

FOREST RESOURCES ASSOCIATION INC.

600 JEFFERSON PLAZA, SUITE 350
ROCKVILLE, MARYLAND 20852

PHONE: 301/838-9385

FAX: 301/838-9481



STATE OF PLANNING AND COMMUNICATION IN INDUSTRY WOOD SUPPLY

Business/Financial: communication

June 2003

INTRODUCTION: The goal of any business organization is to make money, and good planning and communication have long been recognized as key to maximizing profits. Thus, the Board of the Wood Supply Research Institute (WSRI) decided to fund a project examining the current state of planning and communication in the wood supply chain.

GENERAL FEATURES: Virginia Tech Industrial Forestry Operations researchers assessed the current state of planning and identified opportunities for improvement. A literature review, a “brainstorming” session, and a survey of industry experts provided the basis for a series of structured questionnaires. On-site interviews were performed with 169 individuals representing all segments of the wood supply system from Texas to Maine, including 104 Loggers, 28 wood dealers, and 37 consuming mill representatives.

The study in its entirety has been published as a Virginia Tech Masters Thesis (Rodgers, 2002)¹, and has been summarized as FRA publication 03-A-3 *Planning and Communication: Opportunities for Improvement in the Wood Supply Chain* (available from FRA’s National Office @ \$25 to FRA members, \$50 to others). This Technical Release presents major highlights from the study with respect to the current state of planning.

RESULTS:

Current State of Planning

Current planning in the wood supply process is primarily reactive rather than proactive, a function of extremely short planning horizons. Frequent, short-term changes in mill wood requirements, including changes in delivery schedules, inventories, and specifications, drive many of the downstream constraints to planning in the wood supply system.

Thirty-five percent of the wood procurement organizations interviewed reported that the consumption mix at their mill often changed on a weekly basis, and 65 percent reported they typically receive only one or two weeks’ notice in advance of significant changes in mill wood requirements. Seventy-five percent of loggers interviewed receive less than one week’s notice on the location and characteristics for their next tract and are required to move frequently to meet the mill market demand for wood, often without compensation for moving.

One impact of poor planning is a mismatch of loggers to tracts. Forty-three percent of consumers interviewed estimate that the harvesting system employed was not well suited to a tract at least 10 percent of the time. Such mismatches increase the overall cost of production.



Fig. 1: Better planning and communication can improve efficiency and reduce costs in the wood supply process.

The majority of loggers interviewed felt that knowing in advance the tracts they would harvest would improve their ability to plan each tract and maintain productivity. Sixty-eight percent of loggers interviewed stated that a minimum of three months' worth of tracts is necessary to allow for adequate planning.

In many cases, the consuming mill knew the particulars of the tracts to be harvested but chose not to reveal them to the logger until immediately before moving to the tract. The main reason for concealing this information was to maintain maximum flexibility as to where to send the logger on short notice.

Communication

Most of the communication between loggers, dealers, and consumers is carried out by telephone, with very little being done in written form. Communications technology facilitates frequent verbal communications between all segments of the wood supply chain. However, utilization of this technology is also a factor in reducing the planning horizons for loggers.

Micromanagement of wood flow is occurring in some areas as consumers adopt and use these technologies actively to control daily "just-in-time" inventory management goals. While 60 percent of the loggers interviewed reported they communicated at least twice a week with their wood dealer or procurement forester, only 30 percent reported that these communications were helpful in planning their production.

Rate setting procedures and truck scheduling were the two other main planning issues identified in the study.

Planning Opportunities

The full report presents opportunities for improvement, as well as indicating useful benchmarks for consumers and loggers. For example: mill management and wood procurement personnel should work together to plan their wood requirements, inventory, and delivery schedules on an annual basis and should effectively communicate these plans to the appropriate loggers to facilitate their ability to conduct meaningful long-term strategic plans. With this information, loggers can develop long-term business plans, including machine replacement or system modification.

Conclusion

This study concludes that: (1) suppliers, and consumers to a lesser degree, are currently operating with an excessively short planning horizon; (2) improvements in planning and communications can result in substantial gains in efficiency and reduced costs in the wood supply process; and (3) these gains will not likely occur without an increased level of cooperation in the wood supply planning process among all parties involved — consumers, dealers, and loggers.

Rien Visser, Bob Shaffer, Tom Gallagher, and Brian Rodgers
Virginia Tech
Department of Forestry (0324)
Blacksburg, Virginia 24061
540/231-6924

Reviewed by:
Rick Meyer
Appalachian Technical Division Forester

¹Rodgers, B. 2002. Opportunities to increase productivity of the industrial wood supply system through improved planning and communication. Masters Thesis. Department of Forestry, Virginia Tech, VA 24061. p146.