



Timber Sale Contracts

Selling timber is the pay-off for all the time and efforts spent in producing a timber crop. A written timber sale contract is *essential* for completing a successful timber sale. It provides a *legal* framework for what happens prior to and during harvesting until the completion of the sale. *How* timber is sold can impact future timber production as well as the amount of taxes paid on the proceeds of the sale and a written contract allows a landowner to control these aspects. Written contracts also protect buyers, such as a guaranteeing the seller has the right to sell the timber and that access to cut the timber will be granted.

Writing a timber sale contract is no easy task. It is recommended you seek advice from your forester, attorney or your tax advisor even if you have prior timber sale experience. No two timber sales are exactly alike and the contract should be specific to each individual sale. Sample contracts are available in a publication "Forest Management for Missouri Landowners" available free-of-charge from the Mo. Dept. of Conservation.

Elements of a Timber Sale Contract

1. Names and address of both the buyer and seller.
2. The location (legal description) of the timber land to be sold. An attached map or aerial photo is recommended.
3. How the trees to be harvested are designated for sale. For example, paint spots on the trunk and stump of each tree for sale. This could also include the estimated (but not guaranteed) volume and scale of the trees being sold.
4. The selling price or method for determining the amount of money being paid for the specified standing timber or other forest products. This might also include damage deposits or escrow accounts if required by the seller.
5. How and when payment is to be made by the buyer to the seller (terms of payment).
6. Conditions of the sale such as:
 - ❖ Restrictions on harvesting activities during wet weather, hunting seasons, week-ends, or during field crop growing seasons.
 - ❖ Treatment of drainage crossings, log decking areas, skid trails, or interior roads.
 - ❖ Repair of roads, fences, structures and other improvements following harvesting.

- ❖ Liability insurance proof requirements required by the seller.
- ❖ Installation of Best Management Practices required during and following timber removal.
- ❖ Required removal of trash and debris accumulated during the harvesting operation.
- ❖ Are subcontractors allowed? Logger Credentialing required?
- ❖ Beginning and ending dates of the contract period. This can also include contract extension provisions.
- ❖ Penalties for non-compliance with contract terms, when paid, and who determines when penalties are appropriate.
- ❖ Guarantee of title or "right to sell" the timber listed in the contract.
- ❖ Guarantee of access for harvesting.
- ❖ Landowner limitation of liability for logging accidents.
- ❖ Terms for dispute resolution.
- ❖ Any other item or detail which would further define conditions or requirements of either the buyer or seller and which might prevent a misunderstanding during the sale.

Both the buyer and seller should sign and date the written contract, each retaining a signature copy. Notary public witnessing is not legally required.

A future article will explain how the timber sale contract may be used to minimize income tax liability for the landowner.

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