested timber. Write down each log buyer's quotations precisely, so you can make deals after determining the volume of timber to be harvested.

Log mills and log brokers generally employ log purchasing agents to negotiate with private landowners. These individuals are responsible for log acquisitions from private lands. In many instances, the log purchasing agents will visit the site prior to making any offers. The site visits allow the agents to view the timber, its size, and quality so they can prepare an accurate bid. The landowner should verify how long the log purchasing agent's offer is valid.



Marking the trees to be removed is accomplished in a combination of ways. Clearcuts generally are marked only around the borders of the units, using either colored flagging or tree marking paint. Seedtree and shelterwood harvests generally involve painting the leave trees with tree marking paint. Commercial thinnings allow the flexibility of painting either leave trees or reserve trees, whichever is the majority. Selective thinnings and single tree selection harvests generally involve painting only the harvest trees.

When painting trees, it is common practice by foresters to spray a horizontal band of paint the width of the tree bole at eye level on the uphill and downhill sides of the tree. Markers spray an additional spot of paint on the downhill side of the stem next to the ground. This butt spot of paint is left behind on the stump after a tree is harvested to inform the sale inspector whether that tree was initially marked for harvest or not.

While marking the timber, foresters commonly run a tally of some percentage of the trees to be removed to determine the volume on the sale accurately. Normally, foresters record the diameter at breast height (DBH), the total height, species, percentage of defect in recorded trees, and occasionally other data. This information is used to estimate the total volume on the timber sale. That information is critical to marketing the timber from the sale to area log buyers.

Tree marking could be one of the most important steps of a timber sale, but often is one of the most overlooked.

6. Mark timber to be removed during the sale.

The sixth step in the preparation of the timber sale is to mark the trees that will be removed during the timber sale. Decide which trees will be removed and which trees will stay after the harvest. Evaluate management objectives, determining silvicultural prescriptions, choosing a harvest system, and weighing the economic considerations of the sale.

Give careful consideration and professional attention to the selection of trees to be removed during a timber harvest. Selecting leave trees that are inferior, disease susceptible, or poorly formed can severely reduce the potential of future timber crops from the site. A professional forester trained in leave tree selection is best suited to make these determinations prior to a timber sale.

7. Negotiate Log Purchase Agreements with area log purchasers.

After the trees have been marked and the volume to be harvested determined, it is time to market the timber to local log buyers. Landowners can best market timber by providing the volume of each species being harvested as well as average tree diameter, height, and average defect to potential buyers. Log mills generally are tooled for certain log sizes and species to manufacture specific wood products. Therefore, different mills will pay different prices for logs based on species and size. Landowners generally can get higher prices from log buyers by providing the information listed above. The forester generally determines volume of the sale while marking the timber to be removed.

When negotiating prices with a log buyer, the seller should request specific prices for each species being sold. In certain circumstances, the landowner should request multiple prices for certain species if a high degree of variation in sizes occurs within one species. For instance, if a portion of the Douglas-fir being sold has an average diameter of 12" DBH, and another has an average diameter of 48" DBH, the seller should request different prices based on these highly divergent size classes.

When negotiating with log buyers for prices, the landowner should not offer to solidify a log purchase agreement until after all prices have been recorded from each potential buyer and the logging operator has been selected. First, consider many mills and log buyers by collecting prices from them all. Second, the choice of logging operator will greatly influence the delivery point, because each logging operator generally offers different prices to each delivery point. The distance and time of travel from the logging site to the log mill or buyer's location will influence the cost of transportation and the logging price.

This process can be confusing. Because of this, many landowners retain consulting foresters to help market the timber. A competitive bidding process will ensure that you are recovering the best price for your logs, especially when dealing with multiple log purchasers. A consulting forester can set up your sale on a competitive bid.

8. Clearly mark all designated skidding trails and log landings.

Before presenting the timber sale to logging operators for bids, the landowner should have a realistic view of where the trees are going to be skidded and manufactured. Log manufacturing sites are called landings. Skid trails are used to drag trees from the site where they are grown to the landing. On many steep and rugged terrain sites the placement of skidding trails is difficult. Professional forestry assistance from consulting foresters and the DNR can help determine skid trail locations that avoid fragile soils, riparian zones, and other special management areas. Logging operators also are valuable counsel since they regularly are involved in placing skidding trails and know the abilities of their machines and people.

Beyond a log manufacturing location, the log landings are the site of log truck loading for transportation to the buyer. Usable roads must be built from existing roads to each log landing, adequate for loaded logging trucks to negotiate. Existing roads might not be suitable for log trucks to traverse, or might require additional improve-

ments. Experienced logging operators generally know what is required to make roads suitable for trucking. The landowner should value these recommendations of the logging operators highly, but verify the recommendations with a forestry consultant or the DNR prior to beginning improvements.

9. Develop a Timber Sale Contract.

A basic outline of a logging contract is included in this publication. **The information presented is for educational purposes only, IT IS NOT LEGAL ADVICE. Consult applicable laws and regulations, which are both complex and dynamic, for each individual circumstance.** A landowner should consult appropriate advisors for legal advice prior to offering a contract to potential logging operators.

10. Advertise the timber sale to identify potential logging operators.

Advertise the timber sale through a logging bid prospectus. The prospectus generally is a one-page announcement of a request for logging bids, which includes the volume to be removed, the location, special considerations, a contact for further information, and a bid deadline. The prospectus also details the conditions that logging operators need to satisfy to qualify to bid on the logging job. You can mail this prospectus to potential bidders or hand it to operators who request it. Interested logging operators generally will request either permission to walk over the property or a guided tour of the site to discuss certain requirements of the timber sale.

The landowner can use a variety of sources to reach potential logging operators, such as newspaper classifieds, direct mailings, logger lists from mills, word of mouth, and posted announcements. Give interested operators a copy of the prospectus and record their names and addresses.

A sample Logging Bid Prospectus is included in this publication.

11. Collect a list of interested logging operators.

As logging operators contact the landowner and verify their interest in bidding on the timber sale, the landowner should request specific information from each operator. First, request a list of at least five past logging jobs completed by the potential bidder on nonindustrial private forest lands. This information should include: does the logging operator have liability insurance and worker's compensation policy and adequate limits; the volume removed; the time spent on the sale; and the landowner's name and telephone number. Second, the potential bidder should provide at least three industry references. These can include logging mills, foresters and even other logging operators.

Contact the references to verify the qualifications of the potential bidders. Develop a ranking system suited to specific objectives for the timber sale, and rank each logging operator in question. This list will be necessary when scheduling tours of the property.

12. Schedule tours of the property with qualified applicants.

After excluding unqualified applicants from the list of potential bidders, the landowner should schedule tours of the property with qualified applicants. Schedule each qualified applicant tour for a separate time, as opposed to taking all of the operators in one tour. The list of qualified applicants should include at least three logging operators, but generally not more than eight. During the tour of the property, give the logging operators a copy of a sample contract, complete with all requirements of the sale, and potential delivery sites. The contract should include a date by which all bids will be collected, as well as a date by which the successful bidder will be selected and announced.

During the tour, be careful to answer all operator questions uniformly so that each bidder is operating under the same set of informed assumptions. Finally, require each operator to submit a bid that includes delivery to each mill indicated in the sample logging contract. Delivery to each mill can be dissimilar because of travel time differences, mileage differences, and perceived differences in scaling practices among mills.

13. Award the contract to the successful bidder.

As soon as the deadline for accepting bids has passed, determine the successful bidder. Base this selection on price, the quality of work completed on other sites, the strength of the references, and the comfort level with the bidder during the property tour and other interactions. While price might be the biggest criterion for many individuals, the comfort level with the operator can overturn a slight difference in financial returns.

14. Landowner presale start-up.

After you have selected and signed the successful bidder, complete a checklist of items to do with the logger before logging begins.

- **Performance bond:** As specified in the logging contract, the operator should make the performance bond payment in full to the landowner before any logging activities begin. Deposit this performance bond in a trust account immediately after receipt and hold until conditions of the contract merit release of all or a portion of it to the operator or the landowner as defined in the contract.
- **Log purchase agreements signed:** The landowner should have all log purchase agreements signed by the appropriate log buyers before beginning any logging activities. Provide the logging operator a written list of the delivery points and specifications for log manufacture, such as desired log lengths, minimum and maximum log lengths, minimum and maximum log diameters, and species.
- **Log delivery sheet or load ticket books given to logging operator:** The landowner should require that all log loads taken from the site be recorded through either a log delivery sheet or a load ticket book. These records require that each load be recorded for the date, time, truck driver name, and destination of every load taken from the site. This information is paramount for accurate load tracking and payment verification.
- **Presale meeting with all of logging operator crew:** While the logging operator is responsible for his or her employees, it is advantageous for the landowner to meet with the entire crew before logging operations begin to discuss any special contract requirements. These requirements might include special care given to wildlife management areas, highly erosive soil areas, or special reserve

areas where access is restricted. This discussion also might include limiting or allowing access to the site after hours for hunting, fishing, or firewood gathering by the employees of the logging operator.

15. Sale start-up and administration.

The administration of the logging operation is critical to a successful timber sale. A good logging operator will strive to interpret the conditions and provisions of the timber sale contract to satisfy the intent, while making a profit for his or her business. However, many times the operator's interpretation of the contract might not be the same as the landowner's. It is useful to remain on the site the first couple of days of the logging operation to answer questions and to clarify the intent of the contract. The landowner should avoid directing or supervising any member of the logging crew, but instead deal directly with the logging contract representative. As the logging operation progresses, only visit the site periodically, avoiding continual "supervision" of the operation.

When problems arise on the operation, talk directly with the logging operator representative. It is that person's duty to take corrective action with the crew member and guarantee corrective actions. However, it is to the landowner's benefit to minimize confrontational types of interactions with the representative. Many times what look like poor logging practices are truly efforts to minimize the damages to a site while removing the marked timber. The landowner often can approach the representative with a request to explain what happened and the reasons for the actions taken. The logging operator and the landowner should be partners in the operation, not adversaries.

Keep an accurate record of each visit including what was discussed, discrepancies and corrective actions taken, and examples of where good work was completed. The record also should include observed loads hauled from the site during the visit, and an estimate of the volume in the log landing. This record is useful when discrepancies arise in the interpretation of the load ticket books or log load delivery sheet records.

If necessary, you may request a site visit from the DNR forest practices forester to discuss the operation and to ensure compliance with the Washington Forest Practices Act. Record the official comments of the forest practices forester in your daily records. Take up any discrepancies noted by the advisor with the logging operator representative immediately and schedule corrective actions.

16. Sale close-out.

After all of the timber has been harvested and logs hauled and accounted for, the landowner is ready to begin timber sale close-out procedures. It is important to follow the provisions of the timber sale contract exactly with the logging operator.

A sale close-out checklist is useful.

- ✓ **All logging slash at landings is piled and ready for burning:** The logging operator likely will move all equipment off the site as soon as contract requirements are completed. Therefore, all logging slash deposited at the log landings should be piled and made ready for burning before equipment leaves the site.
- ✓ **All skidding trails should be cross ditched for erosion control:** Again, this is the best time to finish all work that requires equipment. While cross ditching can be done as the logging operation progresses, it should be completed as a part of the timber sale close-out.
- ✓ **Grass seeding completed or scheduled:** Depending on the time of year, the operator should complete all grass seeding as required in the logging contract.
- ✓ **All designated trees have been harvested:** A complete tour of the harvested property should verify that all designated trees have been harvested and accounted for. In partial cuts where occasional designated trees have been substituted for leave trees, exceptions are generally made. However, areas that were missed during the logging operation should be discovered at this time to guarantee complete logging coverage.
- ✓ **All logs hauled are accounted for:** The logging operator should collect all load ticket books or log delivery sheets and verify that all loads recorded have been delivered and recorded by the appropriate log buyers. Bring a list of any outstanding loads to the attention of the logging operator immediately.
- ✓ **Resolve forest practice compliance issues:** If there are questions or concerns about compliance with Forest Practice Regulations, the landowner and operator may request a site visit from the DNR forest practices advisor.
- ✓ **Final inspection with the logging operator:** Schedule a final inspection of the property with the logging operator prior to moving equipment out to ensure that the requirements of the logging contract have been completed. Record and schedule any activities that need to be completed.

- ✓ **Schedule release of all or a portion of the performance bond to the logging operator:** After all contract requirements have been completed, except for slash burning, the landowner should schedule a release of all or a portion of the performance bond to the logging operator as specified in the contract.

17. Postsale concerns.

Although the logging contract is completed at this time, with the possible exception of slash burning, the landowner still has additional concerns for the harvested timberlands. Watch skidding trails and roads for washing, sedimentation, erosion, and complete failure. Clean culverts out periodically, especially during and after the first few rains that will wash the majority of branches and loose wood into the stream channels. At this time, areas that may require some additional stocking can be evaluated for planting or scheduled for natural regeneration with a follow-up inspection in 3 to 5 years.

As required in the logging contract, the logging operator should dispose of piled slash at the earliest opportunity. This disposal will reduce the fire hazard, increase aesthetics, and mitigate insect and disease potential on the forest. The DNR fire warden for the area will only allow pile burning during certain conditions and at designated times of the year. The landowner should check with the local DNR office to verify these times and to obtain necessary permits.

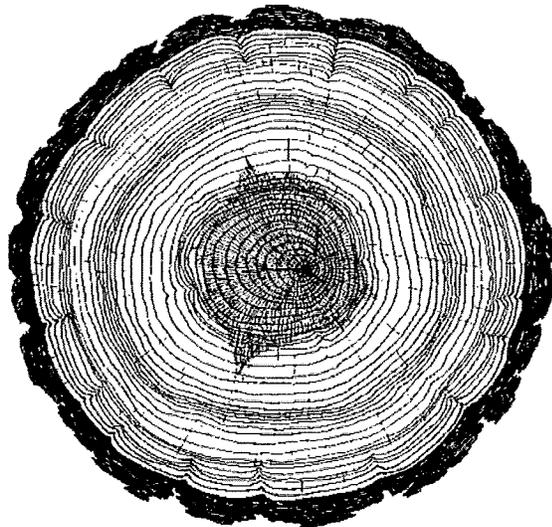
Watch the number of windblown and damaged trees closely through the first winter and spring. In some cases, the number of damaged trees will constitute a logging re-entry to remove them after the harvest.

18. Recognize the accomplishment and congratulate yourself.

A useful purpose of the forest management plan is follow-up regarding reforestation, brush control, and other activities that may need attention. In most instances, the total outcome of a timber sale will not be fully recognized until after the harvest is complete. Wildlife use in certain areas might increase after the timber harvest. Stream flows might improve due to increased precipitation reaching the forest floor. Forage production could increase to the point that livestock production might be a management option. The astute landowner will recognize these added benefits to the forest and take advantage of the opportunities.

FINAL COMMENTS...

The activities involved with selling timber are very complicated and require not only a great deal of time, but also a high degree of understanding of the industry. Many forest landowners not only lack the time needed to manage their timber sale, but also lack the professional forestry expertise to prescribe silvicultural prescriptions, market their timber, and hire logging operators. If you hire a consultant, use the "18 Steps to a Successful Timber Sale" as a reference to understand what the consultant is proposing and why. If you wish to manage your own timber sale, then use this workbook as a reference for actions to take during the sale. Either way, you should feel comfortable asking questions and dealing with the professionals you will come in contact with during your timber sale operation.



SAMPLE

Logging Bid Prospectus

Sale Location: Faun Butte, near Winthrop, Washington.

Bid Method: Sealed Bid.

Bid Deadline: February 25, 1996: 5:00 p.m.

Estimated Sale Volume (Net Scale): Approximately 200 MBF

DF/WL	100 MBF
GF/WH	30 MBF
WWP	25 MBF
LP/ES	40 MBF
Pulp	5 MBF

Sale Area: 30 acres

Logging Methods: Ground skidding with either a track machine or a rubber tire skidder, preference will be given to operators with moderate to smaller size equipment.

Insurance Requirements: Broad Form logger's liability (\$500,000), worker's compensation insurance, and automobile insurance will be required on all operations associated with this contract, including subcontractors.

Bidding Requirements: All bidders are required to submit logging and transportation bids on delivery to designated mills for the logging of all volume indicated for harvest.

Time of Year Restrictions: Logging will be restricted during excessively wet periods.

For more information or to obtain a sample contract, contact:

Betty Treefarmer

333 Forest Lane

Winthrop, Washington 99555

(509) 555-3333

All interested bidders must submit their name, address, telephone number, and references from a minimum of three nonindustrial private forest landowners that the operator has completed logging operations for during the past three years. Include the landowners' names, addresses, telephone numbers, the volume logged on each job, the dates the logging occurred, and the mills the wood was delivered to. Potential bidders also must submit the names of three industry references (foresters, mill representatives, or other logging operators) that can verify the operator's logging abilities and suitability for this job. All interested businesses must submit the above information by February 1, 1996, to be considered for submitting a bid. Qualified logging operators will be contacted to schedule a tour of the logging site and receive a sample logging contract by February 5, 1996.

SAMPLE LOGGING CONTRACT (OR A *TIMBER SALE CONTRACT*)

Landowners should always use a logging contract when hiring a logging operator to complete timber harvest operations on their property. The following outline should act as a guideline for a formal contract that can be signed by the logging operator and the landowner as a means of solidifying the contract. The outline presented here is for educational purposes only and should not be interpreted as legal advice. For legal advice on writing a logging contract or a timber sale contract consult an attorney skilled in contract law, or seek the advice of a professional consulting forester skilled in administering timber sales.

The following outline is written to assist forest landowners in considering various factors to include when writing a logging contract. This outline is not a comprehensive review of everything that should appear in a logging contract. Each landowner's situation is different and should be considered individually.

A. HOUSEKEEPING ITEMS

- 1. List the names and addresses of the contracting parties, such as the landowner(s) and the logging operator.**
- 2. List the legal land description of property to be harvested.**
- 3. Include the earliest starting dates and the latest ending dates of logging operation that will be allowed under the contract.**
- 4. Include a list of any other parties identified in the contract (e.g., forestry consultant, landowner representative).**

B. INTRODUCTORY CONCERNS

1. Performance bond

It is common to require that a performance bond be paid by the logging operator to the landowner to be held in a trust account until all or a portion of the requirements of the contract have been met. The amount of the performance bond varies, but should be based on the volume to be harvested (more volume higher bond), any past history with the operator (well established history, lower bond), and other mitigating circumstances. The landowner can use the performance bond to hire another logging operator to clean up the logging site if the original contractor defaults on the job or is unable to complete the terms of the contract. The contract also should include the conditions that the operator must meet to receive a return of the performance bond.

2. Insurance

It is paramount that the landowner require the logging operator and all contractors hired in conjunction with the logging operation to be covered by worker's compensation, automobile insurance, and comprehensive commercial liability insurance. These insurance coverages are designed to mitigate the liability placed on the landowner in the case of injury or suit filed against the logging operator where the landowner might be named in legal suits. The wording of this section of the contract should not only require that the logging operator have the insurance coverages listed, but also provide the landowner copies of proof of coverage sent directly from the insurance provider. These insurance coverages should include:

- a. Worker's compensation,
- b. Automobile Insurance (on all vehicles associated with the operator's duties),
- c. Comprehensive Commercial General Liability Insurance,
- d. Certificate of Insurance from Insurance Company(s),
- e. Notification of policy cancellation with prior notice to landowner, usually within fifteen (15) days of cancellation.

3. Preservation of Markers and Fences

4. Special License and Permits

It is customary to require the logging operator to be responsible for the costs incurred in obtaining any special licenses or permits involved in the logging operation. However, where logging operations are near state lines, and the landowner wishes to ship logs to another state, the logging operator may increase logging costs to cover the increased costs of transporting logs.

5. Authority to Stop Work

The landowner should retain the authority in the contract to stop work under the terms of the contract if the actions of the logging operator are in violation of the contract. The stop work requirement generally obligates the operator to take corrective actions before resuming the operation.

6. Logging Operator Representative

A logging operator representative is a designated individual who will be present on the logging site for most or all of the logging operations, and will be avail-

able to receive information, answer questions, and be a formal representative for the logging operator under this contract. This is the person that the landowner talks to about problems on the site or concerns about the methods of logging. The landowner should not approach individual members of the logging crew about their performance, but should talk with the formal representative. The representative should be named specifically in this section of the contract.

7. Familiarity with the Site

It is to the advantage of the landowner to require the logging operator to tour the property and understand the physical traits of the logging site such as property lines and cutting boundaries as a condition to signing the contract.

8. Fire Protection and Hazard Reduction

Your contract should require that the logger comply with all applicable fire prevention and hazard reduction laws. Loggers are required to have specific fire suppression equipment. The fire hazard from logging slash must be reduced near public roads and any buildings owned by others. Landowners who fail to comply with slash reduction requirements are liable for all suppression costs if a forest fire occurs. Contact the DNR for specific requirements.

9. Title and Interest

Title and interest in the timber products, when using a logging contract, remain with the landowner until they are delivered to the buyer. The logging operator never purchases the timber from the landowner. A statement included at this point in the logging contract should avoid any confusion during contract negotiations with the logging operator.

10. Access to Property

Industry has no standard for access to the property by the logging crew after working hours. Some landowners allow the logging crew to enter the site for fishing, hunting, or firewood gathering, others do not allow this. The landowner's preference should be stated very clearly in this portion of the contract to avoid any misunderstandings later.

11. Forest Practices Act

The state of Washington has a formally written Forest Practices Act that regulates many operations when logging. Although a state law, all landowners should require that the logging operator adhere to the Forest Practices Act while completing logging operations on their property.

C. HARVESTING OPERATION

1. Logging and Hauling

Landowners should require the logging operator to complete the logging operation in an orderly and progressive manner to its completion.

2. Sale Boundaries

This section should describe how the timber sale boundaries have been marked, and how proposed roads have been designated for construction.

3. Felling and Bucking

The felling and bucking section should outline acceptable conditions necessary for completing the job expected by the landowner. Some criteria for the landowner to consider include:

- (a) maximum stump height (suggest 6")
- (b) minimum merchantability standards (such as all stems 16' long and 6" at the small end shall be delivered)
- (c) designated skidding trails and landings location (include a map)
- (d) slashing requirements (what is required for slash cleanup)
- (e) "approved" log lengths, when possible (certain mills prefer different lengths, this should be addressed here)

4. Designated Trees

This section of the contract should include a complete description of how the trees designated for removal have been marked and how trees not designated for removal have been identified.

- (a) painted trees
- (b) marked out areas
- (c) map of cutting areas

5. Nondesignated Trees

It is customary to levy a penalty on the logging operator when an unexplainable number of nondesignated trees are harvested or damaged. Traditionally, an amount equal to two or three times the value of the tree is used. However, the landowner should refrain from invoking this section every time a nondesignated tree is harvested. Many times the removal is due to damage during felling operations, skidding, or exchanging a designated tree with a nondesignated tree.

6. Merchantability Standards

Clearly define merchantability standards, such as minimum size specifications for chip wood, pulp logs, and saw logs.

7. Skidding Equipment

It is common to limit the sizes of logging equipment when logging certain parcels. Many owners of small parcels limit the size of skidding and road building equipment as a condition to awarding the contract.

8. Hauling Records

To accurately track the number of loads taken from a site, the landowner should require the logging operator to keep formal and complete records. This can be accomplished through the use of a log delivery sheet or load ticket book. Permanent copies of the information is kept on the log landing and given to the landowner at regular intervals. Information is recorded on each load before leaving the landing including: (1) the date and time leaving the landing, (2) the mill delivered to, (3) the name of the truck driver, and (4) the load number. With this information, the landowner can compare the number of loads taken from the site against mill delivery sheets.

9. Slash Management

Criteria should clearly state who has the responsibility for treating all logging slash and who has pile burning obligations. Many times these duties fall to the logging operator.

10. Roads and Maintenance

If road construction is required to complete the logging operation, include the construction specifications and who will be responsible for the costs incurred to complete the construction. The landowner also should include a map and description of all proposed road locations. Delegate incidental costs such as grass seeding and culverts to one specific party. Many times these expenses are written as part of the requirements for the logging job, thus borne by the logging operator. However, the landowner will ultimately bear the costs of all expenses such as this through increased logging costs.

11. Time of Year Restriction

Where soils are fragile and slopes are steep, the landowner may want to limit logging operations to dry periods of the year. Where the terrain is flat, and the soils are fragile, the landowner may want to limit logging to periods where the ground is covered in deep snow. Whatever the conditions, include any restrictions in this part of the contract.

12. Firewood Cutting

As discussed above, landowners may want to limit or allow firewood cutting in the contract to avoid confusion later.

D. TIMBER SALE CLOSE-OUT

1. Grass Seeding

This section should include which party will pay for the costs of grass seeding the potentially erosive portions of the property. Also include the species and the time of year to spread the seed.

2. Site Preparation and Reforestation

Satisfactory reforestation is required by the Washington Forest Practices Act. Your contract should specify who will be responsible for site preparation and reforestation and how these costs will be paid. Most landowners contract separately for tree planting, and postharvest site preparation, if necessary, since these activities typically occur several months after the harvest is completed. The condition in which the site is left following the timber sale will determine whether additional site preparation costs will be incurred by the landowner. Occasionally, the logger or timber purchaser will offer site preparation and planting services as a "package deal." If this is the case, spell out details, such as number of trees per acre, species, and seedling age class in the contract.

3. Final Inspection

This section of the contract specifies that after the logging operation is completed, the logging operator and the landowner shall meet to tour the logging sites and determine any additional work to be completed under the terms of the logging contract. Some period of time is allowed for the operator to make the corrections, such as 30 days, before the performance bond would be used to make the repairs.

E. SALE PRODUCTS AND PAYMENTS

1. Products

The landowner should list the individual species and volume of each species to be harvested, including estimated net and gross scale. If available, the landowner should also include additional data such as average tree size and volume.

2. Bid Amounts

The landowner should list each mill that would be considered under the terms of the contract for delivery of logs, and the potential number of log sorts to be used. The logging operator will bid a cost to complete logging and delivery to specified mills. Generally, the costs of delivery will be different to each mill.

3. Payment Schedule

Generally, the landowner can specify that the logging operator be paid directly by the mill purchasing the timber products. Log mills generally will make a two way split, one to the logging operator, and one to the landowner. The landowner specifies the amount paid, which depends on the amount submitted in the operator's bid, to the logging operator.

4. Delivery of Products

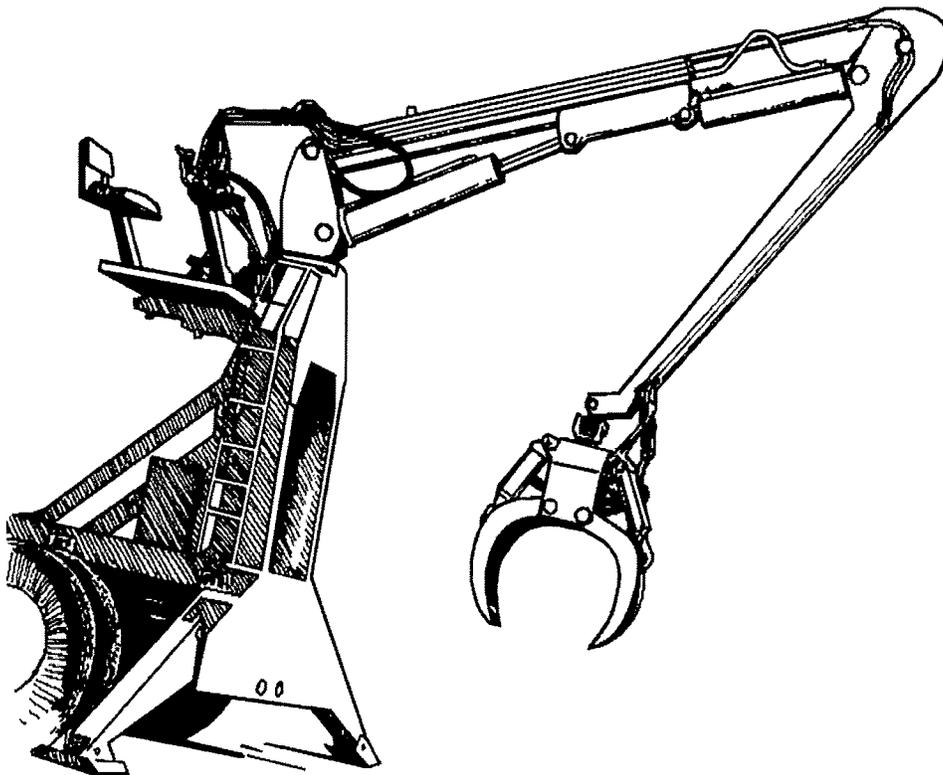
Although implied above, clearly state it is the responsibility of the logging operator to provide for log delivery to the mills as specified by the landowner.

F. EXPIRATION OF THE CONTRACT

- 1. Final date by which the logging operation will be completed**
- 2. Final date by which the slash will be burned**

G. SIGNATURES, ADDRESSES, TELEPHONE NUMBERS

- 1. Landowners**
- 2. Logging Operator**



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