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Supplier/Consumer Relationship Study Southeastern Region Report

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Executive Summary:

The forest industry has just come through one of the most painful economic recessions within the last 50 years. The building products business continues in a trough and immediate relief in housing starts is not imminent. The country as a whole is in a lot of economic pain in all areas of the U.S. All segments of the forest industry have been stressed. This summary should be viewed in that context.

One would expect that during these stressful times suppliers and consumer procurement people would be working closely together to navigate through a very stressful situation. While there is some evidence of close cooperation between suppliers and consumer manufacturing, many of the suppliers perceive they have been largely abandoned by their consumer customers and see the relationship as distant at best. As the recession continues, most of the consumer companies have been in a survival mode, reducing their procurement staffs with a strong cost-control mentality. Many of the suppliers stated that there has been little attention provided from consumer senior management to work together to manage through the difficult economic times to preserve a sustainable level of wood production capacity. Both sides tend to agree that there is looming shortage of logging capacity if manufacturing production recovers or if any prolonged weather systems impact woods operations.

In conclusion, the findings of this report suggest that the industry is at a **critical turning point**. What is known is that the general population of logging contractors has not been able to replace equipment for several years and each month additional logging operations are reported exiting the business. Supplier morale is very low and the outlook is not encouraging. That being true, there is an urgent need for the consumer company and supplier organizations to recognize the situation and take actions together to stabilize the working relationships and the economic viability of the logging capacity. Failure to do so could result in future spot shortages in logging capacity and more important long-term damage to the supply chain.

This paper provides a qualitative assessment of the current state of the relationship and some underlying causes. In addition it provides recommended actions to improve the supply chain relationship and steps to strengthen and secure the supply chain looking forward.

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Methodology

The objective of this study was to evaluate the working relationship between suppliers and consumer mill procurement. The study was structured to obtain quantifiable data on how routine interactions actually function between suppliers and consumer procurement.

I conducted over 225 face to face interviews across the U.S. with suppliers and consumer procurement people over a seven month period beginning in late spring of 2011 through January of 2012. Each interview had three parts. The first part comprised of set of structured questions that participants selected a range of responses that best described the nature and quality of the interactions. The categories of the interactions were divided into four categories as follows:

- 1. Negotiations**
- 2. Joint-Planning**
- 3. Feedback**
- 4. Problem solving/Communications**

Each category had a set of questions that were designed to measure the quality of those basic interactions. It is important to note that both suppliers and consumer procurement were asked mirrored questions. The rationale was to enable a comparison of perceptions and examine how the relationships were viewed from both sides. If a pattern of significantly different perceptions between suppliers and procurement were detected then a follow-up analysis was conducted.

The second part was to allow open-ended comments on how the supplier or consumer procurement participants viewed the working relationship. Comments that I perceived to have impact on the working relationship were recorded and analyzed on a qualitative basis. In the event that a supplier or consumer procurement participant stated a pattern of dysfunctional interactions, a follow up discussion was conducted to explore if that pattern resulted in lost production and therefore caused inefficiencies that could be avoided. If the dysfunctional pattern was determined to be the cause of lost production, then an annual volume was calculated on a conservative basis. Examples had to be provided of the incidents that caused lost production within the last 12 months. Likewise, when best practices were stated and confirmed in actual examples, they were recorded and entered into the database.

All data was entered into a database and reports were generated for analyses. Dr. Brenden Kendall of Clemson University was engaged to provide assistance with the database and analysis of results. The reports were then prepared on a regional basis as follows:

- Mid-Atlantic Region (North Carolina, Virginia, West Virginia)
- North-East Region (Maine, New Hampshire, Vermont, New York)
- Lake States Region (Michigan, Minnesota, Wisconsin)
- South-East Region (Georgia, South Carolina, Florida, Alabama)
- South-Central Region (Mississippi, Arkansas, Texas, Louisiana)
- Western Region (Oregon, Montana, Washington, California)

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The interviews were all confidential and entered into the database without names or company affiliations. Each participant was classified in the categories in the table below:

Suppliers	Consumers
Direct Contractor/Operator	Pulp-Paper
Dealer	Composite
Larger Landowner (TIMO, REIT, Private)	Solid Wood
Producer Indirect	Combination

Southeastern Region Supplier Perspective

The objective of this study is to provide a straightforward evaluation of the current state of the business relationship between suppliers and procurement organizations. The following is a prioritized listing of the most prevalent and common thread issues that were consistently stated by the Southeastern suppliers in South Carolina, Georgia, Florida, and Alabama:

- Number one issue** for the Southeastern Suppliers is the lack of recognition from the consumer companies in regard to the economic impact of rising fuel costs and other general cost inflation over the last 36 months. When the suppliers were asked to describe the nature of rate negotiations with their consumer customers, 50% of suppliers categorize rate negotiations as largely “non-negotiable”. Another 41% of the suppliers categorized rate negotiations as conditionally negotiable with good faith discussions. Table two tabulates the responses

Table Two 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	31.6%	0.0%
conditionally negotiable - good faith discussions	44.7%	86.7%
fully negotiable and changed only after mutual	7.9%	13.3%
Other (please specify)		

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A significant gap in perception of the Nature of the Rate Negotiation Methods is apparent in the data. 47% of the suppliers see the nature of the rate negotiation as "non-negotiable" in contrast to 100% of Consumer procurement personnel see the negotiation as either "conditionally negotiable or fully negotiable".

Why are the responses so different? One observation is that it appears that the manner in which negotiations are handled by consumer procurement may be one factor. Another factor is that these interviews were conducted during a deep economic recessions in a time that all cost were highly controlled. It is notable that 8% of both suppliers and consumers classified rate negotiations as "fully negotiable". Large landowners (REIT's, TIMO's, etc.) are included in the supplier classification and tend to be in a more favorable negotiable position. There is also another factor at work. Tract specific pricing for suppliers that purchase stumpage in the view of the consumer procurement managers are in their mind-set is conditionally negotiable. Although the suppliers appreciate that approach as a help for buying stumpage, they still feel that the negotiation stance by the consumer procurement to be highly restrictive and insensitive to the current rising cost structure of logging.

All of the suppliers understand the current economic stress in the U.S. markets and the need for cost control, but they see logging/trucking rates as already marginal before the downturn. The magnitude of the fuel price increases has placed the suppliers in an impossible position. Tables 3 and 4 provide an illustration of how costs have risen over the last few years.

Table Three

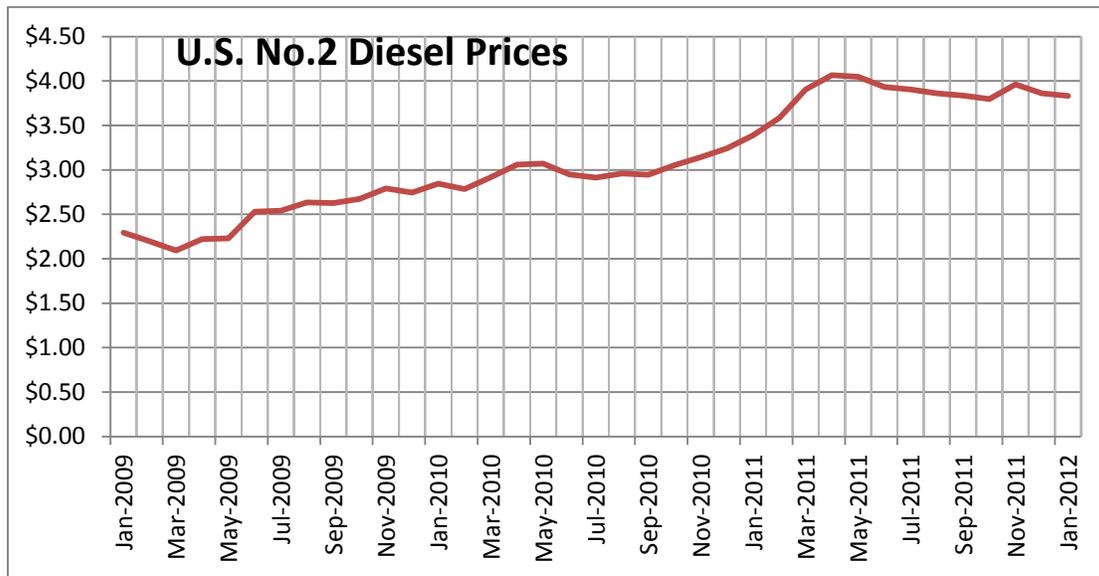


Table Four

Item	Price in 2007	Price Now 2012	Total Increase
New Skidder	\$185,000	\$250,000	35%
New Loader	\$150,000	\$200,000	33%
New Truck	\$115,000	\$130,000	13%
Insurance	\$15,000	\$25,000	67%

Tight stumpage markets due to landowners holding back on timber sales due to weak stumpage markets have added pressure to the situation. Suppliers frequently stated that they have already gone through a prolonged period of austerity to stay in business. They understand that all parties in the industry have to go through economic pain in the recession. However some segments of the forest industry have experienced some level of recovery and announced a return to profitability. The suppliers reported little or no rate adjustments. Opportunities for further efficiencies in their operations in the near future are not apparent to most of the suppliers. Therefore we find an increasing inventory of logging and trucking equipment well past normal replacement schedules. In turn production is reduced due to frequent equipment downtime. This is leading to an overall gradual disinvestment in logging capacity.

- **Number two issue** is the perceived change in attitudes and procurement strategies toward suppliers. Suppliers perceive that some major consuming companies have taken a “commodity approach” in regard to their suppliers. That approach is described as “let the market forces operate”. In other words, cost reduction is the order of the day and the market will determine how many logging businesses survive or fail. Further, when the economy improves the markets will determine when either new people enter the business or survivors will expand to meet market demands. That “commodity” approach is a legitimate business strategy but provides little comfort to contractors trying to avoid bankruptcy. Suppliers that have been in business for a substantial amount of time interpret the commodity approach as abandonment and morale is very low. They all would prefer a more collaborative approach that would involve both sides working together to manage through the recession.
- **Number three issue** is the perceived disconnect between seasoned front-line procurement personnel and the consumer companies senior management. That perception is illustrated by suppliers in the following points:
 - Local procurement personnel have markedly reduced authority to make decisions based on their judgment.
 - Most pricing and volume decisions have to be cleared by distant senior managers.
 - Most decisions are based on quarterly cost targets imposed on the front-line procurement personnel.

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- Many mills have unreasonably low inventory mandates or have eliminated remote storage yards and are therefore forced to go on quota when production conditions are most favorable.
- Many mills have neglected improvement or even major maintenance for their wood yard wood handling facilities resulting in frequent break-downs that create weekly havoc in the trucking capacity. What is apparent to the suppliers is the “whiplash” effect that is created by outages at the mill yards in the middle of the week. What is normally described as a minor woodyard unloading failure at some of the large paper mills creates huge impacts throughout the supply chain and significant loss of production.
- **Number four issue** is the absence of firm longer-term wood orders. The non-supply agreement suppliers work under a system of essentially no commitments that in turn affords them very little opportunities for planning. At best, they have a gentlemen’s agreement on how much production they can deliver to each mill location. The only exceptions to that approach are verbal promises made when inventories are low. These commitments last only as long as the inventory is at dangerous levels. Beyond that, they work on faith week to week. This approach is forcing them to find other markets outside their normal delivery range so they can have enough options to deliver products as they are harvested. Table 5 illustrates the responses from both Suppliers and Consumer procurement for Delivery Scheduling below:

Table Five

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%

Suppliers and Consumer mills generally agree that volume commitments are primarily based on week to week order system. However there were 18% suppliers that stated they receive no commitment – gate open or closed. These tend to be suppliers that play the spot market and occasional suppliers or smaller operators that deliver through dealerships.

There is also the issue of the relative stability of the weekly wood order when it is granted. 60% of the Suppliers interviewed classified their wood orders as either clearly or generally committed and honored. However, there were some 40% generally committed but not consistently honored, or none at all. Table 6 shows another difference in perception in being

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able to trust the wood order:

Table Six

Volumes

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%

Another factor of irritation to the suppliers is the occasional arbitrary cull factor administered primarily by solid wood products facilities takes significant tonnage away from each load unless inventories are very low. There seems to be no transparent explanations for how some of those cull factors are calculated. Suppliers see variable cull factors as a stealth price reduction. Table 7 shows high variation in wood specifications that were due to variation in the enforcement of the log specifications at the mills.

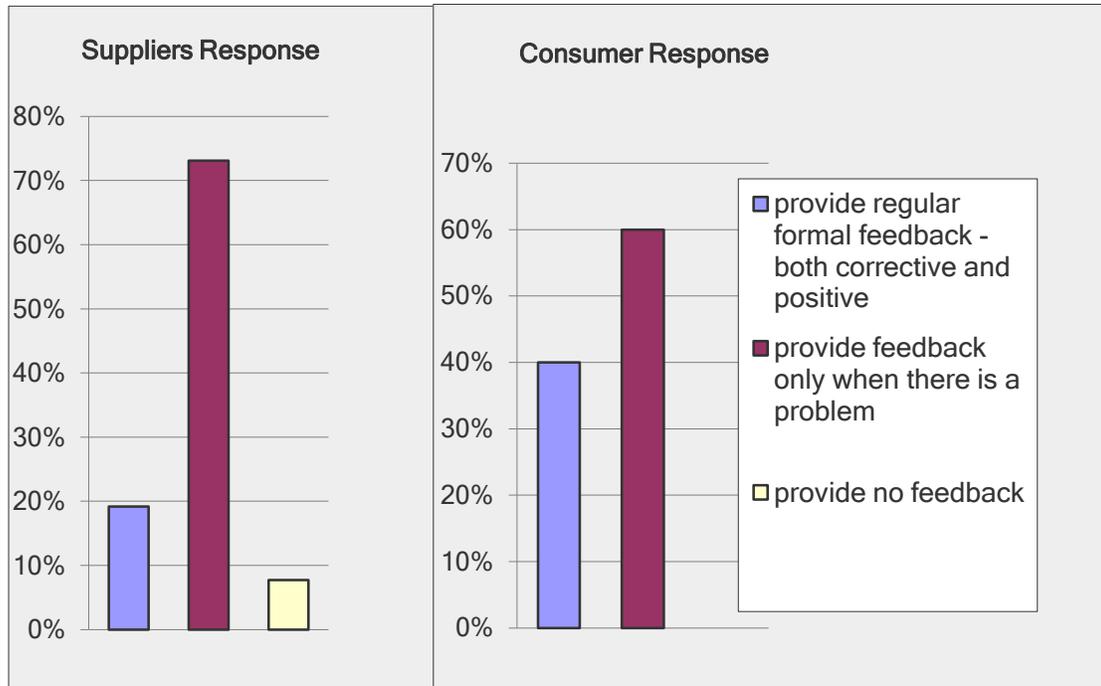
Table Seven

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%

Only one about one third of the suppliers selected the “clear and consistent” response to the question of *“how to you classify how wood specifications are communicated and administered with your consumer customers?”* Most of the supplier responded that the specifications were communicated clearly but the enforcement varied significantly depending on the current demand for wood and ranged from non-existent to severe deduct. Many suppliers pointed out that they want fair and consistent feedback regardless of woodyard inventory levels so they can continually improve their operations. Another question that was asked was *“do you receive formal feedback on wood quality from the consumer mills both positive and corrective?”* The responses are tabulated in Chart 1.

Chart One



The chart shows that almost 80% of the suppliers responded that they only receive feedback when there is a problem or no feedback at all. There is general agreement with the consumer response of 60% saying they provide feedback only when there is a problem. But 40% of the consumer procurement people said they provide formal positive and negative feedback.

- **Number five** is the loss of production due to break-downs in the relationship. At the end of the discussions in each of the “interaction areas” a question was posed as follows “[Have you lost production volume due to a break-down in negotiations, joint-planning, feedback, or communications-problem solving?](#)” If the supplier answered yes, there was a follow-up questioning to see if there could be a conservative amount of tonnage identified through specific examples on an annual basis. The results were significant and summarized in Table 8:

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Table Eight

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%

Total sample of suppliers interviewed in the Southeast Region had annual production of just over 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 of 120 million tons annually (it is not adequate), then an estimated 18 million tons of production is lost annually due to ineffective negotiations, joint planning, feedback, 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 7%-8% increase in productivity. Although the sample size is not adequate to make an acceptable estimate, the implications are that failure in a healthy working relationship is not just about feeling good about each others. It has definite impact on productivity and therefore the efficiency and cost of the supply chain.

General Supplier Related Observations

The foregoing issues are problem areas stated by the vast majority (approximately 66%) of suppliers. However, there are exceptions to those majority sentiments being played out in the Southeastern Region. A minority of suppliers seem to enjoy a favorable relationship with their customer consumer mills. They tend to be very proactive and successful in building strong "alliance relationships" with their procurement personnel and have developed an essential supplier status with their customer mills. In addition there are some of the "large landowner suppliers" that have worked hard for years to build a cadre of highly skilled logging contractors to move their wood with maximum efficiency and value extraction. Why do they have these special relationships in contrast with most of the other suppliers? It is partially due to some consumer companies conducting a very supportive procurement strategy and partially due to certain suppliers having excellent negotiating and relationship skills. However, the bulk of the suppliers currently see their relationship status at a very low level. Clearly there is a need to

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review procurement policies and to implement ways to broaden the stability to a larger number of suppliers.

Southeastern Consumer Mill Procurement Perspectives

Consumer mill procurement organizations have been under high pressure over the last three years as the industry has struggled to through the recession. Prior to the recession in 2008 all sectors of the forest products industry were operating at or near capacity. When the housing economy crashed in a severe economic recession, forest product companies were forced into survival mode. That meant that everything in their business had to be scrutinized for cost reductions or closures. Based on anecdotal conversations with procurement managers, the pressure has been intense to reduce costs at all costs and to do it now. Some of the decisions came down from non-forestry senior management. Many of the major companies experienced various re-organizations including procurement staff reductions.

The following are the most frequent issues that were discovered directly impacting the working relationship with suppliers from interviews with procurement personnel:

- **Number one issue** is that almost every front-line procurement people interviewed are concerned about the economic health of the logging/trucking contractors. They are concerned that normal equipment replacement is not taking place and that has been confirmed by the equipment sales people. Increasing loss of production due to equipment breakdowns was frequently mentioned along with predictions that there will be serious production problems when there is prolonged season of wet weather or when the solid wood demand improves significantly. There is awareness that their rigid cost control mandates have strongly affected the relationship with suppliers. Most front-line procurement people classify their delivered wood and logging/trucking rates as “conditionally negotiable with good faith discussions” (see Table 2). However in reality most consumer companies have imposed strict guidelines on pricing decisions. The dilemma is partially driven by the fact that some of the mills could not continue to operate at higher wood costs and are necessarily focused on keeping their mill running. Keeping the mill running is highly important to the suppliers but must be balanced by a level of economic support that can maintain their solvency.

There is another underlying issue and that is commonplace in the industry. The mindset is stated or unstated; the independent wood supplier system has always been very dependable and resilient over time and it will come back. More will be said about this prevailing mind-set in the recommendations section.

- **Number two issue** has to do with the quality of communications. Most mill locations operate under a system where the receiving mill woodyards are managed and controlled by the mill organization. While there are certainly a few exceptions to this structure, some procurement people reported that they get scant attention in suggesting actions to facilitate truck unloading

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and/or maintenance/break schedules that would optimize truck turnaround. Many procurement organizations suffer from lack of notification or timely communications from the mill personnel related to mill schedules and unplanned downtimes. One of the major causes of this frequent variation is the economic recession. Mills have had to make changes to production lines much more frequently than normal to make products that will sell in the tight markets. This situation prevents them from providing adequate communications to their suppliers. Bottom line – there are very significant improvements in the supply chain productivity and costs when the mill wood yards are either controlled by procurement management or they enjoy a closely coordinated relationship. It is normally a source of frustration to the procurement organizations and one of the most significant sources of lost production to the suppliers.

Table 8 provides some insights as to how both consumer procurement managers and suppliers perceive how communications are working. The question was *“do you receive adequate and honest communications from your suppliers (or procurement) that are necessary for you to function?”*

Table Eight

Communications Interface

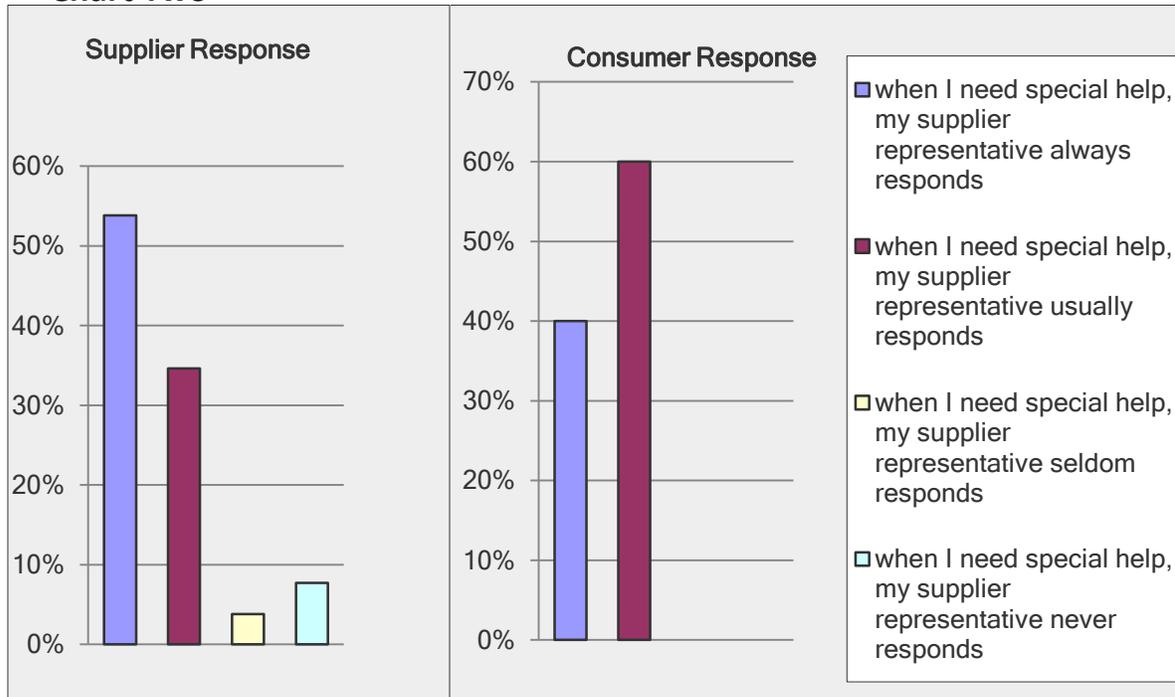
Answer Options	Supplier Response	Consumer Response
communications - adequate and honest	42.3%	40.0%
communications - usually adequate and honest	26.9%	60.0%
communications - seldom adequate and honest	19.2%	0.0%
communications - never adequate and honest	11.5%	0.0%

Note that that nearly 70% of the suppliers rated the quality of communications between supplier-consumers as either always, or usually adequate and honest. However, some 30% of the suppliers responded that communications were seldom, or never adequate and honest. One of the principle causal factors is the internal communication problems that the procurement organizations have in getting information from the mill or woodyard personnel on timely basis. That in turn inhibits their abilities to get timely communications to their suppliers.

A more minor communication issue was trend found in the responses to the question *“when I have an operational problem and I need special help from my suppliers (procurement representative), do they always (usually, seldom, or never) respond?”* Communication problems and responding to each other’s needs work both ways. Although the procurement people were generally positive about the response normally received from their suppliers, it became apparent that procurement managers would like to have more and more timely communications and a better response from their suppliers. Chart number two provides some insights.

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Chart Two



Contrasts of the responses indicate that the suppliers are more positive than the consumer procurement in terms of getting help when they need it. A speculative interpretation is based on my discussions with procurement interviewees. Procurement managers would like more response from their suppliers than they are receiving. It may seem like a minor difference but it does reflect some frustration on the part of consumer procurement that they don't get a full effort from their suppliers when they need help. One may argue that the some suppliers don't feel the loyalty that they once had due to procurement practices over that last few years or no longer have sufficient equipment to produce surge volumes that they enjoyed in the past. On the other hand most suppliers quickly responded that their procurement contacts were always quick to respond to their needs.

- **Number Three** is that senior consumer company procurement managers are generally concerned about inadequate logging capacity when the economy recovers. Some have the impression that they have firm commitments to their key suppliers and work with suppliers with "tract specific" pricing to provide some level of security to the supplier's stumpage purchases. They generally perceive that they have adequate communications and planning provided to the suppliers on a regular basis. Some are focusing on making suppliers more efficient in their logging/trucking operations as a solution to the capacity problem and others are actively working to encourage young logging and trucking contractors to enter the business.

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General Consumer Procurement Observations

It is clear that there is an obvious disconnect between the quality of the business relationships between suppliers and consuming companies. This should not be surprising since there are wide differences in how each side views its situation. Part of the problem is cultural in that most procurement people have to function in large organizations each having unique corporate structures and politics. Adding to the pressure is a pattern of down-sizing of procurement staffs due to the economy especially in the larger companies. It is no surprise that the suppliers are experiencing a drop in face time and communications with their procurement representatives. In contrast, the suppliers operate in a more local or family business situation working long hours and dealing with numerous daily aggravations that are all part of timber harvesting. Many of the suppliers have stories about how they thought they had firm agreements with a consumer company only to have it arbitrarily canceled and they were left stranded with excess equipment that had no place to go. Chart 3 illustrates contrasting perceptions in the quality of the working relationship. Although this rating was not collected for the Southeast Region, it was compiled for the Mid-South Region and generally reflects the same pattern across the southern states.

Chart Three



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The scatter-grams above display the responses to the question “How would you rate your overall working relationship with your procurement representatives (suppliers from procurement side) on a scale of 1 to 10 (1=broken down in the ditch and 10=doesn’t get any better)?”

Note that the procurement respondents on average selected a rating of 8. Suppliers tended to have a wide range (0-10) but would average around 5.

Is There a Problem?

The contrasting operating cultures without cultivation of the relationships can naturally trend toward strained relationships. Given the last two years of the economic recession that resulted in a depression in the building products market, the relationship has become especially strained. A large percentage of suppliers have sensed a hard-edged cost control attitude from the consuming companies that sends a strong message. The message received is that suppliers have little value to their customers and are a replaceable commodity. Many suppliers would exit the business if they could. If the working relationship does not change course the system could be headed for a crisis to put it mildly. Based on information received during interviews, many dealership suppliers have reduced their stumpage inventories from a level of 90-120 days to less than 30 days due to more short-term commitments from the consuming companies. The “commodity approach” is working well for consumer companies in terms of short-term wood cost reductions. However, it has resulted in a sharp decline in the business confidence and a serious economic strain that will have longer term consequences. When and if the solid wood business recovers or a major weather system is experienced, the disinvestment will be apparent in terms of weak capacity. The situation in the Southeast over the last several months of mild weather patterns and reduced market demand for solid wood has concealed the underlying situation. In the past, emergency low inventory situations have triggered panic pricing and moving wood from extremely high freight areas to continue running the mills. Those incremental costs are reported to be very significant and tend to last many months beyond the crisis period. Yes, there is a temporarily concealed problem that is difficult to quantify that may be manifested under the right conditions. We do not want to be over pessimistic but the problem will eventually be triggered and could be slow to recover. Actions taken now are strongly advised in the next section.

Recommendations

Assuming that the Supplier/Consumer relationship assessment presented in this paper is accurate, the following are some broad recommendations offered to set strategy to stabilize the supply chain relationship. I would strongly urge all procurement organizations to address these issues energetically. The consequence of letting a large portion of the loggers-truckers drop out is not optional. Each individual company will have to assess the status of its relationship with its suppliers and then develop appropriate actions to follow. It will be important for all procurement personnel to step back and take a hard look at the real situation. Here are some broad first step actions to be considered:

- **It is strongly recommended that the first step is for the senior procurement managers to clearly communicate the real situation to the company’s top management.** This is a business strategy, not a feel good mission. The suppliers do not need charity; they need a chance to work with their customer companies toward raw material supply security for the consuming plants. The operating mills are the future of all the stakeholders and must stay viable. Viability in the

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logging operations are necessary part for that to happen.

- **What seems to be missing is awareness that the independent wood supply contract system is an essential asset to the forest industry that contributes clearly to the industry's global competitiveness.** The case for developing a different mind-set is as follows:
 - The continuation of valued professional and ethical suppliers that have good management skills is as much a part of viable manufacturing as having experienced/competent employees or state-of-the art manufacturing equipment. If the raw-material supply chain asset in its current form is seriously damaged or killed off, then there is a huge price to pay to replace it. These remaining suppliers who have survived one of the worst downturns in our history have had to become as efficient as possible.
 - In addition, there are few younger supplier owner/operators who are willing to make a career in the business. Don't forget that the contract suppliers have critical skills to purchase stumpage, build credibility with landowners, and provide certifiable logging systems. These attributes are not replaced without years of careful development and huge capital investment.
 - The quality of the people in the business is still very high and this caliber of people needs a healthy working relationship with their customers. The U.S. independent wood suppliers are producing a commodity in raw wood, but the complex function and organization of procuring stumpage and managing compliant harvesting/trucking systems requires very specialized and critical skill sets not easily duplicated in any other systems.
 - Most important to the industry is that the harvesting and transportation infrastructure must be fully functional when the economy goes into recovery. If logging capacity is not adequate to meet consumption demand in a robust recovery it will put U.S. forest products producers at a non-competitive position.

Provide a more stable operating environment to your key suppliers. It is absolutely amazing that many of the suppliers work with no security, no firm volumes (except week to week), and arbitrary decisions made from on high, under increasingly restrictive regulations, and huge risky capital investments of standing timber and equipment. That is not to mention constantly changing weather conditions. Included in those plans, it is recommended that alliances with key suppliers could be established in terms of strategic stumpage purchases, careful maximized wood yard storage plans, and a focused effort to revive the economic health of the suppliers.

For the supplier community, you need to move away from a negative attitude. Yes it has been tough times for all but clinging to a negative attitude will only make any initiatives from your customers that

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much harder. Your customers are not the enemy. They have recession pressures on them from stockholders and other business forces that have dominated the business environment. Maintaining the surviving manufacturing and moving them back to profitability has been an essential focus. A positive non-threatening approach will be critical to a successful rebuilding of the relationships. Put the past in the rear-view mirror and focus on the future.

The industry is at a turning point and must respond to the reality of the situation or face some severe cost pressures. The manufacturing companies and suppliers that have survived the last few difficult years have all gained tremendous efficiencies. It is time for each consuming company to take a fresh approach to their wood and fiber supply system on how it can be stabilized in an intentional look forward. It will require moving away from the current reactive stance to one of well thought out strategy of working with suppliers to nurture the system by jointly planning ahead. Rebuilding trust between suppliers and consumer organizations must be a priority. There needs to be basic cultural change on both sides in order to make a lasting structural change in the system. Contracts need to be of value to both the consumer companies and the suppliers. Contracts need to have credibility to the financial institutions and for business succession purposes to build a stable supply chain for the future. Suppliers of all sizes and all business structures need to adjust their attitudes to let the past go and focus on building a positive working relationship to do everything they can to make their customers successful.

In Closing:

This is a great industry and it is the focus of the WSRI to bring straightforward issues to the table that is in the interest of the Wood Supply System. It is the intent to provide real data that can aid in developing intelligent approaches in working toward how the supply chain optimization. We will continue to face real and current issues that are important to all the stakeholders. Then each individual participant can develop sound business strategies based on the best data available.

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