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"Selling Timber Without a Timber Inventory": An Exercise for County Agents and Foresters

Bob Daniels

Mississippi State University, bobd@ext.msstate.edu



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"Selling Timber Without a Timber Inventory": An Exercise for County Agents and Foresters

Abstract

Many landowners do not receive full value for their timber when it is sold. Extension foresters and county agents often encourage landowners to have an inventory of their timber when they make a timber sale, but most still do not. The exercise described in this article is an enlightening and enjoyable activity for landowner meetings about marketing forest products and illustrates the necessity of timber inventory and human relationships in marketing timber.

Bob Daniels

Extension Forestry Professor
Department of Forestry
Mississippi State University
Mississippi State, Mississippi
Internet Address: bobd@ext.msstate.edu

Background and Situation

Standing timber worth millions of dollars is sold by forest landowners every year. It is common for landowners to sell timber without having a timber inventory to guide them on the value they should expect to receive for the timber. Accordingly, many landowners do not receive full value for their timber when it is sold. Extension foresters and county agents often encourage landowners to use professional forestry assistance and to have an inventory of their timber when they make a timber sale, but most still do not.

The following exercise is a short but enlightening activity for landowner meetings about marketing forest products. It introduces the topic and illustrates the necessity of timber inventory and other aspects of marketing timber.

The Setup

1. The Instructor places an item of value in a cardboard box or heavy brown paper bag labeled (large enough so an audience can read it) "For Sale."
2. A volunteer is selected from the audience as "The Seller." The Seller is asked to leave the room briefly. The Instructor shows the audience the item, tells them its retail value, and seals the bag/box. The Seller is then allowed to return.
3. Next, these rules are announced to all. The Seller's job is to sell the bag to someone in the audience for cash. The Seller may NOT look in the bag. The Seller is only told that the contents are worth "between \$1 and \$50" and that it has something to do with trees. (I recommend an item worth less than \$20 because we are asking bidders to actually give money for the bag. Examples of items are tree id books, work gloves, chainsaw file, cap, shirt, etc. The item is not important, the behavior during the exercise and its application to timber marketing is important.)
4. The Seller gets to keep all the cash he/she gets for the bag. Once purchased, the Buyer shows the audience what they got.

What Happens?

To everyone the situation appears absurd. Who would sell something without knowing what they are selling? But that is the precise point we are illustrating. This often occurs when private, non-industrial forest owners market their timber.

As the bidding opens, the Seller feels very awkward and realizes his/her handicap trying to attract bidders without knowledge of the item. Usually, the Seller will try to feel through the bag or shake the bag to try to gain some knowledge of the contents to aid in the task. This will cause laughter from the crowd, but you should instruct the Seller that this is not allowed. (They will do it anyway. This is a source of humor in the exercise. You can minimize this aspect by using a sealed box, if desired.)

The Seller and the audience quickly realize that the buyers have the advantage because they know much more about the item than does the Seller. Also, the awkward feeling the Seller experiences is readily apparent. Discuss both of these points as they apply to timber marketing when the exercise is over.

The bidding proceeds. The Seller is allowed to do all he/she can do to drum up bids—other than looking in the bag. Bids will begin at low prices and move up, approaching the actual value of the item. But in this situation, the Seller will never get the full, actual value of the item because he/she doesn't know its true value. Once the bidding stops, the Seller must call "Going once, twice, three times. Sold for \$____." Then the winning buyer gives the Seller the cash, takes the bag, and opens it in front of the audience. Next, it is revealed to the Seller what he has sold, and the instructor announces its actual value, thanks the Seller for his/her cooperation, and asks them to be seated.

Teaching Timber Marketing

The Instructor discusses the situation and how it applies when marketing timber. Ask the audience the following questions.

Q1. Was the result of the sale good or poor from the Seller's viewpoint? Why?

A1. It was poor. They didn't get the full value for the item because of little knowledge of what they were selling. This is often true when selling timber. Inventory is a must!

Q2. Who had the advantage in the situation and why?

A2. The buyers because they knew what was being sold and its retail value.

Q3. What could the Seller have done to get more for the item?

A1. Found out what it was and its value **BEFORE** it was sold.

Q4. Could the Seller have gotten a better price if he/she had a helper who knew what was in the bag and could advise the Seller if he/she should accept a bid?

A4. Yes, and the use of consultants is profitable.

Q5. How might the outcome of the sale results been different if:

- The buyers were not spending their own money? Timber buyers are often spending a company's money, not their own.
- Two buyers knew where they could resell the item for twice the price that was paid for it in the sale? They would likely bid higher than in our exercise. Forestry consultants have valuable knowledge of local markets.
- Three buyers urgently needed the item sold? The price would likely have been higher. Timber buyers can get under time or supply pressures that increase the price they will pay for timber.
- The audience was twice as large? If there were more potential buyers the price may go up because someone else may have had a great desire for the item. Advertising timber sales widely is a must.

This exercise is fun and very effective for showing landowners, through their own behavior, that a timber inventory is essential when marketing timber.

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