

# Hard Times, Tough Choices: Possible Options for Tribal Forest Enterprises



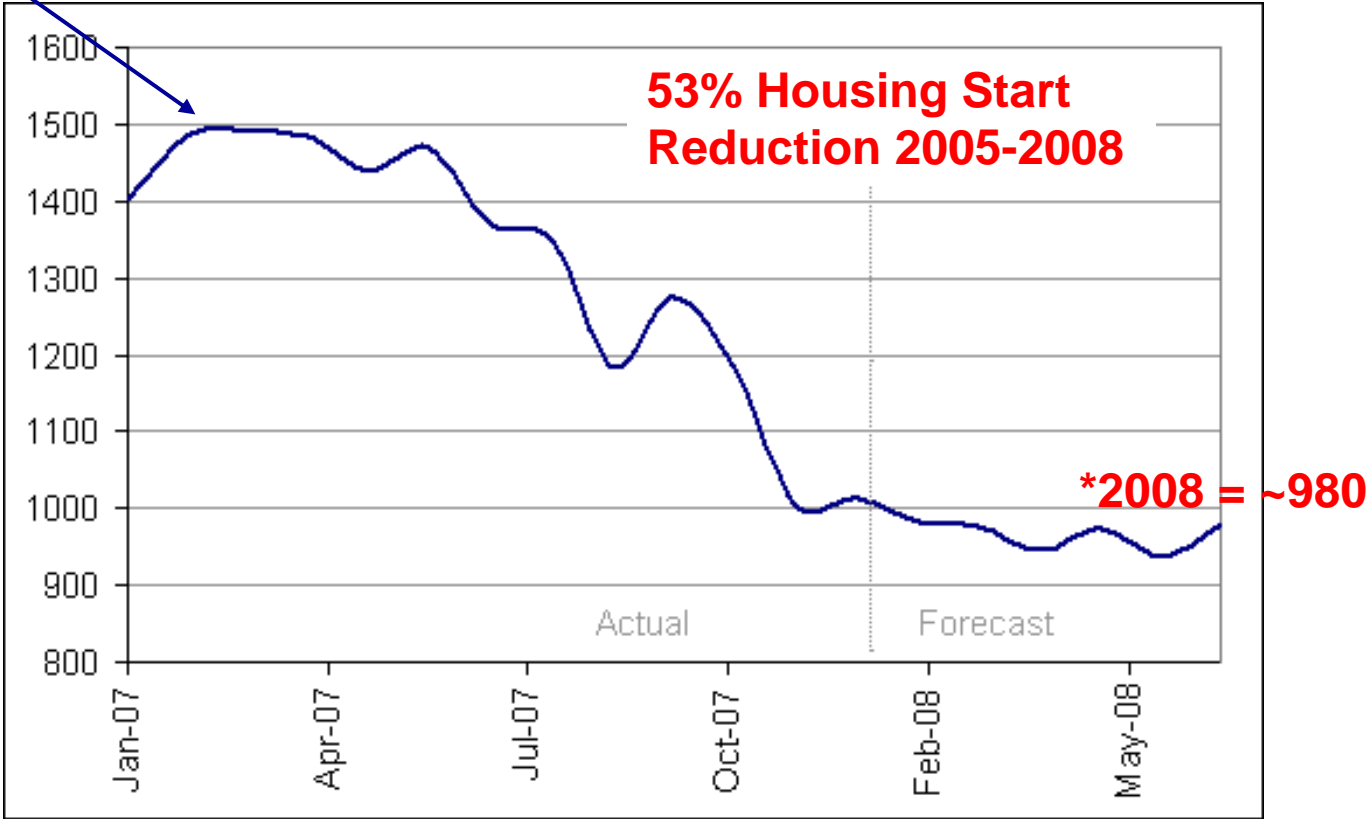
Larry Mason, University of Washington

# Background

2005 = 2068

2006 = 1801

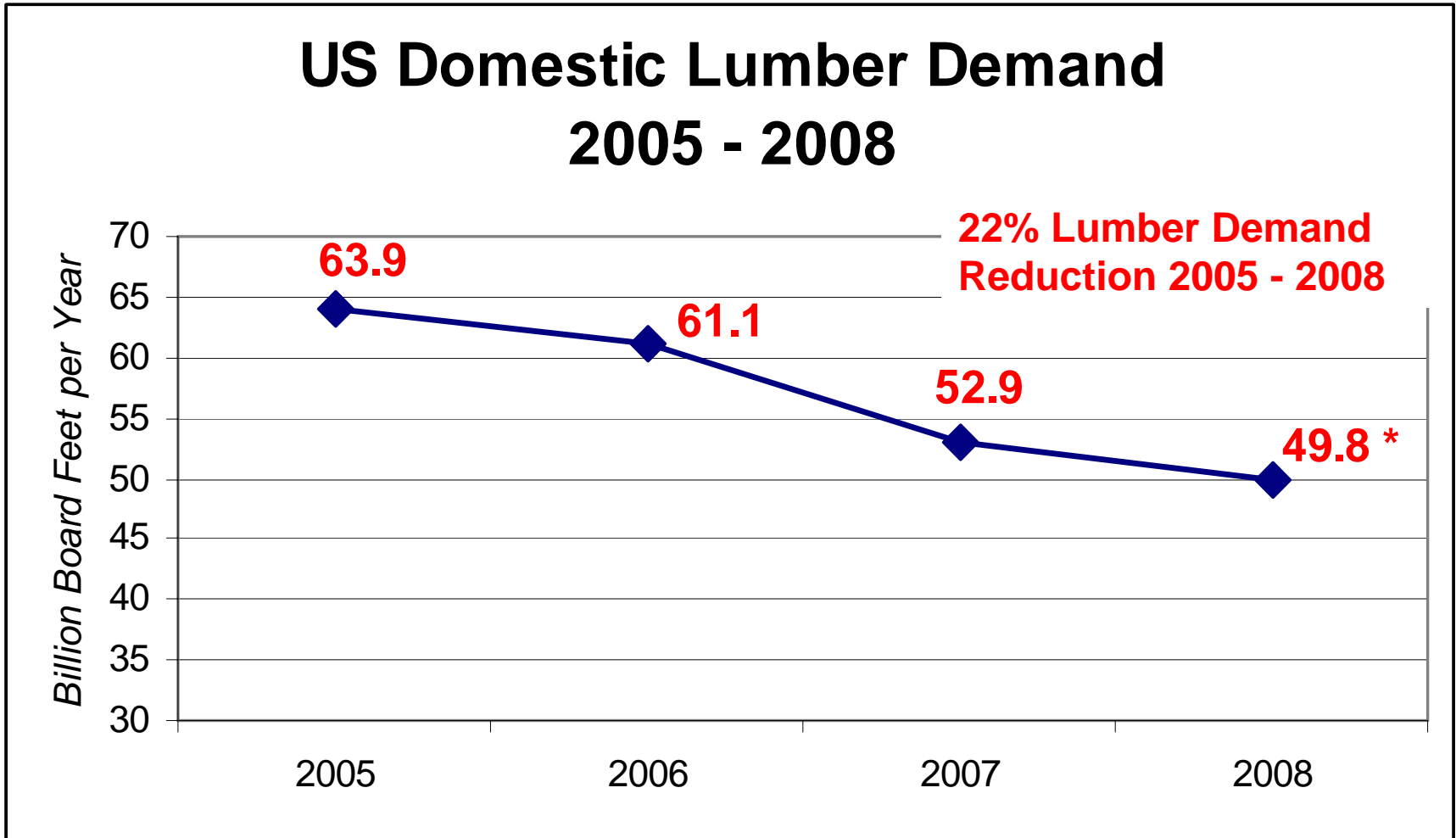
**U.S. New Housing Starts**  
**Annual Rate Seasonally Adjusted**  
**- Thousand Homes**



**\* 2008 Forecast**

# Background

## US Domestic Lumber Demand 2005 - 2008



\* 2008 Forecast

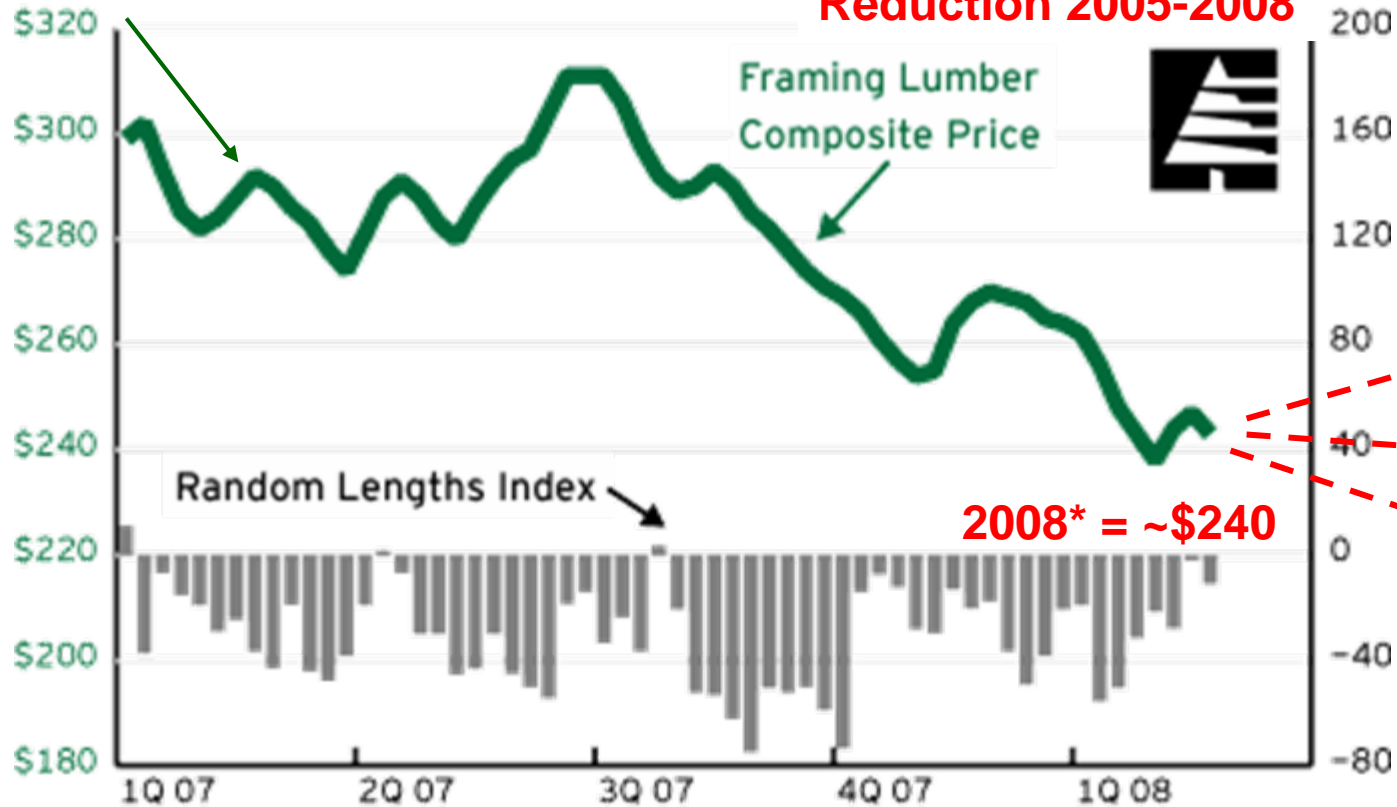
# Background

Random Lengths Composite Lumber Price in \$/MBF  
Random Lengths Index (Ratio Order Files to Inventory)

2005 = \$387

2006 = \$327

38% Lumber Price  
Reduction 2005-2008



2008\* = ~\$240

\*2008 1Q Actual

2009?!

# *How to Sustain Viability of Tribal Forest Enterprises?*

- I. Subsidize Operations**
- II. Reduce Raw Material Costs**
- III. Improve Process Efficiencies**
- IV. Increase Product Returns**



# *What does this mean for Tribal Forest Enterprises?*

Depends upon some questions:

## Timber Tribes



# Tribes with logs but no sawmill:

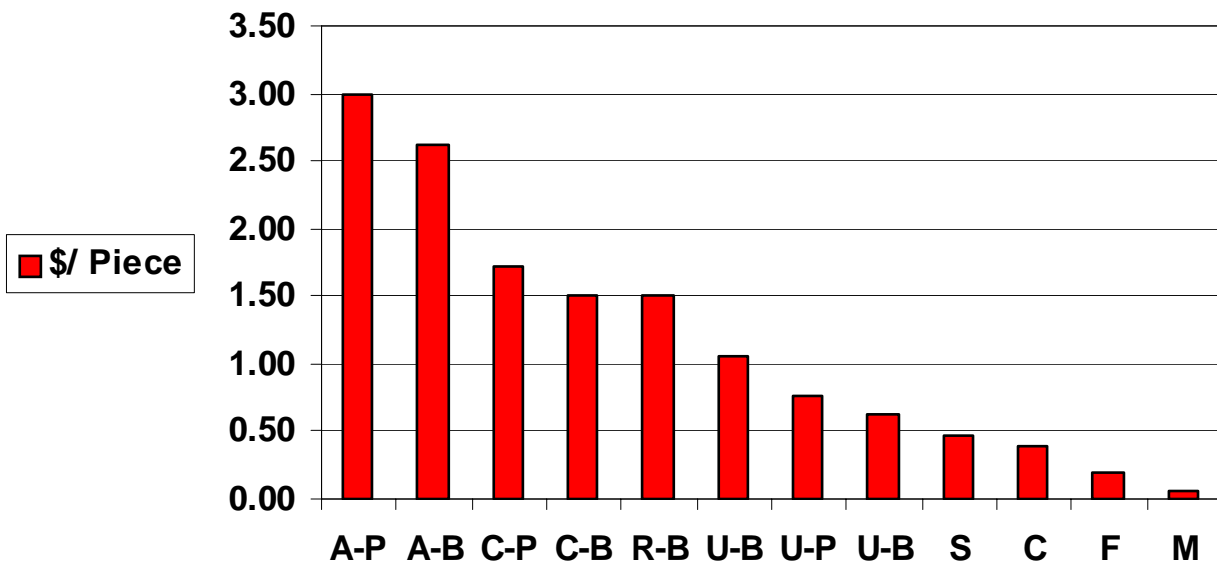
- **Could your logs bring more money?**



- What markets can be served?
  - Domestic vs Export
  - Enterprise vs Open Market
  - Pulp vs Saw Log
  - Hardwood vs Softwood
- How to more profitably serve selected markets?
  - Log Sales vs Timber Sales
  - Reduce Harvest & Haul Costs
  - Value-add (Poles & Chips)
  - Brand Differentiation



**Smallwood Pole Value (\$/ Piece) by Grade**  
**Basis: 8 foot length, 4 inch diameter**



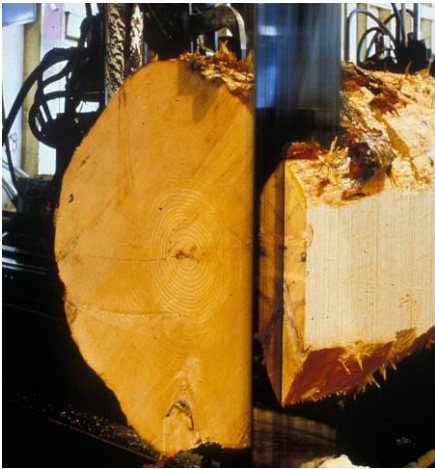
		lbs	tons	\$/ Ton	Grade	\$/ Piece
Appearance Peeled	A-P	30	0.015	200	A-P	3.00
Appearance Bark On	A-B	30	0.015	175	A-B	2.63
Character Peeled	C-P	30	0.015	115	C-P	1.73
Character Bark On	C-B	30	0.015	100	C-B	1.50
Rustic Bark On	R-B	30	0.015	100	R-B	1.50
Utility - Bark On	U-B	28	0.014	75	U-B	1.05
Utility - Peeled	U-P	28	0.014	55	U-P	0.77
Utility - General	U-B	28	0.014	45	U-B	0.63
Strand & Flake	S	27	0.0135	35	S	0.47
Pulpwood	C	26	0.013	30	C	0.39
Fuel	F	25	0.0125	15	F	0.19
Mulch	M	25	0.0125	5	M	0.06

Source: Forest Concepts Inc. 2003

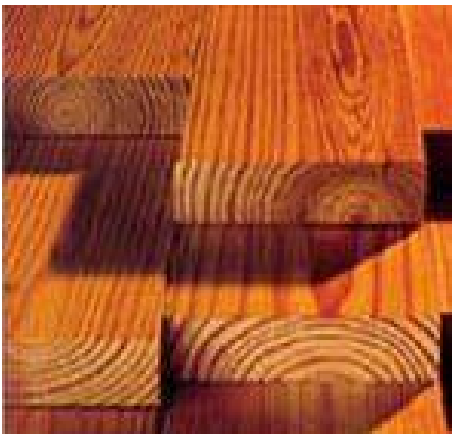


# Tribes with Logs and Sawmills

- **How bad do you want to run a sawmill?**



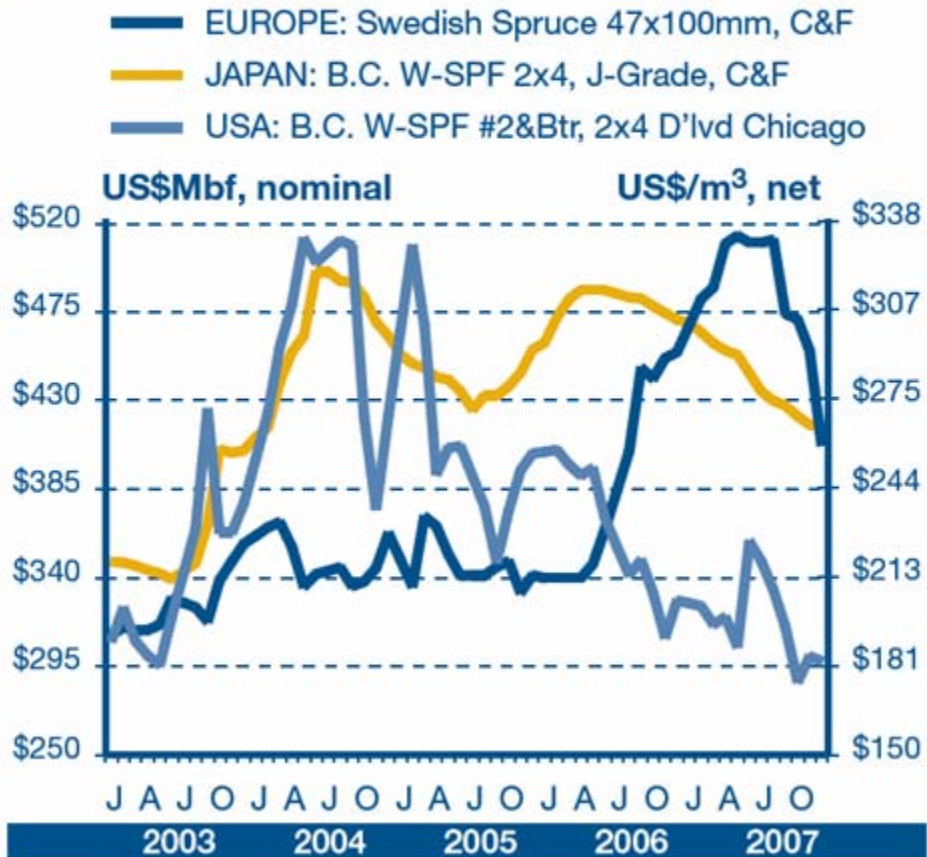
- Choice: logs or lumber or both?
- What are the market options?
- How to most profitably serve selected markets?
  - Reduce raw material cost – discount, high grade, outsource.
  - Improve operations – Reduce employment or increase production?
  - Diversify and differentiate - improve composite return.
  - More money from bi-products



# Could your *lumber products* be exported?



## GLOBAL STRUCTURAL LUMBER PRICE TRENDS

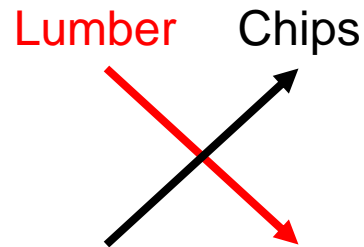
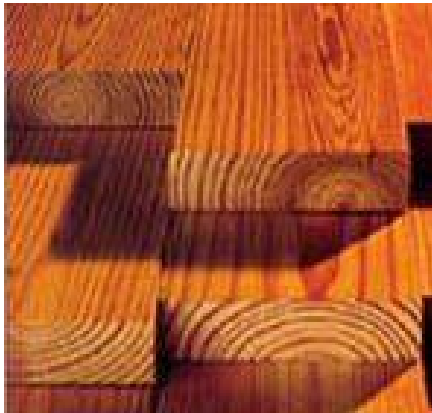


Source: WOOD MARKETS

# Expanded Product Concepts

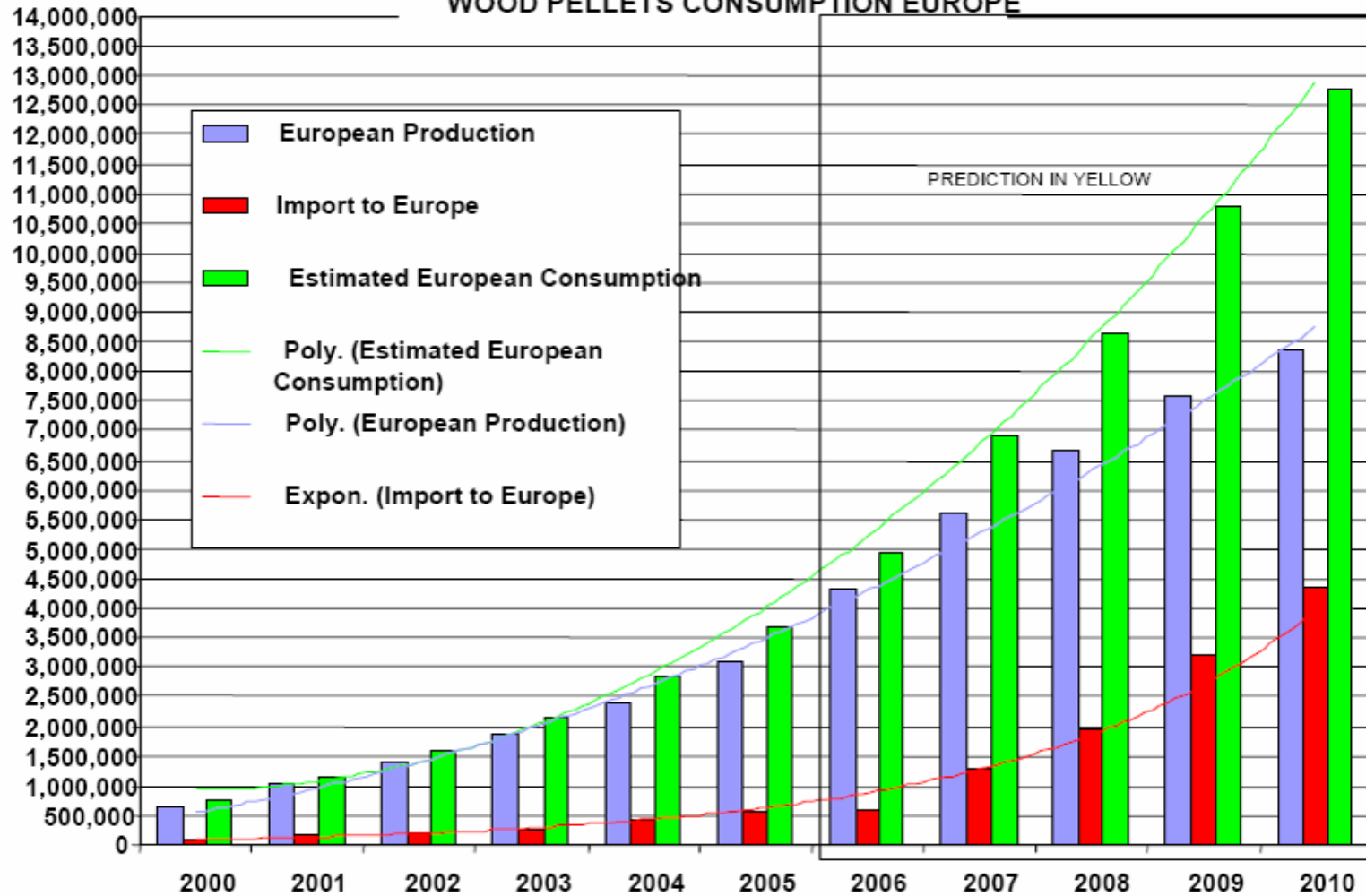
Historical Relationship:

As **Lumber Price Declines** Chip Price Increases



METRIC TONNE

### WOOD PELLETS CONSUMPTION EUROPE



## Imports from Canada and US Supplies

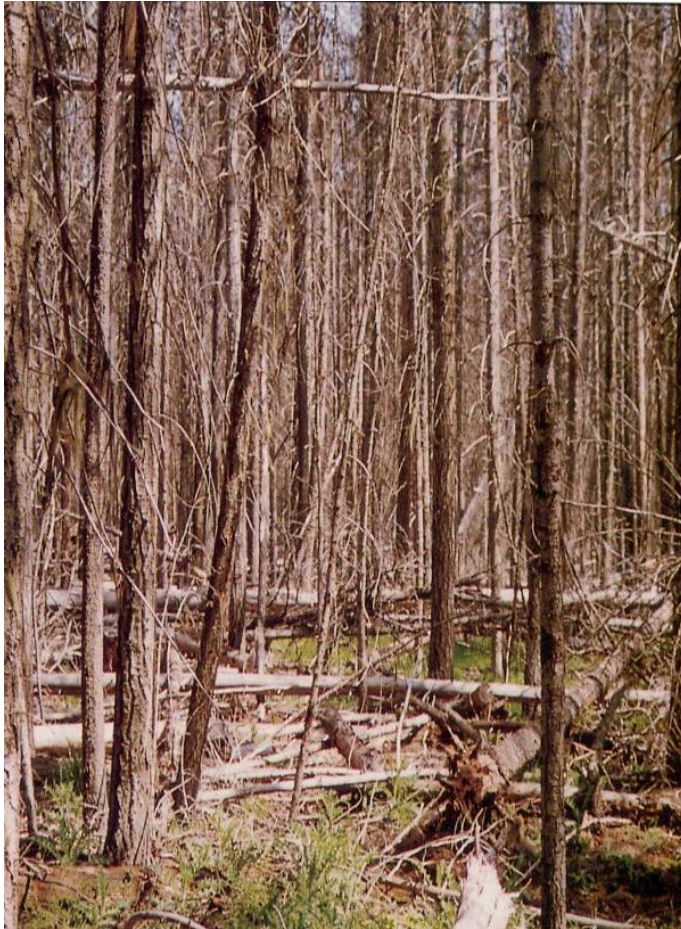
Source: Wood Pellet Assoc of Canada

# *Expanded Product Concepts*

## Wood to Energy



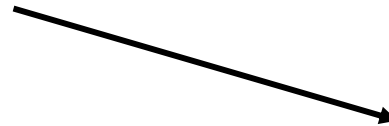
# *Environmental Products*



**This**



**Or**



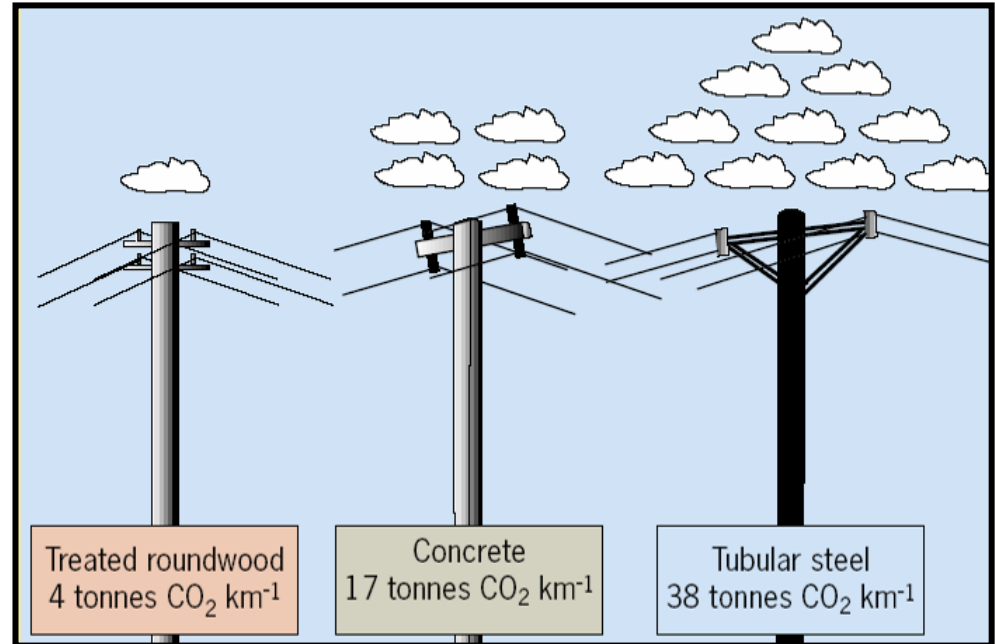
**This**



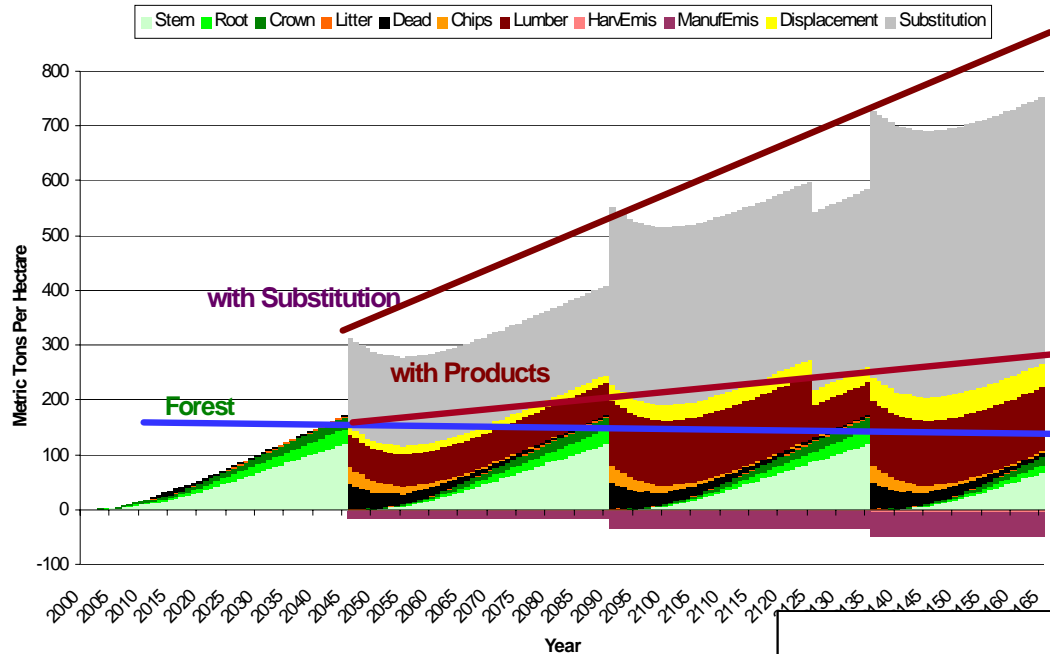
**Nonmarket Values/Avoided Costs:  
Subsidies or Investments?**

# Environmental Products

## Carbon Credits



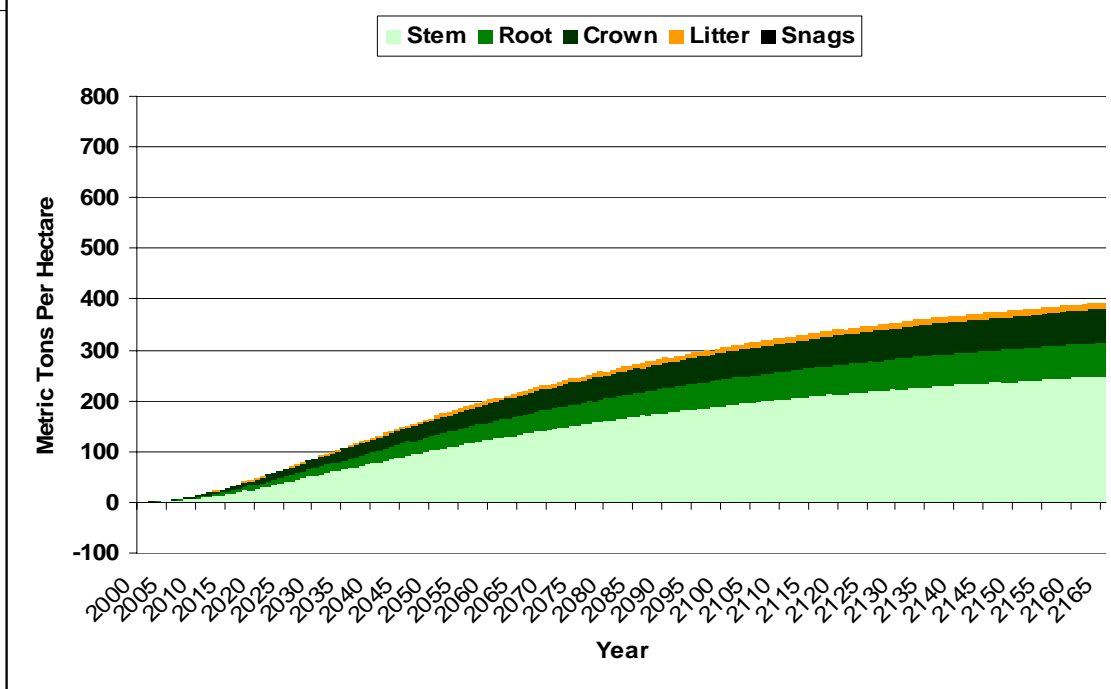
Forest, Product, Emissions, Displacement & Substitution Carbon by Component



**Carbon sequestration, storage, offset, and displacement from forest management and products manufacture.**

**Carbon sequestration and storage with no management.**

Forest Carbon by Component





# ***Environmental Products***

## **Partnerships: Agencies and NGOs**

- **Conservation Easements**
- **Transfer of Development Rights**
- **Stewardship Contracts**
- **Forest Health Partnerships**
- **Self Certification**
- **Other?**



# ***Future Possibilities***

## **Marketing Research, Coordination, Infrastructure**



- **Regional Tribal/BIA Trade Alliances?**
- **Intertribal Timber Council?**
- **United League of Indigenous Nations?**
  - **US, Canada, Australia, New Zealand**
  - **Establish a clearinghouse regarding indigenous enterprises and mutually beneficial and profitable trade and commerce opportunities.**
- **Other Trading Partners?**

***Time to try  
something different?***

