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Logger Training Leads to Improved Market Access but No Price Premium

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Abstract

The Sustainable Forestry Initiative (SFI) Program is a catalyst to develop or improve state-based logger training programs. SFI characterizes the role of loggers as the most visible and engaged participants in the implementation of sustainable forest management. This article discusses the use and compensation of trained loggers, contrasting SFI wood procurement operations with non-SFI operations. The results indicate that trained loggers are being used but are not receiving additional compensations for their training efforts. Logger training providers, such as Cooperative Extension Forestry Programs, should be aware that training for loggers may not translate into a price advantage but is likely to improve access to markets.

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Introduction

Increasing concerns about the impact of timber harvesting on forest health, water resources, and habitat fragmentation and declining biodiversity over the last three decades have made the forest products industry the target of intense public scrutiny and government regulation.

In response to these pressures, forest products firms are adopting sustainable forest management practices. Within the forest products industry, the leading program is American Forest and Paper Association's Sustainable Forestry Initiative (SFI) Program. The SFI Program attempts to balance timber production with a range of other forest values, including the conservation of biodiversity, watershed and wetland protection, recreation, and wildlife. Participating firms are looking beyond their own forest holdings and striving to incorporate sustainable forest management on all lands within their wood procurement regions, particularly on the nation's nonindustrial private forestlands (NIPFs) (AFPA, 2002).

The current focus on wood procurement policies and practices is largely the result of an increasing reliance on NIPFs for wood supply (Nilsson, Colberg, Hagler & Woodbridge, 1999). Of the estimated 16 billion cubic feet harvested in the United States in 1997, nearly 60% (9.5 billion cubic feet) of the volume originated from NIPFs. This figure represents a 25% increase from 1991 (USDA, 1999). Forest products operations located in the eastern half of the country may procure as much as 80 to 90% of their roundwood (sawlogs and pulpwood) needs from NIPF owners (Newman & Wear, 1993; Germain, 1999; AFPA, 2002). Because most forest products firms procure a majority of their wood fiber on the open market directly from loggers and brokers, the quality of forest management associated with their wood supply is often in question.

Among the major components of an effective wood procurement system is the use of trained loggers to harvest and deliver roundwood to primary wood manufacturing facilities. Few would argue that loggers play a major role in implementing sustainable forestry. The SFI Program

characterizes the role of loggers as the most visible and directly engaged participants in the forest products industry. In fact, the SFI Program, particularly through the work of individual state implementation committees, has dedicated significant resources to ensure that these front-line workers of sustainable forestry increase their knowledge and skill level.

The results of the SFI Program's efforts are evident in the establishment of State logger training and certification programs in 34 states (AFPA, 2002). While many agencies and organizations have collaborated in developing these logger training programs over the past decade, 62% have strong Cooperative Extension involvement (CES NREM, 2003). The following institutions are among the Cooperative Extension Forestry Programs playing an integral role in providing logger training:

- University of Georgia,
- Virginia Tech University,
- University of Vermont,
- University of Kentucky,
- Mississippi State University,
- North Carolina State University,
- University of Idaho,
- University of Tennessee,
- Auburn University, and
- Pennsylvania State University.

Several state programs are the direct result of the original National Cooperative Extension LEAP (Logger Education to Advance Professionalism) Program, which was designed to increase logger understanding and skills in forest ecology, silviculture and water quality. These three topic areas customarily round out the core requirements of logging safety and First Aid/CPR.

Objectives

This article is based on results from a larger study designed to (1) empirically measure environmental management system development of wood procurement operations industry-wide for practices that promote forest management on private nonindustrial forestlands and (2) identify operation-specific characteristics that influence management system development. Specifically, here we investigate the use of trained loggers by the forest products industry and whether mills are offering a price premium to loggers that have completed a logger training program. Furthermore, we examine whether there are differences in the use and compensation of trained loggers between SFI wood procurement operations and those operations not associated with the SFI Program.

Rationale

For the most part, loggers have embraced this added level of responsibility. Motivating factors include the desire for increased professionalism coupled with unilateral mill wood procurement guidelines encouraging or requiring some degree of training from log suppliers. Consequently, loggers are receiving more training now than ever.

However, it remains to be seen whether this level of training is sustainable, particularly as loggers confront serious economic challenges due to increased operating costs and inconsistent markets. If loggers are not rewarded for their efforts, in the form of price premiums or market opportunities, it becomes more difficult to economically justify continuing education. This may influence how training providers and supporters, including Cooperative Extension Forestry Programs, develop and market their logger training programs.

Methods

The study results are based on data collected from a survey of 700 randomly sampled forest products operations drawn from 35 state forest products directories. We chose to sample at the operations level rather than at the firm or subsidiary level because we were seeking respondents who work within specific woodsheds supplying an individual mill or a production complex of mills. Each operation offers procurement managers unique challenges dictated by manufacturing technology and product mix, species mix, landownership patterns, and regulatory issues, among other things (Dillon & Fischer, 1992; Stier, Steele & Engelhard, 1986). In order to keep the focus on larger, year-round operations, mills producing less than one million board feet (or volume equivalent) were not included in the study.

The survey was conducted following Dillman's *Total Design Method* (1978). The surveys were mailed four times between March 23 and June 1, 2000. Likert-scale questions provided the basis for the survey. The responses to the questions were based on a 7-point scale. The following four questions provided the framework for discovering the relative use of trained loggers as well as the willingness of mills to offer price premiums (Figure 1).

Figure 1.

Survey Questions Determining Relative Use of Trained Loggers and Willingness of Mills to Pay Premiums

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

| | Not at All | | Sometimes | | | Always | |
|---|------------|---|-----------|---|---|--------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Logging contractors who supply gatewood (wood delivered directly to mill) to our operation have completed a logger training program. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2. Loggers who supply our operation are paid more if they have completed a logger training program. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3. Standing timber purchased by our operation is harvested by loggers who have completed a logger training program. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 4. Loggers harvesting standing timber purchased by our operation are paid more if they have completed a logger training course or have met our harvest standards. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

It is important to note that we did not offer respondents a baseline definition of a logger training program, nor did we set parameters for a trained logger. Logger training programs vary from state to state in substance and intensity. Wood procurement guidelines also vary from operation to operation, particularly with regards to the criteria used to associate delivered sawlogs and pulpwood with trained loggers.

Results

Out of 668 deliverable surveys, 265 usable surveys were returned, representing a 40% response rate. Eighty-one percent of the respondents were sawmills (n = 216). The remaining operations were split among pulp and paper mills (n=24) and engineered forest products mills (n=24). The average production range was between 5 to 10 million board feet (or volume equivalent) annually. The average number of employees was between 25-100. Forty-five respondents were from the Northeast, 135 from the Southeast, 53 from the Midwest, and 31 from the West. Fifty-eight respondents were SFI participants, while the balance of the respondents were not participants of the SFI program.

The results indicate that operations industry-wide "sometimes"(4.3) purchase gatewood from trained loggers. SFI operations purchase gatewood from trained loggers "most of the time"(5.3), while non-SFI operations "sometimes"(4.1) use trained loggers.

The use of trained loggers for the purposes of harvesting standing timber is higher than for gatewood. Overall, the industry "almost always"(5.9) uses trained loggers when harvesting standing timber. SFI operations "always"(6.5) use trained loggers when harvesting standing timber, while non-SFI operations "almost always" (5.7) use trained loggers.

Neither of the above scenarios materializes into a price premium for trained loggers. Industry-wide, trained loggers delivering gatewood are "rarely"(2.3) paid a price premium. There was no statistical difference between SFI (2.2) and non-SFI (2.3) operations. Similarly, the industry seldom (2.6) pays a price premium to trained loggers harvesting standing timber. Again, there was no statistical difference between SFI (2.4) and non-SFI (2.7) operations.

Discussion

The forest products industry is using trained loggers when purchasing gatewood and harvesting standing timber. We suspect that the higher utilization rate of trained loggers by SFI operations is linked to SFI program guidelines requiring the use of trained loggers in the wood supply chain. In fact, AF&PA (2000) reported that 89% of the sawlogs and pulpwood purchased by SFI operations in

1999 was supplied by trained loggers.

The use of trained loggers by non-SFI operations is also at a respectable level, suggesting that the combined momentum of established state logger training programs (pre-existing the SFI program) along with SFI-sponsored or co-sponsored programs over the past decade has contributed to this current level of awareness and participation in logger training. In fact, the level of buy-in has reached the point that the American Loggers Council (ALC) established a nationally based ALC Master Logger Certification Program (Timber West Journal, 2000).

Primary wood manufacturing facilities are not offering price premiums to trained loggers. Many in the logging community, including the American Loggers Council, have called for financial compensation to loggers who dedicate the time and expense to achieve a higher degree of professionalism (Tankersly, 1998). Some operations, such as the Finch Pruyn and Company, a pulp and paper company in New York, have taken unilateral steps to offer price premiums to trained loggers (Johnson, 1999), but the industry-wide trend is not leaning towards price incentives.

Whereas SFI operations may require some form of logger training from suppliers, they are not leading the effort to reward trained loggers with price incentives. We suggest that the lack of price premiums in the industry does not reflect unwillingness by mills to recognize the efforts of loggers. Rather, the justification lies more with the premise that this has become the cost of doing business in this era of certification and sustainable forestry. The forest products industry is not alone. It is the trend among all manufacturing industries to monitor supply sources and improve environmental performance of suppliers.

Increasingly, forest products companies are making substantial investments in certification, whether through the SFI Program, International Organization of Standardization (ISO) or Forest Stewardship Council. These efforts towards improving environmental management are in response to societal pressure for increased environmental accountability. This business strategy is designed to assure the public that forest products companies, big and small, can be responsible stewards of forest resources.

This informal social contract with consumers does not, however, include a price premium for those products originating from sustainable sources. To date, the evidence suggests that consumers are not willing to pay a price premium (Jenkins & Smith 1999). Consequently, it is not surprising that price incentives are not trickling down to trained loggers. Training for loggers may not translate into a price advantage, but it is likely to improve access to markets.

Conclusions

Collectively, the forest products industry must raise performance standards without any guarantees of a return on their investments. Past studies indicate that loggers are very sensitive to costs associated with continuing education. Consequently, they seek training sessions that offer short-term, tangible payoffs (Smidt & Blinn, 1994; Egan, Hassler & Grushecky, 1997). Cooperative Extension Forestry Programs providing logger training need to remain cognizant of the fact that their clients are not likely to receive monetary benefits for continuing education efforts designed to raise performance levels.

In this current environment in which we are asking loggers "to do more with less," it is imperative that Cooperative Extension Forestry Programs involved in logger training continue to offer loggers practical, inexpensive training capable of delivering tangible payoffs. Examples include: chainsaw safety training or a workshop on OSHA's hazard tree regulations, both of which may lower workers compensation rates, or a Best Management Practices workshop that may minimize the number of water quality violations. Workshops on business management and financial analysis also provide immediate benefits to loggers as they help them compete in an increasingly competitive market. The ultimate pay-off will come with greater public trust and a well-managed forest resource capable of sustaining the industry far into the future.

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