



SELLING WOOD FROM PRIVATE FORESTS

Private Forests Tasmania
Farm Forestry Sheet

Over the past 10 years there have been many changes in the Tasmanian forest products processing sector but existing and new companies continue to buy both plantation and native forest wood from private forest owners.

The most common way for timber to be sold in Tasmania is for forest owners to negotiate with potential buyers, either directly or through a wood 'broker' or forest management company/advisor, to achieve the best deal or most suitable arrangement for their circumstances. In the later stages of the negotiation this can involve a period of "sole negotiation" with a preferred buyer.

Selling timber can be complex. The following are the key steps for a typical sale of standing timber.

1. You offer your timber for sale. Private Forests Tasmania's foresters can provide you with advice and contact details for potential wood buyers to approach and can provide you with independent advice as the process proceeds.
2. The potential wood buyers will inspect your forest and estimate the likely quantities of each grade of log. They will also be able to assess any roading requirements and forest practices issues that might be important.
3. They should then make you a written and itemised offer for each log grade. The most important figure is the 'stumpage'.
4. The offer will usually include an estimate of the number of tonnes of each grade. This estimate doesn't have to be precise. It isn't necessarily significant if one buyer estimates more or less tonnes of a specific log grade compared to another although, if there are very large differences, it would be worth making sure you understand why. Payment should ultimately be based on tonnes measured over a weighbridge – the dollar per tonne figure is the one that really counts.
5. Therefore, you should discuss and negotiate with potential buyers on log grades, prices (stumpage) and timing. Make sure you understand exactly what is and isn't included in the offers. Get independent advice or ask the buyer if unsure about any aspect.
6. Agree on sales terms and type of contract. At this time you should seek advice from your accountant or from someone experienced in timber sales to help you decide the best type of agreement to use and get legal advice on the wording of the contract. In

THERE ARE THREE MAIN TYPES OF WOOD BUYERS:

- large industrial forestry companies;
- independent forest management / timber brokerage companies; and
- rural sawmillers / portable sawmillers / harvesting contractors.

'STUMPAGE':

This is the amount the buyer will pay to the forest owner for each grade of log recovered after harvest from the standing trees. It is usually quoted as dollars per (green) tonne. Apart from minor regulatory fees and levies triggered by the Forest Practices Plan for harvesting trees, the forest owner is not usually responsible for any expenses related to the harvesting operation. The purchaser is responsible for all planning, roading, harvesting, and trucking the forest products to a processing plant.

The stumpage offered will be influenced by:

- market opportunities at the time;
- volume and area to be harvested;
- log grade;
- harvesting and access difficulty; and
- cartage distance to the processor.



Selling Wood from Private Forests

particular, the contract should specify what information you will receive about the amount of wood removed from your land and when you will receive payment.

7. Once the agreement has been signed by both parties it is then up to the wood purchaser to do the rest including the preparation of a Forest Practices Plan and compliance reporting in relation to the plan. You should be informed of any compliance reporting you may be required to do. A prudent forest owner will, however, still regularly visit the harvesting operation and keep an eye on how operations are going.

EVEN FOR AGREEMENTS BASED ON STUMPAGES THERE CAN BE VARIATIONS AS TO HOW PAYMENTS ARE MADE:

- standard stumpage agreement – payment should be at regular intervals based on weighbridge records;
- lump sum agreement - this can include option(s) for additional quantities of wood; and
- advance payments agreement - often as a proportion of the estimated total payment with a final reconciliation when the operation has been completed.

Contact Private Forests Tasmania

Web: www.pft.tas.gov.au

Email: admin@pft.tas.gov.au

Hobart Office

30 Patrick Street, Hobart 7000

Phone (03) 6165 4073

Launceston Office

State Government Offices, 171 Westbury Road, Prospect 7250

PO Box 180, Kings Meadows 7249

Phone (03) 6777 2720

Burnie Office

2-4 East Cam Road, Camdale 7320

PO Box 68, Burnie 7320

Phone (03) 6477 7052

Disclaimer

Every reasonable endeavour has been used to ensure that the material was accurate at the time of publication. No legal responsibility can or will be accepted by Private Forests Tasmania for the accuracy, completeness, or relevance of such information to the user's purpose. Before undertaking any significant forestry project, it is recommended that you seek personal professional advice from Private Forests Tasmania and/or a forestry professional on the particular matter.