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
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.”
- “The urban forest is becoming more attractive with the best logs (coming) from land clearing and tree removal.”
- “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.”
- “Communication among log buyers & sellers is becoming increasingly important.”

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 frequently in the responses from log brokers than from sawmill procurement personnel.

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.”
frequently by sawmill buyers than by log brokers—log brokers typically cultivate a wide range of changing customers so they might expect to find a market for the full breath of available log qualities. Similarly, and perhaps for the same reason, species was more frequently listed as a factor of concern for sawmill log buyers than for log brokers.

Finally, in response to the question “Is there anything else you would like to share about log purchasing activities?” here are some attention-grabbing quotes to stimulate your thinking:

• “Biomass fuel is basically saving the business as there is no longer money in lumber” (a sawmill respondent from the Northeast).
• “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).

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