

## Stumpage Based Auction – Fact Sheet

In 2003, Manitoba Conservation changed its method of timber auctions from the old “Bonus Bid Auction” to the “Stumpage Based Auction” format. Since auction bids are based on the market value of a cubic metre (m<sup>3</sup>) of timber, this allows Conservation to track timber value over time.

### Crown Timber Fees

Provincial Crown timber fees can include three separate charges per cubic metre (/m<sup>3</sup>). Charges include:

1. **Stumpage:** for the right to harvest trees from Crown land
2. **Forest Renewal Charge (FRC):** for renewal of harvested sites
3. **Forest Protection Charge (FPC):** for fire, insect and disease control.

### What is a Stumpage Based Auction?

1. The Crown issues a notice of Auction Sale of Timber that states:
  - (i) Volume, location and type of timber – e.g. fire salvage softwood etc.
  - (ii) Date to complete harvesting
  - (iii) Special conditions – i.e. winter logging, no Timber Sale extensions will be granted
  - (iv) Upset Price (or minimum bid) per cubic metre,
  - (v) Amount of Guarantee Deposit and
  - (vi) Whether or not FRC and/or FPC apply.
2. Potential bidders:
  - (i) View timber and access
  - (ii) Explore and evaluate all markets, including softwood chips, lumber and pulpwood
  - (iii) Determine a bid **equal to or greater than** the upset price per cubic metre.
3. Bidders submit a Tender Package, that includes a:
  - (i) Completed and signed Tender Form
  - (ii) Stumpage Payment\* (the stumpage bid multiplied by the estimated volume) and
  - (iii) Guarantee Deposit\* (to ensure compliance with conditions, the Forest Act and Regulations).
4. The Crown:
  - (i) Opens bids and awards the auction based on the highest tendered Stumpage Payment.\*\*
  - (ii) Returns Stumpage Payments and Guarantee Deposits to unsuccessful bidder(s).
  - (iii) Issues an Auction Timber Sale Agreement.

\* The Stumpage Payment and Guarantee Deposit, which must accompany the Tender Form, will only be accepted as a Certified Cheque, Postal Money Order or Bank Draft payable to the Minister of Finance.

\*\* Successful bidders are determined based on:

- (i) The highest **total** Stumpage Payment, for Softwoods and/or Hardwoods
- (ii) The earliest post marked tender, when duplicate tenders are received

### Example:

<b>Estimated Timber Volume:</b>	<b>Aspen</b> -	2,000 m <sup>3</sup>	<b>Softwood</b> -	1,000 m <sup>3</sup>
<b>Upset Stumpage Price:</b>	<b>Aspen</b>	\$ 1.15/m <sup>3</sup>	<b>Softwood</b>	\$2.95
<b>Guarantee Deposit:</b>	\$ 400.00			
<b>FRC/FPC:</b>	<b>Aspen</b>	FRC (\$0.50/m <sup>3</sup> ) and FPC (\$0.17/m <sup>3</sup> )	<b>Softwood</b>	FRC (\$6.69/m <sup>3</sup> ) and FPC (\$0.50/m <sup>3</sup> )

### Example of Stumpage Bids Received:

**Bid # 1** – (Aspen \$1.20/m<sup>3</sup> X 2,000 = **\$2,400**) + (Softwood \$3.35 X 1,000 = **\$3,350**) = **Total \$5,750**

**Bid # 2** - (Aspen \$1.15/ m<sup>3</sup> X 2,000 = **\$2,300**) + (Softwood \$3.44 X 1,000 = **\$3,440**) = **Total \$5,740**

**Bid #1 is successful, because the total stumpage payment is higher.** FRC and FPC are paid when harvested.

**The successful bidder’s STUMPAGE PAYMENT IS A NON-REFUNABLE UP-FRONT PAYMENT on auction volume. As such, the successful bidder’s Stumpage Payment will not be:**

- (i) Reduced for any reason, including the production of softwood field chipperwood or
- (ii) Transferred to any other charges – e.g. FRC, FPC
- (iii) Transferred to another Timber Sale.

- ◆ **Timber must be cut within the designated period. No extensions will be authorized.**
- ◆ **The non-merchantable portion of softwood field chipperwood is an allowable volume over and above the authorized softwood volume.**
- ◆ **Volume produced from this Auction is independent from all present and/or future quota.**

**Bid packages must include:** (i) a Tender Form as well as the (ii) Stumpage Payment and (iii) Guarantee Deposit.