



**FOREST SERVICE MANUAL
NATIONAL HEADQUARTERS (WO)
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FSM 2400 - TIMBER MANAGEMENT

CHAPTER 2420 - TIMBER APPRAISAL

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Posting Instructions: Amendments are numbered consecutively by title and calendar year. Post by document; remove the entire document and replace it with this amendment. Retain this transmittal as the first page(s) of this document. The last amendment to this title was 2400-2004-1 to 2400_zero_code.

New Document	2420	8 Pages
Superseded Document(s) by Issuance Number and Effective Date	2420 (Amendment 2400-2004-2, 04/01/2004)	6 Pages

Digest:

2420.1 – Adds authority for redetermining rates on Stewardship contracts.

2420.2 – Adds requirement to include contract provision C/CT3.5# Scheduled Rate Redetermination in Stewardship contracts greater than 5-years in length.

2420.3 – Adds policy that timber shall be advertised at its appraised value and advertised rates shall not be less than minimum rates.

2420.43 – Adds Regional Forester responsibility to establish higher minimum rates for species and products on individual National Forests or groups of National Forests if market conditions indicate higher rates than the national rates are justified.

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2424 – Clarifies handling of cost collection data.

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2420.1 - Authority

1. The National Forest Management Act, 16 USC 472a(a) authorizes the sale or disposal of trees, portions of trees and forest products on National Forest System lands at not less than appraised value in accordance with prescribed rules and regulations.

2. Stewardship Contracting. 16 USC 6591c(d)(4) authorizes the Chief, Forest Service, to apply the value of timber or other forest products as an offset against the cost of services received under an agreement or contract described in subsection (b).

3. Rate Redetermination. Regulations at 36 CFR 223.33 require rate redeterminations for all timber sales of more than 7 years duration, and those of shorter duration to the extent found desirable by the approving officer. Under the rule, rate redeterminations must be prepared at intervals of not more than 5 years, exclusive of the period allowed for the construction of improvements.

4. Rate Redetermination, Stewardship Contracts. Regulations at 36 CFR 223.304(b)(3) require the cost of service work included in stewardship contracts to be evaluated along with stumpage values at time of a rate redetermination. Forest Service policy is to require rate redeterminations for all stewardship contracts of more than 5 years duration.

2420.2 - Objectives

Objectives of timber appraisals are to:

1. Title 36, Code of Federal Regulations, Part 223, Section 223.60 (36 CFR 223.60) states that the objective of Forest Service timber appraisals is to determine fair market value. Fair market value is estimated by such methods as are authorized by the Chief, Forest Service.

2. Set an advertised rate that encourages sufficient competition for National Forest System timber that results in values that are fair to both the Government and purchasers.

3. Bring advertised values close to bid values.

4. Ensure that appraisals are sensitive to changes in the market for forest products.

5. Redetermine stumpage values to ensure fair market value is received for timber under contracts of more than 7 years duration, and those of shorter duration to the extent found desirable by the approving officer (36 CFR 223.33). Stewardship contracts with a contract term greater than 5 years are required to include C/CT3.5# Scheduled Rate Redetermination in the contract (FSH 2409.19, sec. 61.4).

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2420.3 - Policy

1. Except for the Alaska Region (R10), regions shall use the transaction evidence appraisal method as the primary timber appraisal method. Alaska Region shall use the appraisal method approved by the Chief.
2. Forest Service officers shall not fix stumpage prices before an appraisal of the timber is made.
3. Transaction evidence appraisal (TEA) is the primary method for appraising timber, but other valid appraisal methods may be used for sales where a detailed appraisal is not warranted, such as appraisal by comparison of similar sale offerings and the use of standard rates.
4. Timber shall be advertised at its appraised value and advertised rates shall not be less than minimum rates (FSM 2431.31).

2420.4 - Responsibility

2420.41 - Chief

The delegation of appraisal authority from the Chief to subordinate officers who issue permits or execute contracts is set out at FSM 2404.

2420.42 - Director, Forest Management, Washington Office

It is the responsibility of the Director to monitor the performance of advertised rates as a percentage of bid rates Service-wide, to monitor Regional use of transaction evidence appraisals, and to report findings to the Deputy Chief for National Forest System.

2420.43 - Regional Foresters

It is the responsibility of the Regional Forester to:

1. Approve, review, and coordinate appraisal processes.
2. Establish higher minimum rates for species and products on individual National Forests or groups of National Forests if market conditions indicate higher rates than the national rates are justified (FSM 2431.31).
3. Establish Regional appraisal zones.
4. Collect and disseminate appraisal data.

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5. Initiate product recovery and cost studies.
6. Establish guidelines for special sale condition adjustments for costs.
7. Establish profit and risk percentages, if needed.
8. Set criteria for use of comparison appraisals and standard rates.
9. Identify costs that need to be maintained for road construction, road maintenance, slash disposal, Knutson-Vandenberg (K-V) activities, and erosion control.
10. Monitor the performance of appraisals against the criteria outlined in section 2422.1.

2421 - APPRAISAL METHODS

Refer to FSH 2409.18, chapter 40, for detailed instructions on timber appraisal methods and procedures.

2422 - TIMBER APPRAISAL CRITERIA

2422.1 - Advertised Values in Relation to Bid Values

Average timber sale advertised rates should not be less than 70 percent of the average high bid rate for sales sold over the previous 4 calendar quarters on a volume weighted basis. Establish ratio by comparing the advertised rate to high bid rate on sales of \$2,000 or more in advertised value within the appraisal zone or other logical unit of area, as designated by the Region. Do not include Stewardship, Good Neighbor, direct or negotiated sales in the preceding procedure. Make adjustments to the appraisal system to achieve the 70 percent criteria if either of the following circumstances on a volume weighted basis exists:

1. Average advertised rate is less than or equal to 60 percent of the average high bid rate for any given calendar quarter; or
2. Average advertised rate is less than 70 percent of the average high bid rate for two consecutive quarters.

Regional Foresters may establish standards greater than 70 percent.

By April 30, and October 31, each year, regional foresters must report to the Washington Office the performance of advertised rate as a percentage of bid rate for each rolling 4-quarter period ending March 31, and September 30, respectively, in accordance with such instructions as are issued by the Washington Office, Director, Forest Management.

During periods when the normal timber sale program is substantially disrupted by litigation, appeals, and other actions resulting in highly inflated bid rates; average advertised rate may be

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less than 70 percent of average high bid rate. In such circumstances, the Regional Forester must provide a justification for adoption of a lower bid rate percentage as part of the semiannual report on advertised rate performance.

2422.2 - Responsiveness to Market Changes

Regional foresters shall establish criteria that seek to achieve the sale of at least 85 percent of sales volume during each fiscal year and shall design or modify appraisal processes as necessary to achieve this standard.

Regional foresters may base the 85 percent appraisal performance criteria on sales of either \$2,000 or greater minimum advertised value, or \$10,000 or greater advertised value. Inform local industry representatives which basis will be used prior to implementation.

2422.3 - Noncompetitive Markets

Noncompetitive markets are areas with a limited number of bidders for forest products, limited buyers, and/or limited centers of manufacture for forest products. Regional foresters may establish more specific parameters to define noncompetitive markets.

Determine the market area or zone in which noncompetitive markets occur and design an appraisal process that can best achieve selling timber at fair market value (FSH 2409.18, sec. 42.34).

2423 - RATE REDETERMINATIONS

Contract rates can be redetermined for a variety of reasons specified in the contract. Follow the procedures in the contract and FSH 2409.18, chapter 40 when redetermining rates for the following reasons:

1. Scheduled rate redeterminations. Contracts subject to a scheduled rate redetermination will include special provision C/CT3.35# Scheduled Rate Redetermination. In addition to the instructions in that provision follow the procedures in B/BT3.3.
2. Rate redetermination for environmental modification. Follow the procedures in B/BT3.31.
3. Rate redetermination after catastrophic damage. Follow the procedures in B/BT3.32. FS-2400-3/3T/3P contracts do not have a provision for catastrophic modification or associated rate redetermination.
4. Rate redetermination for market change. Follow procedures in B/BT3.33.

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5. Appraisal for contract term extension. Follow the procedures in B/BT8.23 when appraising timber for a contract term extension. FS-2400-3S/3T/3P contracts do not include a provision for contract term extension.
6. Damage appraisals. Follow the procedures in B/BT9.4. FS-2400-2 and FS-2400-4 contracts do not specify procedures for determining damages when contracts terminate uncompleted.

Additional information pertaining to rate redetermination procedures is in FSH 2409.18, chapter 40.

2424 - COST COLLECTION

Regional foresters may collect industrial cost information for maintenance of the transaction evidence appraisal system or for residual value appraisal purposes. Information so obtained shall be treated as confidential, as provided in regulations issued by the Secretary of Agriculture (7 CFR 1.12), and shall be available for review by parties from whom such data are obtained.