

# Payment Schedules for Timber Sales

Fact Sheet

4

Coniferous forests, particularly those consisting of species like Sitka spruce, are very significant for timber production in Ireland. The efficient management of timber harvesting operations, especially how timber is sold and paid for, is critical for ensuring fair transactions and smooth operations and requires careful consideration.

## How timber is sold

Currently, timber from private forests is most commonly sold by weight. The three main ways of selling timber are:

1. Standing sales – this is selling timber as it stands in the forest at an agreed price per tonne in advance of harvesting. The buyer is responsible for harvesting, extraction and transport to the market.
2. Roadside sales – is selling timber when timber has been harvested and is at roadside. The seller pays the harvesting contractor. The buyer covers the cost of haulage.
3. Mill gate sales – in this case the buyer pays for the timber delivered to their yard or sawmill at an agreed price per tonne. The seller arranges and pays for the harvesting and haulage.

It is important when selling by weight (tonnes) that the timber is removed from the forest within an agreed timeframe. Timber that is left at the forest roadside for a long period will lose weight and this will reduce your payment.

## Payment timing:

In general, timber payments are made after the timber is harvested and delivered to the mill or storage site. Payment schedule options, particularly for larger sales can include an initial payment and/or installments.



## Best Practices for Managing Payment Schedules

The importance of having clear, written agreements is paramount. Forest owners and timber buyers should outline payment schedules, deadlines, and any contingencies in the contract to avoid misunderstandings or disputes. To ensure timely payments, timber owners should negotiate penalties for delays in the contract.

For forest owners, understanding the timing of payments is crucial for managing cash flow, particularly for long-term operations. Planning for any delays in payments and structuring the harvest around these expectations can help mitigate financial challenges.



## How the dispatch system works

### Factors influencing Payment Schedules

**Timber quality and volume:** The quality and quantity of timber harvested will influence the payment structure. Higher-quality timber might secure more favourable payment terms.

**Contractual agreements:** The specifics of the payment schedule depends on the terms of the sales contract. Negotiations will cover issues such as payment amounts, timing, and conditions. Advance payments may be agreed upon for large volumes or in cases where the timber owner is financing the harvest operation.

**Market conditions:** Timber prices fluctuate based on market demand, which affects payment schedules. When demand is high, buyers may be willing to pay more upfront or offer faster payments. Conversely, in times of market uncertainty, payment terms may be less favourable.

**Harvesting and logistics:** Payments are often tied to logistical stages. Delays in harvest logistics can influence when payments are made.

**Financial Considerations:** Payments and schedules are also influenced by adherence to sustainability guidelines and forest certification standards. Timber sales can also have tax implications for landowners, and payment structures must comply with taxation laws and regulations. Financial advice should be sought by landowners to ensure that proceeds from timber sales are managed properly and in the context of total earnings of the forest owner.

### In Summary

Payment schedules for timber harvesting and sales in Ireland depend on various factors, including timber quality, market conditions, and contractual agreements. While lump-sum payments are common, progressive payments offer flexibility, depending on the harvest and delivery logistics. Timber harvesting and sales in Ireland offer significant financial returns but require careful planning to ensure that payment schedules are fair and manageable. Understanding the market and securing sound contracts are key to maximizing profitability in the timber industry. By aligning with industry best practices and market trends, forest owners in Ireland can ensure sustainable and profitable forestry operations.

