Financial Condition of Loggers in Arkansas

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Matthew H. Pelkki
Professor and Clippert Endowed Chair
University of Arkansas at Monticello
School of Forest Resources
Arkansas Forest Resources Center
Roadmap

• Disturbing trends

• Survey methodology and response demographics

• Financial status of loggers

• Potential solutions
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DISTURBING TRENDS IN
ARKANSAS’S LOGGING SECTOR
Timber production in Arkansas

Arkansas Timber Severance Tonnage 2000-2009

Source: Arkansas Forestry Commission, April 2010
Logging sector contribution to GSP

Logging Sector Contribution to Arkansas GSP 2003-2008

Millions of Dollars

2002 2003 2004 2005 2006 2007 2008 2009
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SURVEY METHODOLOGY AND RESPONSE DEMOGRAPHICS
Survey Methods

• 4 page mail survey using Dillman’s TSD methodology
• 14 questions
• Mailed to 216 members of the Arkansas Timber Producer’s Association in January 2010
• Follow-up postcards
• Non-ATPA member bias survey of 40 logging firms
• Survey completed by March 2010
Response demographics

• 127 respondents – 59%!
  – 110 in South Arkansas
  – 17 in North Arkansas

• Production total of 9,126,197 tons in 2009, or 55% of Arkansas’s harvest

• 15/40 in non-ATPA survey, no “non-member bias” found.
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FINANCIAL STATUS OF ARKANSAS’S LOGGERS
## Income vs. operating costs

<table>
<thead>
<tr>
<th></th>
<th>Last 3 months of 2009</th>
<th>Last 6 months of 2009</th>
<th>All of 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>No income</td>
<td>17.3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Income &lt; costs</td>
<td>46.9%</td>
<td>47.9%</td>
<td>46.9%</td>
</tr>
<tr>
<td>Income = costs</td>
<td>24.7%</td>
<td>32.9%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Income &gt; costs</td>
<td>11.1%</td>
<td>19.2%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>
Cut and haul costs vs. cut and haul rate

- Increased > 10%
- Increased 0-10%
- Remained same
- Decreased 0-10%
- Decreased > 10%

Legend:
- Rate paid
- Costs

%:
- 0%
- 10%
- 20%
- 30%
- 40%
Activities/Actions in 2009

Percent of logging firms in 2009 that...

- Deferred maintenance
- Furlough employees
- Used personal savings
- Reduced business savings
- Terminated employees
- New equipment
- Used loans to make payments
- Made late payments
- Sold equipment
- Add employees

0% 10% 20% 30% 40% 50% 60%
Loans / Bankruptcy

• Loans
  – 53% had applied for loans in 2009
  – 52% were approved

• Bankruptcy
  – Less than 1% had or were in the process of filing for bankruptcy protection
Under current market, how long will you keep operating?

- < 3 months
- 3-6 months
- 6-12 months
- > 12 months
- Indefinitely
Current equipment evaluation: % of loggers

- **Sawtimber**
  - Poorly suited: 1%
  - Adequate: 30%
  - Well suited: 70%

- **Pulpwood**
  - Poorly suited: 1%
  - Adequate: 50%
  - Well suited: 50%

- **Energy wood**
  - Poorly suited: 0%
  - Adequate: 20%
  - Well suited: 80%
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POTENTIAL SOLUTIONS
Long-term loans

- Not helpful
- Neutral
- Very helpful

0% 10% 20% 30% 40%
Sales tax exemption on logging equipment

Not helpful
Neutral
Very helpful
Short-term loans allowing skips in payments

- Not helpful
- Neutral
- Very helpful

0% 10% 20% 30% 40%
Increased truck weight limits

- Not helpful
- Neutral
- Very helpful
Reduced fuel taxes

- Not helpful
- Neutral
- Very helpful

Graph showing the percentage of people's opinions on reduced fuel taxes.
“Fair logging practices” board

- Not helpful
- Neutral
- Very helpful
Business management training for loggers

- Not helpful
- Neutral
- Very helpful

0% 10% 20% 30% 40%
Conclusions / Summary

• Recovery, but soon enough?

• More debt – the answer?

• Can we create conditions for sustained growth?
Questions and discussion