

Southeast Region Data Analysis

Suppliers Years in Business

	Response Average	Response Total
Years =	31.35	1,066

Supplier Interviewee's Position

	Response Percent	Response Count
Owner	65.7%	23
Partner	22.9%	8
General Manager	14.3%	5

Supplier Type

	Response Percent	Response Count
Direct Contractor/Operator	21.6%	8
Dealer	59.5%	22
Large Landowner (TIMO, REIT, Private)	8.1%	3
Producer-Indirect	16.2%	6
Other		2

Percentage of Stumpage Purchased Directly

	Response Average	Response Total
% =	69.08	2,625

Description of Supplier's Operation

	Response Percent	Response Count
Logging	5.4%	2
Trucking	2.7%	1
Combined	94.6%	35
Other (please specify)		2

Level of Supplier's Annual Production (in Tons)

	Response Average	Response Total
Tons =	464,947.37	17,668,000

Number of Supplier's Employees

Answer Options	Response Average	Response Total
# =	19.76	751

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Consumer Procurement Years in Business

Answer Options	Response Average	Response Total
Years =	25.23	328
<i>answered question</i>		

Consumer Procurement Interviewee's Position

Answer Options	Response Percent	Response Count
Front-line	46.7%	7
Senior	53.3%	8
Other (please specify)		0

Consumer Mill Facilities Sampled

Answer Options	Response Percent	Response Count
Paper	46.7%	7
Composite	13.3%	2
Solid Wood	6.7%	1
Combination	33.3%	5
Other (please specify)		1

Consumer Percent of Direct Stumpage to Total Consumption

Answer Options	Response Average	Response Total
% =	13.33	200

Consumer Mill Annual Consumption

Answer Options	Response Average	Response Total
Tons =	1,953,333	29,300,000

Consumer Procurement No. of Employees (admin. Support -not included)

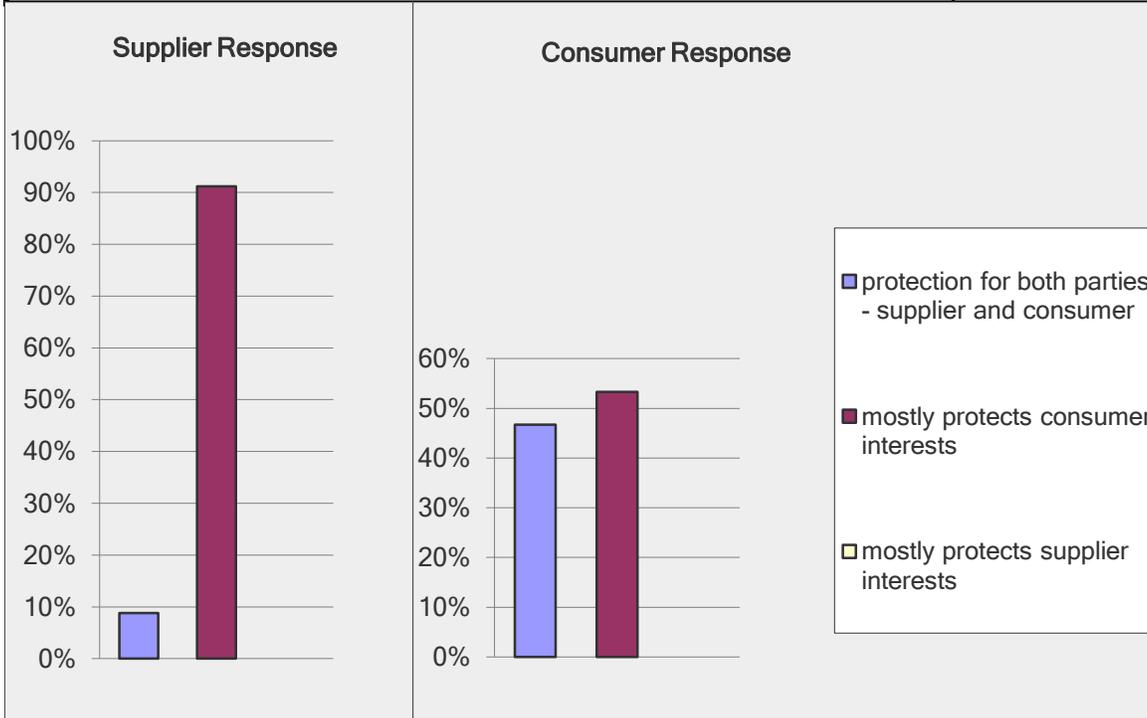
Answer Options	Response Average	Response Total
# =	12.13	182

Southeast Region Data Analysis

Negotiations Interface Contract Structure

Answer Options

Answer Options	Supplier Response	Consumer Response
protection for both parties - supplier and consumer	8.8%	46.7%
mostly protects consumer interests	91.2%	53.3%
mostly protects supplier interests	0.0%	0.0%
Other (please specify)		



Remarks: There is a significant difference in the perception of the legal protection provisions of the contracts provided to the suppliers. 91% of the suppliers say it mostly protects consumer interests. In contrast, 53% of consumer procurement see the contracts favoring the consumer mill interest.

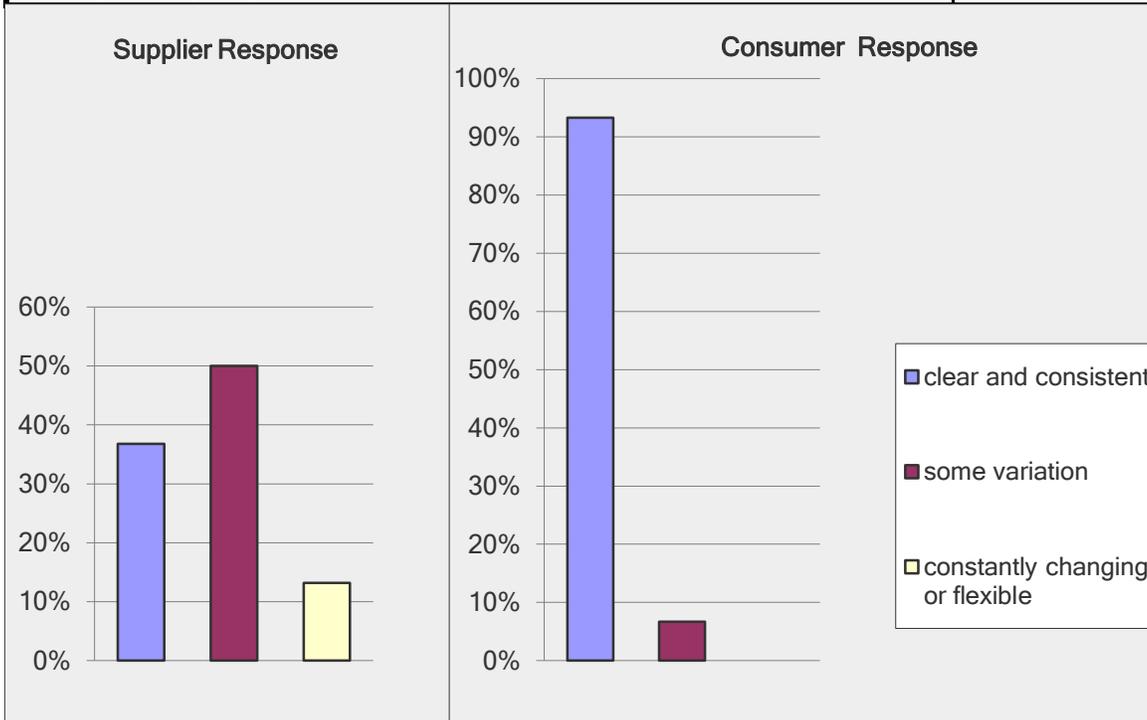
Gap almost 40%

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Negotiations Interface

Wood Specifications

Answer Options	Supplier Response	Consumer Response
clear and consistent	36.8%	93.3%
some variation	50.0%	6.7%
constantly changing or flexible	13.2%	0.0%
Other (please specify)		



Remarks: There is a significant difference in perception between suppliers and consumers primarily due to the difference way they look at the issue. The suppliers view it as how the wood specifications are administered and the consumers think of it as how they are communicated and documented.

There are also comments from suppliers and some consumers that the administration of those specifications are somewhat conditional depending on the level of the inventories.

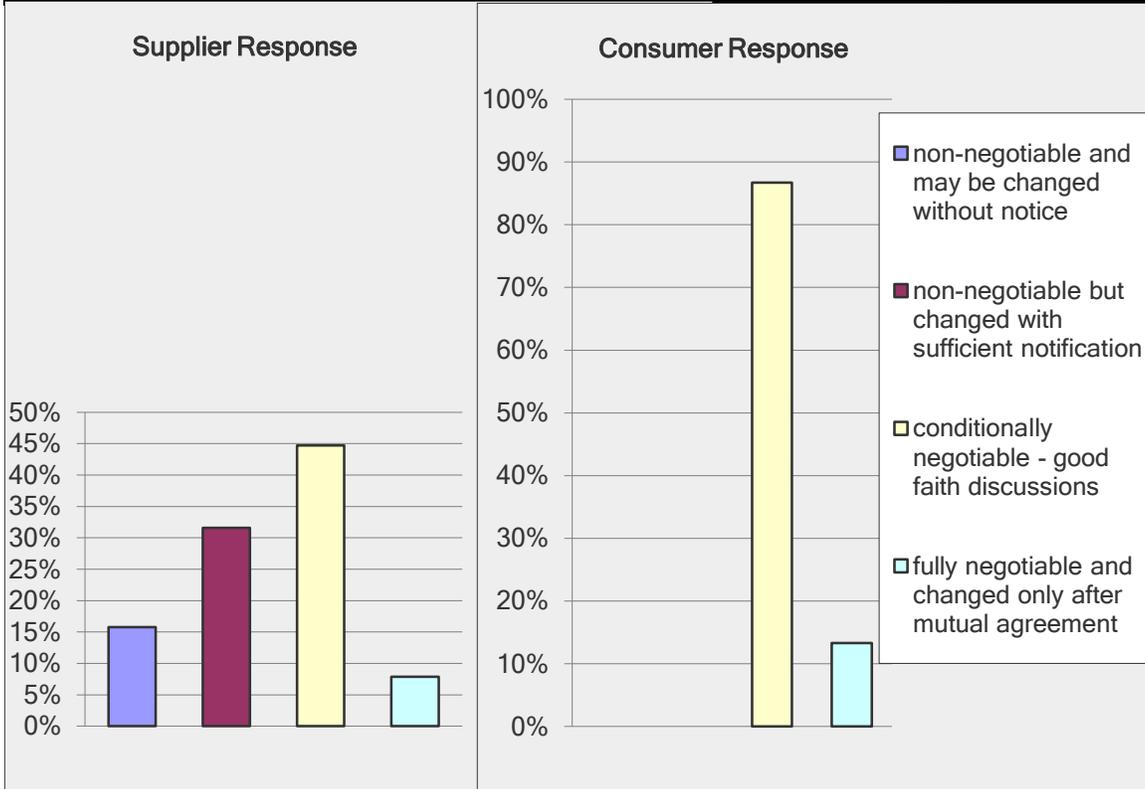
Perception Gap = Over 50% related to clear and consistent response.

Southeast Region Data Analysis

Negotiations Interface

Harvesting / Trucking Rates (Negotiations Methods Only)

Answer Options	Supplier Response	Consumer Response
non-negotiable and may be changed without notice	15.8%	0.0%
non-negotiable but changed with sufficient notification	31.6%	0.0%
conditionally negotiable - good faith discussions	44.7%	86.7%
fully negotiable and changed only after mutual agreement	7.9%	13.3%
Other (please specify)		



Remarks: There is a significant gap in perception of the Nature of the Rate Negotiation Methods. 47% of the suppliers see the negotiations as "non-negotiable "in contrast to the Consumer procurement personnel see it as "conditionally negotiable or fully negotiable".

Why is this so different? One observation is that it appears that the manner in which negotiations are handled by consumer procurement may be a factor. The other factor is these interviews were conducted during the deepest economic recessions in history in a time that all cost were highly controlled. It is notable that 8% of both supplier and consumers classified rate negotiations as "fully negotiable". It must be recognized that "large landowners" are included in the supplier classification that tend to be in a more negotiable position.

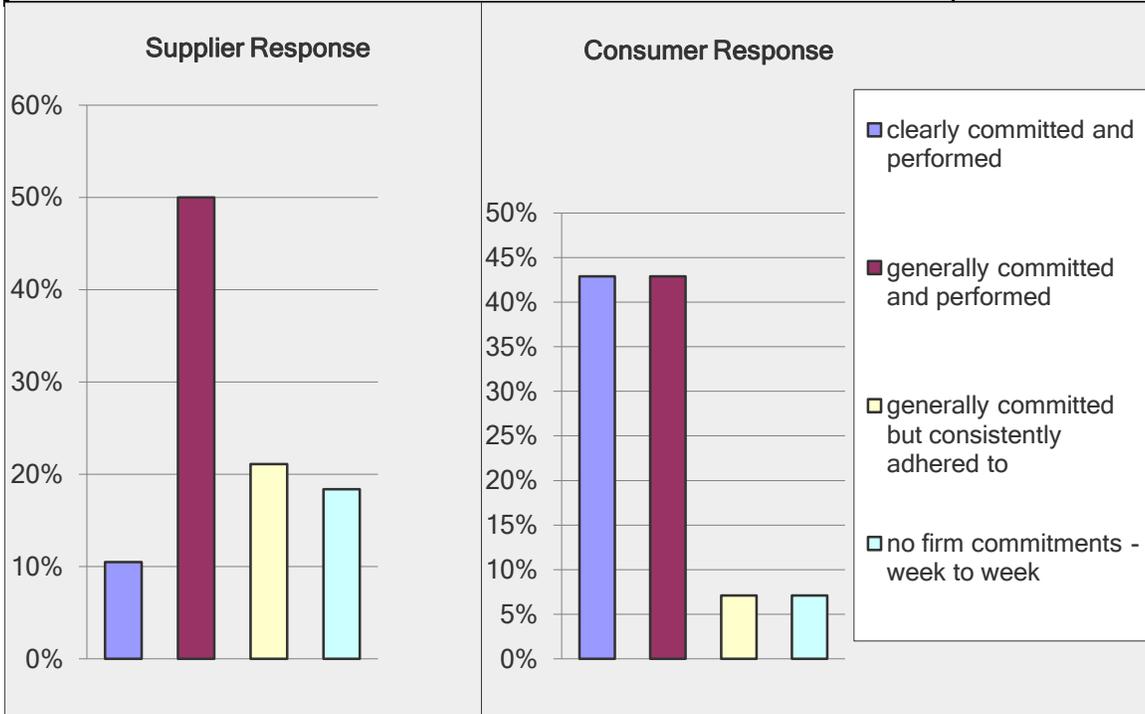
Perception Gap = 47% in terms of Conditional Negotiations verses Non-negotiable categories.

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Negotiations Interface

Negotiations for Volume Commitment

Answer Options	Supplier Response	Consumer Response
clearly committed and performed	10.5%	42.9%
generally committed and performed	50.0%	42.9%
generally committed but not honored	21.1%	7.1%
no firm commitments - week to week	18.4%	7.1%
Other (please specify)		



Remarks: There is a moderate gap in perceptions around volume commitments within the negotiations interface. Approximately 60% of the suppliers say they have fairly firm volume commitments while 40% feel they have no firm commitment from their consumer companies. In comparison, 86% of the respondents expressed they committed to firm volumes or generally committed. It should be noted that none of the suppliers interviewed had any commitments in writing. All the committed volumes were verbal with the exceptions when they are placed on quotas during delivery constraints.

Perception Gap = 40% in terms of having generally firm volume commitments.

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Approximate volume lost by Suppliers annually due to break-down in Negotiations

Answer Options	Response Average	Response Total	Response Count
Tons =	19,752.63	750,600	38

Comments on Production Volume Losses:

Total volume per supplier lost due to negotiation breakdowns was calculated at 19,700 tons for a total annual loss of production of 750,600 tons on a total annual production of 17,000,000 tons. Expressed as a percentage of the total = **2.63% of actual of total sample volume delivered.**

Examples Provided of Break-down in Negotiations Statements by Suppliers:

- >Most companies provide a tract specific price but some will pull the price commitment without notice.
- >One consuming company made a firm verbal commitment to this supplier on a chipping agreement, supplier purchased equipment to do the operation and then the procurement manager was ordered from above to cancel the commitment. The result is loss of trust from the supplier.
- >2009-mills called and backed off commitments
- >Supplier works in a 3 month time-frame but consuming company has shortened the wood orders week to week. Have had to look to other customers to sell wood production
- >One company arbitrarily cut prices and may cut off deliveries with no notice.
- >Price and specification changes without notification some mills, wood being culled without notification-inconsistent at times.
- >Due to reduction in consumption of mills running some companies build in constant cull deduction.
- >One consumer company assigned their contract without any negotiation or notification when company changed ownership. Also - fuel adjustments have helped but the high cost of fuel impacts all other operations by 15%.

Examples of Best Practices in Negotiations Statements by Suppliers:

- >One company commits to a price and sticks to it.
- >Most of the procurement people are stand-up individuals - can be trusted
- >Some companies provide solid expectations on volume production, Tract by tract pricing and the honoring it for the life of the timber deed.
- >One company-came back to make up previous commitments that they formerly set.

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Examples of Negative Examples of Negotiations by Consumer Procurement:

- > Restrictions on pricing has cost our mill production.
- > At times some suppliers may try to manipulate the committed tract price.
- > Occasionally suppliers buy wood that does not meet specifications-so we have to reject loads.
- > Company over-committed on some tract pricing a year ago - but we stuck with their prices well past the crisis time.
- > Fuel price spike has created the largest and most complicated problem for our suppliers in a down economy.
- > When company buys a tract- but hold on price when fuel prices rise.
- > Biomass initiative (B-CAP) was designed to pass all the risk to the industry
- > We need more length of time on contract and volume commitment that would lead to better negotiations.

Examples of Best Practices of Negotiation Interaction by Consumer Procurement:

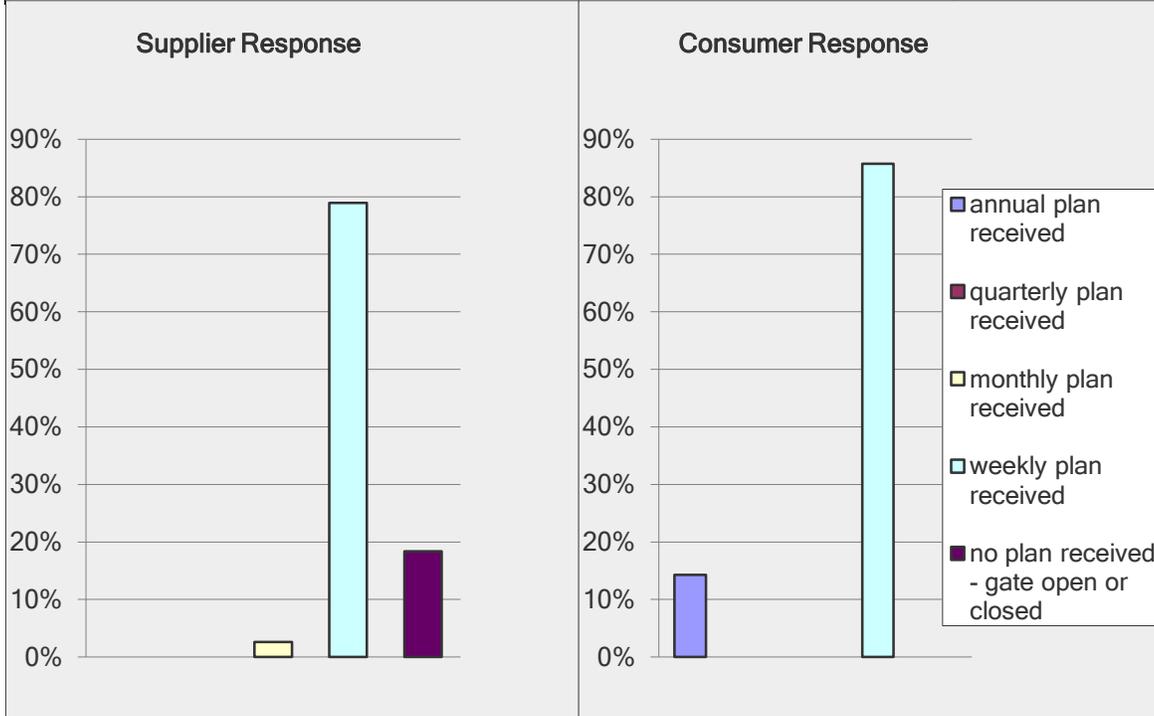
- > Suppliers generally appreciate the tract specific price and the company has been firm in standing by their committed pricing.
- > Committed tract concept works well for suppliers in terms of timber purchasing.
- > Company provides firm price and volumes to "regular suppliers" .
- > Procurement people are in constant contact with suppliers.
- > When the company accumulated a large backlog of premium priced stumpage, there was an excess carry-over into the non-emergency times and the company worked with its suppliers to work the high costs wood through the system over time
- > We worked through a very touchy situation with one supplier
- > 75% of our volume comes into the mill is on tract specific pricing
- > Changed fuel-wood mix - secured some long-term agreements with suppliers.
- > Tract specific prices provide some flexibility to help suppliers
- > Tract by tract negotiation-goes up w/ fuel costs-goes down w/ costs
- > Consuming company-will look at each tract.
- > Company works with suppliers if they cannot get their production and shift it to another supplier and help their production-has flexibility
- > Provide financing to contract loggers
- > When company issues a weekly wood order - it does not change - will take the wood order even when the mill shuts down .

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Joint Planning Interface

Delivery Scheduling

Answer Options	Supplier Response	Consumer Response
annual plan received	0.0%	14.3%
quarterly plan received	0.0%	0.0%
monthly plan received	2.6%	0.0%
weekly plan received	78.9%	85.7%
no plan received - gate open or closed	18.4%	0.0%
Other (please specify)		



Remarks: There is only a slight difference in the perceptions between supplier and consumers on delivery scheduling. Both parties agree that it volume commitments are primarily based on week to week order system. There were 18% suppliers receiving no commitments. These tend to be smaller loggers that tend to play the spot market.

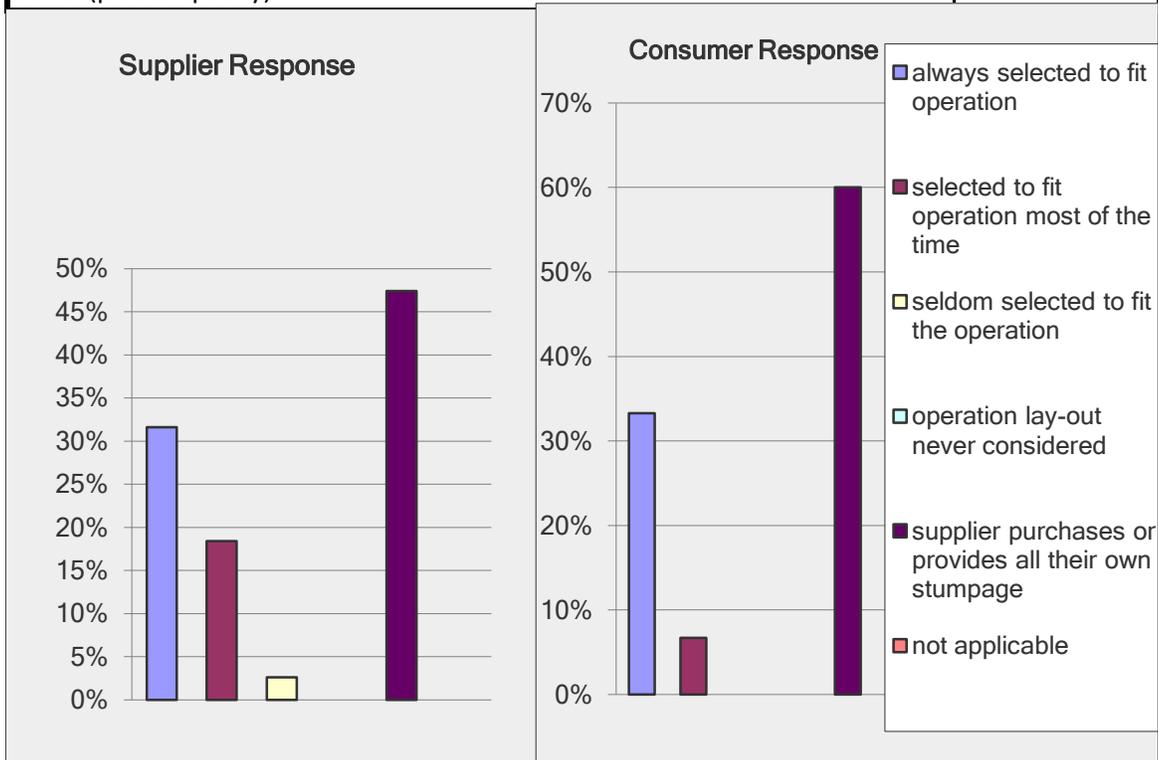
Perception Gap = 7% in weekly delivery scheduling is not significant

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Joint Planning Interface

Tract Harvest Assignment (if applicable)

Answer Options	Supplier Response	Consumer Response
always selected to fit operation	31.6%	33.3%
selected to fit operation most of the time	18.4%	6.7%
seldom selected to fit the operation	2.6%	0.0%
operation lay-out never considered	0.0%	0.0%
supplier purchases or provides all their own stumpage	47.4%	60.0%
not applicable	0.0%	0.0%
Other (please specify)		



Comments: No significant gap in perceptions in harvest tract assignment between suppliers and consumers. Suppliers and Consumers agree that the operational capabilities are generally considered when tract assignments are provided to cut & haul operations. A large percentage of the suppliers in the Southeastern region purchase all of the stumpage through dealerships or large landowner suppliers.

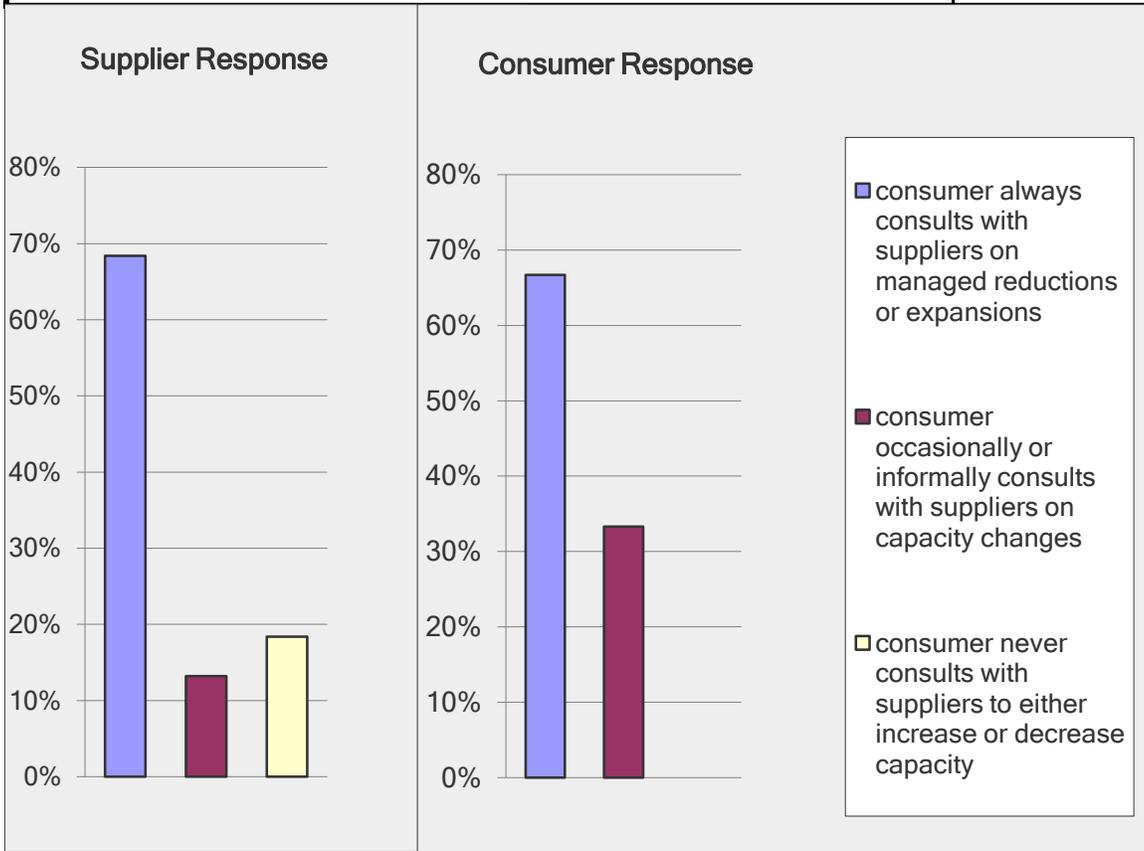
No significant gap

Southeast Region Data Analysis

Joint Planning Interface

Capacity Addition or Reduction Decisions

Answer Options	Supplier Response	Consumer Response
supplier always consults with consumer representatives	68.4%	66.7%
supplier occasionally or informally consults with consumer	13.2%	33.3%
supplier never consults with any consumer representatives	18.4%	0.0%
Other (please specify)		



Comments: No significant difference related to joint consultation in regards to capacity changes. The only minor difference is that a 17% of the suppliers felt that capacity changes were their own decision.

Gap = 18% from suppliers that make capacity decisions without consulting with consumer mills. Some of these supplier respondents were large landowners. Gap is insignificant

Southeast Region Data Analysis

Suppliers Approximate volume lost annually due to poor planning

Answer Options	Response Average	Response Total	Response Count
Tons =	32,486.49	1,202,000	37

Consumers Approximate volume lost annually due to poor planning

Answer Options	Response Average	Response Total	Response Count
Tons =	6,666.67	100,000	15

Examples Provided of Break-down in Joint Planning Statements by Suppliers:

- >There is no joint-planning with any of the consuming companies
- >This contractor was recently moved on a long-haul tract that was a 2 hour drive from where he and his workers lived which did not fit his trucking capacity
- >Dealership asked logger to expand - then turned around and asked him to sell the extra equipment
- >Usually have only a weekly plan but supplier knows pretty well what to expect.** Used to have 3 month inventory of stumpage - now only 1 month
- >Tracts are assigned to the logger right at the time of moving - logger does not have time to set up and plan the logging plan adequately and in advance.
- >Frequently the mix of products quotas to not match with mix in the timber. Need more flexibility in quotas to avoid excessive moves within cut block.
- >Consuming mills have closed all of their remote watered yards and pushed the variation back on the suppliers.
- >Production held down during the week and then ask supplier to haul on Saturday to keep the mill running-Companies do not consider the higher costs to their operation.
- >Consumer companies have a poor record of notifying suppliers of holidays or other downtime.
- >You cannot assume they will let you know about downtimes
- >Poor maintenance schedule, no maintenance on wood yard-damage trucks-no safety drills-chemical smells. ----Maintenance on mill wood yards are done during the week-they may then pay bonus to run Saturday or Sunday deliveries.
- > We have a general lack of commitment to suppliers in maintaining wood order consistency so the suppliers cannot make any plans to make their operations better.
- > One mill gets blocked out often and disrupts production
- > Purchased a chipper with full consultation with consumer companies and it is now idle.

Examples Provided of Break-down in Joint Planning Statements by Consumers:

- >Wood yard gets low priority in maintenance or capital. Equipment reliability has caused disruptions in consistent deliveries
- >In situations when spot markets are tapped in and out-cost much higher
- >Procurement receives poor or no information from the manufacturing segment resulting in lack of notification to suppliers on changes or planned wood yard maintenance.
- >Some suppliers are not dependable or consistent on what they say they will do.

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Examples of Remarks from Suppliers on Best Practices in Joint Planning:

- > Certain mills will stay with their volume commitments
- > This contractor is favored in getting the larger tracts. Usually assigned to second thinning and clear-cut tracts that fits his equipment configuration.
- > Currently have 4 tracts ahead to work that will last until first of year
- > Dealership works with loggers on a monthly plans and next tract scheduling.
- > Supplier notified his mill procurement representative as soon as he lost a chipper motor to let him know that he would not be producing for several weeks - was much appreciated.
- > Only one company does a good job of planning ahead
- > One consumer company does a good job of planning ahead - the rest do not.
- > Calling post-notifies suppliers-really improved
- > One customer mill provides longer term plan. One customer set minimum numbers of loads all about making sure that you meet each others needs-build excellent relationships-really value the relationship to help each other succeed. Now have longer-term contracts-quarterly commitments
- > One company will provide advanced notice when the mill yard will be down. Has good communications of wood order - are dependable
- > One company will allocate quotas fairly based on commitment.
- > Consumer Company generally makes next tract assignment so there is no downtime
- > Supplier works hard at keeping constant communications and relationship
- > One company stays to its word-but no long term commitment
- > Dealer keeps an inventory of tracts to have options to move wood in any situation.
- > Companies let you know in plenty of time about shut-down. Some companies provide longer range forecasting and timely and adequate communications on receiving yard disruptions and other operational issues
- > One company makes a point call if they have a receiving problem Receive e-mail when breakdowns are happening on a timely basis

Examples of Comments from Consumers on Best Practices on Joint-Planning:

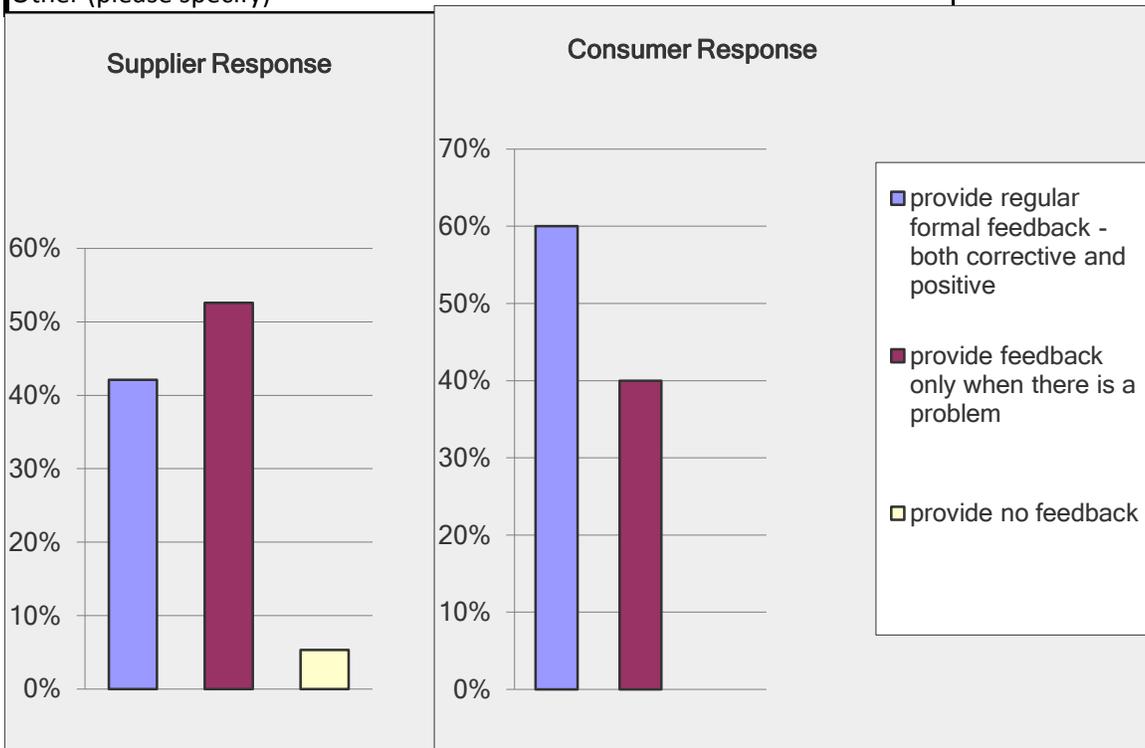
- > Procurement forester helps dealers locate loggers to harvest tracts with a short time expiration.
- > Company plans for winter ground and works with suppliers in the spring to start purchasing tracts for the year-adjust prices depending what is paying for stumpage-commit prices.
- > Informal ongoing system of planning with constant informal communications with suppliers. Have informal meetings with core suppliers that produce 70% of the volume to discuss expectations - but issue no formal contract on volumes.
- > Mill provides at least one month notice on mill down-time. Winter-time planning is conducted such as winter time tract scheduling Had some additional volume needs - passed it on to the "core suppliers".
- > Company conducts in-house logger training for the convenience of its suppliers.

Southeast Region Data Analysis

Feedback Interface

Contract Compliance

Answer Options	Supplier Response	Consumer Response
receive regular formal feedback - both corrective and	42.1%	60.0%
receive feedback only when there is a problem	52.6%	40.0%
receive no feedback	5.3%	0.0%
Other (please specify)		



Comments: Feedback for contract compliance was interpreted by the respondents to refer to wood quality feedback. There is a slight gap in perception between the suppliers and consumer mill procurement. Over 50% of the suppliers said they "receive feedback only when there was a problem" and a few said they had "no feedback". Some suppliers interviewed work through dealerships and may or may not receive formal feedback.

A contrasting response from the consumer mill procurement was that 60% indicated they provided both corrective and positive feedback to the suppliers. Some consumer mills provided regular documented feedback in regards to wood quality to their suppliers but most of the mills provided verbal or informal feedback. Most all of the suppliers indicated that they would like to have consistent feedback to help them strive toward continuous improvement and be recognized for their efforts.

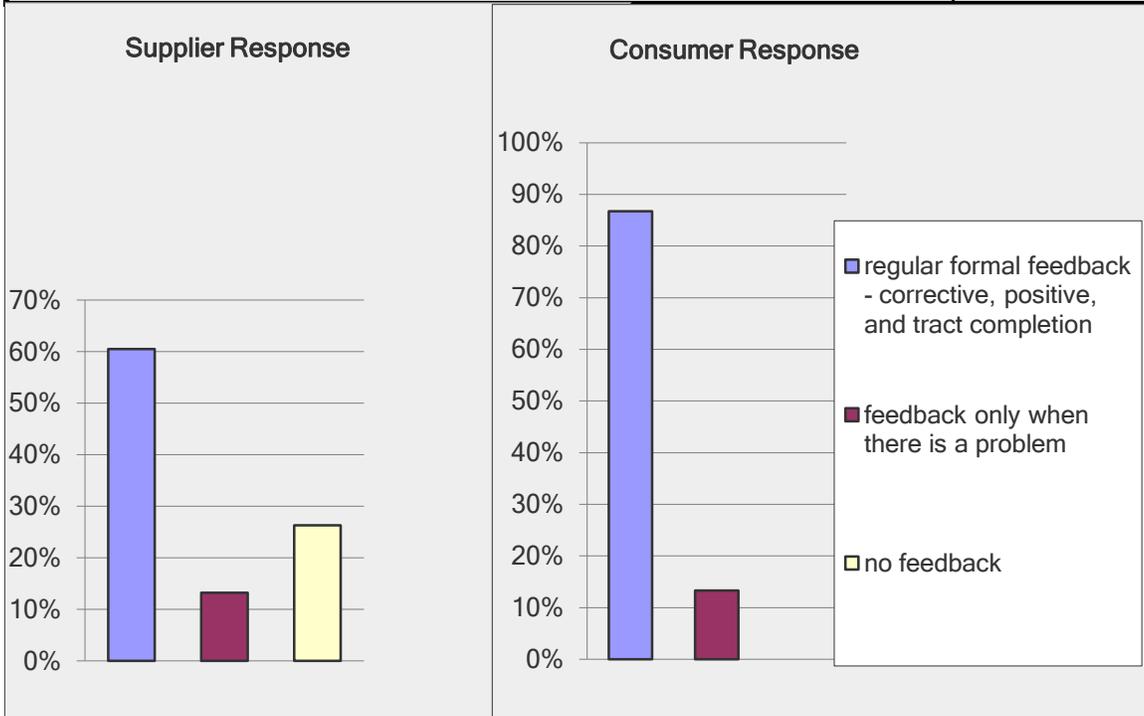
Gap is insignificant but the data shows that there is a lack of feedback to recognize outstanding performance

Southeast Region Data Analysis

Feedback Interface

Harvesting Quality

Answer Options	Supplier Response	Consumer Response
receive regular formal feedback - corrective, positive, and	60.5%	86.7%
receive feedback only when there is a problem	13.2%	13.3%
receive no feedback	26.3%	0.0%
Other (please specify)		



Comments: There is a gap in perception between supplier/consumer mills on feedback related to harvest quality in two areas. First is a 26% gap in terms of receiving regular formal feedback both positive and negative. That is due to 26% of the supplier responding that they receive no feedback. It should be noted that some suppliers stated that inspections related to certification requirements or general BMP compliance was non-existent.

Gap = 26% in reference to feedback on harvesting quality is significant.

Southeast Region Data Analysis

Approximate volume lost annually due to poor feedback from Suppliers

Answer Options	Response Average	Response Total	Response Count
Tons =	1,078.95	41,000	38

Approximate volume lost annually due to poor feedback from Consumers

Answer Options	Response Average	Response Total	Response Count
Tons =	.00		11

Examples of poor feedback - Supplier Remarks:

- >Although this contractor receives good feedback it is all verbal with no documentation
- > Would like to have more feedback
- > Never get anything passed on from the dealership
- > Not as much feedback now as there was 2 years ago.
- > Dealership provides no feedback
- > Very little feedback unless there is a problem.
- > No field inspections or harvesting feedback.
- > Most consuming companies do not provide any feedback
- > One scaler has gone on a power trip with unreasonable load preparation requirements
- > Some inconsistency on un-scientific culling process-lot of variation
- > Poorest feedback is from solid wood consumer companies that does not give notification to suppliers on wood quality problems-and whole loads are "culled"
- > Consuming companies, do not provide adequate feedback on the suppliers performance.

Examples of good feedback - Supplier Remarks:

- > Consuming companies have a good tract inspection system.
- > Supplier often asks for a courtesy inspection from forestry agency.
- >Good feedback on timber harvesting quality
- > Harvesting inspection is adequate. There is some level of mill feedback.
- > Landowner managers provide regular feedback from harvesting inspections.
- > One tract was under the supervision of an Auburn forester who provided very good feedback
- > Consuming companies (for chips) receive excellent feedback and dealership does a good job in harvest quality monitoring.
- > Good feedback from the REIT managers on harvesting quality.
- > One consuming company provides excellent and consistent feedback from the mills and from the dealership that inspects harvesting quality consistently.
- > One consuming company provides a monthly report card to show performance and actual volume against volume targets and quality along with individual tract performance.
- >Two companies provide daily feedback-some companies do weekly inspections
- > One company provides daily- e-mail, no. of loads and any problems, receives by 8 AM
- > Have regular feedback from some of the consumer companies but not all.

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Examples of Poor Feedback - Consumers

- > Harvesting quality has been outsourced to the dealership staffs.
- > Started pulpwood quality inspections -did not get landowner notification.
- > Sometimes suppliers have a different perception of what is a good job
- > When there is a breakdown problem or backup we should communicate with suppliers- have created some "listening post"

Examples of Good Feedback - Consumers:

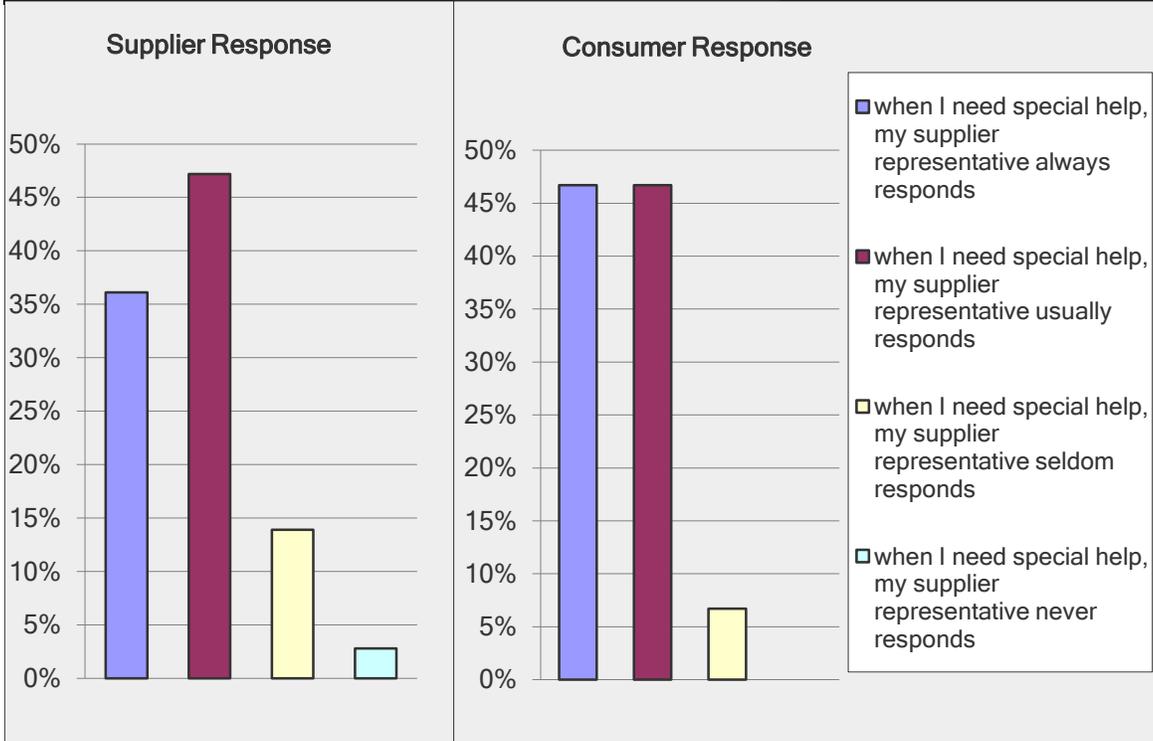
- > Inspection foresters fill out harvesting surveys with the contractor present (always present). They then give a copy of the inspection sheet to the dealer.
- > Primarily focused on the quality of wood on the truck coming in and provide immediate feedback to suppliers when there is a problem.
- > Procurement manager has the flexibility of providing an outlying yard to make corrections.
- > Hold logger training sessions at the mill - provide them good honest feedback.
- > Good harvesting inspections on a random basis - inspect all operations at least once a year.
- > Provide contract suppliers with weekly feedback on wood specification compliance, log quality, and harvesting quality. Occasionally provide a cook-out to express appreciation for their good work.
- > SFI certificate- have to provide feedback documentation for all harvesting operations
- > Conduct a truck driver's safety day-get good feedback for suppliers.
- > Woodyard provides feedback to procurement for truck loading and wood quality.
- > Company conducts formal quarterly sit-down with suppliers and provides reviews on contractor's performance.

Southeast Region Data Analysis

Problem Solving and Communication interactions

Operational Issues

Answer Options	Supplier Response	Consumer Response
when I need special help - always responds	36.1%	46.7%
when I need special help - usually responds	47.2%	46.7%
when I need special help - seldom responds	13.9%	6.7%
when I need special help - never responds	2.8%	0.0%
Other (please specify)		



Comments: Both parties seem to generally agree. This pattern of response does show that there is a recognition from both suppliers and consumers of good healthy cooperation .

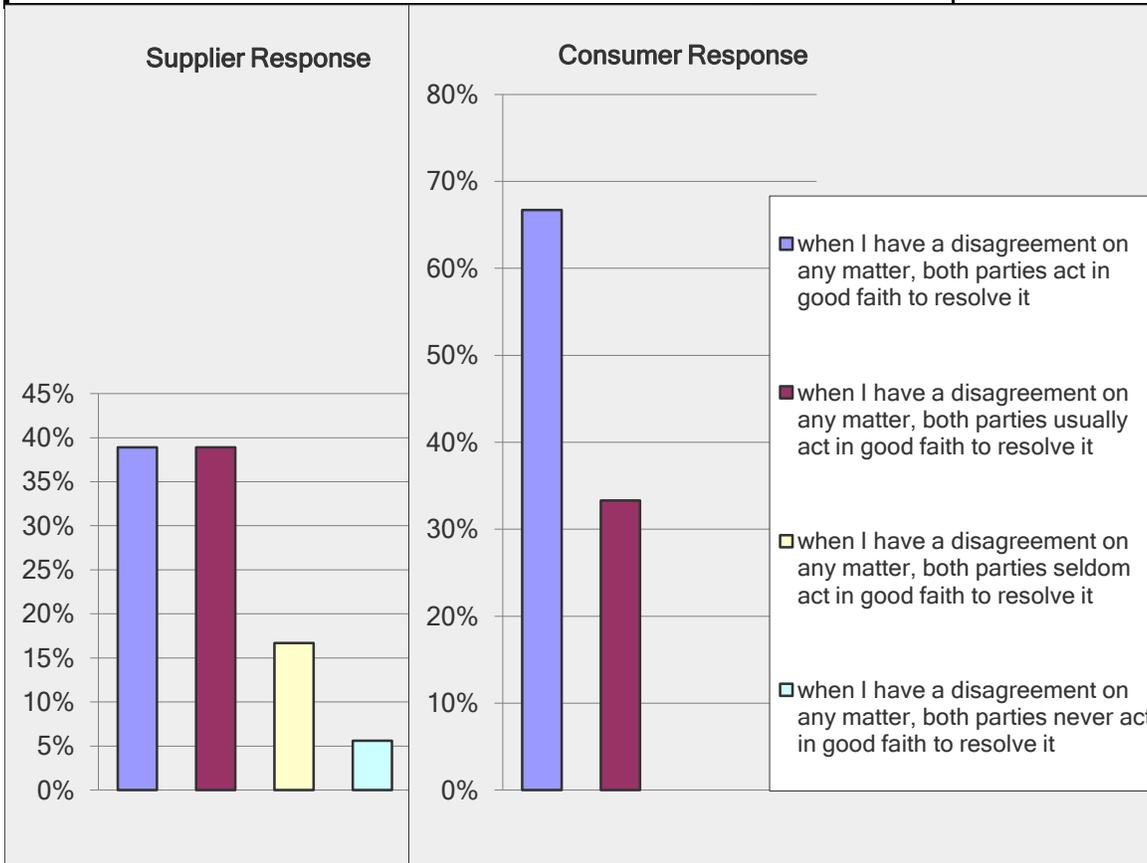
Only a slight difference in responses- not significant gap.

Southeast Region Data Analysis

Problem Solving and Communication interactions

Disagreements

Answer Options	Supplier Response	Consumer Response
Disagreement - both parties always act in good faith	38.9%	66.7%
Disagreement - both parties usually act in good faith	38.9%	33.3%
Disagreement - both parties seldom act in good faith	16.7%	0.0%
Disagreement - both parties never act in good faith	5.6%	0.0%
Other (please specify)		



Comments: There is a difference between responses from suppliers and consumer procurement related to dispute resolution. Both parties are generally positive about this interaction. However, 22% of the suppliers responded that disputes were either seldom or never resolved in good faith. During the interviews, some of the suppliers expressed that in some cases the contract administrators with whom they interact do not have adequate delegated authority to resolve issues.

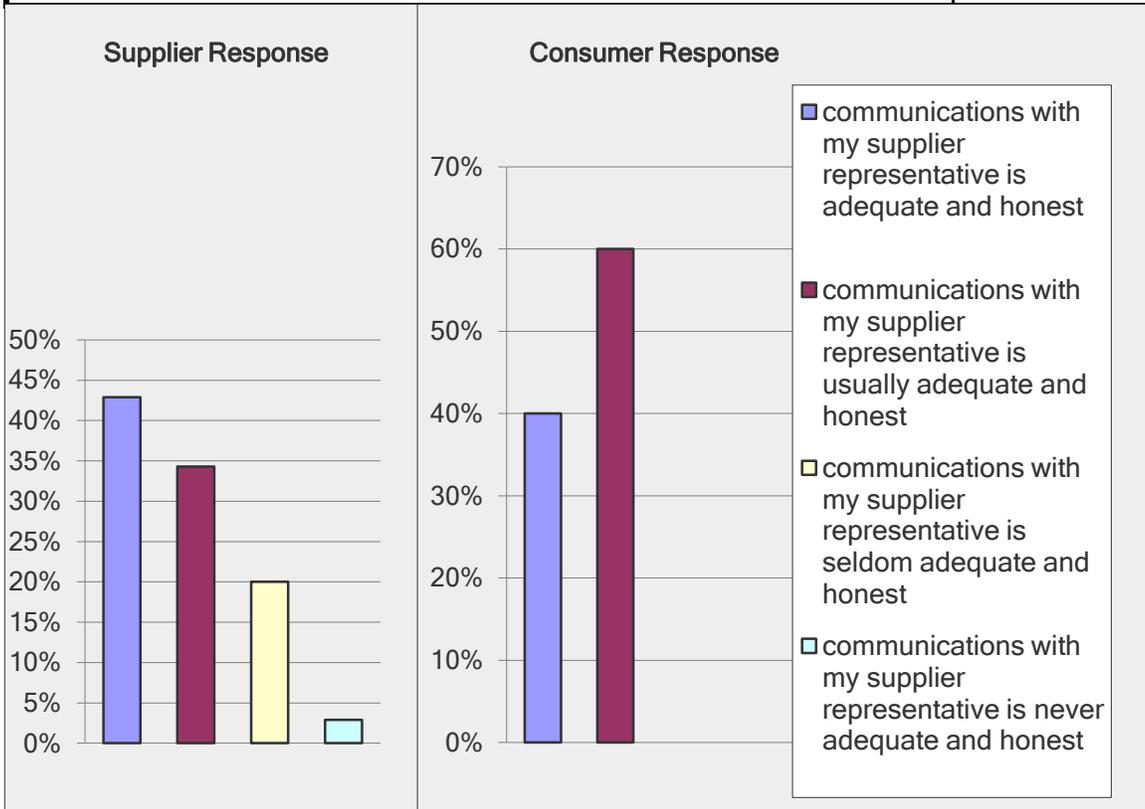
Gap = 20% in terms of problem solving and communications interactions is significant.

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Problem Solving and Communication interactions

Communications Interface

Answer Options	Supplier Response	Consumer Response
communications - adequate and honest	42.9%	40.0%
communications - usually adequate and honest	34.3%	60.0%
communications - seldom adequate and honest	20.0%	0.0%
communications - never adequate and honest	2.9%	0.0%



Comments: All consumer respondents classified communications as always or usually adequate and honest. Also the supplier generally agree with 77% agreeing that they are honest and adequate. However there were some 23% of the supplier respondents who rated communications as seldom or never adequate. Some of those suppliers that rated the communications as poor tended to work within dealerships (no direct connection to consumer mills) or smaller operators working in remote locations.

Gap = 23% in terms of adequate communications that is significant

Southeast Region Data Analysis

Problem Solving and Communication interactions from Suppliers

Approximate volume lost annually due to poor problem solving and/or communications

Supplier Tonnage Estimates	Response Average	Response Total	Response Count
Tons =	18,600.00	669,600	36

Consumer Tonnage Estimates	Response Average	Response Total	Response Count
Tons =	2,142.86	30,000	14

Examples of Remarks from Suppliers related to Poor Problem Solving-Communications:

- >Trust is an issue when logger finds out that the dealer did not pass on a fuel surcharge.
- >Poor communications between the mill/woodyard and procurement organization causes serious problems in communications to the suppliers.
- >One serious problem is that the local people know what needs to be done but their hands are tied by lack of delegation authority - bosses in headquarters charged to cut cost at any cost.
- >There is much less interface with higher management-more distant non-committed.
- >Field procurement people are spread thin and communications suffer
- >Consumer co. management do not back their procurement people to holding to their commitments.
- >Lack of flexibility forces supplier to expand their number of markets
- >Procurement foresters do not have authority to make decisions so they avoid suppliers when they have a problem.
- >Need much more communications than what we are receiving.
- >When truck un-loading equipment is down - supplier does not receive adequate notification.
- >Suppliers appear to know more than procurement-consumer people-through informal network.
- >Consistent (at least monthly) lack of communications from consuming companies on woodyard

Example of Supplier Remarks related to Positive Problem Solving-Communications:

- >Supplier has a good personal relationship with mill woodyards to get his loads in when needed.
- >Dealership is responsive
- >Landowning company is OK
- >One senior consumer company procurement manager has an open door policy.
- > One of the supplier's truck drivers was awarded a \$100 gift certificate for reporting a truck about to be unloaded that would have shut-down the whole system.
- > All try to do the best they can. The level of procurement staffing is at an all time low.
- > Communications have increased and all have improved
- > Have daily communications with the dealership and stays well informed.
- > Usually disagreements get worked out to both parties satisfaction
- > One company has put a lot of effort into improving honest and adequate communication
- > Have never had any disagreement-at times the dealer will drop his commission to help.
- > One company sends out daily text to alert supplier of inventory builds, downtime, or other production related factors.
- >One company has developed an automated communication system to keep all supplier informed.

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Examples of Remarks from Consume Procurement on Break-downs in Problem Solving/Communications:

- > Some suppliers resist using e-mail or texting and won't check messages (hard to contact)
- > Some suppliers are very non-communicative- but very steady suppliers.
- > Occasionally there are break-downs in communications - such as one yard not open and no communications.
- > Sometimes have a break-down in communications internally.
- > The loader operator on the mill woodyard is much too slow when not pressed and aggravates truck drivers.
- > When the mill needs wood delivered over the weekend, suppliers are not responding well.
- > Outlying woodyard-with competitor-very complicated trade which leads to relationship problems with the supplier.
- > Company decided to not notify its suppliers that a major shut-down was planned resulted on loss of credibility

Examples of Remarks from Consumer Procurement on Best Practices in Problem Saving/Communications:

- > Procurement forester maintains a good working relationship with his suppliers. He helps them when they have a problem and in turn-they help him. When the "El Nino" wet period occurred, many of the suppliers provided high quality communications and cooperation to get the mill through a difficult period.
- > During a period of emergency inventory situation, the dealers were encouraged to purchase an inventory of wet-weather tracts at a premium price. The company honored those agreements well after the emergency times were over.
- > One wood supplier came to the company to get permission to drop a loaded trailer at the mill when trucks were backed up. They granted permission and it helped the woodyard and the supplier to increase truck utilization.
- > Most suppliers help when there is a special need.
- > Texting system to provide excellent communications.
- > Have 2 logging meetings annually with suppliers and they receive training credit.
- > We build relationships with dealers-involves frequent face to face time discussing issues and plans
- > Rail suppliers given 8 month commitment- negotiated the commitment down over long period of time and it worked well for both parties.
- > Several weeks ago - mill crane went down - asked suppliers to work on Saturday and they responded very well and kept the mill running through the weekend

Southeast Region Data Analysis

Estimated Impact of Break-downs in Relationship

INTERACTION AREA	TOTAL TONNAGE REPORTED	AVG/SUPPLIER
Negotiations	750,600	19,753
Planning	1,202,000	32,486
Feedback	41,000	1,079
Problem Solving and Communications	669,600	18,600
Annual Totals	2,663,200	71,918
Total Sample Production	17,668,000	464,947
Loss % of Total Sample	15.1%	15.5%
Approx. Total SE Production	120,000,000	

Comments on Loss of Productivity:

The total sample of suppliers interviewed in the Southeast Region had annual production capability of 17 million tons. Those suppliers sampled (includes 3 TIMO/REIT organizations) said that the approximate production lost by breakdowns of the working relationship was a total of 2.6 million tons annually or a loss of 15% in their potential production. If the data were considered to be an acceptable sample for the total supply chain production in the Southeast Region (it is not adequate), then an estimated 18 million tons of production is lost annually due to inefficiencies of ineffective negotiations, joint planning, feed back, and lack of good problem solving/communications.

This analysis begs the question "what if the operational relationships were improved to the point that one half of lost production was eliminated?". The cost of production implications are clear being in the range of a 9%-10% increase in productivity. Although the sample size is not adequate to make an acceptable estimate, the point is that failures in a healthy working relationship is not just feelings. It has definite impact on productivity and therefore the efficiency of the supply chain.