Abstract: In the marketplace, buyers of standing timber usually employ one of two basic business strategies once the timber is purchased; they either hold or liquidate the asset. In other word they may be buying for present consumption or holding to benefit from the growth and increases in value over time. These two distinct perspectives give rise to the two general approaches to timber stand valuation: 1) the determination of holding value or 2) the determination of liquidation value. Holding value is defined here as the current value associated with holding the timber to some designated future time. The liquidation value is simply the value if all merchantable timber is liquidated today.

The application of these two techniques tends to be related to stand age. Timber markets typically recognize that the value of young (premerchantable) stands is best estimated by some link to future timber value, a holding value approach. Likewise, markets generally recognize that as stands get older (and approach rotation age); their value is more appropriately represented by the liquidation value. Somewhere during the mid-rotation years, timber markets transition from one valuation approach to the other. Valuation during this transition period can be problematic. Some of these potential problems and possible solutions are discussed.