



**Thank you for your interest in the Forest2Market® Stumpage Price database contributor program.** Open to wood buyers, dealers, and tree farmers in the US South who submit complete, timely timber bid and sale information, the program recognizes and compensates participants for the time required to organize and submit data.

Below is information about Forest2Market® and details of the data contributor program. Also included are:

- An example of the data submission form
- A map of the Forest2Market® micro markets
- Examples of the Forest2Market® Timber Owner Market Guide

Please take a moment to review the information below and feel free to contact me with any questions or comments.

Regards,

A handwritten signature in black ink that reads 'Mike Fiery'.

Mike Fiery  
Timber Market Analyst  
Forest2Market, Inc.  
14045 Ballantyne Corp Pl, Ste 150  
Charlotte, NC 28277

704.540.1440 ext 14  
704.540.6301 Fax



## Forest2Market® Data Contributor Program

The Forest2Market On-Line Stumpage Database contains transaction level details from over \$3.0 billion of tract-by-tract timber sales dating back to 2000. Data contributors include timber buyers and sellers. Product price and volume, logging condition, and tree size (avg. DBH) are reported for each sale. Submitted sales must pass a 15-point fitness check and deemed by experienced foresters to be complete and accurate to qualify.

It is the most complete and accurate timber pricing service in the southern United States.

### Program Overview

The Forest2Market® Data Contributor Program is open to persons or companies selling or bidding on, more than 5 timber tracts per year; **“no-sale” bids are not accepted.**

In consideration for the time and resources required to organize and submit data, participants choose **one** of the following compensation packages:

- 1) Cash payment of \$25 per tract – see next page for payment details.
- 2) 1-Year subscription to the Timber Owner Market Guide (choose the edition by locating the region your county is in on the enclosed micro market map).
  - Requires a minimum of 5 bids per year be submitted.
  - First year participants can send in historical (up to 6 months) old sales to qualify.

### **Forest2Market® accepts the following Sales (Bids):**

- Winning Bids
- Non-winning Bids
- Lump-Sum or Pay-as-Cut Bids; Negotiated or Bid



### **Data Submission:**

Data submission is requested within 14 days of the sale.

First year contributors can send recent historical sales data up to 3 months old.

Send data by email or fax. Forest2Market® form provided. Examples of email and fax forms are included in this information package.

Timber Analysts are available to answer any questions you have regarding data submission.

Current contact information is required in the event Forest2Market®, Inc needs to contact you with questions.

### **Other Notices:**

Forest2Market®, Inc does not divulge the identity of buyers, sellers or data contributors.

Only data submissions deemed accurate and complete by the Forest2Market® Operations Manager qualify.

Additionally, Forest2Market® reserves the right to refuse participation to any person or company who:

- Knowingly submits inaccurate or incomplete data;
- Violates the software license agreement.

A single payment for all sales submitted in a calendar month is made no later than 21 days after the end of the month, by check only.

Subscriptions require acceptance of the Forest2Market® Software License Agreement a copy of which is included in this package.

Forest2Market® reserves the right to change the program at any time. Program rules, data submission forms, required data fields, allowable values and minimum/maximum data submissions are all subject to change without notice.

## Forest2Market Timber Sale Input Form

**CONFIDENTIAL**

*(For Forest2Market Use Only)*

**14045 Ballantyne Corp PI  
Suite 150  
Charlotte, NC 28277  
(704) 540-1440  
Contacts: Mike Fiery  
Daniel Stuber**

**Fax form to: (704) 540-6301**

Company Name\*: \_\_\_\_\_

Tract Name: \_\_\_\_\_

Acres\*: \_\_\_\_\_

Contributor Name\*: \_\_\_\_\_

Date of Sale: \_\_\_\_\_

State: \_\_\_\_\_

Contributor Phone\*: \_\_\_\_\_

Buyer Name\*: \_\_\_\_\_

County: \_\_\_\_\_

\* Information will remain STRICTLY CONFIDENTIAL

**Circle One:**

1/ Quality

- 1 - Excellent
- 2 - Good
- 3 - Fair
- 4 - Poor

4/ Loggability - at least 50% of the tract is

- 1 - All weather logging
- 2 - Can be logged 10-11 months per year
- 3 - Can be logged 7-9 months per year
- 4 - Can be logged 4-6 months per year
- 5 - Can be logged 0-3 months per year

7/ Seller Type

- 1 - Private Landowner
- 2 - Forest Products Company
- 3 - Financial Institution/Investment Manager/Estate
- 4 - Corporate Owner
- 5 - Government

2/ Timber Type

- 1 - Natural Pine
- 2 - Natural Pine/Hardwood (more than 50% pine)
- 3 - Natural Hardwood/Pine (more than 50% hardwood)
- 4 - Hardwood
- 5 - Plantation - age 15 or less
- 6 - Plantation - age 16 to 20
- 7 - Plantation - age 21 to 25
- 8 - Plantation - age 26+

5/ % SMZ

- 1 - 0-10%
- 2 - 11-20%
- 3 - 21-30%
- 4 - 31-40%
- 5 - 41-50%
- 6 - Over 50%
- 7 - None

8/ Type of Sale

- 1 - Lump sum, sealed bid
- 2 - Lump sum, negotiated
- 3 - Pay as cut/unit, sealed bid
- 4 - Pay as cut/unit, negotiated

3/ Access

- 1 - Abuts a paved state or county improved road
- 2 - Abuts a gravel or rock based road county road
- 3 - Abuts a dirt/clay or native soil based county road
- 4 - Abuts a maintained private dirt road
- 5 - Abuts an unimproved woods road
- 6 - None

6/Miles of Road Building

- 1 - Less than 1
- 2 - 1-2 miles
- 3 - 2 miles plus
- 4 - None

8/ Method of Inventory

- 1 - Systematic grid, point sample (basal area prism)
- 2 - Systematic grid, plot sample (fixed area plot)
- 3 - 100% tally
- 4 - Strip cruise
- 5 - Ocular estimate

9/ Type of Harvest

- 1 - Clearcut
- 2 - Select Thin (I.e. cut trees are marked or designated)
- 3 - Plantation row thin
- 4 - Plantation row thin with selection in between rows
- 5 - Diameter limit cut
- 6 - Real Estate cut
- 7 - Salvage

Continue to next page

**Volume Information - Input YOUR volume and price information**

Product	Avg DBH*	Total Volume*	Units (circle one)*	\$/unit*
Pine Pulpwood			tons / cords / MBF	
Pine Topwood			tons / cords / MBF	
Pine Saw Pulp			tons / cords / MBF	
Pine Chip n saw			tons / cords / MBF	
Pine Sawtimber			tons / cords / MBF	
Pine Sawtimber (Other)			tons / cords / MBF	
Large Grade Sawtimber			tons / cords / MBF	
Large Pine Poles			tons / cords / MBF	
Small Pine Poles			tons / cords / MBF	
Pine Plylogs			tons / cords / MBF	
Pine Posts			tons / cords / MBF	
Hardwood Pulpwood			tons / cords / MBF	
Hardwood Scragg/Cleatwood			tons / cords / MBF	
Cypress Mulchwood			tons / cords / MBF	
Mixed Hardwood Sawtimber			tons / cords / MBF	
Hard Hardwood Sawtimber			tons / cords / MBF	
Soft Hardwood Sawtimber			tons / cords / MBF	
			<b>Total Sales Price:</b>	

**Bid Information**

	Name	Bidder Type (circle one)	Total Bid
Winning Bid		Forest Products Co. / Dealer / Logger	
2nd Bid		Forest Products Co. / Dealer / Logger	
3rd Bid		Forest Products Co. / Dealer / Logger	
4th Bid		Forest Products Co. / Dealer / Logger	
5th Bid		Forest Products Co. / Dealer / Logger	
6th Bid		Forest Products Co. / Dealer / Logger	
7th Bid		Forest Products Co. / Dealer / Logger	
8th Bid		Forest Products Co. / Dealer / Logger	
9th Bid		Forest Products Co. / Dealer / Logger	
10th Bid		Forest Products Co. / Dealer / Logger	

\* These Fields  
Are Required

# Forest2Market, Inc.

## Regions and Micro Markets



## Market Outlook

Regional prices moved very little for pine sawtimber and chip-n-saw, but individual micro-market prices were volatile. Some of the volatility was created by landowners who sold large volumes of timber and received premiums in the market as a result. Large tracts with large volumes are more desirable for suppliers who will pay more due to reduced harvesting costs.

**Pine Sawtimber** prices increased \$0.21 or less than one percent, from \$25.46/ton to **\$25.67/ton**. **Pine Chip-n-Saw** decreased just \$0.06 to **\$15.20/ton**, a decrease of less than 0.5 percent.

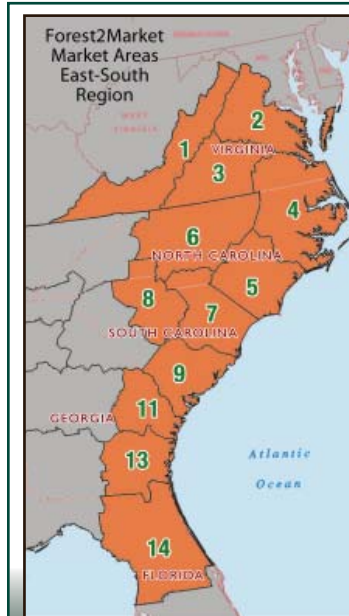
The paper industry continued to struggle in 2Q2009, though some signs of improvement have been peaking through the clouds over the last month. Announcements about idled paper machines still litter the headlines, however. Pulpwood prices were down in May (a sign of inventory clearing) but recovered significantly in June.

Overall, the two-month average for **Pine Pulpwood** fell less than one percent during the period, from \$7.96/ton to **7.89/ton**. The two-month average for **Hardwood Pulpwood** saw the largest decrease this period, a result of mills working off inventories. Prices fell over 13.5 percent, from \$6.24/ton to **\$5.40/ton**.

**Hardwood Sawtimber** prices increased nearly 6.5 percent during the period, gaining \$1.11/ton to end at **\$18.28/ton**.

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- A new website. Visit us at: [www.forest2market.com](http://www.forest2market.com)
- A wood bioenergy newsletter, Forest2Fuel. Sign up at: [www.forest2market.com/f2m/us/f2m1/free/forest2fuel](http://www.forest2market.com/f2m/us/f2m1/free/forest2fuel)



### Weighted Average Stumpage Prices (\$/ton) May/June 2009

Forest2Market Micromarket #	14" Pine Sawtimber	10" Pine Chip N Saw	Pine Pulpwood	Hardwood Sawtimber	Hardwood Pulpwood
1	\$ 17.93	\$ 9.79	\$ 5.39	\$ 19.42	\$ 2.68
2	\$ 24.08	\$ 16.40	\$ 7.06	\$ 14.82	\$ 3.10
3	\$ 26.31	\$ 14.77	\$ 7.65	\$ 17.00	\$ 3.00
4	\$ 24.63	\$ 14.59	\$ 6.50	\$ 19.90	\$ 5.03
5	\$ 24.19	\$ 14.60	\$ 5.95	\$ 18.46	\$ 3.72
6	\$ 25.68	\$ 13.84	\$ 6.05	\$ 19.19	\$ 3.46
7	\$ 30.05	\$ 17.54	\$ 8.20	\$ 21.20	\$ 6.85
8	\$ 28.95	\$ 18.12	\$ 8.05	\$ 18.73	\$ 6.81
9	\$ 25.51	\$ 13.75	\$ 9.37	\$ 20.42	\$ 7.96
11	\$ 25.44	\$ 16.99	\$ 7.56	\$ 19.16	\$ 7.71
13	\$ 28.24	\$ 17.89	\$ 11.29	\$ 20.52	\$ 6.51
14	\$ 27.02	\$ 14.12	\$ 10.36	\$ 18.58	\$ 4.17

This report contains aggregated individual timber sale stumpage data. Many variables, such as raw material demand, mill inventories, buyer competition, quality, topography and weather, play key roles in determining local prices. Pine Sawtimber prices are based upon a 14-inch Diameter-at-Breast-Height (DBH) log size. Pine Chip N Saw prices are based upon a 10-inch DBH log size.

## Industry Happenings

**MeadWestvaco** will close its beverage packaging plant in Wilmington, NC by August. Production will be moved to other MeadWestvaco plants. The cost consolidation is part of the company's plan to improve its manufacturing imprint and its mix of products.

MeadWestvaco also sold 25,000 acres of timberland in Georgetown and Williamsburg counties in S.C. to Forest Investment Associates (FIA). FIA will manage the property for Keystone Forest Investments and Sustainable Growth. The sales price was \$49 million.

**Oglethorpe Power** purchased a 280-acre tract in Appling County, Georgia, just east of Baxley. The company plans to build a

100 MW electricity generating facility on the property, pending an independent environmental study. The plant, which will open in 2014 or 2015, will use 160 truckloads of wood chips, chipped pulpwood and mill residuals yearly.

**Nature's Earth Products, Inc.** will open a new wood pellet plant in Laurinburg, N.C. No details about capacity and wood consumption were available. 2012 is the projected completion date.

**Peregrine Energy** will open a woody biomass-fueled cogeneration plant in Hartsville, S.C., a \$130 million investment. The 50 MW facility will use 500,000 of woody biomass annually and produce enough electricity to power

14,000 homes. The facility will be operational by fall of 2012. Progress Energy Carolinas will purchase the electricity.

**Natural Fuels Industries** (owned by Vega Promotional Systems) announced plans to build a wood pellet plant in Georgia. The plant's capacity is expected to be several hundred thousand metric tons per year. No announcement concerning location or when the facility will open.

**ATC Panels** is contemplating converting its particleboard mill in Franklin, Va. to a pellet plant. At full capacity, the mill produced 130 million square feet of board on a 3/4 inch basis annually and employed 130 workers. Currently, the mill employs 20.

## Helpful Information

### Marketing Timber: Selecting the Method of Sale and Payment

Before timber can be marketed, the method of sale and the method of payment must be selected. These selections will play a role in the amount of time and energy the landowner will need to expend in order to complete the sale, the price that will be paid for the timber and the amount of tax that will need to be paid on the revenue generated from the sale.

The three methods for selling timber are single offer, oral auctions and sealed bids. A **single offer** sale occurs when a seller contacts or is contacted by a buyer, and the buyer makes an offer to purchase the timber at a specific price. Sometimes, the single offer is a first and final offer. Other times, negotiations are undertaken until the buyer and seller agree to a price. Single offer sales are a good option if the seller already knows a buyer with a good reputation and wants to work with that buyer. One drawback to this type of sale is that unless the seller and his or her representative is knowledgeable about the local market and market prices, the lack of competition—where multiple buyers are bidding against each other—may result in a lower sales price.

Another option for selling timber is the **oral auction**. In the South, this type of sales is used primarily for timberland sales. In other regions, oral auctions are used for high value timber sales or when several woodlots can be

auctioned at one time. Both of these types of sales can be expected to draw many buyers, who gather at a designated time and place and bid on the timber at the same time. As a result of this competition, the sales price may be higher. Another advantage to the oral auction is that the sale happens quickly. Two drawbacks of an auction, though, are 1) they are complicated to administer, and 2) they require a high degree of timber market expertise. For that reason, it is not the type of sale a timberland owner should undertake without hiring a professional forester.

The final type of sale is the **sealed bid** sale. In most situations, written sealed bids provide the most desirable results for timberland owners. With this type of sale, potential buyers are notified of the sale, given a period of time to examine and value the timber and submit bids. Then, at a specified time and place, the bids are opened and the winning bidder is chosen. Sealed bid sales generally attract the highest number of buyers. The resulting competition may increase the price. Sealed bid sales simplify administration of the sale, are convenient for both buyers and sellers and protect the seller by requiring the payment of earnest money.

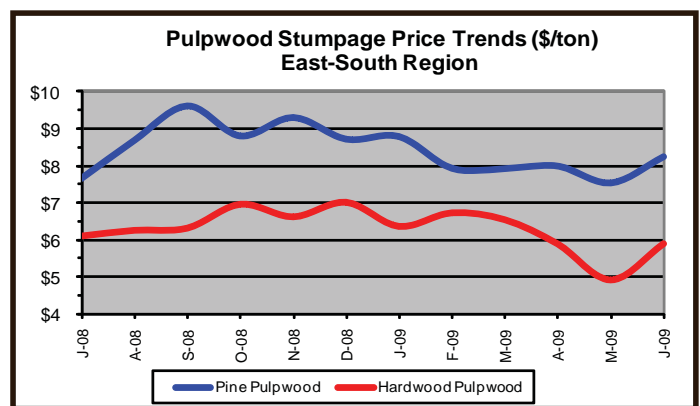
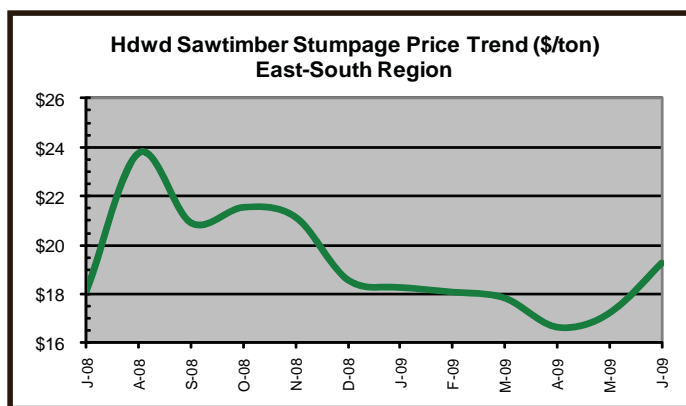
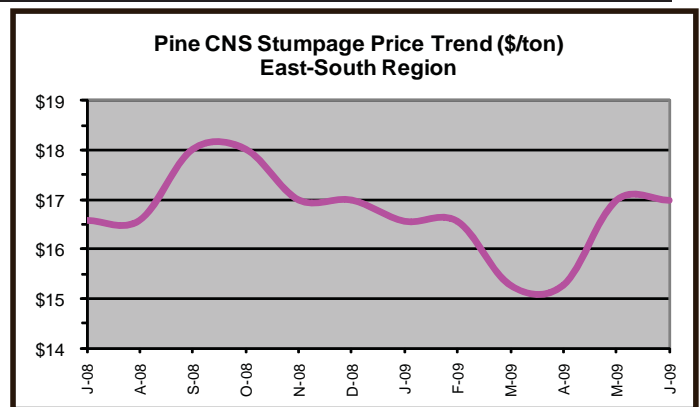
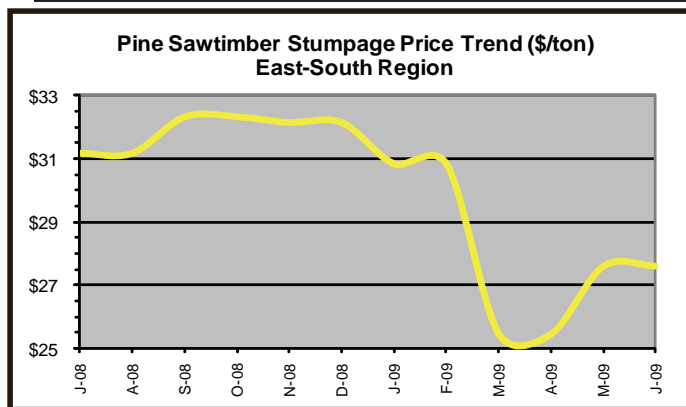
There are two payment methods for stumpage: lump sum and pay-as-cut. With a **lump sum** sale, the buyer agrees to pay a fixed amount for the timber, prior to harvest. The sales price is based on the timber inventory, and therefore, it is important that both the seller and the buyer have an accurate inventory prior to agreeing on a price. One advantage of the lump sum

sale for the timberland owner is that, once full payment is made, the buyer assumes all the risk of timber loss from damage, theft or overestimation of value. This assumption of risk, as well as the costs of financing the prepayment, timber inventory, title search and road work, can reduce the price paid to the seller.

With a **pay-as-cut** sale, also known as a sale-by-unit or scale sale, a specific amount of money is paid for each unit of product cut. While an initial partial payment is made, the rest of the contract amount is paid as timber is harvested. The disadvantages for timberland owners for this type of sale include: 1) the seller retains the risk of loss until the timber is harvested; 2) close monitoring of the sale is critical in order to ensure an accurate accounting; and 3) the total income from harvest cannot be known until the last log is harvested. As a result, pay-as-cut sales are best when time is of the essence or when either inventorying or harvesting the tract will be difficult. When the seller wants to ensure capital gains tax treatment for the income realized from the sale, a pay-as-cut sale is used as well (lump sum sales qualify for capital gains treatment only if certain conditions are met).

Once these decisions are made, the next step is to advertise the timber sale. Our July/August issue will cover the items to be included in the timber sale notice.

For the latest information on the tax treatment of timber sales: <http://www.timbertax.org/>.



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## Market Outlook

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Sawtimber prices held relatively steady during the period. **Pine Sawtimber** in the Mid-South was up just \$0.01/ton to **\$23.35/ton**. **Pine Chip-n-Saw** was up \$0.46/ton from \$12.99/ton to **\$13.45/ton**, an increase of over 3.5 percent.

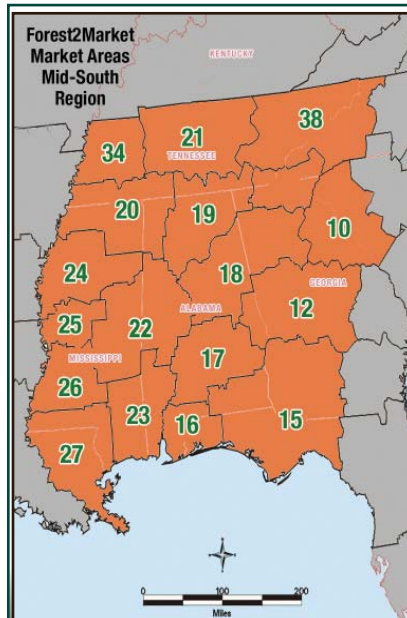
The paper industry continued to struggle in 2Q2009, though some signs of improvement have been peaking through the clouds over the last month. Announcements about idled paper machines still litter the headlines, however.

**Pine Pulpwood** reversed trend this period, climbing over 9 percent from \$7.27/ton to **\$7.94/ton**. **Hardwood pulpwood** prices were down in May (a sign of inventory clearing) but recovered significantly in June. The two-month average for **Hardwood Pulpwood** fell over 11 percent, down \$0.77/ton from \$6.82/ton to **\$6.05/ton**.

**Hardwood Sawtimber** prices held a bit steadier, down just \$0.69/ton, ending at **\$20.35/ton**, a decrease of just over 3 percent.

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- A wood bioenergy newsletter, Forest2Fuel. Sign up at: [www.forest2market.com/f2m/us/f2m1/free/forest2fuel](http://www.forest2market.com/f2m/us/f2m1/free/forest2fuel)



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12	\$ 28.81	\$ 15.51	\$ 5.89	\$ 19.28	\$ 6.47
15	\$ 27.76	\$ 17.29	\$ 9.06	\$ 20.00	\$ 5.50
16	\$ 26.72	\$ 17.61	\$ 8.66	\$ 19.87	\$ 7.49
17	\$ 27.59	\$ 18.67	\$ 9.96	\$ 20.59	\$ 8.26
18	\$ 24.34	\$ 11.61	\$ 7.49	\$ 15.09	\$ 4.07
19	\$ 17.76	\$ 9.71	\$ 8.83	\$ 19.76	\$ 5.80
20	\$ 20.99	\$ 10.07	\$ 9.74	\$ 21.14	\$ 7.50
21	\$ 15.21	\$ 8.89	\$ 6.55	\$ 24.32	\$ 4.42
22	\$ 24.28	\$ 13.44	\$ 6.75	\$ 20.61	\$ 8.82
23	\$ 27.41	\$ 18.00	\$ 9.71	\$ 23.76	\$ 7.06
24	\$ 25.69	\$ 13.92	\$ 6.72	\$ 19.88	\$ 6.25
25	\$ 25.04	\$ 10.94	\$ 5.59	\$ 16.06	\$ 3.30
26	\$ 25.32	\$ 15.50	\$ 7.61	\$ 21.29	\$ 4.65
27	\$ 24.22	\$ 13.36	\$ 9.28	\$ 22.86	\$ 4.22
34	\$ 15.02	\$ 9.55	\$ 5.33	\$ 22.09	\$ 5.96
38	\$ 14.91	\$ 8.61	\$ 5.31	\$ 23.02	\$ 4.88
39	\$ 22.89	\$ 12.67	\$ 6.42	\$ 22.87	\$ 5.03

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## Industry Happenings

**Roy O. Martin** will expand its Rocky Creek Lumber sawmill in Mexia, Ala., adding two dry kilns and a fourth shift. Construction is expected to start in July.

**Piney Woods Pellets** opened its \$10 million pellet plant in Stone County, Miss., on June 8. The plant's CEO, Osmond Crosby is a third-generation Miss. tree farmer. The plant will produce 50,000 tons of pellets per year.

**Forestar** has agreed to sell 75,000 acres of timberland in Ga. and Ala. to **Hancock Timber Resource Group** for a reported \$120 million and 20,000 acres in Ga. to **Holland Ware** for \$39.5

million. **Forestar** will use the cash infusion to reduce its debt. The company announced earlier in the year that it would sell 175,000 acres in an effort to reduce its debt by approximately \$150 million.

A wood pellet manufacturer is currently in talks with officials in Athens, Ga., to purchase Louisiana-Pacific's shuttered mill, which once produced 400 million square feet of OSB. The manufacturer is currently seeking financing for the deal.

**Biofuels America** plans to build a 30 million gallons per year (MMGY) cellulosic ethanol facility in Marion

County, Tenn. At full capacity in its fourth year, the facility will produce 100 MMGY. In addition to ethanol, the plant will generate its own power, and sell 15 MW of electricity to the grid.

**Chapman Forest Products** in Chapman, Ala., will close in July. The announcement follows layoffs in November that were supposed to prevent closure of the mill. **Chapman** purchased the mill from International Paper less than a year ago. It produced yellow pine lumber and plywood. **Scotch Lumber** closed its Fulton, Ala. sawmill in April. **Roseburg Forest Products** closed its Eupora, Miss. composite panel operation in May.

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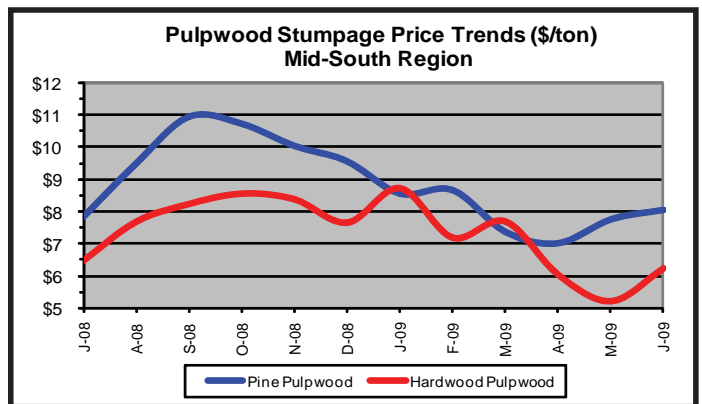
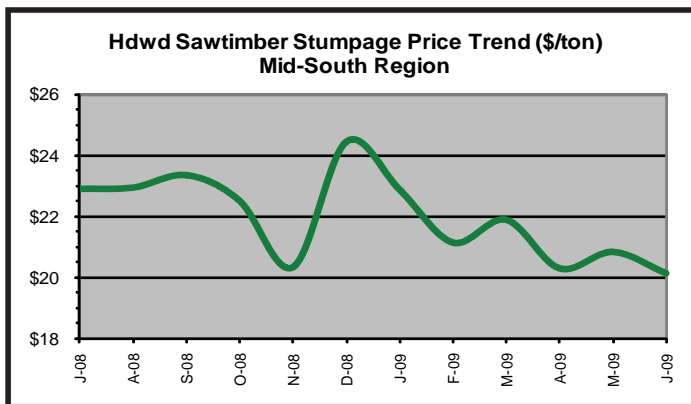
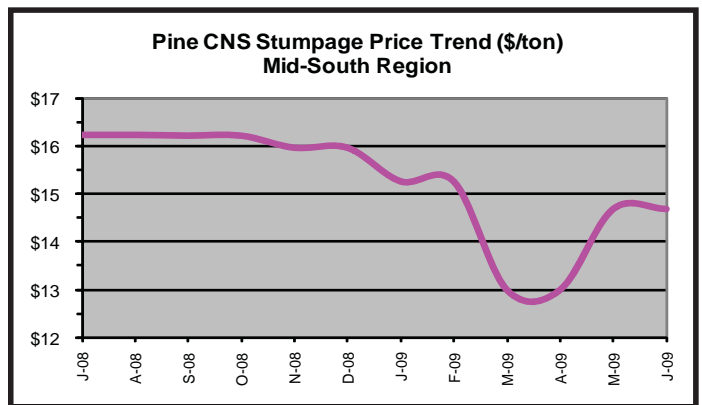
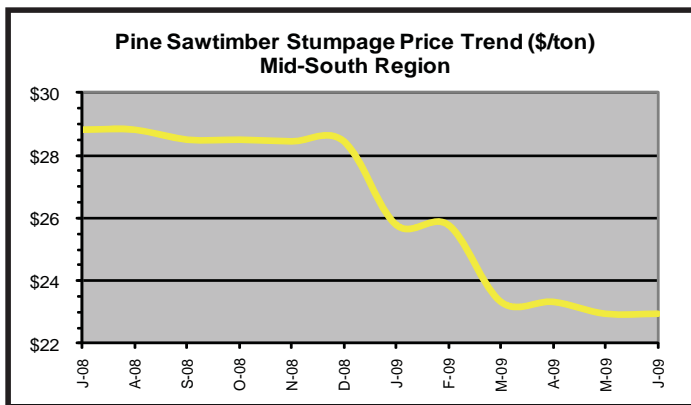
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 Annual Subscription Price (6 issues): \$149.99

## Market Outlook

Regional prices moved very little for pine sawtimber and chip-n-saw, but individual micro-market prices were volatile. Some of the volatility was created by landowners who sold large volumes of timber and received premiums in the market as a result. Large tracts with large volumes are more desirable for suppliers who will pay more due to reduced harvesting costs.

**Pine Sawtimber** prices continued on their downward trend in the May-June period, declining nearly 3 percent from last period's level, down \$0.68/ton to **\$24.40/ton**. **Pine Chip-n-Saw** prices increased almost 4 percent, gaining \$0.53/ton to **\$14.78/ton**.

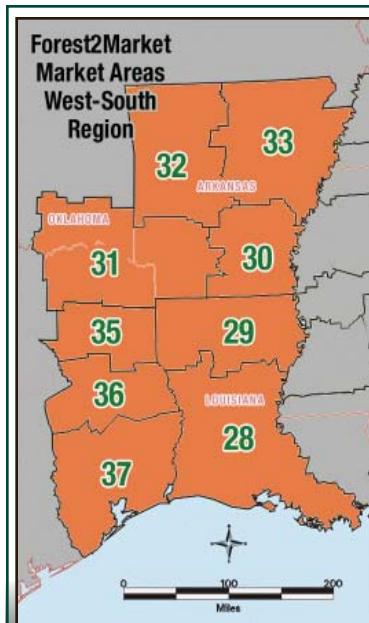
The paper industry continued to struggle in 2Q2009, though some signs of improvement have been peaking through the clouds over the last month.

**Pine Pulpwood** prices saw the largest jump of any class of timber in the West-South this period (recouping all its loss from last period); they increased \$1.40/ton to **\$8.47/ton**, a nearly 20 percent improvement. Hardwood pulpwood prices fell in May (a result of mills working through their inventory), though they recouped most of the loss in June. The two-month average for **Hardwood Pulpwood** prices fell from \$7.80/ton to **\$7.56/ton**, a decrease of just over 3 percent.

**Hardwood Sawtimber** prices lost \$3.77/ton, ending at **\$16.82/ton**, a decrease of over 18 percent from last period.

### Forest2Market announces two new offerings:

- A new website. Visit us at: [www.forest2market.com](http://www.forest2market.com)
- A wood bioenergy newsletter, Forest2Fuel. Sign up at: [www.forest2market.com/f2m/us/f2m1/free/](http://www.forest2market.com/f2m/us/f2m1/free/)



### Weighted Average Stumpage Prices (\$/ton) May/June 2009

Forest2Market Micromarket #	14" Pine Sawtimber	10" Pine Chip N Saw	Pine Pulpwood	Hardwood Sawtimber	Hardwood Pulpwood
28	\$ 24.53	\$ 15.27	\$ 7.92	\$ 20.19	\$ 5.60
29	\$ 24.24	\$ 13.78	\$ 7.23	\$ 20.88	\$ 8.00
30	\$ 25.67	\$ 16.67	\$ 9.66	\$ 17.28	\$ 9.76
31	\$ 26.61	\$ 15.37	\$ 7.11	\$ 15.75	\$ 10.19
32	\$ 23.16	\$ 13.76	\$ 5.54	\$ 16.76	\$ 5.11
33	\$ 21.16	\$ 11.42	\$ 4.81	\$ 17.73	\$ 4.71
35	\$ 23.54	\$ 14.69	\$ 9.89	\$ 19.23	\$ 8.00
36	\$ 25.86	\$ 17.14	\$ 6.24	\$ 20.53	\$ 5.26
37	\$ 24.80	\$ 14.89	\$ 7.28	\$ 16.49	\$ 4.96

This report contains aggregated individual timber sale stumpage data. Many variables, such as raw material demand, mill inventories, buyer competition, quality, topography and weather, play key roles in determining local prices. Pine Sawtimber prices are based upon a 14-inch Diameter-at-Breast-Height (DBH) log size. Pine Chip N Saw prices are based upon a 10-inch DBH log size.

## Industry Happenings

**Temple-Inland** closed its sawmill in Buna, Texas indefinitely. Temple-Inland Chairman and CEO Doyle Simons attributed the closure to the housing market. "Amidst the worst housing markets in decades," he said, speaking to the Angelina County/Lufkin Chamber of Commerce, "we have had to make some really tough calls in our building products business including exiting the hardboard siding business, indefinitely closing the Buna sawmill, curtailing production at other facilities to match

supply and demand and reducing headcount." The Buna mill was named by *Timber Processing* as one of the top softwood mills in the U.S. in 2006, when it produced 157 MMBF annually.

**The Louisiana Forestry Association** estimated that the forestry industry in the state had declined in 2008 by \$1 billion. The association pegged the loss of jobs in the industry over the last five years at approximately 40 percent, down 10,000 jobs to 16,000. Loggers are among the most affected groups, with 20 percent

having already gone out of business in 2008 and many more in danger of following suit. The recession, marked by a decline in demand for housing, paper and boxes, has taken its toll on the state's industry.

**Boise Inc.** made a decision to indefinitely idle its D-2 paper machine in DeRidder, Louisiana. The machine, which had been idled since February, has a newsprint capacity of 186,000 tons/year. The company will continue to run an additional newsprint machine and a linerboard machine at the mill.

## Helpful Information

### Marketing Timber: Selecting the Method of Sale and Payment

Before timber can be marketed, the method of sale and the method of payment must be selected. These selections will play a role in the amount of time and energy the landowner will need to expend in order to complete the sale, the price that will be paid for the timber and the amount of tax that will need to be paid on the revenue generated from the sale.

The three methods for selling timber are single offer, oral auctions and sealed bids. A **single offer** sale occurs when a seller contacts or is contacted by a buyer, and the buyer makes an offer to purchase the timber at a specific price. Sometimes, the single offer is a first and final offer. Other times, negotiations are undertaken until the buyer and seller agree to a price. Single offer sales are a good option if the seller already knows a buyer with a good reputation and wants to work with that buyer. One drawback to this type of sale is that unless the seller and his or her representative is knowledgeable about the local market and market prices, the lack of competition—where multiple buyers are bidding against each other—may result in a lower sales price.

Another option for selling timber is the **oral auction**. In the South, this type of sales is used primarily for timberland sales. In other regions, oral auctions are used for high value timber sales or when several woodlots can be

auctioned at one time. Both of these types of sales can be expected to draw many buyers, who gather at a designated time and place and bid on the timber at the same time. As a result of this competition, the sales price may be higher. Another advantage to the oral auction is that the sale happens quickly. Two drawbacks of an auction, though, are 1) they are complicated to administer, and 2) they require a high degree of timber market expertise. For that reason, it is not the type of sale a timberland owner should undertake without hiring a professional forester.

The final type of sale is the **sealed bid** sale. In most situations, written sealed bids provide the most desirable results for timberland owners. With this type of sale, potential buyers are notified of the sale, given a period of time to examine and value the timber and submit bids. Then, at a specified time and place, the bids are opened and the winning bidder is chosen. Sealed bid sales generally attract the highest number of buyers. The resulting competition may increase the price. Sealed bid sales simplify administration of the sale, are convenient for both buyers and sellers and protect the seller by requiring the payment of earnest money.

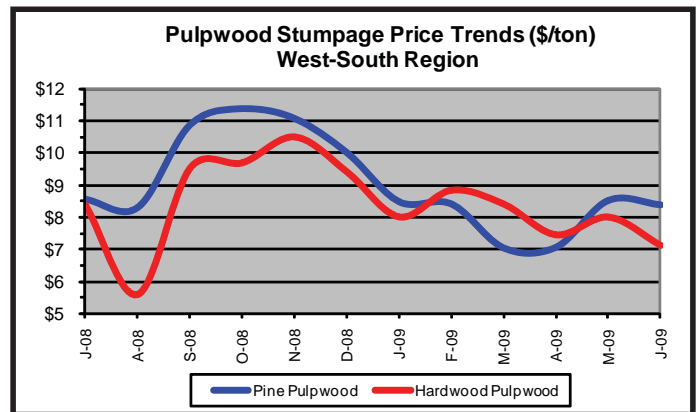
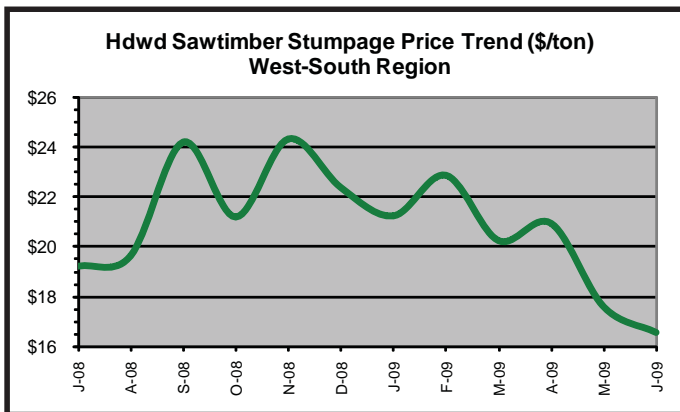
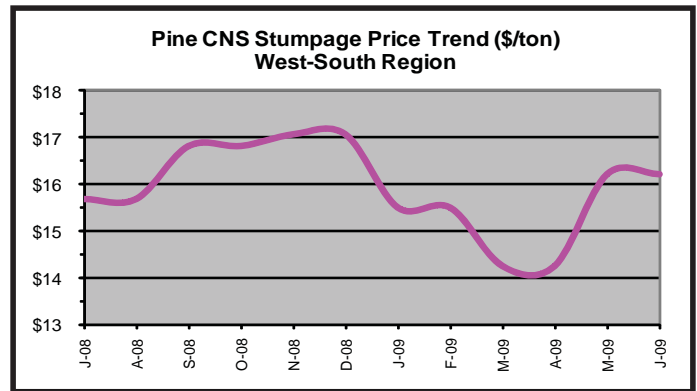
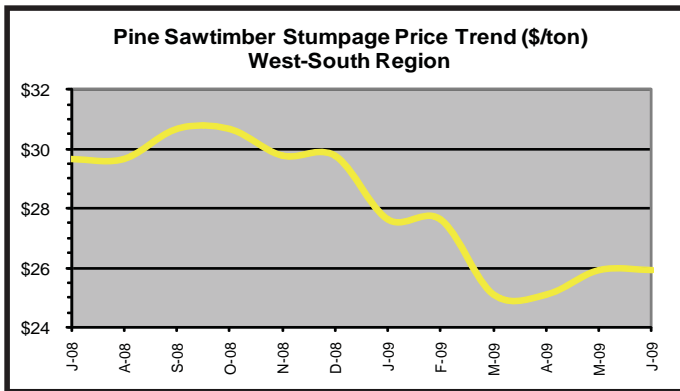
There are two payment methods for stumpage: lump sum and pay-as-cut. With a **lump sum** sale, the buyer agrees to pay a fixed amount for the timber, prior to harvest. The sales price is based on the timber inventory, and therefore, it is important that both the seller and the buyer have an accurate inventory prior to agreeing on a price. One advantage of the lump sum

sale for the timberland owner is that, once full payment is made, the buyer assumes all the risk of timber loss from damage, theft or overestimation of value. This assumption of risk, as well as the costs of financing the prepayment, timber inventory, title search and road work, can reduce the price paid to the seller.

With a **pay-as-cut** sale, also known as a sale-by-unit or scale sale, a specific amount of money is paid for each unit of product cut. While an initial partial payment is made, the rest of the contract amount is paid as timber is harvested. The disadvantages for timberland owners for this type of sale include: 1) the seller retains the risk of loss until the timber is harvested; 2) close monitoring of the sale is critical in order to ensure an accurate accounting; and 3) the total income from harvest cannot be known until the last log is harvested. As a result, pay-as-cut sales are best when time is of the essence or when either inventorying or harvesting the tract will be difficult. When the seller wants to ensure capital gains tax treatment for the income realized from the sale, a pay-as-cut sale is used as well (lump sum sales qualify for capital gains treatment only if certain conditions are met).

Once these decisions are made, the next step is to advertise the timber sale. Our July/August issue will cover the items to be included in the timber sale notice.

For the latest information on the tax treatment of timber sales: <http://www.timbertax.org/>.



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