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Minnesota County Forests: Timber Sale Procedures*

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ABSTRACT

Minnesota county governments sold nearly \$1.6 million worth of timber in 1979. Timber is sold via public (auction) sales or private sales. Most timber is scaled after harvest with final payment adjusted to reflect volume actually cut. Roads to access county timber are generally built by county governments. Counties do not lease forest land for timber production purposes.

State Law

Minnesota state law authorizes county auditors to sell timber located on county administered forest land (Minnesota Statutes 1982). In practice, however, county land commissioners appraise the timber, mark sale boundaries, prepare harvest guidelines, and enforce harvesting specifications (McCann and Ellefson, 1980). Timber appraised at less than \$3,000 (\$1,500 prior to 1982) may be sold at private sale (section one sale) for not less than the appraised value of the timber. Timber appraised at more than \$3,000 must be offered at public sale (auction sale) following advertisement of the volume, location, and appraised value of the timber in question. Bids offered above the appraised price must be made in the form of a percentage added uniformly to the appraised price of each species. Timber offered at a public sale for which acceptable bids are not received may later be offered at a private sale at not less than the appraised price.

Purchasers of county timber must pay in full for timber at the time of sale, except in the case of public auction sales where the down payment must be 20 percent of the sale value; the remaining 80 percent to be paid prior to

entry. In the case of public sales that are partitioned yet sold as a single sale with predetermined cutting blocks, the down payment must be 20 percent of the price of the entire timber sale. The value of each separate cutting block must be paid in full before cutting can begin in that block (Minnesota Statutes 1982).

Counties may grant leases on timber stumps for up to 10 years. Any lease involving payment of \$300 or more per year must be offered via a public sale. The Commissioner of the Department of Natural Resources must approve the tract to be leased, the appraised value of the timber, the timber management practices to be followed, and the persons scaling the timber (Minnesota Statutes 1982).

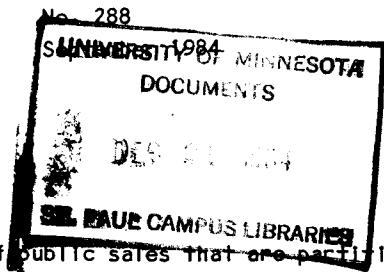
County Timber Sale Procedures: 1980

County timber sale procedures were identified and evaluated in 1980. Evaluation included personal interviews with 13 county land commissioners (Baughman, 1982; Baughman, 1983; Baughman and Ellefson, 1983) (Table 1). The largest 1980 county timber sale in progress covered 280 acres; only five of 13 counties conducted sales larger than 120 acres. Although counties may enter into timber leasing arrangements, none were so involved in 1980. In the latter year, three years was the longest timber sale agreement in existence. Only two counties were involved in timber sales of more than two years duration.

County governments must appraise the value of timber to be offered for sale. Most counties (seven of 13) rely on base prices determined by the Department of Natural Resources Division of Forestry. Such prices are based on a formula which accounts for prices bid at recent public

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sales and the influence of general economic indicators (Ford, 1980). Some counties use base prices adjusted by price information obtained from other public agencies in the area, or set price according to the experiences of wood processing firms to which timber is delivered. In all but one county studied, the county board establishes base prices in consultation with the land commissioner who may recommend price adjustments to account for local harvesting and market conditions.

Public (auction) timber sales involving county timber must be advertised. The latter usually includes the volume, species, and product being offered for sale, and a legal description of the sale's location. Some counties specify the approximate sale size in advertising material. In all county public timber sales, bids are submitted in the form of a percentage increase to be added uniformly to the appraised price of all species and products. Full payment must be made before harvesting begins, although differences occur in requirements for the exact time of payment. Six counties require full payment within 24 hours of sale at auction. Others require down payments with the balance payable prior to harvesting.

State law requires all timber sold by county governments to be scaled -- except hardwood pulpwood and sales under \$200. Ten studied counties scaled all wood except for sales involving very few cords. One county sold hardwood pulpwood on the basis of estimated volumes, while scaling all other wood. Another county sold hardwood pulpwood on its estimated volume, scaled other wood appraised at over \$100, and did not scale less valuable wood. A third county sold all pulpwood on a volume estimate, but scaled sawlogs. Minimum wood utilization standards are a part of all county timber sale contracts.

Purchasers of county timber can face situations in which contracted timber is destroyed or removed prior to harvest, e.g., natural disaster, trespass, theft, land expropriated for other uses. Very few land commissioners have faced such situations; none included provisions in sale contracts to cover such circumstances. Seven land commissioners conjectured that buyers would be reimbursed for such losses. Two were of the opinion that reimbursement would occur unless the purchaser delayed cutting until the end of the contract period. And one land commissioner stated the buyer of county timber would not be reimbursed because of unforeseen circumstances involving natural disasters and related events.

Counties may temporarily halt the harvesting of a timber sale if the purchaser breaches provisions of the sale contract. Very few land commissioners had taken such actions. Conditions which could lead to a temporary halt in harvesting activities include: high fire danger, violation of game animal laws, damage to stream or lake shore, or disruptions of traffic on public roads. Most land commissioners would enforce an immediate halt to logging under such circumstances; one would give a ten day warning before halting harvesting activities. A permanent cancellation of a timber sale contract might result from discovery of a unique natural resource (e.g., blue heron rookery), assignment of cutting rights to another party, business failure on behalf of the purchaser or failure to pay for timber overrun. Situations which could lead to

either a temporary or a permanent halt in harvesting include: removal of timber before scaling, cutting of reserved timber, damaging roads, or insufficient payment for county timber.

Payment for the construction of permanent timber access roads can be assumed by counties, by timber purchasers, or by both. Eleven studied counties have experience with direct payment for such roads; eight have experience with payment and construction of roads by timber purchasers. Several land commissioners indicated that timber purchasers had constructed numerous access roads on county forest land in the past. In recent times, however, counties have assumed a major share of this responsibility and have financed such investments with state in-lieu payments or BWCA timber management and intensification monies. In seven counties, the land commissioner establishes logging road construction standards. Timber purchasers play a major role in setting such standards in the remaining studied counties. The use of logging roads is regulated by the county in ten counties, by the timber purchaser in two counties, and by both the county and timber purchaser in one case.

Summary

Minnesota state law provides the overall framework within which timber located on county administered forest land is sold. A distinction is made between private sales (\$3,000 or less appraised value) and public sales. Of 13 counties studied, relatively few offered sales larger than 120 acres; none were involved in long-term, large volume timber leases. Timber appraisal procedures rely on base pricing levels determined by Division of Forestry formulas. Adjustments are made to accommodate local county conditions. Construction of timber access has become a greater financial responsibility of county governments.

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Table 1. Minnesota county timber sale procedures, by county. 1980.

Procedure	County										
	Aitkin	Becker	Beltrami	Carlton	Cass	Watonka	Crow Wing	Hubbard	Itasca	Koochiching	Lake St. Louis
REASONS FOR STOPPING HARVESTING TEMPORARILY (T) OR PERMANENTLY (P):											
-Removing timber before scaling	T			P	TP	P	TP	T	P		
-Cutting reserved timber	TP	TP		T	TP			T	T	T	T
-Insufficient payment	TP									TP	
-Violating harvest utilization specifications			TP	P		P	TP			T	T
-Damaging roads			TP						T	T	P
-Boundary line trespass	P	P	P	T	P	T	T	T	T		T
-High fire danger									T		
-Game animal violation										T	
-Damage to stream bank										T	
-Disruption of road traffic											T
-Discovery of unique natural resource				P							
-Assignment of cutting rights to another party				P							
-Buyer goes out of business					P						
-Nonpayment of overrun						P					
DAYS NOTICE BEFORE HARVEST STOPPED TEMPORARILY	0	0	0		0	10	0	0	0	1	0
DAYS NOTICE BEFORE HARVEST STOPPED PERMANENTLY	0	0	0	5		10	0			0	0
COUNTY SETS MINIMUM WOOD UTILIZATION STANDARDS	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
WHO PAYS FOR CONSTRUCTION OF PERMANENT TIMBER ACCESS ROADS:										some built	
-County	X	X	X	X	X	X	X	X	X	X	X
-Timber buyer	X			X	X	X	X	X	X		X
-State Division of Wildlife	X										
WHO CONSTRUCTS PERMANENT TIMBER ACCESS ROADS:										some built	
-County	X	X	X	X	X	X	X	X	X	X	X
-Timber buyer	X			X	X	X	X	X	X		
COUNTY SETS LOGGING ROAD CONSTRUCTION STANDARDS	no	no	no	no	no	yes	yes	yes	yes	yes	yes
WHO REGULATES USE OF LOGGING ROADS:	X	X	X	X	X	X	X	X	X	X	X
-County	X	X	X	X	X	X	X	X	X	X	X
-Timber buyer											
-Both					X						
COUNTY LEASES TIMBER	no	no	no	no	no	no	no	no	no	no	no

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