

Selecting a log broker to sell your trees

There's an old saying, "never trust a man with sawdust in his boots." We thought this no longer rang true following the 'green gold rush' of the early to mid nineties, when every untended woodlot fetched a huge price. However, just last week we heard of a couple of cases where farmers and commercial companies have been ripped off from selling their forests. This shouldn't be happening in today's times.

Farmers are good at selling their fat lambs, its part of the farming business. You know exactly what the schedule was doing last week and where it is likely to be next week. When it comes to selling your trees, it is something that happens much less often and it can be more difficult to achieve the desired outcome.

Below are a few points to help you through some of the initial pitfalls of selling your woodlot.

Woodlots or forests are sold as either:

1. **Cutting rights** where the forest is sold for a set sum and the buyer has a certain time period to harvest the trees. The owner of the land may impose conditions such as replanting. This is a good way of selling immature woodlots.
2. **Stumpage sales** is where the woodlot owner sells the trees and either receives a price per tonne or a lump sum for the woodlot irrespective of the log grades present. Logging, loading, and transport to market are usually the responsibility of the buyer. In this situation the buyer takes all the risk as to what wood quality is present and consequently the owner's returns are likely to be less.
3. **Log sale agreement** is when a log broker or logging contractor pay the owner a price per log grade harvested.

Stumpage sales can sometimes be a bit of a lottery for farmers. They can be a bit like buying a pen of sheep where you don't know how many there are, nor their weights. With stumpage sales it is important for the forest owner to have some indication of what volumes of the different log grades are present, so they know whether the stumpage price being offered is fair or not. Pre-harvest surveys are one method for determining what volumes and grades are present however these can often be unreliable and the grades quoted are not what actually are cut on the ground.

The log sale agreement is the most common method for farmers selling their woodlots. Under this method you are paid for what you have got. It can be done through an independent log broker or occasionally a logging contractor. The disadvantage of selling to the logging contractor is that you never quite know whether you have been paid for all the loads. An independent log broker is a bit like your stock agent – they are generally trying to get the best price for your product. Under this situation, if the log broker wins then you win also.

There are several key questions to determine a credible log broker .The first thing you need to check out is what prices they are paying for the different log grades. We have heard of log brokers quoting very high prices for log grades that are not even present in the forest. The pre-harvest prices sounded great and by the time the trees were cut

down, it was too late. It is not realistic to expect log brokers to accurately tell you what volumes are present for each grade, but they should know what grades are present in the forest.

Secondly, determine if the log broker has an actual market for the grades they are quoting on. This is often the point of difference from one log broker to another. Timber mills generally have a supply system for log brokers that is based on maintaining frequency and quantity of supply. If the log broker does not have market access for the grades of timber present in your forest, then you will be selling yourself short. Also ask your prospective log broker about their share of the market for the local mills or markets he supplies. This will give you some indication of reliability and stability of the broker.

Good log brokers will also have access to competent logging gangs with skilled log makers. The harvesting of woodlots is quite specialized and some terrains demand different harvesting techniques. It is important that the contractors used by your log broker have adequate gear for the conditions. If they don't, and still undertake the harvesting you will end up with one heck of a mess.

As part of your contract, determine up front who is paying for what. This includes roading, fencing, harvesting, resource consents if needed, log broking fees etc. It is also important to know how the site will look following harvest.

Finally, when selecting your log broker, ask for a list of their last couple of harvesting jobs. Contact these people and ask what sort of job they got; did the log broker do what they said they would do? Did the farmer get paid for it and was it what they expected? Only then can you be confident you have chosen the right person to sell your trees and maximize your returns.

Like every business venture, when embarking on forestry venture it is important to do your homework. If you are unsure and need some independent advice, a good initial port of call is your local farm forestry association.