

## Lake States Region Data Analysis

### Suppliers Years in Business

	Response Average	Response Total
Years =	30.78	554

### Supplier Interviewee's Position

	Response Percent	Response Count
Owner	91.3%	21
Partner	8.7%	2
General Manager	0.0%	0

### Supplier Type

	Response Percent	Response Count
Direct Contractor/Operator	91.3%	21
Dealer	8.7%	2
Large Landowner (TIMO, REIT, Private)	0.0%	0
Producer-Indirect	0.0%	0
Other		0

### Percentage of Stumpage Purchased Directly

	Response Average	Response Total
% =	77.83	1,790

### Description of Supplier's Operation

	Response Percent	Response Count
Logging	30.4%	7
Trucking	0.0%	0
Combined	69.6%	16
Other (please specify)		0

### Level of Supplier's Annual Production (in Tons)

	Response Average	Response Total
Tons =	72,347.83	1,664,000

### Number of Supplier's Employees

Answer Options	Response Average	Response Total
# =	11.09	255

## Lake States Region Data Analysis

### Consumer Procurement Years in Business

Answer Options	Response Average	Response Total
Years =	28.27	311
<i>answered question</i>		

### Consumer Procurement Interviewee's Position

Answer Options	Response Percent	Response Count
Front-line	54.5%	6
Senior	45.5%	5
Other (please specify)		0

### Consumer Mill Facilities Sampled

Answer Options	Response Percent	Response Count
Paper	81.8%	9
Composite	18.2%	2
Solid Wood	0.0%	0
Combination	0.0%	0
Other (please specify)		0

### Consumer Percent of Direct Stumpage to Total Consumption

Answer Options	Response Average	Response Total
% =	23.00	253

### Consumer Mill Annual Consumption

Answer Options	Response Average	Response Total
Tons =	1,036,363.64	11,400,000

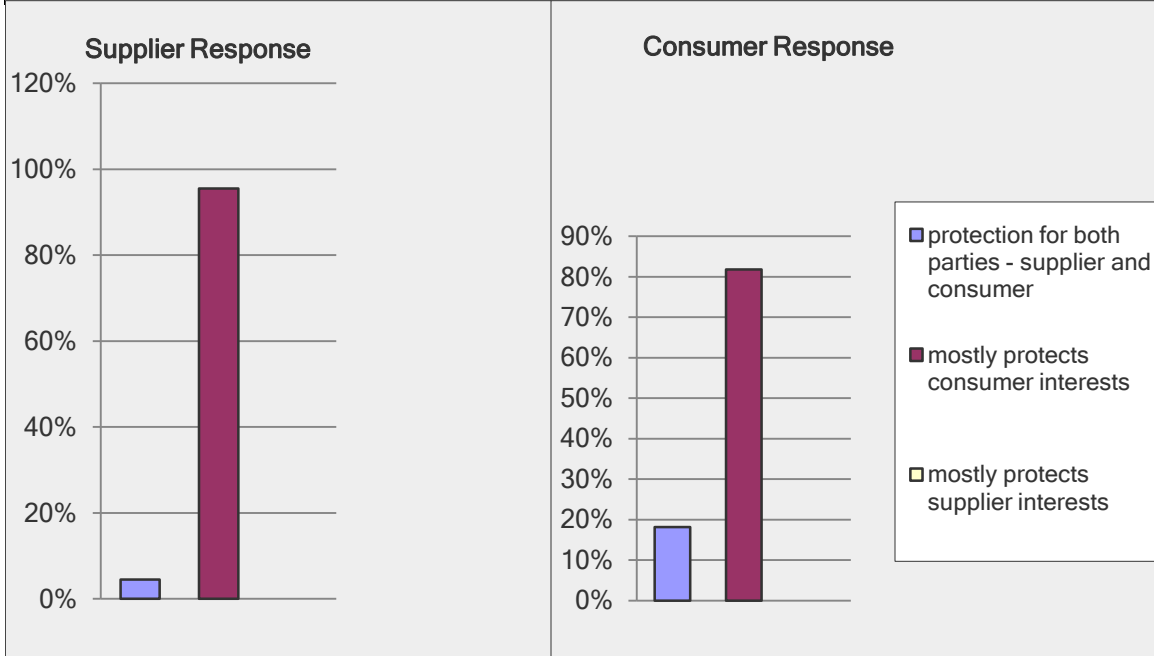
### Consumer Procurement No. of Employees (admin. Support -not included)

Answer Options	Response Average	Response Total
# =	5.73	63

# Lake States Region Data Analysis

## Negotiations Interface Contract Structure

Answer Options	Supplier Response	Consumer Response
protection for both parties - supplier and consumer	4.5%	18.2%
mostly protects consumer interests	95.5%	81.8%
mostly protects supplier interests	0.0%	0.0%
Other (please specify)		



**Remarks:** There is no significant difference in the perception of the legal protection provided in contracts provided suppliers. Over 95% of the suppliers responded "mostly protects consumer interests". Consumer procurement agrees with 82% responded "mostly protect consumer interests". Most master contracts and service contracts are documents that provide a legal structure for business transactions and usually does not include any committed volumes or prices. There are exceptions such as large landowners or complicated supply agreements. A case can be made that minimum insurance coverage and required compliance to all laws, SFI training, and etc. is of benefit to both. In most all cases the contracts are not negotiable but rather standard company contracts. Generally speaking, the contracts do not have clear volume or pricing commitments and therefore cannot be used to show financial stability to banking institutions.

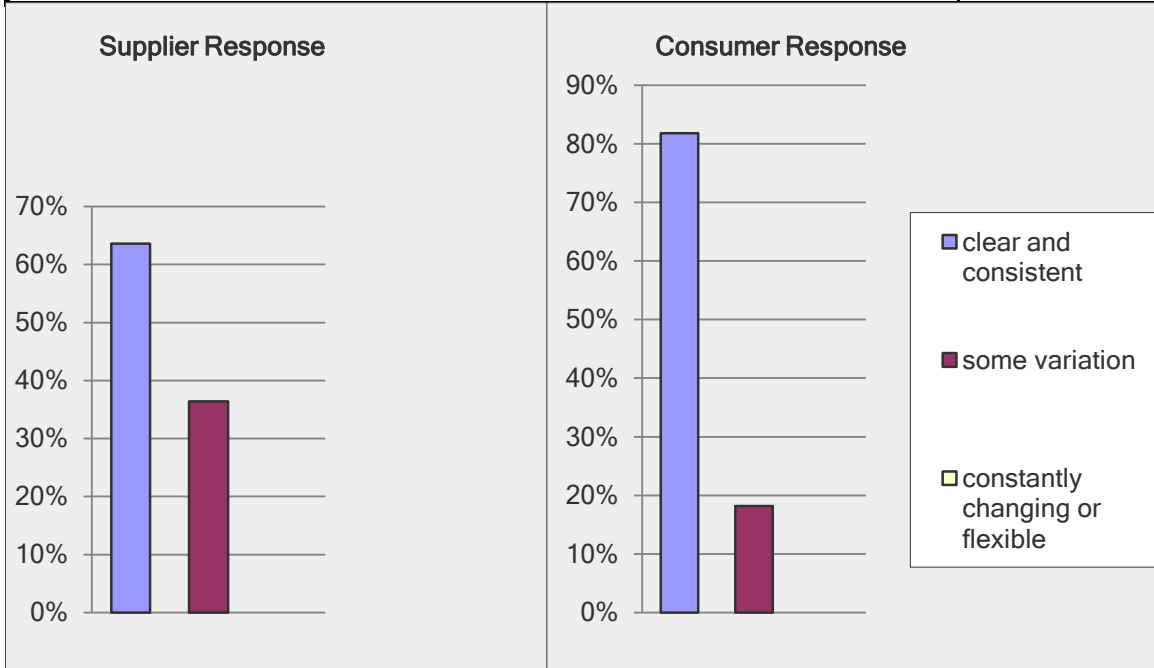
Gap is almost is not significant

# Lake States Region Data Analysis

## Negotiations Interface

### Wood Specifications

Answer Options	Supplier Response	Consumer Response
clear and consistent	63.6%	81.8%
some variation	36.4%	18.2%
constantly changing or flexible	0.0%	0.0%
Other (please specify)		



**Remarks:** There is a slight 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 enforced and the consumers think of it as how specifications are communicated and documented. There are also comments from suppliers and some consumers that the administration of those specifications are conditional depending on the level of the inventories.

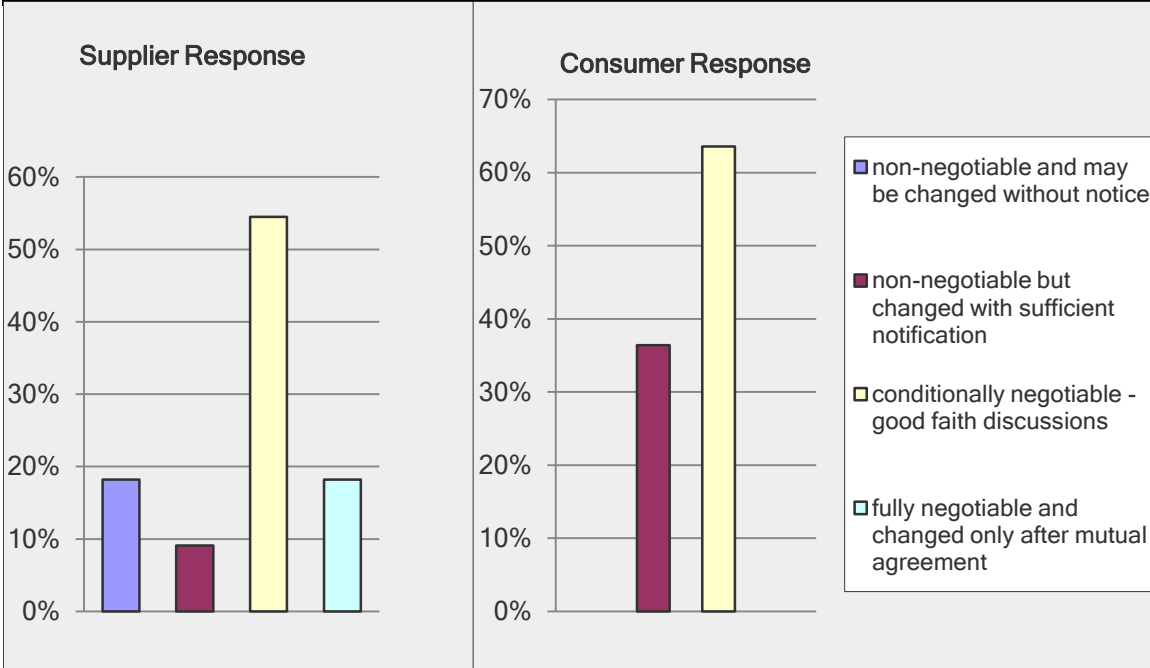
Perception Gap = Over 19% related to clear and consistent response - somewhat significant

# Lake States 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	18.2%	0.0%
non-negotiable but changed with sufficient notification	9.1%	36.4%
conditionally negotiable - good faith discussions	54.5%	63.6%
fully negotiable and changed only after mutual agreement	18.2%	0.0%
Other (please specify)		



**Remarks:** There is general agreement of perceptions of the nature of rate negotiations . Almost 29% of the suppliers see the negotiations as "non-negotiable " as compared to 36% from procurement interviewees. The only difference is that 18% of the suppliers indicate that the rates can be changed without notice. The "conditional or fully negotiable responses combined indicate that roughly 60% of the suppliers enjoy a positive negotiation relationship. The remaining 40% of suppliers work within a gatewood system of variable delivered rates. The core suppliers and cut/haul service contractors generally fall into the negotiable categories.

Why is this so different? One observation is that it appears that the manner in which negotiations are handled by consumer procurement is a factor and certainly important to the relationships. Another factor may be just the mix of suppliers sampled may not match the overall population of suppliers. The other factor is these interviews were conducted during the deepest economic recession in history in a time that all costs were being tightly managed. It is notable that 18% of suppliers classified rate negotiations as "fully negotiable" and may represent some of the suppliers closely associated with a large land base.

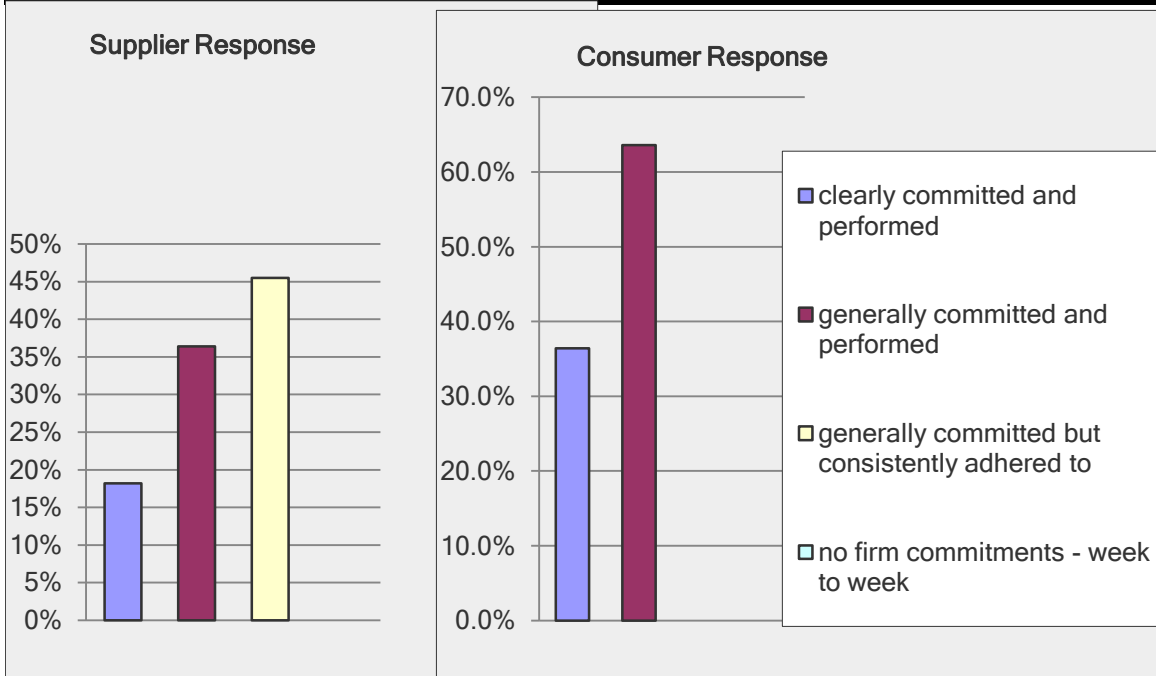
Perception Gap = 18% in terms of non-negotiable-may be changed w/o notice. is a significant

# Lake States Region Data Analysis

## Negotiations Interface

### Negotiations for Volume Commitment

Answer Options	Supplier Response	Consumer Response
clearly committed and performed	18.2%	36.4%
generally committed and performed	36.4%	63.6%
generally committed but not honored	45.5%	0.0%
no firm commitments - week to week	0.0%	0.0%
Other (please specify)		



**Remarks:** There is a significant gap in perceptions around volume commitments within the negotiations interface. 100% of procurement staffs say they provide either firm or general volume commitments to suppliers. In contrast 45% of suppliers indicated general commitment volumes were not always honored. All the committed volumes were reported to be verbal with the exceptions when suppliers are placed on quotas during delivery constraints. Most suppliers are OK with the current method of volume negotiations from the consumer companies as long as they re consistently honored. Suppliers also realize that committed volumes require full performance from their side to make the system work. Note - Market conditions during the survey period were relatively open and un-restrained by delivery quotas, but the suppliers could see that inventories were building and delivery restrictions were imminent.

The response patterns suggest a disconnect in the reliability of volume commitments that is heavily impacting the relationship and a high level of uncertainty in business planning.

Perception Gap = 45% in terms of having firm volume commitments considered as a very significant gap.

# Lake States Region Data Analysis

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

Answer Options	Response Average	Response Total	Response Count
Tons =	668.18	14,700	22

### Comments on Production Volume Losses:

The average annual volume per suppliers interviewed lost due to negotiation breakdowns was calculated at 668 tons for a total annual loss of production of 14,700 tons. The total annual production of 1,664,000 tons was sampled for the Lake States Region. Expressed as a percentage of the total sample = **.08% of actual of total sample volume delivered.** Therefore it can be concluded that loss of production from break-down in negotiations category results in a loss of approximately 25 loads per year.

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

- > Some consumer companies really play hardball in pricing
- > Most mills never give me a feeling of confidence or consistency
- > Larger logging contractors with more volume can get a higher price and won't be cut back like there rest of us.
- > One consumer company dictates what prices will be with no negotiations
- > 2010 B-Cap - supplier's prices got cut back - when they knew loggers were going to get a supplement.
- > Some smaller mills do not negotiate - prices change at will week to week.
- > Enforcement of the wood specifications depends on supply-demand - varies up and down
- > Volume commitments are never firm. One company sent out a letter to say they were dropping delivered rates next week.
- > Mill procurement will not stay with the plan and they buy wood outside the normal supply system and that causes disruptions in our planned production.
- > We do not have strong volume negotiations
- > One mill has very rigid - no negotiations policy for pricing
- > Some mills can shut down deliveries at any time without notice
- > Consumer company increased price/ton for logging but lowered price of fuel
- > Do not know what my volumes are before starting the season
- > Logging contractor was on schedule with deliveries in the fall and he received an e-mail notification of canceled contract.
- > Two upper level mill officials did not like his challenge and cut his volume.
- > Consumer company will not disclose how it calculates fuel adjustments - make us feel like idiots
- > Before the end of the winter season, we may get cut off when the TIMO is ahead of budget
- > Consumer company calls at the beginning of the season with firm commitment - then calls back after production well into the season and drops commitment
- > Lake States trucking prices are rolled included in total delivered prices (tradition in L.S.)
- > Some new machines are not as dependable as the older machines and cost much more.
- > Master logger - has no value so far.
- > Several mill closures in our area has resulted in excess capacity.

# Lake States Region Data Analysis

## **Examples of Best Practices in Negotiations Statements by Suppliers:**

- > Sometimes road set-up was not always adequate - but the situation was corrected.
- > Some procurement foresters are much more fair to deal with than others
- > One mill will commit and never vary and I do have a fuel adjustment
- > One mill has standard pricing
- > This contactor has an excellent working relationship with procurement - trust on both sides with give and take
- > Other companies are more reasonable on negotiations.
- > When demand for wood is high - then negotiations are much improved
- > If you can show a legitimate need, my main customer mill procurement will provide an adjustment.
- > One mill does monthly automatic fuel adjustment.
- > One company implemented a storm damage bonus to help us.
- > Two mills regularly come to check on our financial health.
- > One mill wants me to cut twice as much and expand.
- > One company does a really good job in living up to their commitments
- > My procurement representative works on give and take basis. I understand the economic situation of the mills.
- > All negotiations are straight forward.
- > One consumer mill provides all verbal commitments and never went back on anything.
- > One consumer mill provide automatic fuel adjustments.
- > Supplier has 2 years of stumpage tracts ahead.
- > Master Logger certification does count - I think

## **Examples of Negative Examples of Negotiations by Consumer Procurement:**

- > Occasionally a supplier that had a commitment and will choose to go to a higher price.
- > Some suppliers make big promises that they cannot deliver so we reallocate committed volumes to those who really helped us when we needed it most.
- > Have some suppliers that are not agreeing to deliver the volume that they have committed.
- > Dropped one price that was mandated and provided adequate notification
- > Sometimes we agree to disagree - decide to go our separate ways.
- > Delivered rates are not negotiable for gateway suppliers

## **Examples of Best Practices of Negotiation Interaction by Consumer Procurement:**

- > Some supplies are long standing core loggers who are loyal to the relationship
- > Have a base price along with incentive payments - after a certain volume is delivered then bonus payment kick in.
- > We stay in a consistent good faith discussions and are moving into "tract specific" commitments.
- > We have put quarterly targets in place - really improves the relationships and planning
- > Fuel adjustments are automatic in 2011 and we absorbed that for the suppliers.
- > Purchase agreements - on a quarterly basis
- > In the past inflated stumpage market - suppliers were stuck with a wood price drop - but we controlled the drop and absorbed some extra costs.
- > Annual contract runs from Dec.1 to 12 months with amendments
- > Procurement manager has control over the wood processing yard.

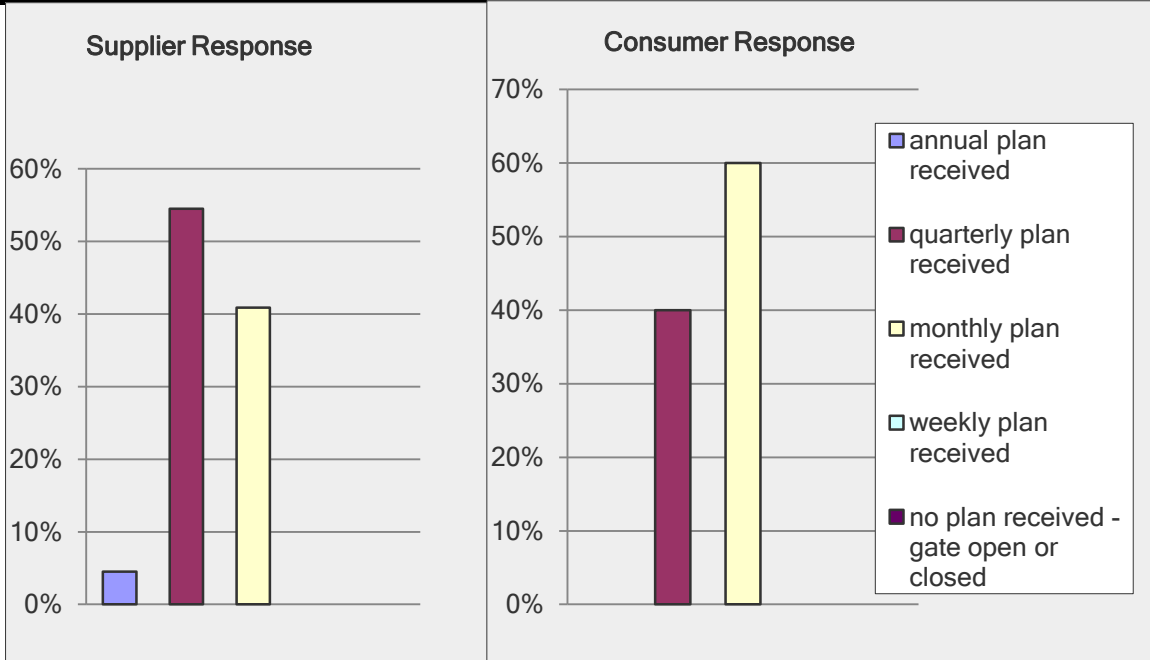


# Lake States Region Data Analysis

## Joint Planning Interface

### Delivery Scheduling

Answer Options	Supplier Response	Consumer Response
annual plan received	4.5%	0.0%
quarterly plan received	54.5%	40.0%
monthly plan received	40.9%	60.0%
weekly plan received	0.0%	0.0%
no plan received - gate open or closed	0.0%	0.0%
Other (please specify)		



#### Remarks:

This is an excellent response pattern that illustrates that Lake States suppliers enjoy either a seasonal planning horizon(quarterly) for their volume of production or at least a monthly. Likewise the consumer procurement response generally matches with a little more emphasis on monthly plans. Monthly plans are generally tweaked through the quarter. Compared to other regions such as the southern or western regions it a best practice. However, the planning horizon must be taken into context with the responses from 45% of the suppliers in the Negotiations section said that the volumes committed were not always and consistently honored.

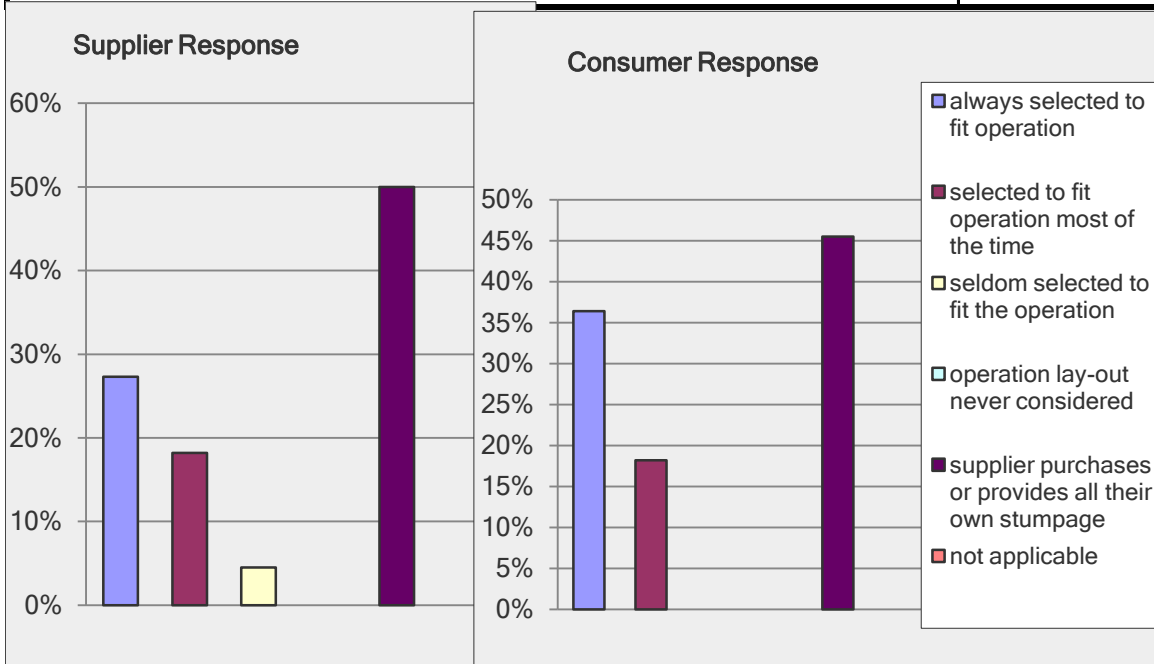
Gap is not significant

# Lake States Region Data Analysis

## Joint Planning Interface

### Tract Harvest Assignment (if applicable)

Answer Options	Supplier Response	Consumer Response
always selected to fit operation	27.3%	36.4%
selected to fit operation most of the time	18.2%	18.2%
seldom selected to fit the operation	4.5%	0.0%
operation lay-out never considered	0.0%	0.0%
supplier purchases or provides all their own stumpage	50.0%	45.5%
not applicable	0.0%	0.0%
Other (please specify)		



**Remarks:** The data here is somewhat weak with 45% to 50% of the suppliers interviewed purchase all their own stumpage. The remaining half that did receive cut block assignments provided a consistent response with the consumer procurement response. However the sample is so small that nothing can be concluded.

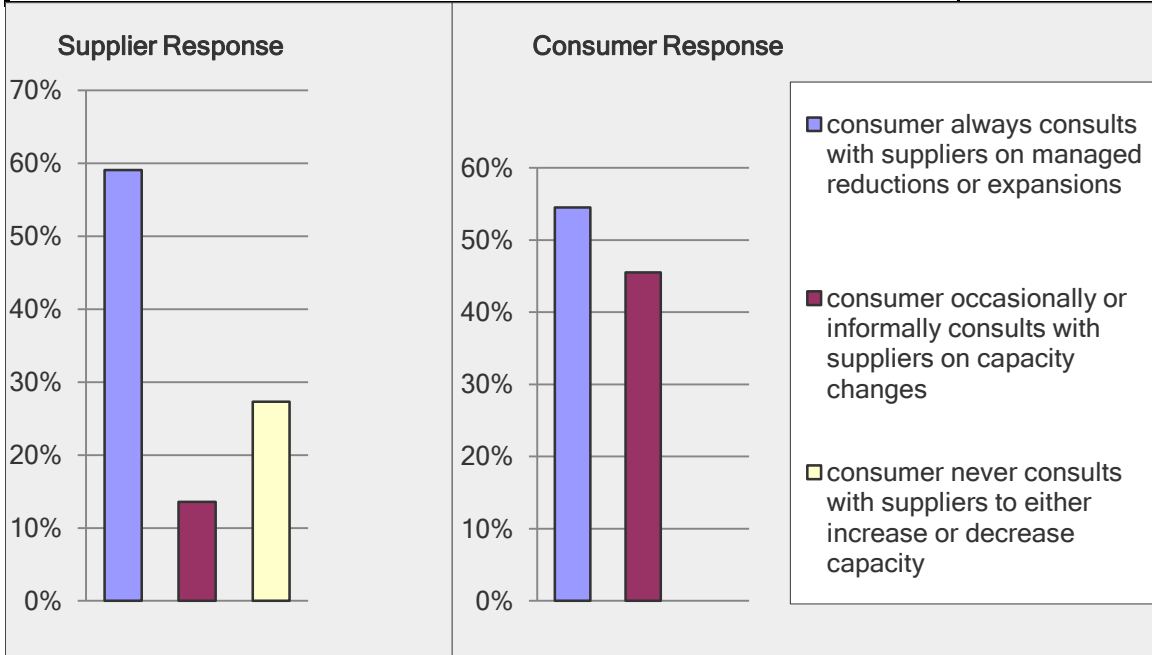
Perception difference = 9% and not considered significant

# Lake States Region Data Analysis

## Joint Planning Interface

### Capacity Addition or Reduction Decisions

Answer Options	Supplier Response	Consumer Response
supplier always consults with consumer representatives	59.1%	54.5%
supplier occasionally or informally consults with consumer	13.6%	45.5%
supplier never consults with any consumer representatives	27.3%	0.0%
Other (please specify)		



**Remarks:** This result was somewhat of a surprise and raises some questions in the working relationship. Almost 60% of the suppliers responded that they always consult with their primary consumer customer before making capacity changes. However, 27% of the suppliers said they never consult with procurement in making capacity change decisions. Another 13% indicated an informal consultation. All consumer procurement responded that the consultation was either always or occasional.

Based on open-ended comments, some suppliers have followed an independent strategy and do not depend on any one mill for the bulk of their production. Therefore they do not consult with anyone on expansion or reduction decisions. Others feel that a commitment from the consumer companies are not dependable and therefore they don't feel confident in any consultations.

Gap = 27% from suppliers that make capacity decisions without consulting with consumer mills.  
Gap is significant.

# Lake States Region Data Analysis

## Suppliers Approximate volume lost annually due to poor planning

Answer Options	Response Average	Response Total	Response Count
Tons =	622.73	13,700	22

## Consumers Approximate volume lost annually due to poor planning

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

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

- > Sometimes we have a problem in getting tracts for summer wood and don't have anything to work on.
- > Frequently we have the one month squeeze out of the quarterly committed volume - but not able to make it up
- > Meet with procurement forester on a consistent basis - we agree on a commitment and the next day he calls and says he cannot do the deal.
- > Uncertainty in buying stumpage and not knowing what the delivered price will be is poor planning
- > One mill has an inadequate woodyard and has had to shut wood off frequently
- > One mill is rigid and has no flexibility
- > Used to be able to count on the quarterly plan but now back to month to month
- > Consumer companies sometime appear to make arbitrary decisions that make no sense.
- > Sometimes the procurement people will float a price on a marginal tract and hope to get the supplier to take it.
- > All consumer mills can cut their committed volumes without recourse
- > Expansion of biomass production is currently ham-strung due to state regulations being so tight on state and county lands.
- > One consumer company planning is all one way.
- > We helped one procurement forester through several marginal tracts and then he would not help me.
- > Always a lack of the committed planning - their markets fluctuate, we must be highly flexible
- > Some panic decisions hurt the free flow of our committed volumes when procurement jumps out to buy from non-regular suppliers.
- > We are accustomed to not having firm monthly volumes
- > Have a seasonal contract for winter months and then get's regulated month to month. Really need to have a more solid contract for volume in terms of take or pay.
- > Some county-state foresters are not competent o accurately estimate timber volumes/species mix. That confuses the planning and delivery scheduling.
- > There is no mutual planning done with the exception of monthly targets handed down. We may get

## Lake States Region Data Analysis

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

- > Need to continue to improve planning - always a challenge with a small staff, some suppliers are non-communicative - mostly non-core suppliers
- > One contractor felt he did not have enough stumpage and wanted more assurances - he decided to leave
- > Some contractors will move their production without informing us.
- > Sometimes we are forced to hit some inventory limits (for cash flow reasons) at the end of a quarter and that creates some significant restrictions on taking the wood we need.
- > Contractors are generally not expanding or replacing older equipment with new equipment (may buy used)
- > Occasionally a logger cannot harvest certain sales and we have to make adjustments with landowners
- > Sometimes contractors will hold back information for fear of losing volume allocation We had a mild winter in 2011 and therefore are having to move production volume from March back to January ;February to take on additional wood.
- > Our suppliers had to take some significant production reductions to meet a mandated inventory target at year-end.
- > Planning is complicated by the administration of state/county timber sales with overruns and

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

- > Having the master logger certification and close proximity of land provide me an advantage in getting wood to the mill.
- > Some contractor have a very firm commitment
- > One mill always honors its commitments
- > One consumer mill will work with me on a long-term price
- > One mill seems to communicate with its suppliers much better and frequently -so they can know what to expect
- > Most of the consumer mills works with us and has reasonable flexibility
- > Most consumer mills work on a quarterly plan but control on a monthly basis.
- > One mill does a highly professional job in planning with suppliers and honor their commitments. > One consumer company honors its committed volumes regardless of the circumstances.
- > Most consumer companies let me know what is coming down the road with two way communications.
- > Major consumer mills provide green light to run full out but pricing is held tight.
- > Sometimes the monthly production tickets are help back due to mandated inventory targets and therefore we are unable to produce at full capacity.
- > Timber buyers make me feel very stable - all based on relationship
- > Consumer companies work hard to keep us busy and keep us in our operating area.
- > Very straight forward Supplier does all planning.. none

## Lake States Region Data Analysis

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

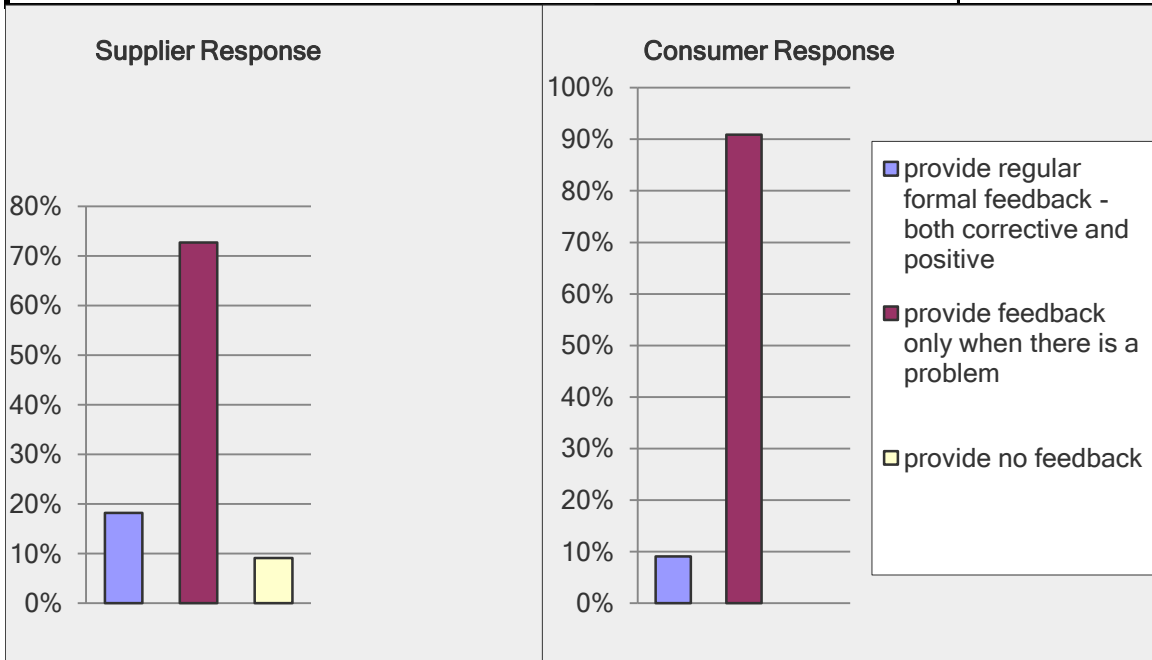
- > We send questionnaires to suppliers to set quarterly targets and follow up discussions
- > Most suppliers will consult with us -especially when they are considering a purchase of equipment
- > Some 3 year commitments on C&H operators at around 40% of our total mill furnish
- > We plan on a quarterly forecast basis and then make tweaks each month depending on the wood flows.
- > We are working hard to honor our quarterly commitments.
- > Started to structure - pile wood in woods (stock pile) to mitigate inventory targets.
- > Working on 1 year commitments.
- > Use weekly load tickets to control both source of wood and proper payment.
- > DNR works well with suppliers and the companies.
- > Some other company had 100" wood - counseled the contractor to change to tree-length
- > We track monthly production closely and then have mid-month communications with suppliers.
- > We have some multi-year contracts on the table with several innovative features

# Lake States Region Data Analysis

## Feedback Interface

### Contract Compliance

Answer Options	Supplier Response	Consumer Response
receive regular formal feedback - both corrective and	18.2%	9.1%
receive feedback only when there is a problem	72.7%	90.9%
receive no feedback	9.1%	0.0%
Other (please specify)		



**Remarks:** Feedback for contract compliance was interpreted by the respondents to refer wood quality feedback. There is general agreement on wood quality feedback in that over 70% of both sides responded that they heard about wood quality only if there was a problem. Under 20% of the mills provide formal feedback to roundwood suppliers.

This is an issue with suppliers. They expressed a preference for timely feedback on wood preparation otherwise it is difficult to keep their crew motivated and maintain pride in their work. Even better suppliers would like to be rewarded for exceptional work. Only two suppliers said they received no feedback. That could only mean they were always "in specification" or they worked through another organization that did not pass on any feedback.

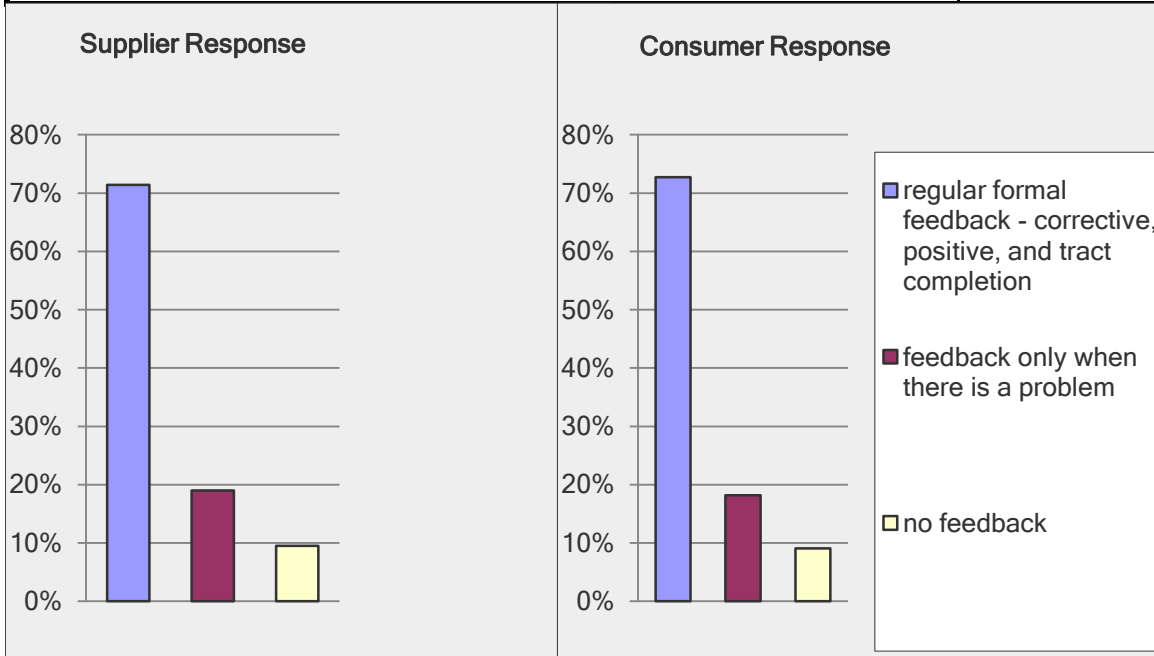
Gap between suppliers and consumers is not significant

# Lake States Region Data Analysis

## Feedback Interface

### Harvesting Quality

Answer Options	Supplier Response	Consumer Response
receive regular formal feedback - corrective, positive, and	71.4%	72.7%
receive feedback only when there is a problem	19.0%	18.2%
receive no feedback	9.5%	9.1%
Other (please specify)		



#### Remarks:

A more matching pattern of responses on Harvesting Quality Feedback cannot be found. Both suppliers and Consumer Procurement has identical answers - 70% regular-formal feedback , 20% only when there was a problem, and 10% saying they provided or received none. Those receiving none were generally small seasonal loggers operating on their own stumpage.

No gap



# Lake States Region Data Analysis

## Approximate volume lost annually due to poor feedback from Suppliers

Answer Options	Response Average	Response Total	Response Count
Tons =	.00		0

## Approximate volume lost annually due to poor feedback from Consumers

Answer Options	Response Average	Response Total	Response Count
Tons =	.00		0

### Examples of poor feedback - Supplier Remarks:

- > No feedback on wood quality
- > Wood quality feedback only when there is a problem
- > Occasional harvest inspections and only when there is a problem for wood quality
- > We don't have regular SFI harvest inspections any more.
- > Only wood quality feedback is notations on the scale sheets We don't get inspections on hardest blocks related to SFI like we did before. They seem to have stopped the regular inspections. No formal feedback for wood quality
- > One mill removes bad logs off loads and then uses them in the mill.
- > Consumer companies occasionally get feedback on harvest quality but mostly when there is a problem only
- > No documented feedback either negative or positive
- > County/State and Federal - not timely feedback.
- > There is no recognition from the procurement organizations to value the Master Logger Program.
- > Most harvesting feedback comes from state and county foresters when we are on public land
- > Typically the agency foresters are slow or delayed in providing harvest quality feedback on a timely basis.
- > No documentation provided for the loggers, we only hear from the consumer company when there is a problem
- > Consumer company used to offer annual awards to the top supplier - no more

### Examples of good feedback - Supplier Remarks:

- > Good harvesting feedback and we have good harvest inspections
- > When we meet with procurement they track volume vs. plan and wood quality - verbal feedback is good
- > Would like to see more of procurement people on the ground.
- > One mill provides constant feedback both corrective and positive. They recognize excellence and that places my operation in good negotiating position
- > We hear nothing on wood quality unless there is a problem.
- > No actual audits from any of the consumer companies we delivered to with last 2 years.
- > Sawmills and Plywood plants will provide good feedback on log quality - but pulp mills will not.
- > Some sawmills will provide both positive and negative - good feedback for harvesting quality
- > Companies do harvesting quality audits regularly
- > Consumer mills have never applied any cull factors to any of my loads.
- > Usually have good feedback from the companies and we have Master Logger inspections as well.
- > One company does track our performance for wood quality but we never hear from them.
- > Occasionally we get a positive comment from softwood buyers. Good feedback but usually verbal - only written notice when something needs correction.
- > Every timber sale gets feedback and regular audits for harvesting quality. OK with the amount of

# Lake States Region Data Analysis

## **Examples of Poor Feedback - Consumers**

- > Do not provide constant feedback
- > Feedback is given only when there is a problem for wood quality
- > No formal feedback for above average performance.
- > No formal feedback - only when they drop below planned inventory
- > Need to provide a copy of the inspection reports to our logging contractors
- > Some suppliers on the Canadian side - where harvests are not up to standard
- > We need to do more positive feedback

## **Examples of Good Feedback - Consumers:**

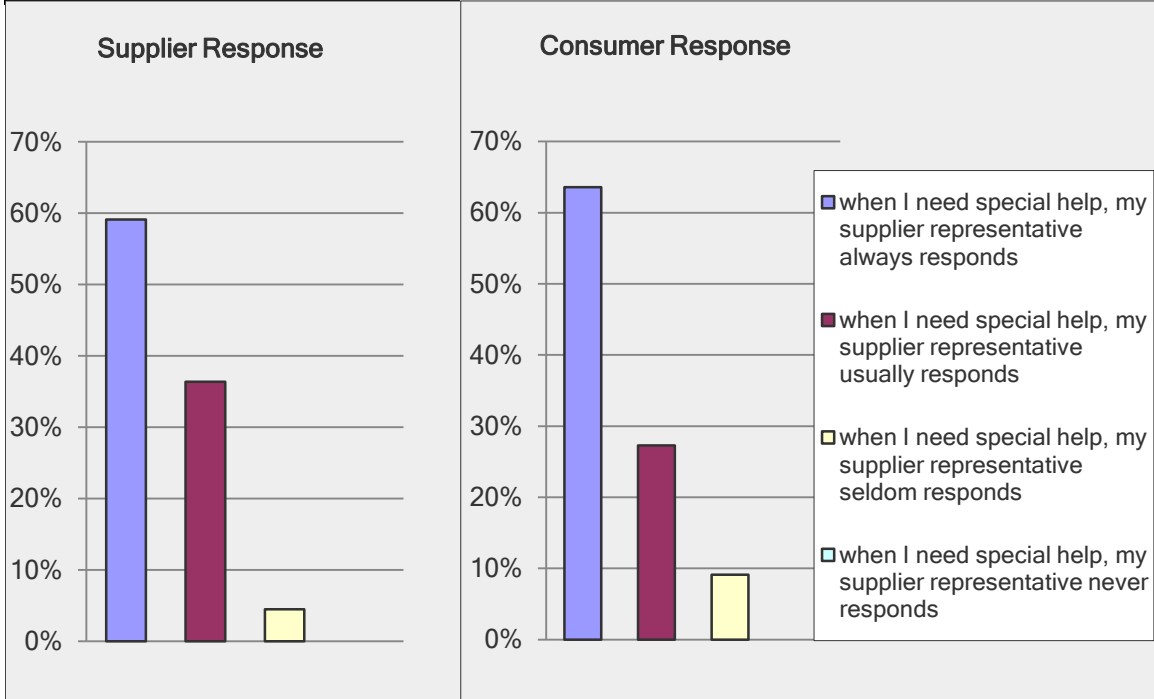
- > Have developed a log quality problem that involves follow-up.
- > We do random checks on selected gatewood suppliers for harvest quality and logger receives a copy
- > Chip quality is done formally and consistently.
- > Harvest feedback is formal and loggers get a copy of the report
- > Good harvesting feedback and loggers get a copy
- > Our landowner surveys are documented but a copy is not provided to the logging contractor.
- > The positive feedback we provide to suppliers who do excellent work receives favorable negotiations
- > Logger's appreciation dinners every fall - overview provided for the mill future outlook and trends. > We monitor logger's production performance to committed plan and feedback often.
- > Use only master loggers and they are the last contractors that get cut.
- > Do a lot of interaction with preferred suppliers and do hand out compliments. We recommended logger of the year.
- > Harvest quality is designed to favor more inspections to higher volumes.
- > We have a cull report and we are diligent on working with bad actors.

# Lake States Region Data Analysis

## Problem Solving and Communication interactions

### Operational Issues

Answer Options	Supplier Response	Consumer Response
when I need special help - always responds	59.1%	63.6%
when I need special help - usually responds	36.4%	27.3%
when I need special help - seldom responds	4.5%	9.1%
when I need special help - never responds	0.0%	0.0%
Other (please specify)		



**Remarks:** The suppliers and consumer procurement is in very close agreement on the matter of responding to operational needs for each other. This is a strong indicator of the working relationship and suggests that both parties are generally pleased with responses from both sides. It is also interesting that nation-wide this area has shown a wide gap between perceptions between suppliers and consumers. It is a positive indicator for the quality of the relationship.

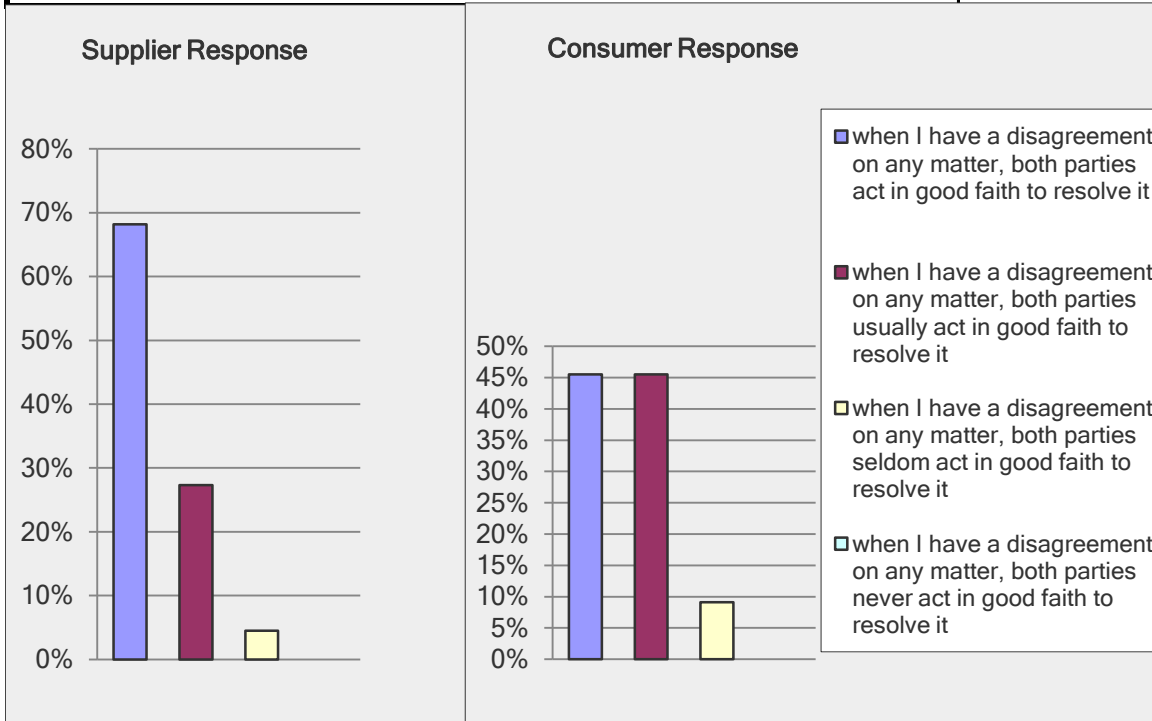
Gap = insignificant

# Lake States Region Data Analysis

## Problem Solving and Communication interactions

### Disagreements

Answer Options	Supplier Response	Consumer Response
Disagreement - both parties always act in good faith	68.2%	45.5%
Disagreement - both parties usually act in good faith	27.3%	45.5%
Disagreement - both parties seldom act in good faith	4.5%	9.1%
Disagreement - both parties never act in good faith	0.0%	0.0%
Other (please specify)		



**Remarks:** There is a moderate difference between the responses supplier compared to consumers. Both side responded that both either usually or always act in good faith to resolve disagreements. The consumers were split between always and usually that is a minor issue but there is an indication that some negative behaviors to be indentified. According to some of the comments provided in the comments section below, the procurement people indicate a lack of dialogue with suppliers to work out disagreements.

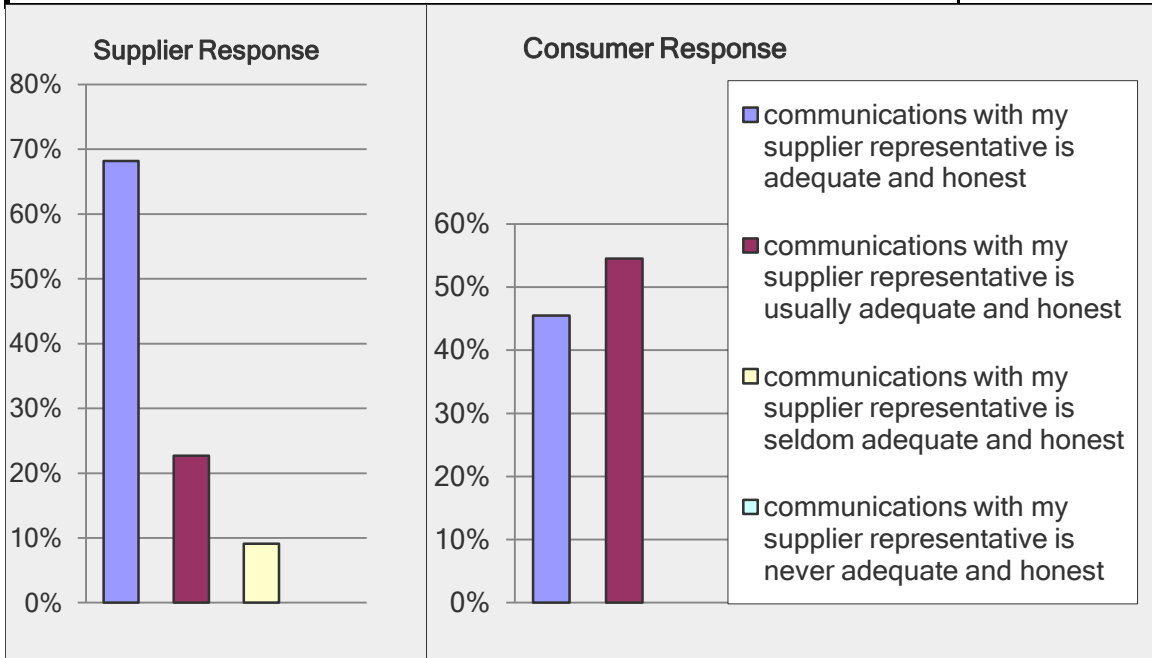
Gap = 23% is slightly significant

# Lake States Region Data Analysis

## Problem Solving and Communication interactions

### Communications Interface

Answer Options	Supplier Response	Consumer Response
communications - adequate and honest	68.2%	45.5%
communications - usually adequate and honest	22.7%	54.5%
communications - seldom adequate and honest	9.1%	0.0%
communications - never adequate and honest	0.0%	0.0%



#### Comments:

Again the suppliers responded in a positive manner with almost 90% saying overall communications from procurement were always or usually adequate and honest. Consumer procurement respondents were less positive in the communications they receive from suppliers all agreeing that they are always or usually honest and adequate. However there were a markedly less in the "always" category from procurement respondents. Based on open-ended comments, procurement expressed some lack of adequate communications from their suppliers and that they were occasionally surprised about moves or redirecting production to competitors. This is a nuance rather than a major gap in perception but needs attention to improve the relationship.

Gap = 23% and considered a significant gap that impacts the relationship.

# Lake States 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 =	318.18	7,000	22

Consumer Tonnage Estimates	Response Average	Response Total	Response Count
Tons =	.00		0

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

- > Most companies will make a commitment and then call and cut volume, or price, or both
- > Would like to have more lead time from procurement on any mill yard disruptions
- > Consumer mill buyers do the best they can but the higher authorities may override them.
- > Part of the honesty is that we are not in control
- > I had to go above the main wood buyer to the procurement manager to get a reasonable adjustment.
- > One time we did get an advance communication on mill closures.
- > Most of the communications or problem solving issues I have are with county DNR lack of attention when I need it.
- > When my procurement forester is on vacation - sometime have to shut down because we cannot get an answer - if we challenge anything we get punished

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

- > Generally very good - but not always honest - they tend to hold things back.
- > One mill is exceptional in communications
- > One mill stands out from the rest in they have a solid volume commitment and excellent relationship building - they appreciate excellence.
- > Outstanding communications - all adequate and honest
- > Consumer procurement did not press a bogus damage claim by the landowner.
- > This supplier works with 7 different procurement people - all great people
- > One company checks with me every 2 weeks and review monthly production performance.
- > All the consumer companies buyers that we deal with have adequate and good communications.
- > Generally works pretty well
- > One company will take its inventories down to within 2 or 3 days of running out of wood before they will take on any other suppliers to keep us running steady.
- > Winter planning with one company works really well with their open communications
- > All done well -generally good communications

## Lake States Region Data Analysis

### **Examples of Remarks from Consumer Procurement on Break-downs in Problem Solving/Communications:**

- > Had one longer-term supplier - took his production to another mill without notification
- > Mainly the suppliers don't communicate when their timber situation changes and we are left in the dark
- > Would like for our suppliers to be more communicative - may not be forthright when they chase additional \$
- > Some suppliers don't communicate changes in delivered wood volumes like going to another buyer.
- > One issue is there are not enough give and take communications with our suppliers.
- > Some suppliers just are not communicative especially when they decide to take their production elsewhere.
- > There is a communication gap with the county and state foresters in that they are overreacting to forest certification audits and it is holding up timber sales.
- > Some marginal suppliers are non-communicative.
- > Need to do more in quality feedback.
- > Could be better in responding to my suppliers
- > Cell phones can cause some logistics problems -delay in timely communications

### **Examples of Remarks from Consumer Procurement on Best Practices in Problem Solving/Communications:**

- > Many times we find a back-haul to save on freight and build a more efficient operation.
- > One rail supplier calls periodically about opportunities and coordinates with us closely.
- > One unintended timber trespass was worked out with landowner openly and amicably - avoided litigation
- > Company used to sponsor logger cook-outs annually to inform them of business developments and just socialize.
- > Get weekly print-outs for each supplier of the status of their volume targets and are able to keep everyone up to date.
- > Good response from suppliers. Chip plant went down on all 3 lines - had to open up wood deliveries for the weekend - they all responded and enabled us to get everything repaired
- > When we have wood shortages, our suppliers always respond.

## Lake States Region Data Analysis

### Estimated Production Loss due to Break-downs in Relationship

INTERACTION AREA	TOTAL TONNAGE REPORTED	AVG/SUPPLIER
Negotiations	14,700	668.18
Planning	13,700	622.73
Feedback	7,000	318
Problem Solving and Communications	-	-
<b>Annual Totals</b>	<b>35,400</b>	<b>1,609</b>
Total Sample Production	1,664,000	72,347.83
Loss Percent of Sample Tot.	2.1%	2.2%
Approx. Total NE Production	27,000,000	

#### Comments on Loss of Productivity:

The total sample of suppliers interviewed in the Lake States Region had annual production capability of 1.7 million tons. Those suppliers sampled provided data on approximate production lost to break-downs of the working relationship was a total of 35,400 tons annually or a loss of 2.1% of their potential production capacity. If the data were considered to be an acceptable sample for the total supply chain production in the Lake States Region (it is not adequate), then an estimated 540,000 tons of production is lost annually due to inefficiencies of ineffective negotiations and joint planning.

In comparison with the Southern and Western regions, the Lake States region lost production reported is modest. The researcher has concluded that Lake States consumer procurement and suppliers have taken very positive steps in providing longer term commitments and a higher level of joint-planning that has significantly increased the efficiencies. Continuous improvement is certainly needed from both suppliers and consumer procurement. But the by in large the Lake States Region seem to have a much more productive relationship than other regions.