

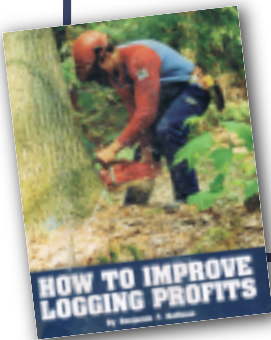
WOODLOT MANAGEMENT

by Robbo Holleran

Ben Hoffman went to meet his maker this past winter at almost 90 years of age, leaving a huge impact on myself and hundreds of people along the way. He was a frequent contributor to this magazine and will be sorely missed. I met Ben as a student at University of Maine in the late 1970s. He had worked as a logger, surveyor, and forester before becoming a professor, and so he brought a practical perspective that shone through the academic approach. He took the time to encourage me, and we kept in touch through the years.



He taught me how to think about logging, which has helped me to become a successful forester. His book ***How to Improve Logging Profits*** is still in use today to instruct loggers. He recently asked me to prepare an updated chapter on marketing, and we print it here for you. If you are a landowner, this will help you see the logger's perspective.



Marketing: Services, Products, or Both?

As a logging contractor, you are marketing both products and services. Some loggers think of themselves as manufacturers: “We purchase standing trees and convert them into deliverable forest products.” Increasingly, there is a service component. This might involve roadbuilding, additional trail work, bridges, extreme landing cleanup, wildlife food plots, view clearing, stump removal and grading for pasture reclamation or food-plots, timber stand improvement, specific wildlife habitat work, or scarification and site prep for regeneration cuts. In some cases, cutting and hauling wood is contracted as a service. And there may be boundary work, filing state permits, or other services normally provided by a forester.

Some landowners require these services as part of a logging contract and expect the wood to pay for everything. Landowners and foresters need to understand what are actual logging costs—like application of BMPs (Best Management Practices)—and what is “extra.” In many cases, some of this is done as a courtesy. Many production loggers will build a landing and do the cleanup at no cost. But there is a cost, and that has to be allocated to the timber harvested. For example, if two days of excavator time are required to build a landing and one day to perform the cleanup with a cost of about \$1,000 per day, then you have \$3,000 to spread out on the timber volume. A small job with 60 MBF will have a significant cost of \$50 per MBF. On the other hand, a larger job with 600 MBF will be incidental at \$5 per MBF.

Other service aspects need to be considered in the same way. Adding up the expected costs for services can give you a value to be distributed to the expected volume. This either increases the logging rate required or decreases the stumpage that can be paid. If the landowner truly understands the costs for the services, they may decide what is most important to them. For example, if a permanent bridge will cost \$5,000, compared to a temporary bridge for the duration of the project

at \$1,000, the landowner has a clear criterion to decide if they really want a bridge.

The contractor also has to consider what is best done in-house and what should be subcontracted. If you own an excavator and truck to move it, then you might be all set up to do this work. But there is always the conundrum as you move from one job to the next. Do you move the excavator to the next job a week ahead to prepare the road and main trails? Or do you keep it at the first job for the final cleanup? Or do you move it back afterwards? Your available labor pool is part of this mix. During ideal logging conditions, it might be prudent to simply subcontract the excavating and keep your crew active in log production. If you don't own the ancillary equipment, the choice is easier. Sure, you can pull stumps and do some grading with a skidder to make a landing or smooth the trails, but subcontracting this might be more profitable if you can keep busy with logging.

Subcontracting can also be considered with other services, and it also creates a clear paper trail of costs for the project. It also might be a better way for the landowner to understand service costs, even if you pick up the tab or share the cost. For example, you might offer to pay half of the initial road improvements and take the other half from the stumpage.

If you are cutting and hauling as a service contract, which is common with larger landowners and some foresters, it has to be clear what is included. If you are merely getting a price per MBF and ton to cut, haul, and deliver, there are no other opportunities for profit. Additional details are all costs. Who pays for moving costs? Road and landing work need to be charged separately or added to the rate. Other services need to be treated the same way. In most of these systems, the landowner understands this and often has a road network set up along with supporting forestry services to keep things going smoothly so the logger can do what he does best: produce wood. Efforts to maintain BMPs are normally part of the logging rate.

Attracting Landowners and Logging Opportunity

Whether you think of yourself as manufacturing logs or selling logging and other services, you need to have landowners. In a simple case, you can merely buy land, log it, and perhaps resell it. This



After logging, the landing can be all cleaned up, smoothed and seeded.

takes a lot of capital and also puts you in the land business—and that is beyond the scope of this article. Most loggers are buying stumpage or negotiating logging services from individual, corporate, or government landowners, usually through their foresters. Creating demand for your service through name recognition and a good reputation is the key to a prosperous career. Creating demand raises the value of your service.

In most areas, a great deal of harvesting is under the control of professional foresters. Relationships with these foresters are critical, even if they deal mostly by competitive bids. Most government sales are sold by a bid process where the top offer buys the project and relationship is less important. The government tries to run a completely objective system and, to their credit, are largely successful. Even so, the relationship helps you understand the process and the opportunities. Details like how much overrun to expect and what the trail work and other requirements will cost will help with deciding how to bid these jobs. Even with an objective system, there are some subjective interpretations where a relationship is helpful.

On private or corporate land, there is more of a “people business.” Even with bid-sales, there may be a short list of invitations to the showing. And many sales are negotiated in various ways, often because the forester or landowner wants a particular logger for the job. Loggers with a track record of satisfaction with similar projects will be in demand. How do you get to be that person?

Log landings are the face of the logging business. They can be messy or neat, right along the road or out of sight. The cost of a couple more loads of gravel might make your job easier and more productive, but it is also advertising. If you have a terribly messy landing, it projects the message that you don’t care. Careful attention to BMPs, boundaries, and other forestry laws is critical. While anyone can make a mistake, a reputation for disregarding the rules ripples through the community. Merely doing what you say you will and being careful about what you promise goes a long way to being outstanding in today’s world. And knowing when to go the extra mile is the capstone.

There are loggers who try to keep busy buying “private sales” from landowners who choose not to deal with foresters. There is opportunity here to buy standing timber for below market value, to harvest high-grade timber with low proportions of low-grade, and to cut corners on legal requirements. Some of these opportunities come with great profit potential, and I understand the temptation for a smaller scale contractor. I have a bias here, but I have been watching this whole industry for 40 years. These contractors tend to have terrible reputations and spend a lot of time looking for work. At the end of a long career, they can often have little to show for it.

On the other hand, foresters need loggers to do their job. Sometimes, we need particular loggers or equipment mixes for certain jobs. We are creating work opportunities, and being in good relationships with several foresters will increase the demand for your service. A good forester will set up projects so



A well-organized landing with nice looking equipment is part of good advertising and public relations.

that a logger can do what he does best: log. Boundaries, trails, and timber to cut will be marked and ready. Permits and paperwork will be settled, and all this adds value to the project. Many times, I have had a project “in the pipeline” and have moved it along to suit a particular logger’s schedule. If you have ever sat at home for a couple weeks without a job, then you know how valuable this is. I had one logger say, “If I do everything you ask and there is a problem, then it is not my problem; it is your problem.” This guy understands the value of a teamwork approach.

Product Marketing

The typical logging job today has 6 to 12 sorts for various products. This is especially the case in mixed forests with both hardwoods and softwoods. Unless you are managing plantation softwoods, gone are the days of cutting wood for one mill, which takes every product from your job. Pine, hemlock and spruce all go on separate trucks. Their pulp is sorted. Hardwood logs often sort two or more ways by species and/or grade. Hardwood pulp, firewood, biomass, and specialty products add to the complexity.

Mills need wood. And mills of all kinds are specialized to require certain species and grades to be productive and profitable. Most mills are well prepared to know what they need, what they can take, and how much they have to pay to get their supply. Markets and orders change from month to month, so it is good to be in close contact with the buyers. Their prices and yours fluctuate depending on demand and available supply. They are looking ahead to expected weather conditions like mud season, larger suppliers like industrial or government land and their sales, and what is going on with their competitors. The market for forest products is a beautiful picture of the free-market economy with thousands of suppliers and hundreds of buyers competing for market share. Prices fluctuate accordingly.

Since mills are in business to make a profit, and they pay as little as they need to keep an adequate supply, how can you interact to your advantage? Do you have the choice of several mills competing for your products? Competition between mills causes them to treat suppliers well and helps raise prices. What does it take to be a preferred supplier? Being in regular contact is a first step, along with understanding just what they want and need. Are you selling them logs that they normally resell? If you can sort and market them, then you can add value for yourself, and give them a better mix of what they want. Larger suppliers have more influence with the market, so small suppliers have a disadvantage. Most mills are glad to have their small-scale suppliers who are sometimes more responsive to market needs. Good communication and providing a quality product when they need it helps.

Truck access to your landing is one issue. With poor access where only a straight truck can get in, you are limited for load size and haul distance. With a small truck, it rarely makes sense to travel a long distance. A truck with pup trailer expands your marketing boundary. And of course, if you can load tractor-trailer trucks on the landing, then logs can go almost any distance if the price is right.

Accumulating full loads is the next issue. If you are a small-scale producer, does it make sense to send mixed loads of whatever you produce to the nearest brokering yard? Some of these will cut you a check right then, and you can go to the bank and cash it. You pay for this “service.” In some cases, brokering yards make good sense with some products or for the cleanup load at the end of the job. But if you regularly haul your loads to a local yard because you need a check the same day, you have a problem. By sorting full loads and getting them to the best market, you can add 10% to 30% to the value with almost no additional cost.

Sawlog, veneer, and firewood markets thrive on relationships. You often deal with the same set of folks for decades. Trust is built over time so be patient and forthright. In a rising market, you can often negotiate a good price for your wood. In a falling market, this relationship might mean the difference between selling and not selling a product. If the quality or quantity of wood is not as expected, say so. Be fair about adjustments, up or down. If you promised 100 MBF in a certain time period and you are running short, let them know so they can adjust. If an order gets cancelled, they may have to adjust a price. Just be aware of the competition also, as things ripple through the timber industry quickly. One mill might lose an order for ash lumber and the next mill picks it up. And don’t make enemies. As mentioned, you will likely see these same folks for a while. Even if someone really angers you, hold your tongue. They might be the best market for something next year. Work out your problems if you can. Misunderstandings happen. If you feel that you were cheated on scale or grade, talk to them. There may be a crisp reason and an opportunity to understand your markets better or mend a relationship.

I once was involved in a situation where a logger sold a batch of birch boltwood from southern Vermont to a broker for delivery to Maine. The logger was disappointed in the scale and payment. After some choice words, he began to vow never to send anything to this broker again. I cautioned him to go meet with the broker and understand the issue. Reluctantly, he agreed. Apparently, much of what he sent did not meet the specs for the market, and after the reasonable explanation, things were settled. The relationship was mended and actually improved; the logger went on to work for this broker for many years after.

With quality sawtimber, a straight-through price may work to your advantage. With exceptional wood, you may be better off with a price per grade, especially if you are sorting veneer grades. If you sort out your veneer, it is nearly impossible for a mill to give you a straight-through price on the remainder of the batch. This is because they cannot be sure how much of a run of wood will be taken by other markets. If you sell 6% of your logs as slicer-grade veneer, a mill is left with a pretty good run. But if you sell another 12% as rotary logs, the sawmill is left with a different run of wood, so this reflects the pricing. Selling veneer logs can be very lucrative especially where competition is high. But the veneer business is subjective, and there is no substitute for having a relationship with someone you do a steady business with.

Pulpwood and biomass marketing is a numbers game—less dependent upon relationships. These mills are crisp about pricing, quotas, and perhaps production bonuses. Large producers get their attention, and smaller producers often have to go through a broker for a fee. A direct contract will often have a production requirement to get a specified price, and in tight markets, there may be a maximum quota of loads per week or month. But wood goes one way or another for a dollar per ton difference. By paying close attention to pricing and trucking rates for alternative markets, you will be aware of opportunities. And by rewarding those who pay a bit more, you send a signal to the marketplace that you are paying attention to price. This is what they understand.

The beginning of each logging season—spring and fall—is a good time to negotiate for the next season’s production. Perhaps more often if you are a larger producer. You should have a good idea of which lots you will be on and what products and species you will be producing. Shop around to the available mills. See what they anticipate for orders and supply. If they want your wood, they may be in a position to lock in a favorable price or give you a quota or bonus for production. ■

Robbo Holleran is a private, consulting forester helping landowners meet their goals in Vermont and adjacent areas. His work has him outdoors about 150 days each year, plus play time. He is one of the authors of the 2014 Silvicultural Guide for Northern Hardwoods in the Northeast.