

# Long-term Management Agreements

- By Mike Matre, *Georgia Registered Forester & Licensed Real Estate Broker*
- **President, Matre Forestry Consulting, Inc.**
  
- **Alabama Forest Owners Association, Annual Meeting**
- April 23<sup>rd</sup>, 2011, Eufaula, Alabama



# Why enter a Long-term Management Agreement (LMA)?

- Most timberland owners who would consider entering an LMA are serious about their timber management, and expect dedicated, active timber management services.
- An LMA enables a forester to commit to providing the dedicated, active timber management services the landowner expects.

# Common management services provided through a LMA

- Management Plans
- Periodic Timber/Tract Inspections
- Timber Inventories/Appraisals
- Inventory Updating
- Growth and Yield Projecting
- Harvest Scheduling
- Timber Sale Administration
- Timber Marking
- Prescribed Burning
- Reforestation
- Real Estate Services
- Boundary Line Maintenance
- Hunting Lease Administration
- herbicide and fertilizer applications; road and firebreak projects; etc.
- Budgeting and Accounting
- GIS Mapping and GIS Database Management
- The list goes on.....

# Advantages of a LMA

- Builds a long-term relationship between landowner and forester.
- Provides some security to the forester, allowing the forester to invest in equipment, technology, and people needed to do the best job possible for the landowner.
- Gives peace of mind to the landowner that he has a forester committed to him and his timberland for the long haul.
- Provides an extra incentive to the forester to provide superb management services – as most foresters take pride in the tracts they manage year after year.

# Advantages of a LMA Continued

- For the large landowner a good LMA helps predict management cost for budgeting purposes and investment analysis.
- For a large consulting firm managing large landowner timberland, a good LMA provides predictable income allowing them to comfortably hire the staff needed and open up needed offices.
- For the small landowner who does not sell timber regularly, a good LMA with a forester can gain the small landowner top quality timber management services.
- For the forester working with small landowners who do not sell timber very often, a good LMA will provide a little regular income from small landowner clients, making active timber management feasible.

# Disadvantages of a LMA

- Occasionally a forester and a landowner may enter into an LMA only to find out they do not jive well together.
- As with any business agreement, one or both parties may not deliver according to the terms of the LMA.

# Length of an LMA

- How long an LMA is contracted for depends on the scope.
- A LMA between a TIMO owning millions of acres and a nationwide consulting firm may be for a decade or more.
- A LMA between a small landowner owning hundreds of acres and an independent forester may be for just a few years.

# The LMA Contract

- Again, depends on scope
- The independent forester and the small landowner may hammer out a LMA that can fit on one page, while the nationwide consulting firm and the TIMO's LMA may be a lawyer prepared book.



# What does a LMA cost and how is it paid for?

- Most landowners are surprised at how affordable a LMA is.
- As with anything else, the actual cost is negotiated.
- An LMA is commonly paid for in several different ways, or a combination of ways. Following are some common ways:
- Flat per Acre Rate
- Percentage of Revenues
- Hourly Rates
- Or a combination thereof: For example timber & land sales could be a percentage; general services such as inspections and inventory management could be a per acre annual rate; and miscellaneous services such as vendor supervision could be by the hour.
- The key is to list all expected services in the LMA and agree how and when those services will be paid for, and how much they will cost.

## In conclusion:

- Timberland owners stand to greatly benefit from the dedicated, active long-term services that a forester can provide through an LMA.
- Likewise, a forester can most likely improve their level of service by offering LMA's to their clients and potential clients.
- Simply put, most landowners and most foresters want to get the most out the timberlands they own and manage. An LMA can make it happen.