

Mid-Atlantic Region Data Analysis

Suppliers Years in Business

	Response Average	Response Total
Years =	28.73	431

Supplier Interviewee's Position

	Response Percent	Response Count
Owner	80.0%	12
Partner	13.3%	2
General Manager	6.7%	1

Supplier Type

	Response Percent	Response Count
Direct Contractor/Operator	53.3%	8
Dealer	40.0%	6
Large Landowner (TIMO, REIT, Private)	6.7%	1
Producer-Indirect	0.0%	0
Other		

Percentage of Stumpage Purchased Directly

	Response Average	Response Total
% =	69.29	970

Description of Supplier's Operation

	Response Percent	Response Count
Logging	0.0%	0
Trucking	0.0%	0
Combined	100.0%	15
Other (please specify)		

Level of Supplier's Annual Production (in Tons)

	Response Average	Response Total
Tons =	286,733.33	4,301,000

Number of Supplier's Employees

Answer Options	Response Average	Response Total
# =	20.18	686

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Consumers Years in Business

Answer Options	Response Average	Response Total
Years =	25.88	207

Consumer Product Type(s)

Answer Options	Response Percent	Response Count
Paper	62.5%	5
Composite	0.0%	0
Solid Wood	0.0%	0
Combination	37.5%	3
Other (please specify)		1

Procurement Position

Answer Options	Response Percent	Response Count
Front-line	55.6%	5
Senior	44.4%	4

Level of Annual Consumption (in Tons)

Answer Options	Response Average	Response Total
Tons =	1,690,625.00	13,525,000

Number of Employees in Procurement Organization

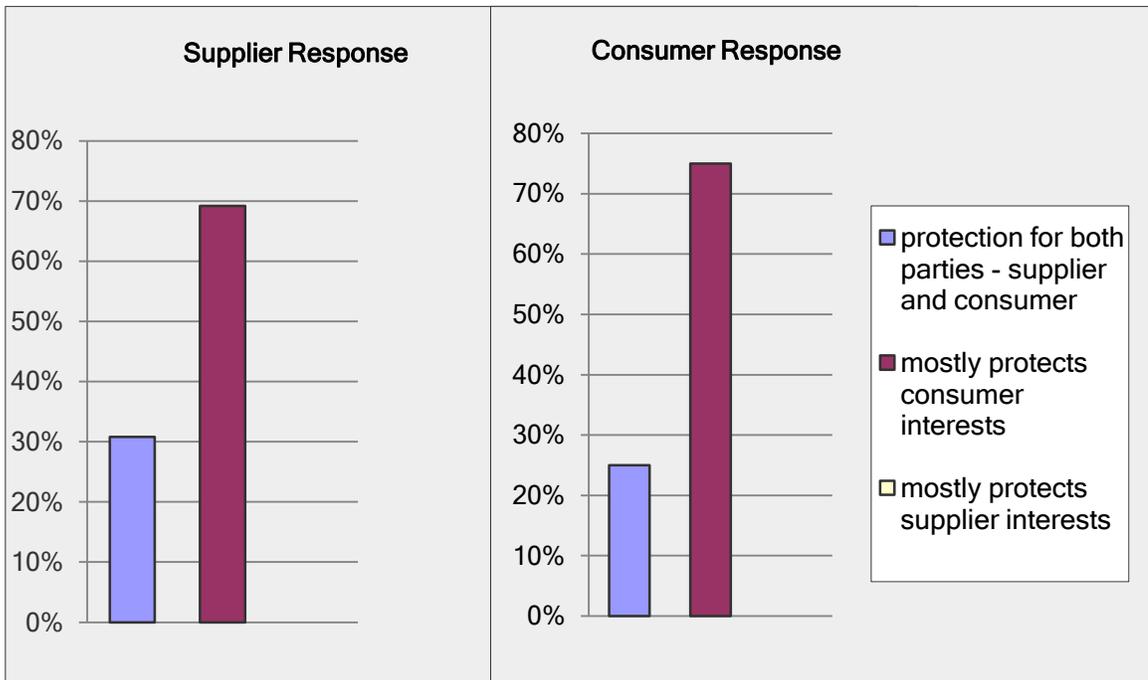
Answer Options	Response Average	Response Total
# =	7.89	71

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Negotiations Interface Contract Structure

Answer Options

	Supplier Response Percent	Consumer Response Percent
protection for both parties - supplier and consumer	30.8%	25.0%
mostly protects consumer interests	69.2%	75.0%
mostly protects supplier interests	0.0%	0.0%
Other (please specify)		



Remarks: There are no significant differences in the perception of the legal construct of the contracts provided to the suppliers. Most suppliers and consumers agree that almost 70% perceive the contracts favoring the consumer mill interest and they are not negotiable.

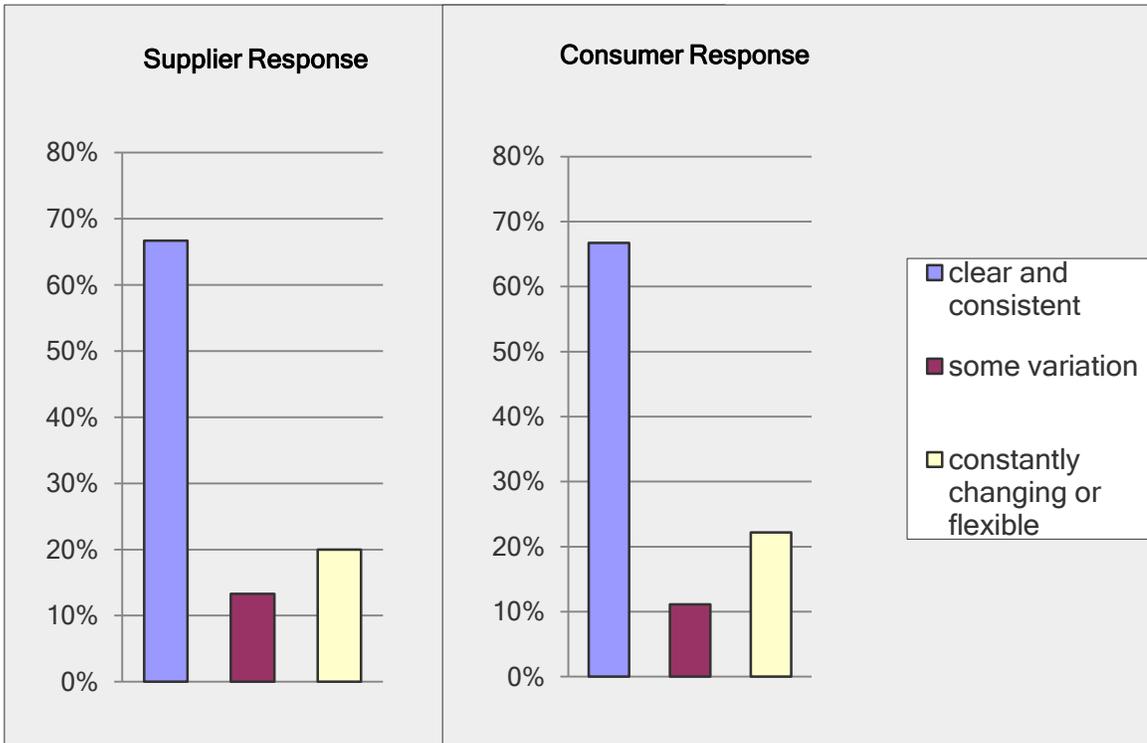
Gap is Insignificant

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Negotiations Interface

Wood Specifications

Answer Options	Supplier Response Percent	Consumer Response Percent
clear and consistent	66.7%	66.7%
some variation	13.3%	11.1%
constantly changing or flexible	20.0%	22.2%
Other (please specify)		



Remarks: There is no significant difference in perception between suppliers and consumers. A third of the suppliers and consumers (33%+) realize there is some variation in the enforcement of the wood specifications depending on the current inventory deficit or surplus.

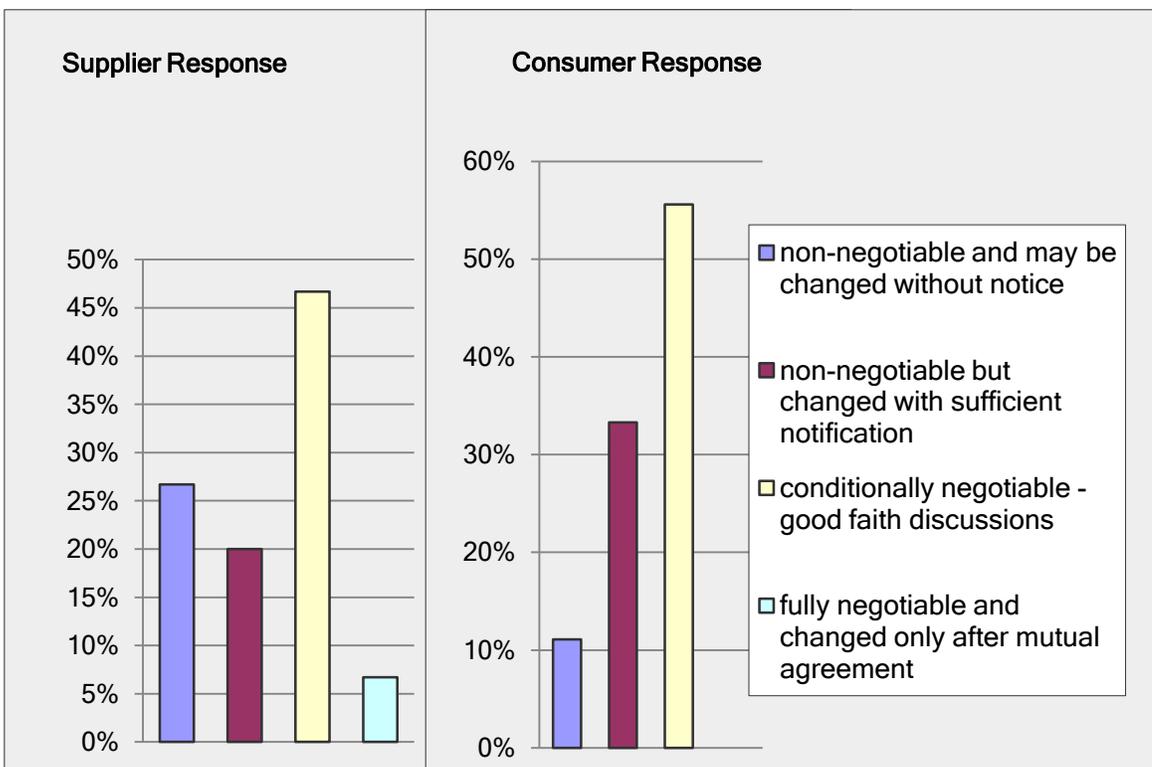
Perception Gap = not significant

Mid-Atlantic Region Data Analysis

Negotiations Interface

Harvesting / Trucking Rates (Negotiations Methods Only)

Answer Options	Supplier Response Percent	Consumer Response Percent
non-negotiable and may be changed without notice	26.7%	11.1%
non-negotiable but changed with sufficient notification	20.0%	33.3%
conditionally negotiable - good faith discussions	46.7%	55.6%
fully negotiable and changed only after mutual agreement	6.7%	0.0%
Other (please specify)		



Remarks: There is a perception gap in the nature of the rate negotiation methods. Almost 27% of the suppliers see the negotiations as "non-negotiable - may be changed without notice. However, when consumer responses are combined for both non-negotiable responses the difference is less significant. Over 40% of both sides agree that rate negotiations are non-negotiable and differ only on notification of price changes. The consumer responses did indicate 9% more were "conditionally negotiable".

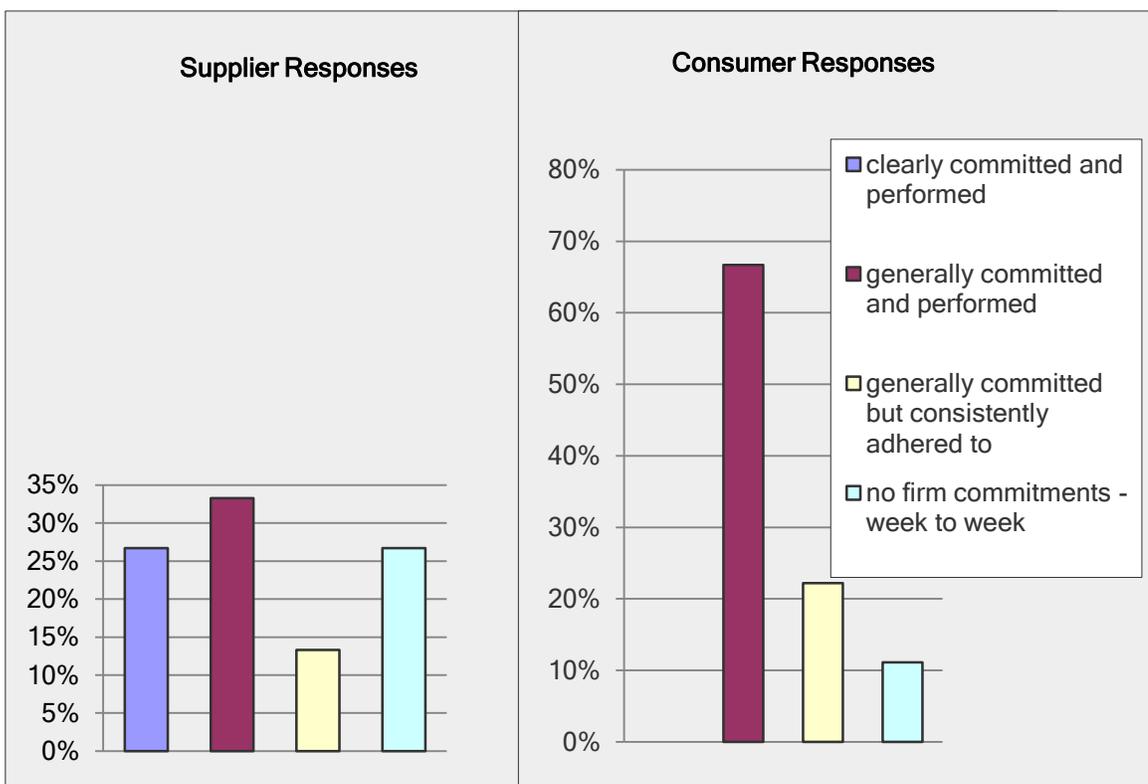
Perception Gap = 14.6% in terms of Non-negotiable and changed without notice.

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Negotiations Interface

Volumes

Answer Options	Supplier Response Percent	Consumer Response Percent
clearly committed and performed	26.7%	0.0%
generally committed and performed	33.3%	66.7%
generally committed but not honored	13.3%	22.2%
no firm commitments - week to week	26.7%	11.1%
Other (please specify)		



Remarks: There is a variation in the response patterns between the suppliers and consumers about volume commitments. When "clearly" and "generally" committed responses for suppliers are combined they are in agreement. 60% of the suppliers responded that they have volume commitments from their consumers although it is predominantly verbal. Consumers also confirm that with almost 67% of the respondents stated they provide suppliers with volumes "generally committed". The general commitment is primarily verbal based on mutual trust and not documented. The only gap is in terms of those suppliers (26.7%) that responded that they have no volume commitments - just go week to week. Analysis of the data show that these are mainly loggers in the mountain areas of N.C., Va., and W.Va.

Perception Gap = 16% in terms of no volume commitments except week to week is not significant.

Mid-Atlantic Region Data Analysis

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

Answer Options	Response Average	Response Total
Tons =	19,933.33	299,000

Comments on Lost Production: Suppliers reported that they lost an average of nearly 20,000 tons annually due to the uncertainty and instability of their ability to negotiate dependable volumes, prices, and other issues to maintain consistent production.

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

- >Usually just dictate prices - but generally fair
- >Cannot get through to the procurement that there is not enough income to operate in the current environment.
- >Some companies have an unfair "cull factors" - or arbitrarily raise top size on log specifications.
- >Only have a raise or adjustment when they really need wood badly.
- >Trucking system not functioning to haul the planned volume, creating economic havoc
- >One of the mills will arbitrarily set a percent of cull deduct-not well defined or not fair (2.5%) organized thievery
- >Pine market pricing for solid wood is really being held tight .Most companies make only short-term (30 days) commitment
- >Prices are dictated.
- >Occasionally the mill will call and stop delivery.
- >Company sets a daily rate- but must move 40 loads per day-does not live up to its minimum commitment
- >Occasionally, the consuming company will cut prices on some tracts that were committed
- > One company would honor a tract price only if the wood was hauled in before noon each day.
- >No written contract

Examples of Best Practices in Negotiations Statements by Suppliers:

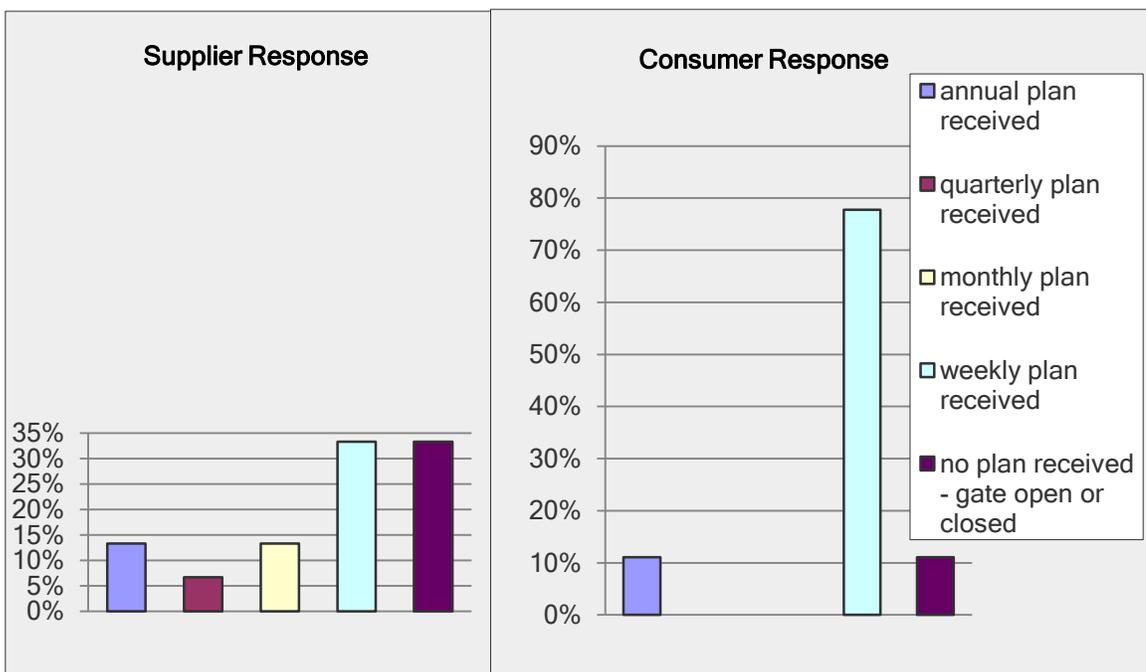
- >All verbal commitments but they stick to it.
- >Consumer companies will generally take what they verbally commit
- > Consumer company forester works with the supplier to provide management services to landowners.
- >There are some loggers who think the company is great because it is still operating.
- >We received a fuel adjustment but the adjustment only recognizes trucking costs and not logging costs.
- >Major customer will make tract specific commitment and stick to it through completion of the sale
- >Some companies conduct business with some level of negotiations in good faith.
- >Most customers work with us well-but are always honest.
- >Quality suppliers-with quarterly volume commitments-very good relationships
- >Only one company makes a commitment on price and volume and you can take it to the bank >Some companies pay one price delivered to the mill-regardless of haul distance
- >Tract specific pricing policy is very helpful
- >One company kept their word on a tract price commitment in the economic downturn

Mid-Atlantic Region Data Analysis

Joint Planning Interface

Delivery Scheduling

Answer Options	Supplier Response Percent	Consumer Response Percent
annual plan received	13.3%	11.1%
quarterly plan received	6.7%	0.0%
monthly plan received	13.3%	0.0%
weekly plan received	33.3%	77.8%
no plan received - gate open or closed	33.3%	11.1%
Other (please specify)		



Remarks: There is a wide difference in the perceptions between supplier and consumers on delivery scheduling. Consumers see firm commitments primarily on a week to week delivery scheduling. Supplier's perception ranges across the spectrum that tends to indicate some confusion about volume commitments. Around 33% of the supplier respondents said they receive no commitment - only gate open or closed. Analysis shows that many of the mountain area suppliers in N.C., Va., and West Virginia work on the gatewood system.

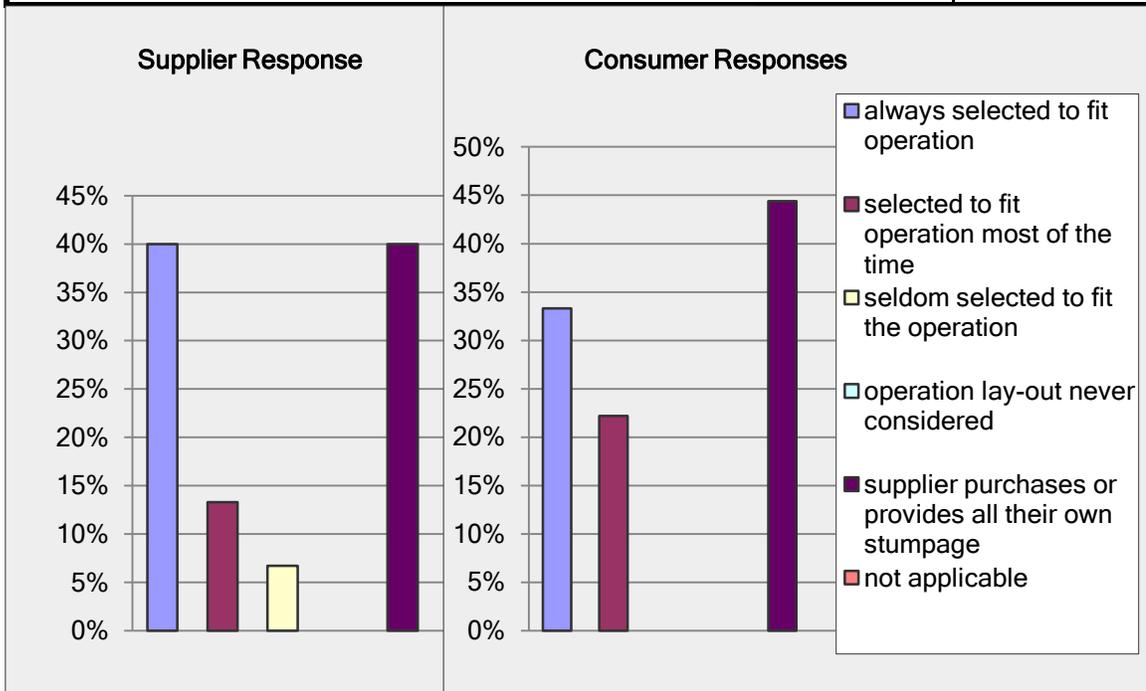
Perception Gap = 44% in weekly delivery scheduling between suppliers and consumers

Mid-Atlantic Region Data Analysis

Joint Planning Interface

Tract Harvest Assignment (if applicable)

Answer Options	Supplier Response Percent	Consumer Response Percent
always selected to fit operation	40.0%	33.3%
selected to fit operation most of the time	13.3%	22.2%
seldom selected to fit the operation	6.7%	0.0%
operation lay-out never considered	0.0%	0.0%
supplier purchases or provides all their own stumpage	40.0%	44.4%
not applicable	0.0%	0.0%
Other (please specify)		



Comments: There is no significant gap in perceptions in harvest tract assignment . Suppliers and Consumers agree that the operational configuration and capabilities are generally considered when tract assignments are provided to cut & haul operations. in the Mid-Atlantic region a large portion of the stumpage is supplied by either dealerships or large landowner suppliers.

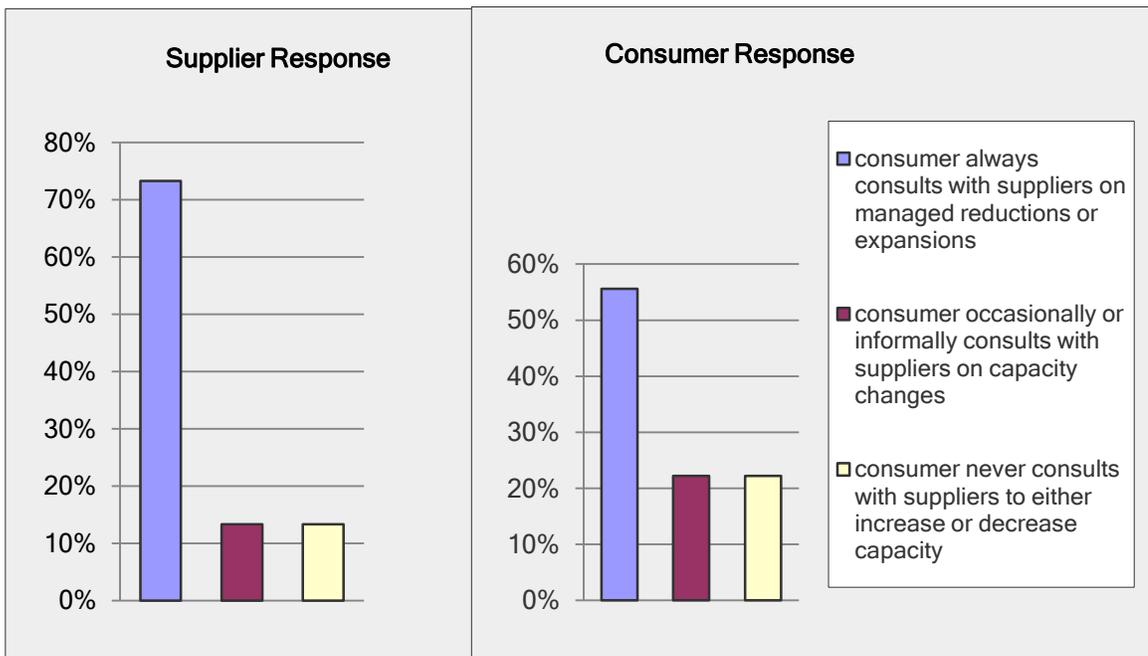
No significant gap in perception

Mid-Atlantic Region Data Analysis

Joint Planning Interface

Capacity Addition or Reduction Decisions

Answer Options	Supplier Response Percent	Consumer Response Percent
supplier always consults with consumer representatives	73.3%	55.6%
supplier occasionally or informally consults with consumer	13.3%	22.2%
supplier never consults with any consumer representatives	13.3%	22.2%
Other (please specify)		



Comments: There is no significant difference related to joint consultation in regards to capacity changes. 80% of the suppliers will consult with the consumer companies when they have any significant change in capacity and the consumers generally agree.

Gap = Insignificant

Mid-Atlantic Region Data Analysis

Suppliers Approximate volume lost annually due to poor planning

Answer Options	Response Average	Response Total
Tons =	4,453.33	66,800

Comments on Loss of Production due to Break-down in Joint Planning: The average supplier respondent claimed an annual loss of around 4,400 tons due to lack of good planning with their consumer customers.

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

- >Basically - company provides no feedback and no longer-term planning from any company - hard line market approach.
- >Dealership has no stumpage ahead in inventory over 30 days
- >Turnaround times in the certain mills not considered in the planning. Sometimes mill will ask for help to build the inventory-then cut off deliveries the following week.
- > Many young procurement-highly educated forester come into their jobs-not really qualified to understand logging business
- > There really is no planning just market driven on what all the mills are taking that week/that day .
- >Implementation of central dispatch has created a total disruptiveness in delivery system
- >Used to have a quarterly review.
- >Some lack of notification when consuming company has mill shut-downs

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

- >Variation in mill usage and small woodyard storage create a lot of variation in wood orders.
- >Procurement makes good plans but the operational changes have shut downs due to market conditions
- >Sometimes we tend to over commit in long wet periods or prolonged wet periods.
- > April, May of 2010 with bad weather-Over-committed high priced wood-stuck with high prices-put suppliers on quotas
- >Many times when inventory builds- the company will not give sufficient notifications to suppliers to slow down or cut back.
- > For the chip mill-Need consistent wood orders, company does not allow the front line procurement

Examples Provided of Good Joint Planning Statements by Suppliers:

- >One of the major consumer customers conduct an annual sit-down with the supplier to plan the coming year.
- > Va. Dept. of Forestry will inspect harvesting quality weekly and provide documentation.
- >Consumer company always take his production - he works with them on whatever they need.
- >Company does good job with planning tracts ahead for loggers
- >Dealership/supplier will secure enough timber tracts ahead that enables them to have flexibility and planning on when to
- >Most procurement representatives do what they can to plan with key suppliers.

Mid-Atlantic Region Data Analysis

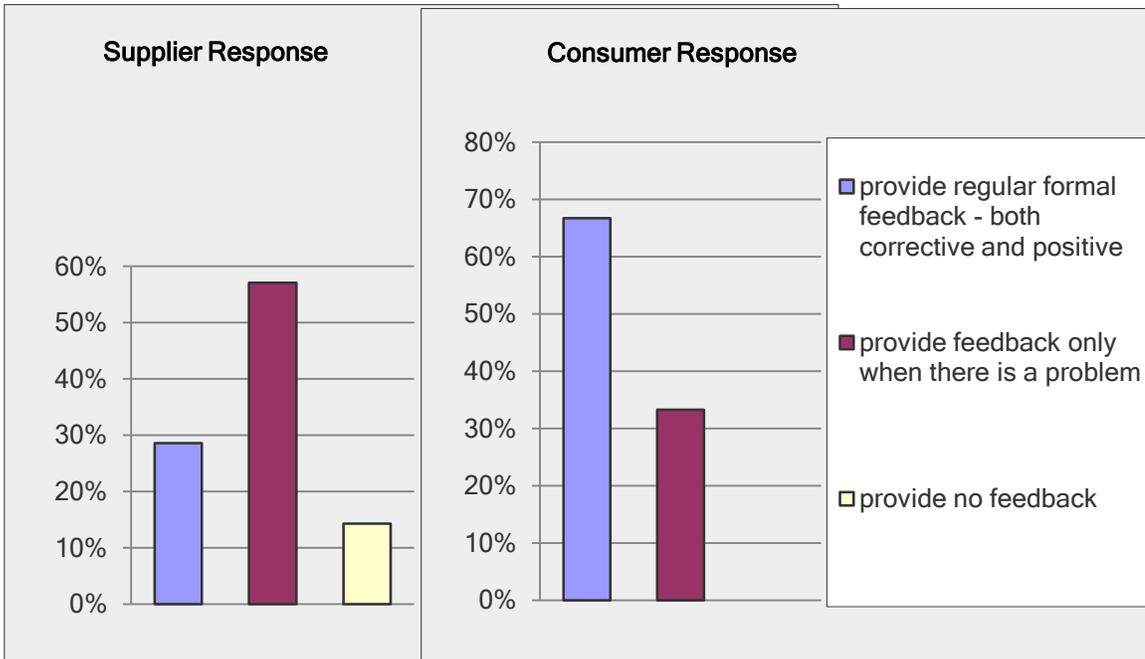
Examples Provided by Consumers of Good Joint Planning Statements by Consumers:

- >There is good advanced planning on company cut blocks committed to contract loggers
- >Planning on holding a supplier dinner to show appreciation.
- >Have wood order calls on Thursday afternoon.
- >Procurement has excellent relationships and almost daily informal planning.
- >Work with good suppliers-good relationships for expansions. inventories, etc.
- >Tend to have quarterly meetings with suppliers-share delivery performance standing
- > We have stuck with commitments to suppliers during the 2010 emergency-have inventory in control.
- >Company helps suppliers in working with them on tract selections and evaluations.

Mid-Atlantic Region Data Analysis

Feedback Interaction

Response Options	Supplier Response Percent	Consumer Response Percent
provide regular formal feedback - corrective and positive	28.6%	66.7%
receive feedback only when there is a problem	57.1%	33.3%
receive no feedback	14.3%	0.0%
Other (please specify)		



Comments: Feedback for contract compliance was interpreted by the respondents to mainly refer to wood quality feedback. There is a significant 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 14% said they had "no feedback". Keep in mind that some of these suppliers work through dealerships and may not be directly in the feedback loop.

A contrasting response from the consumer mill procurement was that almost 66.7% 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 roundwood suppliers but most of the mills provided verbal or informal feedback. Most of the suppliers would like to have consistent feedback to help them strive toward continuous improvement and be recognized for their efforts.

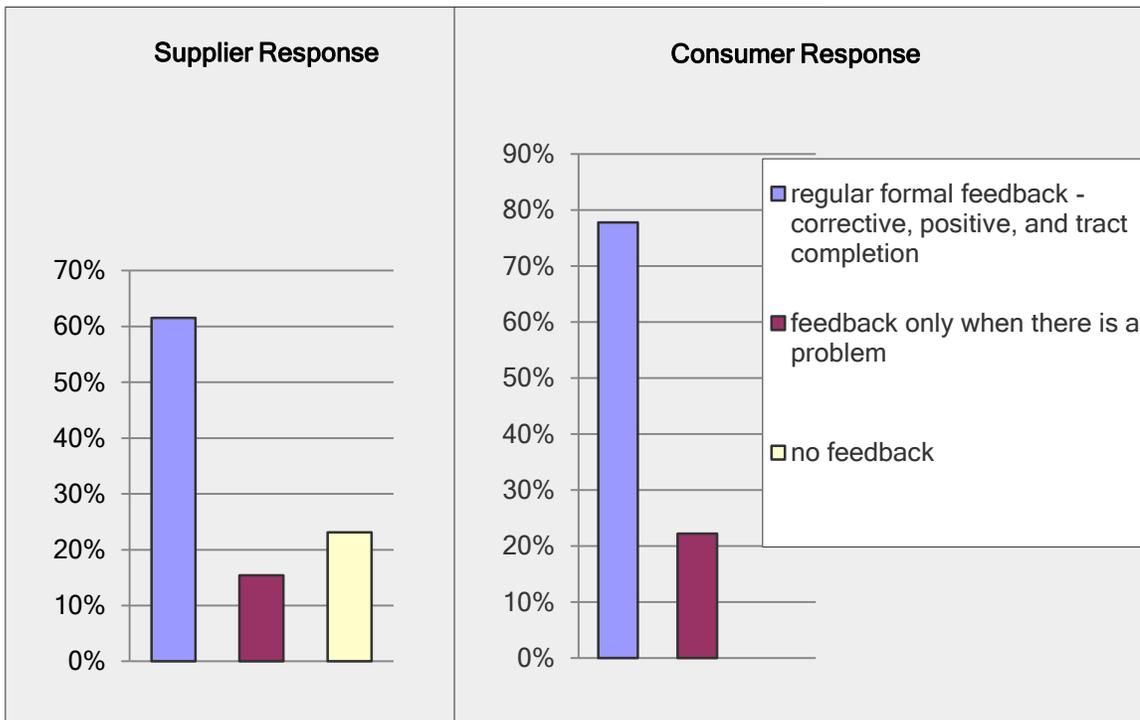
Gap in perception is significant in terms of both corrective and positive feedback = 38%

Mid-Atlantic Region Data Analysis

Feedback Interface

Harvesting Quality

Answer Options	Supplier Response	Consumer Response
receive regular formal feedback - corrective, positive, and	61.5%	77.8%
receive feedback only when there is a problem	15.4%	22.2%
receive no feedback	23.1%	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 a 16% gap in terms of receiving regular formal feedback both positive and negative. That is due to 23% of the supplier responding that they receive no feedback. If the responses are correct then there is a gap in harvest sampling procedures under the SFI requirements.

Gap = 23% in reference to feedback on harvesting quality.

Mid-Atlantic Region Data Analysis

Approximate volume lost annually due to poor feedback from Suppliers

Answer Options	Response Average	Response Total
Tons =	1,205.88	41,000

Comments on Loss of Production: Most suppliers that claimed lost production due to poor feedback cited inconsistencies in the enforcement of wood quality issues that led to excessive cull deductions. Those incident amounted to 1,200 tons per year loss of volume.

Examples of poor feedback - Supplier Remarks:

- > Company foresters inspect harvesting - but no documentation
- > No feedback from the consumer company
- > No inspection on tracts or feedback unless there is a problem.
 - > Feedback is not documented
- > Get very little positive feedback
- > SFI is a joke - they take wood from anybody when they need it

Examples of good feedback - Supplier Remarks:

- > Company standards are higher than the state requirements
- > Good feedback on harvesting quality
- > Consumer company provide a forester on site to help buy timber
- > State agency forester will do final inspections which are documented
- > Dept. of Forestry will inspect weekly and provide documentation
- > Only one company does a good job on tract inspections
- > Get good feedback on the harvesting quality audits
- > Contractor asked procurement forester to inspect certain tracts that are environmentally sensitive to avoid any problems
- > One consumer company provides an award for outstanding performance
- > Constant feedback-volumes, wood quality, usually have quarterly meetings.
- > Company pays financial rewards for safety performance.
- > Meet with consumer company procurement quarterly for around 2 hours to discuss volume performance and future needs or future quotas that will be in place.
- > One company provides documented harvest inspection forms on harvesting quality and BMP compliance.
- > Sometimes one consuming company will put in a "thank you" note in the check envelope.

Examples of Poor Feedback - Consumer Remarks:

- > Truck load over weight issue is impacting the truckers by losing as much as 2.5% of their income.
- > We have some supplier who are not as communicative as they should be
- > Need to check on the non-controlled stumps more than they currently do inspect.
- > Sometimes internet portal is not working from time to time
- > Some suppliers forget to tell the company that they have moved on an authorized tract
- > Sometimes procurement is too lenient to its suppliers when the feedback should have been negative

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Examples of Good Feedback - Consumer Remarks:

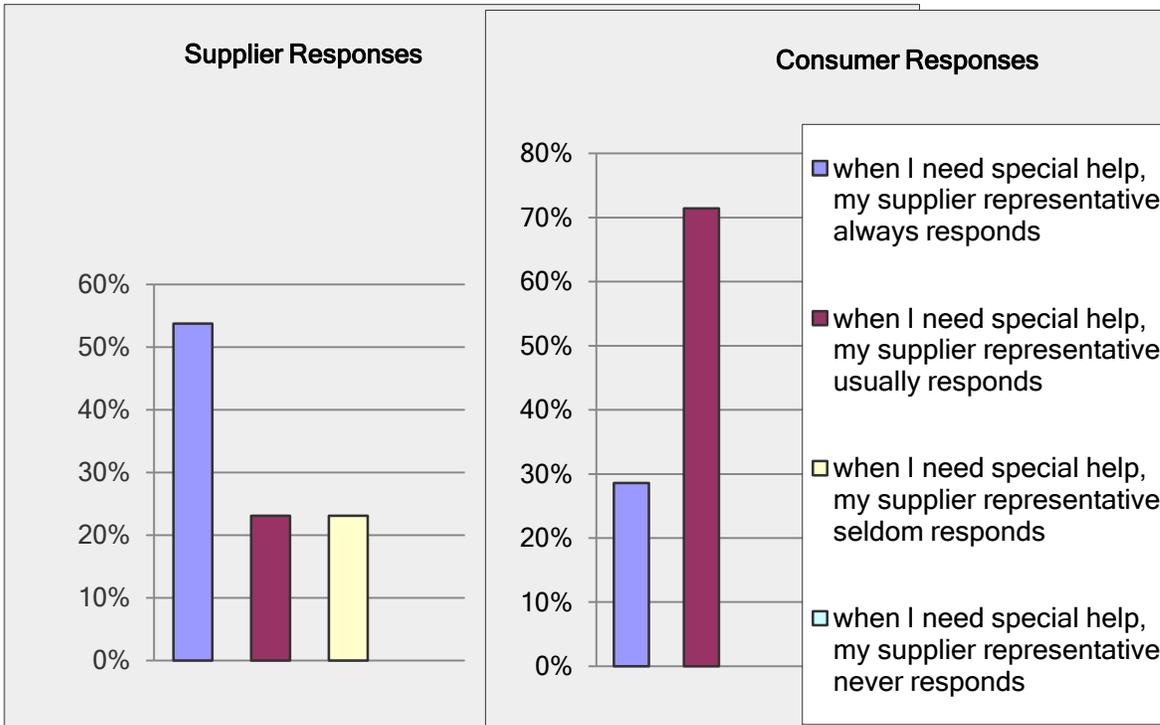
- > State inspects all operations - send the company notification if a logger has suspension all documented
- > Part of the procurement weekly meetings - discuss performance of supplier performances
- > Place on the harvesting inspection form - did you talk to the logger about wood quality?
- > Semi-annual sit down with key or "core" suppliers. Harvest monitoring is systematic.
- > Procurement usually requests the logger/supplier to accompany them on harvest inspection
- > Quarterly-portals on-line available to suppliers, view settlements, tract pricing volume/price/history
- > Harvesting quality samples (80%) -meet with suppliers on the tract and suppliers receive the report
- > Company conducts a logger appreciation prize. Company will buy a new chain saw for suppliers who are doing well.

Mid-Atlantic Region Data Analysis

Problem Solving and Communication interactions

Operational Issues

Answer Options	Supplier Response	Consumer Response
when I need special help - always responds	53.8%	28.6%
when I need special help - usually responds	23.1%	71.4%
when I need special help - seldom responds	23.1%	0.0%
when I need special help - never responds	0.0%	0.0%
Other (please specify)		



Comments: There is a significant difference in perception between suppliers and consumers in regards to when either party needs help on an operational issue. Note that over 50% of the suppliers indicated that their consumer representative always respond when they need special help. On the other hand, over 20% of supplier respondents indicated that their consumer representatives **seldom responded** on a timely basis when they needed help. From the consumer perspective, 70% of the consumer respondents said that their supplier usually responded when they needed special help while only 30% responded as always. This may not appear on the surface as insignificant, but adding comments like "we cannot always depend on them to respond when we need help indicates a deeper problem in the relationships.

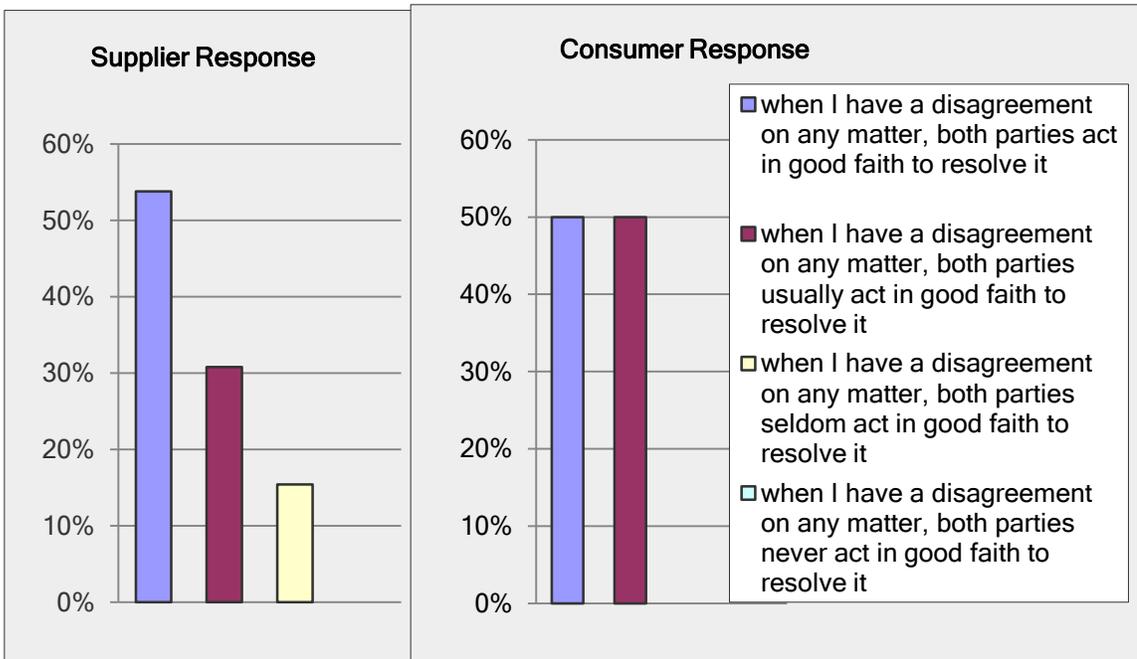
Gap = 23% in terms of responding to special needs from the suppliers as "seldom" compared to consumer perception of "**usually or always**" receiving good response from their suppliers.

Mid-Atlantic Region Data Analysis

Problem Solving and Communication interactions

Disagreements

Answer Options	Supplier Response	Consumer Response
Disagreement - both parties always act in good faith	53.8%	50.0%
Disagreement - both parties usually act in good faith	30.8%	50.0%
Disagreement - both parties seldom act in good faith	15.4%	0.0%
Disagreement - both parties never act in good faith	0.0%	0.0%
Other (please specify)		



Comments: There is a difference in the rating of resolving disagreements. Both parties are generally positive about this interaction. However 15% of the suppliers responded that disagreements were classified as seldom resolved in good faith. It is my opinion that some of the suppliers sense that the contract administrators with whom they interact do not have the authority to resolve issues using their own judgment and sometimes may sometimes leave issues unresolved.

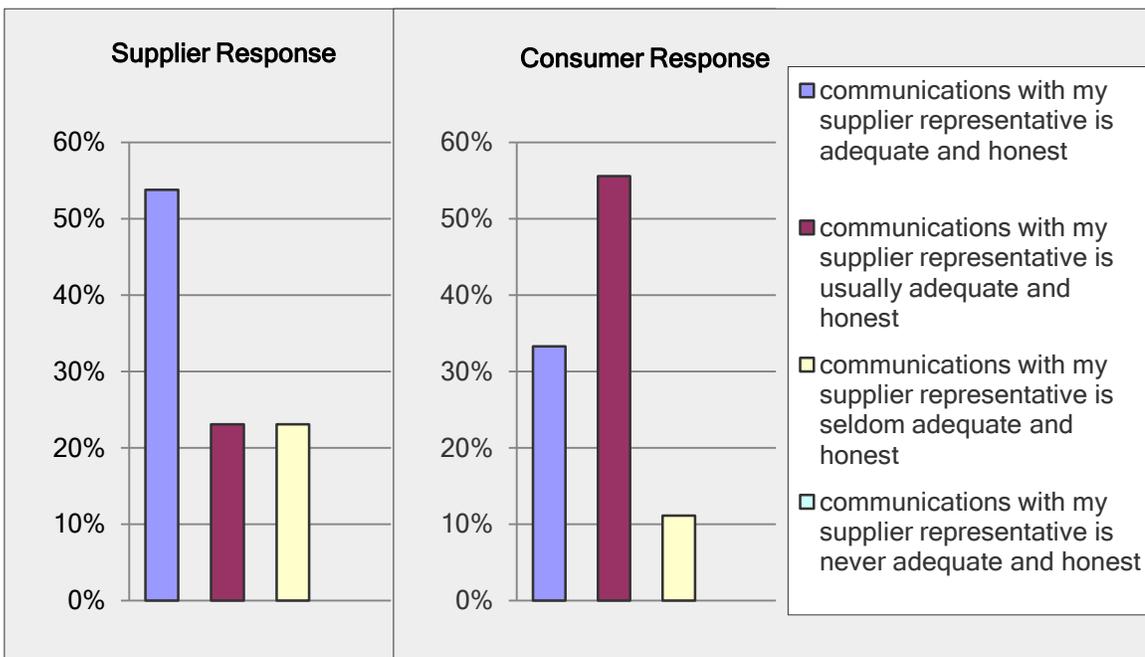
Perception Gap = 15% in terms of problem solving and communications interactions consistently is not significant.

Mid-Atlantic Region Data Analysis

Problem Solving and Communication interactions

Communications Interface

Answer Options	Supplier Response	Consumer Response
communications - adequate and honest	53.8%	33.3%
communications - usually adequate and honest	23.1%	55.6%
communications - seldom adequate and honest	23.1%	11.1%
communications - never adequate and honest	0.0%	0.0%



Comments: The highest proportion of (77% to 89%) both consumer and supplier respondents classified communications as **always or usually adequate and honest**. However there were some 23% of the suppliers and 10% of consumer respondents who rated communications as **seldom adequate**. Some of those suppliers that rated the communications as poor tended to be smaller operators working in remote locations. Only one consumer said their supplier's communications were seldom adequate or honest.

Perception Gap = 20-25% in terms of **adequate and honest** communications is significant

Mid-Atlantic 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
Tons =	700.00	7,700

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

- > Sometimes contractors are told bad information
- > Procurement representatives will respond only when they need something.
- > Have one person on the woodyard that causes truck turn-around problems and delays.
- > Procurement organization seem helpless to do anything about it.
- > Hard to contact procurement rep. and get an answer about any issue
- > Will not see procurement reps for 2 or 3 weeks.
- > If current central dispatch is not solved-will be a major impact
- > Many times contractor needs to call to get information from truck driver
- > Contractors need and want personal contact - more and more communications are only e-

Example of Supplier Remarks related to Positive Problem Solving/Communications

- > When I need something - I call and usually get a good response.
- > Consuming company provides help in property lines and mark timber for them on purchased stumpage
- > Company forester will provide forestry assistance if needed.
- > One company has managed its woodyard down-time with excellent planning and communications
- > Has excellent relationship with consumer procurement staff.
- > Usually have good communications-texting and smart phones
- > Occasionally the companies provide some wood creek crossing mats
- > One consuming company will respond-send forester to help with a boundary problem

Examples of Remarks from Consumers related to Negative Problem - Solving/Communications:

- > One incident when a supplier requested to speak with the Operation VP at the mill - around the procurement staff.
- > Suppliers have been very resistant to a common sense rule around truck load weight restrictions.
- > Occasionally communications break down-sub -contractors that are out of the loop.
- > One issue when prices get switched between pine and hardwood
- > Many suppliers will make a major shift in production to other locations without telling the consumer company

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Example of Remarks from Consumers related to Positive Problem Solving/Communications:

- > When the state has a problem with a logger - company gets it resolved with the supplier
- > During an unexpected outage -the company works really hard to continue receiving wood and working with suppliers to minimize loss of production.
- > The rock incident shows how the company handled a very difficult situation with win-win.
- > Company shows flexibility in letting more loads in when needed.
- > Company specifications are consistently adhered to.
- > Attempt to build relationship with suppliers and know what they have in standing timber inventory.
- > Have an annual meeting with all suppliers-to cover new developments to just express appreciation

Mid-Atlantic Region Data Analysis

Estimated Impact of Break-downs in Relationship in Terms of Productivity

INTERACTION AREA	TOTAL TONNAGE REPORTED	AVG/SUPPLIER
Negotiations	299,000	19,933
Planning	66,800	4,453
Feedback	-	-
Problem Solving and Communications	770	700
Annual Totals	366,570	25,086
Total Sample Production	4,301,000	286,733.00
Loss Percent of Sample Tot.	8.5%	8.7%
Approx. Total Mid-Atlantic Production (Green Tons)	50,000,000	

Comments on Production Losses due to Relationship Break Down:

The total loss of production of suppliers interviewed in the Mid-Atlantic Region represents around 8.5% of the total sample production. For the suppliers sampled (includes 1 TIMO/REIT organizations), the production impacted by failures of the working relationship was a total of 366,000 tons annually and an average of 25,000 tons per supplier. If that sample were considered to be an statistically adequate for the total supply chain in the Mid-Atlantic Region (it is not), then the 8.5% could be applied to the total regional production of 50 million tons. Applying 8.5% to the region's estimated total annual roundwood production calculates to 4 million tons of lost production due to ineffective negotiations, lack of joint planning and poor communications. The highest impact area for supply chain relationship improvement is in the area of negotiations. According to suppliers interviewed the problem is a lack of opportunity to negotiate firm contracts that could assure of a consistent market, prices, and volumes for a minimum monthly or quarterly time window.

These very subjective calculations but they do illustrate a point. The question is what if the business relationship was improved to the point that one half of the lost production could be avoided? The cost of production implications are clear being in the range of a 4% increase in productivity. All this points to the fact that working relationships are primarily about making the supply chain more efficient and not just getting along better.