

Marketing - Ensuring a Return

SE Queensland perspective

By: Ken Matthews



Ken Matthews has 27 years experience in timber/forest industries and works for Private Forestry Southern Queensland with the responsibility of managing all forest marketing as well as other duties.

In SE Queensland we are fortunate to have a significant range of forest product types and application options. The range of products is mainly due to a wide selection of species of high natural durability and strength. Many States and certainly most individual properties are limited in their product range mainly due to the inherent nature of the available species suitable for marketing.

Regardless of the range of species and product types in Queensland, there are still major marketing blunders made by forest growers. The pitfalls are applicable to any Australian State and occur in both native forest and plantation management.

I believe there are two fundamental elements to the pitfalls which are clearly identifiable.

1. Marketing is mistakenly regarded as sales
2. Marketing is disjointed from the entire forest management regime.

The Marketing Objective

The forest product marketing process needs to identify and anticipate customer needs in an efficient and profitable way throughout the forest management cycle. Profitability takes into account all costs - Including the costs that are incurred after harvest and sales, due to the consequences of a poorly managed process.

- ❖ Marketing is about meeting the **needs and wants** of customers;
- ❖ Marketing is a **business-wide** function – it is integral to all other business activities;
- ❖ Marketing is about **understanding customers** and finding ways to provide products or services

Forest grower marketing includes:

Knowledge

- Design your management regime around your marketing objective!
- Know applicable markets, product types, values and specification throughout the forest management cycle.
- What are your customer's specific requirements and expectations?
- Are you growing the right products for your regional customer options?
- Know your resource and reconcile the volume to be cut, the volume that is cut, volume loaded and the volume delivered.
- How will you determine the cutting /product priority in merchandising?
- What are your legislative requirements impacting upon forestry marketing? E.g. Qld timber Utilisation and Marketing Act, Australian Standards, etc.
- Does the harvester have a thorough knowledge of the product specifications relating to the products you desire to be cut?
- The local market is not necessarily the best option and may in fact be the worst option.
- Market knowledge is useless without the wisdom and understanding to apply it in a timely and effective manner. (Do your forest management regime homework)

Critical mass

Critical mass is product/market specific and can be one log, one load or a certain tonnage/m³.

I believe it is a common misconception that viability is determined by critical mass. In fact viability is determined by profit after cost in association with achieving critical mass. It is product value and demand that determines critical mass for market access. The two issues are separate yet can have implications for each other. It is obviously possible to have a critical mass of a product which is not viable to harvest.

Example

In Queensland, if you have one tree that is a 9.6 m x 58 CDUB, of suitable species and grade to constitute a Girder, I can sell it for \$672 stumpage to the forest grower (after all extraction costs). The disclaimer to this is simple: This example only works if you know the market, the product, the purchaser, the constraints, the customer needs, logistics management, etc.

All commercial forest growers will produce a product or a range of products that fit into the following categories. Each category has implications for your marketing strategy, critical mass and viability of your forest management, harvest and sales.

1. Low volume/high value
2. Low volume/low value
3. High volume/low value
4. High volume/high value

Price

- Differentiation of product classes according to relative value adds to profit!
- The highest price is not necessarily the best value (Consider post-harvest implications and the cost of product presentation)
- Cut, snig and haul rates vary according to site characteristics and are site specific.

Sale process

- Separation of harvest and sale responsibilities can translate into higher returns.
- Sales may be best performed by an independent/third party consultant.
- Pay a higher cut and snig rate for products worth chasing.
- How will payments be made? By cutter docket, reciprocal invoicing, etc?
- Have you set up appropriate communication with the cutter, haulage, purchasers, etc?

Security

- You need a contract with the harvest manager/contractor (Including penalty clauses)
- You need a contract with the purchaser (Including penalty clauses)
- Reputation for payment terms has a bearing on prospective purchaser

Value

- Maximum utilisation does not necessarily translate into higher returns.
- Haulage is only a constraint to a sale if the sale price does not compensate for the additional haulage.
- Value includes accounting for the mess you may be left with after harvest

It is a regular occurrence to hear of a forest grower being disappointed in the outcome achieved after a harvest and log sale operation. The disappointment often can be summarised as a consequence of poor marketing skills rather than a lack of market options or low prices. I make the point once again; ‘Sales do not equate to marketing’. It is not possible to create a sales opportunity for a product type after you have grown the wrong product.

In this article I am reticent to discuss pricing and sale as this minor aspect of marketing is not the answer to the disappointment discussed before. As one small indicator to demonstrate that prior planning prevents poor performance (5 P’s) I provide the following information from a real example:

Property: SE Queensland
 Net harvestable area = 75 ha
 Gross wood volume = 892 m3

Example1.

Sawmill provides a quote on stumpage, engages their own harvest crew and merchandises according to their product requirements.

Grade	Volume m3	Stumpage \$	Total \$
A grade Sawlog	454	\$105	\$47,670
B grade Sawlog	438	\$38	\$16,644
	892		\$64,314

2. Outcome achieved via marketing:

The exact same volume with marketing knowledge of products, specifications, purchasers, logistical management, values, legislative requirements, industry expectations, cutter incentives, contracts, harvest planning, environmental protection, Code of Practice, forest growth, product recognition, regime understanding, regeneration, etc and ensuring separation of harvest and sale responsibilities.

Grade	Volume m3	Stumpage \$	Total \$
Bridge Girders	18	\$280	\$5,040
Slice veneer billets	63	\$240	\$15,120
Poles	152	\$140	\$21,280
A grade Sawlog	297	\$105	\$31,185
B grade Sawlog	362	\$38	\$13,756
	892		\$86,381
Additional stumpage to forest grower = 34%			\$22,067

It is not possible for me to cover every aspect of forest grower marketing in an article, even if I did have the answers, for we are talking about conducting forestry as a business and a profession. Nevertheless, regardless of forest management regime, local market opportunities and variances, the number one consideration in marketing forest products is that your forest management regime is a marketing exercise from the day of its inception.

The main question to ask yourself - “Are you marketing a product or a forestry enterprise”?