

Minnesota Forestry Research Notes

MARKETING NEEDS FOR MINNESOTA ASPEN LUMBER^{1/}

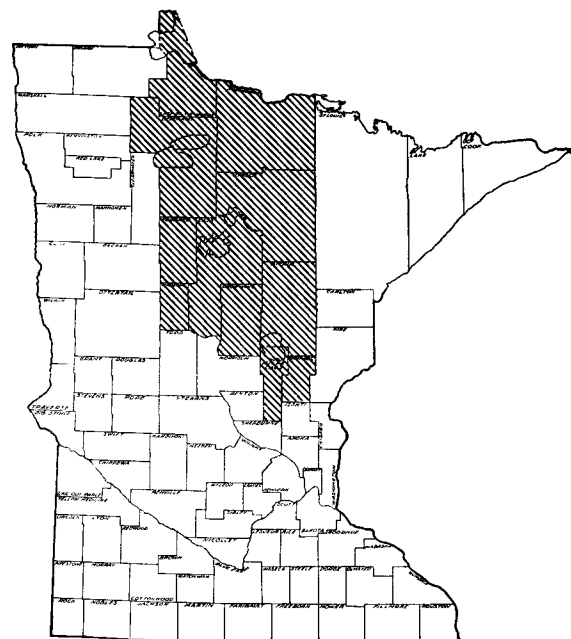
Fred J. Hill and Robert D. Thompson^{2/}

UNIVERSITY OF MINNESOTA
OCT 12 1970

A 1965 market survey of the Minneapolis-St. Paul manufacturers^{3/} indicated a sizable demand for packing and crating lumber, for which aspen is used and well suited. Inadequate and sporadic supplies of aspen lumber were the principle reasons given by these concerns for using western species rather than aspen. Interviews with three Twin Cities retail lumber dealers supplying much of the packing and crating lumber revealed that imported lumber is substituted because they could not find a reliable supply of aspen to satisfy their markets, even though aspen sells to their accounts for as much as \$29.00 less per thousand board feet.

If this market existed and if there was an abundance of aspen sawtimber available, what was restraining the supply of aspen lumber to Twin Cities users? The twelve county area selected for study of this question (see map) contains about 45 percent of the aspen sawtimber in the state, accounts for about 50 percent of the lumber production and has relatively low per capita incomes. The known sawmills in this area were listed and stratified into five size classes. The study was conducted using a personal interview schedule for the active mills and a mailed questionnaire for the listed idle mills. All of the idle mills and the active mills in the two larger size categories were surveyed while a random sample of the mills listed in the two smaller size classes was taken. Information was gathered from 43 percent of the 455 mills in the population.

Any listing of mills and stratification by size is subject to periodic change with mills becoming idle or going from one production class to the other. This shows up rather prominently in Table 1. The listing used showed 79 idle mills, yet 130 of those contacted were found to be actually in this class, resulting in a projection for the area of 266 such mills. In the 1000+ MBF class it was found that some mills were idle, a few had dropped in production, putting them in a different size class, and some of the smaller mills had increased their production and were now in this class. The projection, based on the observed trends in each



- 1/ This study was supported in part by McIntire-Stennis research funds.
- 2/ Research Assistant and Assistant Professor, respectively, School of Forestry, University of Minnesota, St. Paul, Minnesota.
- 3/ Thompson, R. D. and H. F. Rathbun. 1966. Markets available for Minnesota aspen lumber. Minnesota Forestry Note No. 172. 2 pp.

size class, shows that there should be about 30 mills in the survey area producing over one million board feet of lumber per year.

Information of Table 1 indicates that there are considerably fewer active saw-mills than thought to be operating in this area. It also shows an increase in the number of larger mills which is the factor maintaining production levels despite fewer mills producing.

Table 1
1965-66 Mill Population and Percent of Sample in Survey Area

Size Class in MBF	1-99	100-499	500-1000	1000+	Idle	Total
Original list	235	90	30	21	79	455
Percent of list sampled	15%	35%	100%	100%	100%	43%
No. of mills in sample	35	31	30	21	79	196
No. of mills by post-sample classification	18	24	9	15	130	196
Population estimate	100	49	10	30	266	455

As would be expected, actual production is considerably below capacity, and the percent of stated annual capacity used increases with mill size. Figure 1 shows this information for all species of lumber produced and for aspen for 1965 and 1966. The estimated production of all lumber in this area was down about $5\frac{1}{4}$ million board feet in 1966 from 1965 with aspen production down about $1\frac{1}{2}$ million board feet over the same period.

The producing mills have ample production capacity to satisfy the existing Twin Cities markets. The fact that they have not supplied these markets suggests problems in marketing.

Several survey questions were designed to investigate mill marketing practices and willingness to change. Only 23 of 66 active mills answering said they needed marketing help. The balance were satisfied with their marketing method as one producing the highest price and volume of sales for their production. Of the 23 who thought they needed help, only eight had considered marketing changes, one had made a change and only four were contemplating a change in 1967. (See Figure 2.)

Although a number of owners recognized the need for improved marketing methods, there was little inclination to do anything about it. This shows an apparent lack of coordination of marketing efforts, vital in such a fragmented industry, and the producer's lack of experience in managing marketing problems.

One possible alternative in the marketing of lumber produced by the many small mills of this area could be the establishment of a distribution yard in the metropolitan area whose primary function would be to gather the resources and concentrate the market effort on available potential users. This alternative was the only one presented to the mill owners during the survey. The results, presented in Figure 3, indicated an interest

Figure 1

1965-1966 LUMBER PRODUCTION AND STATED CAPACITY

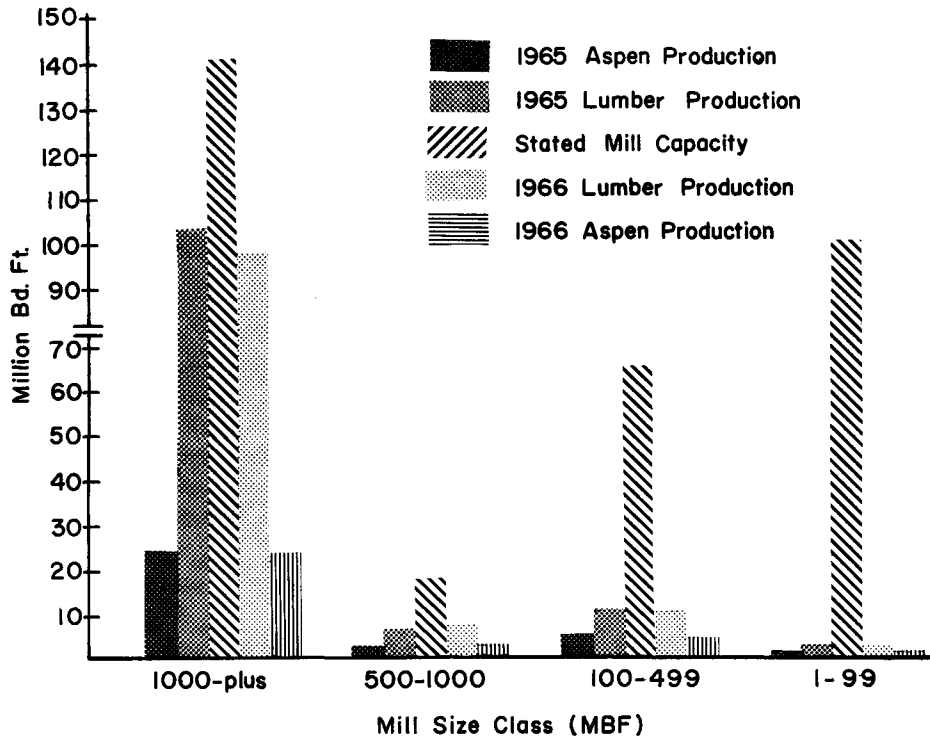
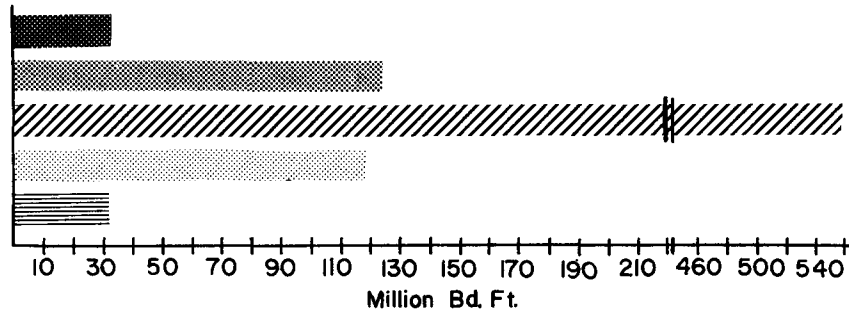
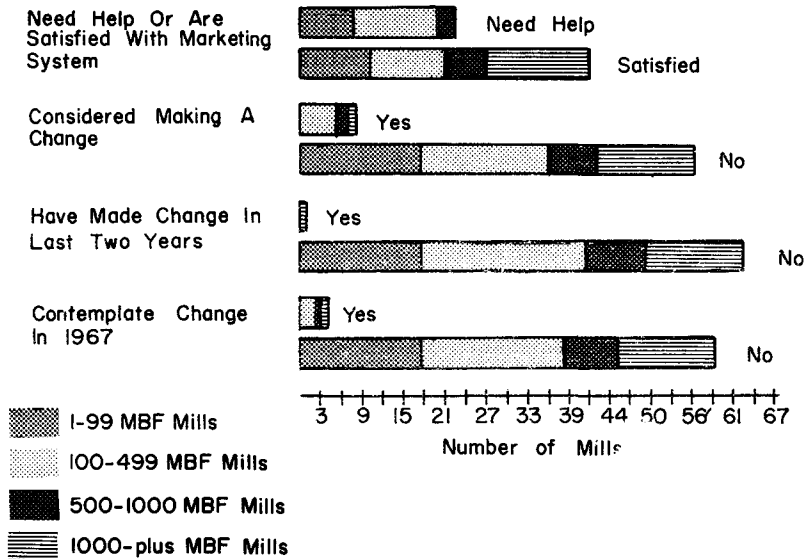


Figure 2

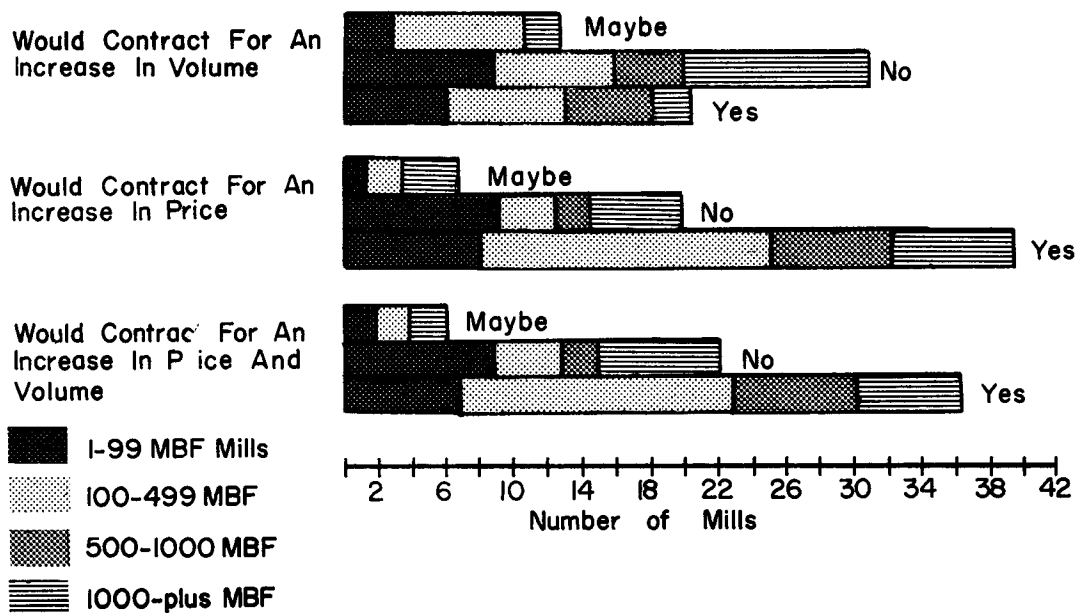
MARKETING SYSTEMS CHANGES



on their part. Part of the survey attempted to measure the interaction of price and volume on the mills receptivity to the concentration yard approach. Figure 3 confirms that the producers would be interested in such a marketing arrangement if it would result in higher prices. Producers in this area lacked interest in increasing their volume, however, even though they had unused capacity and available raw materials.

Figure 3

WILLINGNESS OF MILLS TO CONTRACT PRODUCTION TO A
MARKETING GROUP UNDER VARYING PRICE AND VOLUME CONDITIONS



The lumber industry as a whole is composed of relatively small producers, the largest company accounting for about five percent of the nation's lumber production.^{4/} Minnesota mills, by comparison with some of the larger mills in the west, are very small and the suggested coordination of marketing efforts appears to be a real need.

A well established, efficiently operated distribution center could benefit the sawmill industry of northern Minnesota in a variety of ways. In addition to the concentration of resources and marketing effort, it could furnish a sorting and grading service to improve price. It could determine alternate or additional markets such as furniture parts or dimension cut stock for manufacturers. Kiln dried lumber is demanded by many industries and, therefore, kiln drying might be a feasible activity for a distribution yard. The distribution yard could also act for the mills on problems such as government regulations, commercial standards, education and quality control, residue utilization, financial advice and assistance in plant expansion, purchase of equipment, and for the purchase of logs to assure continuous mill operation. Help in these important areas should improve the effectiveness of the industry and make Minnesota aspen lumber more competitive with imports. In this way, a greater share of lumber consumption in the state would be met by in-state producers. Perhaps a higher level of lumber consumption might be encouraged because of the lower cost of this material when available in an orderly fashion from state sources.

^{4/}N.L.M.A., Lumber in Pace with the Space Age, P 9, undated.