

Salvaging Timber: Frequently Asked Questions

Who can I contact for help?

The Kentucky Division of Forestry should be your first contact for providing you with on-site technical assistance after encountering a catastrophic event, however if you need a timber appraisal for insurance or tax purposes, you will need the services of a consultant forester. The Division of Forestry foresters can conduct a preliminary assessment of your forestland and provide you a stewardship plan with recommendations for sustaining forest health. However if timber salvage is recommended and you are concerned about the value of timber lost, consultant foresters within Kentucky may be found at www.KACF.org

What should I do with my damaged timber?

Consider these questions before taking any action.

1. Do I have a manageable timber stand left undamaged?
2. Will I be able to make a timber sale in the future when prices are better?
3. Can I salvage the damaged timber?

To answer these questions you will need vital information about your specific situation; foresters can help you obtain this information. When damage occurs in patches, consider making the damaged patches new stands separate from undamaged patches. Avoid selling undamaged timber as salvage; this would be recommended only when a future timber harvested isn't warranted. More money can be lost by selling good trees in a poor market (which usually exists after a widespread loss of timber) than can be earned by salvaging damaged trees. Do not allow the salvage operation to damage good trees. The income from a salvage cut is usually small compared to that from a future harvest when better prices return.

How fast do I need to salvage my damaged timber?

Slightly damaged pines and severely damaged hardwoods may have some value six months to a year following damage. Slightly damaged hardwoods may last for several years due to differences of deterioration rates among species. Some wind-damaged trees may not qualify as sawtimber because of the internal damage they suffered.

How should I select a buyer/operator to salvage my timber?

Select a salvage timber buyer or logger in much the same way as for a normal timber sale. Although the timber needs to be harvested in a timely manner, don't rush or select an operator with whom you are not comfortable. You should have a contract that clearly states what timber is to be removed and what timber it to be left. Remember that even during this time all Best Management Practices should be followed. Contact a Kentucky Master Logger in your local area for the salvage harvest by visiting the following website: www.masterlogger.org. If a timber buyer approaches you, ask for references and check them. Loggers with good equipment, trained crews, and Sustainable Forestry Initiatives (SFI) certification are going to be in high demand. Be sure that loggers operating on your property have both limited liability and workers compensation insurance.

What other risks does my timber face during this time?

The other major risk at this time is fire because of the vast amount of debris on the ground. This fuel dries very quickly in the summer sun; if ignited, the resulting fire could be devastating. A large amount of debris on the ground could limit firefighters' ability to control a fire. Follow all recommended burn bans and take great care to prevent a forest fire.

How can timber value be estimated in damaged timber stands?

Because of the difficulty of estimating the salvage value of timber and the complexities of the market, we strongly recommend that landowners get help from professional foresters in determining timber value.

How can I use a timber cruise to estimate a timber casualty loss?

The deductible loss from a casualty is the lesser of the fair market value of the lost timber and one's basis in the timber. Casualty losses can be claimed on IRS Form 4684, which is available in IRS Publication 2194, the Disaster Losses Kit. To file this form and claim a loss, a landowner needs three values:

- the fair market value before the disaster;
- the fair market value after the disaster; and
- the basis in the timber.

Timber basis is the key. If the basis is zero, there is no deductible loss. The timber basis should already have been established. If not, a retroactive basis may be estimated. Combine the cruise above with growth information collected with an increment borer. Grow the timber backward to the time the property was acquired. See www.msucares.com for more information on how to determine basis. Generally, it is worthwhile to estimate basis if a forester's fee is less than 15 percent of the estimated basis.

Values calculated from cruise needed on IRS Form 4684:

Fair market value before = the sum by product [total tons/ac x values before disaster].

Fair market value after = {the sum by product [undamaged tons/ac x values after disaster]} + salvage value of damaged trees.

Timber Salvage Contract Suggestions:

When preparing contracts for large areas of salvage or areas that will include salvage timber as well as large amounts of standing, healthy trees, a consulting forester should be employed to estimate the value of the timber and/or administer the sale. If you wish to handle the sale yourself, an attorney should be consulted or employed to prepare the actual contract which will protect you and the purchaser. When preparing a contract for timber salvage, the following items should be considered.

1. General Information -- include names and addresses of seller and buyer, the date of the agreement, a legal description of the tract, including the exact location, acreage, boundaries and a map of the timber area to be sold.
2. Declaration of Seller's Ownership & Right to Convey -- the seller should declare ownership and right to convey the timber; guarantee the title to the timber; and guarantee to defend all claims against the timber.
3. Right of Ingress and Egress -- the seller should guarantee the buyer the right to enter and exit the property.
4. Statement of the Type of Cutting -- state whether the harvest is to be clearcut, selectively marked, seed-tree, salvage only, or other method. If selectively marked, state how the trees to be cut are marked. State clearly what is to be harvested.

5. Purchase Price, Payment Method and Terms - purchase price may be a lump sum or on a value per unit basis, and terms of payment must be clearly stated.
6. Duration of the Agreement - state a time period which the timber must be cut and include a provision for extending the contract due to bad weather if necessary.
7. Conditions Governing Removal of Timber - state clearly any restrictions pertaining to equipment; location of skid trails, haul roads, log decks and loading sites; limits to ingress and egress; seller's right to limit operations during certain weather events; and other limitations to the overall operation. Be reasonable with these limitations, not overly restrictive.
8. Conditions Governing the Care of Other Property - state clearly the penalty or payment for damage to existing structures and features of the property (roads, bridges, fences, ditches, buildings, streams, and other features or improvements) and for trees not included in the sale.
9. Assignment of the Contract - include a provision for or against the assignment of the contract to another.
10. Implementation of state BMP minimum requirements for timber harvesting and utilization of a Kentucky Master Logger
11. Fire Protection - the purchaser should be required to comply with all fire laws and immediately suppress, at his own expense, any fire originating (by accident or negligence) from his operation.
12. Performance Bond and Financial Responsibility of the Buyer - The buyer should be expected to carry personal liability insurance, property damage insurance, and Workman's Compensation Insurance for the period of the contract. To insure performance, the buyer may be required to put a cash bond in escrow.
13. Arbitration in Case of Disagreement - each party should name one person and these two agree on a third person to settle a dispute.
14. Signatures of All Parties and Notarization