

# HARDWOOD LOG SUPPLY: A BROADER PERSPECTIVE

## SAWMILL MANAGERS AND LOG BROKERS ARE SURVEYED ABOUT PROCUREMENT ISSUES

BY IRIS MONTAGUE, ADRI ANDERSCH, JAN WIEDENBECK, URS BUEHLMANN

At regional and state meetings we talk with others in our business about the problems we face: *log exports, log quality, log markets, logger shortages, cash flow problems, the weather*. These are familiar talking points and real and persistent problems. But what is the relative importance of these problems for log procurement in different regions of the eastern United States, and how might the log supply chain work in light of contemporary challenges faced by the hardwood industry?

The role of the hardwood lumber distributor has become more important over the last decade. Lumber distributors and sawmill managers indicate that many, in fact most, of their customers are demanding the fulfillment of smaller orders. Requests for specific sizes, grades, colors, and certifications have increased markedly in the lumber portion of the hardwood supply chain. Are these same trends showing up in the procurement of logs by primary processors?

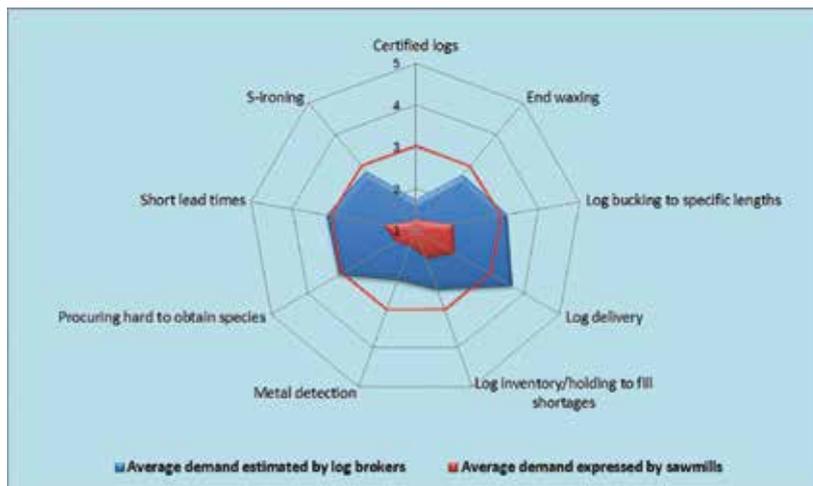
If the wood resource supply chain is functioning effectively, the demand for customized products by lumber distributors should also be felt by loggers and log distributors. To see if theory is predictive of reality, in 2011 we asked sawmill

managers and log brokers in 24 eastern states about their log procurement practices, requirements, and market observations. We also spoke to eight wood industry specialists from around the northeastern United States to get their insights about current trends in their regions. The results are interesting, and not quite what we expected!

Unlike the trend seen in lumber distribution toward increased demand for lumber distributor services, there was no evidence of increased demand for log broker (distributor) services. Throughout the northeastern United States in 2011, hardwood sawmills procured just less than two percent of

their log volume from log brokers. In 2007, the log volume purchased from brokers was just over two percent.

While log delivery, log bucking to specific lengths, and short lead times were rated as the most highly demanded services by both sawmills and log brokers, log brokers thought these services (and all services) to be more highly in demand than did their sawmill customers (Figure 1). Why? Is there more to this than just wishful thinking by log brokers? Given that most sawmills use brokers only occasionally, lower levels of demand may reflect the average utility sawmills ascribe to broker services. Whereas the yardstick that brokers use for assessing demand is based on the overall demand they



**Figure 1.—Estimated (by brokers) and expressed (by sawmills) demand for various services that log brokers may provide to their customers. Scale: 1=very low demand, 2=low demand, 3=medium demand, 4=high demand, 5=very high demand. Note that none of the services received an average importance rating from sawmills that rises to the level of “medium demand.”**

managers and log brokers in 24 eastern states about their log procurement practices, requirements, and market observations. We also spoke to eight wood industry specialists from around the northeastern United States to get their insights about current trends in their regions. The results are interesting, and not quite what we expected!

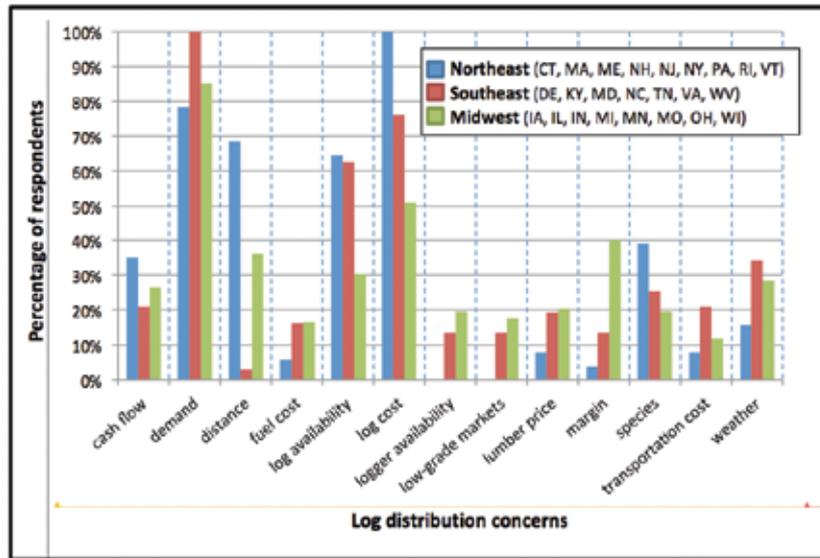
identify from all active customers. Also, with veneer manufacturers and export customers included in the customer base of log brokers, demand for services such as S-ironing and end waxing, is felt from these other customer segments.

Sawmill managers responded to the open-ended question, "How do you feel domestic log distribution will change in the next five years?" with a wide range of opinions. Most respondents expressed concerns; the most frequent responses are shown in Figure 2. Three of the commonly cited concerns are closely related: demand, lumber price, and margin.

Respondents from sawmills in the Northeast cited several factors less frequently than those from the Midwest and Southeast, including fuel cost, logger availability, low-grade markets, lumber price, margin, transportation cost, and weather (Fig. 2). Instead, in the Northeast, haul distance, log cost, and species are of greater relative concern. The results shown in Figure 2 are based on 222 responses offered by sawmill respondents from the Northeast, 282 from the Southeast, and 412 from midwestern respondents.

A few of the responses given to the question stated in Number 3 seem particularly thought provoking and more in line with the results of the lumber distribution study:

- "Overall, (log) demand and species specific demand will run in shorter cycles and manufacturers will maintain lower inventory levels, which will make log distribution more volatile."



**Figure 2.—Regional differences in log distribution concerns expressed by responding sawmill procurement personnel.**

- "(The) decreased size of timber tracts results in higher stumpage prices and increased costs from moving crews."
- "Eventually the independent logger will no longer exist; I feel the sawmill will have to have their own crews."
- "We will have to continue to be vertically integrated in logging to be able to supply logs to our mill."
- "Transportation system efficiency must become part of the wholesalers' DNA!"

There are only minor differences in the opinions expressed by log brokers and sawmill log procurement managers to the same question: "How do you feel domestic log distribution will change in the next five years?" Note these differences by looking at the connector and dead-end lines in the "Zone of Divergence"



**Communication among log buyers & sellers is becoming increasingly important.**

- "Relationships between loggers, landowners, and mills will become more important."
- "I think we will see increased demand for grade-specific log purchasing and buyers becoming more and more specific in log lengths and grades."
- "The urban forest is becoming more attractive with the best logs (coming) from land clearing and tree removal."

In Figure 3. For example, export demand for logs was the ninth most frequently mentioned factor cited by log brokers but was not among the top 13 factors of sawmill procurement personnel. The difference of opinion may be explained by the fact that many log brokers serve high-end veneer markets and many of those customers are international. Also note in Figure 3 that log quality was mentioned more



- *“Landowner’s are more informed and are asking for foresters to seal bid the timber sale more often (which) pushes the prices higher” (a sawmill respondent from the Southeast).*
- *“It is difficult to get a logger to cut logs to proper lengths for our order” (a sawmill respondent from the Southeast).*
- *“We no longer run a production sawmill due to poor markets, (instead) we buy and saw specialty figures logs and saw for certain markets” (a sawmill respondent from the Midwest).*
- *“Public education and working with the state DNR are considered key for the future” (a sawmill respondent from the Midwest).*
- *“(Due to) high grain prices Midwest farmers don’t need to sell timber for income” (a log broker respondent from Midwest).  
“Log procurement has a very low barrier to entry, thus there are constantly new competitors” (a log broker respondent from the Northeast).*

---

*The authors Montague and Wiedenbeck are from the U.S. Forest Service, Northern Research Station. Co-authors Andersch and Buehlmann are from Virginia Tech.*

