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**DOES BEING A PREFERRED SUPPLIER AFFECT LOGGING PRODUCTION AND COST?**

*Surveys/Studies: production/costs*

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**INTRODUCTION:** We evaluated weekly production and causes of missed production for logging crews from Maine to Texas from April 2000 through December 2001 for the Wood Supply Research Institute (WSRI). The objective of the study was to determine the amount of unused wood production capacity in the industry and reasons for it.

**DATA AND ANALYSIS:** During the course of the study, we collected 3,132 logger-weeks of data from 63 logging crews, all of whom had submitted detailed information about their crews and at least 13 weekly activity reports. These logging crews also reported their quarterly costs during 2001. We received a total of 122 quarterly cost reports, with 25 crews reporting all four quarters of data. Nearly half of these crews were a preferred supplier for at least one market mill. Results from a survey of logging crews across the South also indicated that about half of logging crews are preferred suppliers to at least one mill.

**RESULTS:** Preferred supplier crews missed less production (17.5% vs. 22.8%) and delivered more loads per week (53.6 vs. 40.9) than non-preferred crews. They accomplished this by working slightly fewer days per week (4.78 vs. 4.88). Preferred crews delivered to an average of 4.4 markets per week compared to 3.7 for non-preferred crews. They were also less likely to move for an undesirable reason than non-preferred crews. Finally, preferred crews harvested about 18% hardwood, compared to 23% for non-preferred crews.

Preferred contractors reported a median cost per ton of \$13.44, compared to \$15.58 for other contractors, a difference of \$2.14 per ton for a savings of 14%. In addition, the cost varied less for preferred contractors, as indicated by the narrowest difference between their lower and upper quartiles of any subgroup. This suggests that preferred suppliers have lower and less variable costs due to their higher and more consistent production levels.

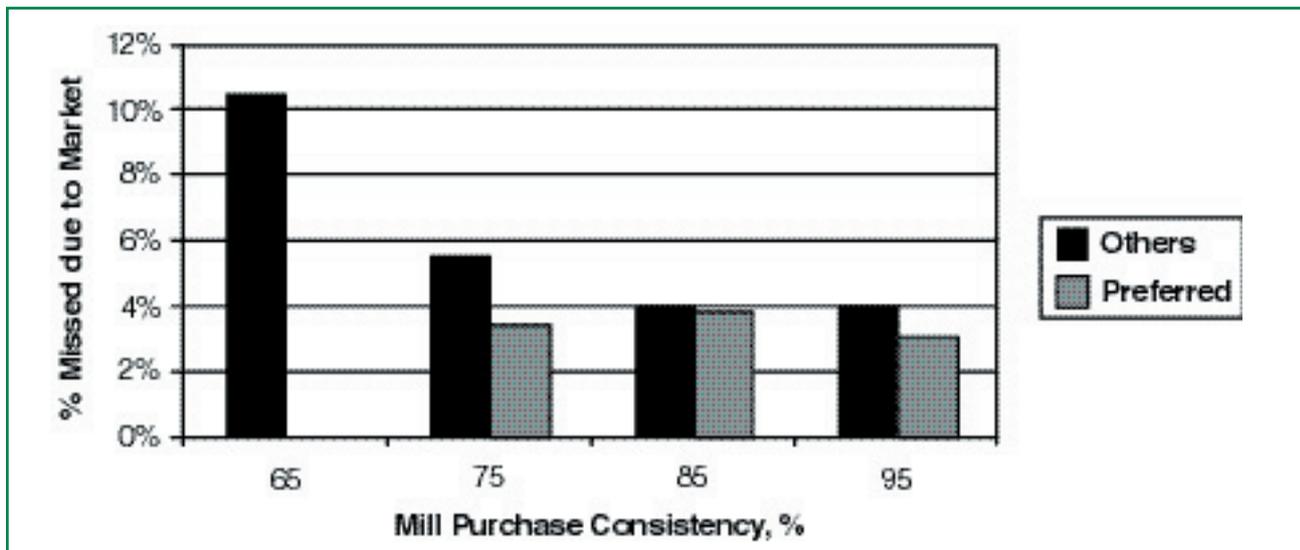
**Table 1.** Characteristics of non-preferred and preferred suppliers crews in our study.

Measure	Preferred Supplier Crews	Non-Preferred Supplier Crews
Missed Weekly Production.....	17.5%.....	22.8%
Actual Weekly Production, loads.....	53.59 .....	40.93
Target Weekly Production, loads .....	57.71 .....	43.42
Number of Markets.....	4.37 .....	3.68
Days Worked .....	4.78 .....	4.88
Likelihood of an Undesirable Move.....	5.2%.....	8.0%
Hardwood Portion of Production.....	17.9%.....	22.9%
Proportion of Study Participants.....	48%.....	52%
Proportion of Southern Survey Respondents.....	52%.....	48%
Cost per Ton, lower quartile.....	\$11.42 .....	\$11.86
, median .....	\$13.44 .....	\$15.58
, upper quartile .....	\$15.16 .....	\$19.80

We next selected data from logging crews that had reported at least 26 weeks of data during the study, with at least 50% of their total production delivered to mills of WSRI member companies. This yielded 68 crew-quarters with 23 logging crews represented, evenly divided between preferred supplier crews (12) and other crews (11). For preferred suppliers, we found no correlation between the percent of production missed due to market causes and the average consistency rating (see this month's Technical Release 03-R-2) of the mills receiving their wood.

For those crews without preferred supplier status, we found that the consistency rating was significantly correlated with the percent of market-caused missed production for logging crews (see Fig. 1). For crews without preferred supplier status, the percentage of missed production attributable to market causes is significantly correlated to the consistency rating at the mills where they deliver.

Fig. 1: Relationship of missed production due to market causes by logging crews and the purchase consistency at mills where they deliver by preferred contractor status.



**APPLICATION:** Based on the data from our study for WSRI, it appears that preferred supplier crews have significantly higher and more consistent production, resulting in lower costs per ton. This is clearly a wood procurement strategy that can help control wood supply costs. However, we also found that half of the crews in the Southern region are already preferred suppliers, indicating that this strategy is already in widespread use. As a result, we may have already reaped most of the gains associated with it.

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