

Stumpage Based Auction – Information Sheet

In 2003, Manitoba Conservation changed its method of timber auctions from the “Bonus Bid Auction” to the “Stumpage Based Auction” format. Since auction bids are based on the market value of a cubic metre (m³) of timber Manitoba Conservation can track timber value over time.

Crown Timber Fees

Provincial Crown timber fees can include three separate charges per cubic metre (/m³). Charges include:

Stumpage – for the right to harvest trees from Crown land

Forest Renewal Charge (FRC) – for renewal of harvested sites

Fire Protection Charge (FPC) – to offset the firefighting/prevention costs the province undertakes to protect forest resources

How does a Stumpage Based Auction Work?

1. The Crown issues a notice of Auction Sale of Timber that states:
 - (i) Volume, location and type of timber – ex. fire salvage, softwood etc.
 - (ii) Date to complete harvesting
 - (iii) Special conditions – ex. winter logging, no Timber Sale extensions will be granted
 - (iv) Upset Price (or minimum bid) per cubic metre
 - (v) Amount of Guarantee Deposit
 - (vi) Application of FRC and/or FPC

2. Potential bidders should:
 - (i) View timber and access
 - (ii) Explore and evaluate all markets, including chips, lumber, OSB, pulpwood, etc.
 - (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
- (ii) The earliest post marked tender, when duplicate tenders are received

Example of an Auction that includes both hardwood and softwood

	Aspen	Pine
Estimated Timber Volume	2,000 m ³	1,000 m ³
Upset Stumpage Price	\$ 1.15/m ³	\$1.75/m ³
FRC	\$0.50/m ³	\$5.75/m ³
FPC	0.17/m ³	\$0.17/m ³
Guarantee Deposit	\$ 400.00	

Example of Two Bids Received:

Bid # 1

Aspen \$1.20/m ³ x 2,000m ³	\$2,400
Pine \$3.35/m ³ x 1,000m ³	<u>\$3,350</u>
Total Stumpage	\$5,750

Bid # 2

Aspen \$1.15/ m ³ x 2,000 m ³	\$2,300
Pine \$3.44/m ³ x 1,000 m ³	<u>\$3,440</u>
Total Stumpage	\$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 scaled defect or undersized
 - (ii) Transferred to any other charges – ex. FRC, FPC
 - (iii) Transferred to another Timber Sale.
- Timber must be cut within the designated period. No extensions will be authorized.
 - Volume produced from this Auction is independent from all present and/or future quota
 - Successful bidder must be in good standing with Manitoba Conservation
 - A scaling plan must be submitted and approved prior to receiving the Work Permit