SMALL SAWMILL BUSINESS WORKSHOP-
BUSINESS GUIDE-SESSION 1-BUSINESS

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Thursday Sept. 23, 2021
Schwab Buford Property
Solon, IA

BUSINESS AREAS TO MASTER-AgENDA

• Management-Session 1
• Marketing-Session 2
• Finance-Session 2
• Production-Session 3
• Equipment-Session 4
• Drying-Session 5

WHY BE IN THE SMALL SAWMILL BUSINESS?

• Self employment
• Benefits of being a business
• Joy in running a sawmill
• May work from home
• Can be profitable
• Can be a vital contributor to the wellbeing of a community

SOURCING LOGS-RURAL AND URBAN AREAS

Sourcing logs-urban and rural areas-

• Logging your own forest or buying timber
• Buying from loggers-drop off and pick up
• Drops from arborists and developers-may be free logs, may be able to charge for dropping, helps if you pick up the logs
• Shares-swapping sawing fees for logs
• Great Plains a mix of prairie and forests-plenty of logs for a small sawmill operation

MICHIGAN AARON SMALL SAWMILL EXAMPLE
BUSINESS BASICS-TYPICAL FOCUS TYPES

• Single Owner/Operator sawmill
• Businesses with partners and/or employees
• Full time versus part time
• Cooperation with other businesses
  • Can share facilities and equipment
  • May buy/sell logs and lumber for better focus
  • Can sell slabs to a firewood processor

ALIGNMENT OF THREE FOCUS AREAS-
GOAL P & L + SCHEDULING + BIDDING/PRICING

• Goal profit and loss statement-the way you want things to be
• Production schedule-logs in and lumber out
• Bidding and pricing-costs + profit = price
• [Profit and Loss Statement is an Income Statement, where profits = revenues – expenses]

FINANCIAL SAVVY

• Statements-monthly and yearly
  • Profit and loss
  • Balance sheet
  • Cash flow
• Planning-investing schedule for facilities and equipment
• Buying versus leasing equipment
• Want to grow a $ “Grubstake” so you have flexibility and can seize an opportunity when one comes by!

BUSINESS-COMMON SAWMILL PRODUCTS

• Green lumber-lumber, cants, timbers, live edge slabs, pallet stock, crossties
• Kiln dried lumber
• Cants and timbers
• Shingles
• Stakes
• Squares
• Live edge slabs, mantles
• Crossties
BUSINESS STRATEGY TO GROW SALES FROM LUMBER NOT OFF YOUR MILL = RESELLING
Buying and reselling for extra revenues and profits

- Lumber-can buy what customer want that you don’t produce
- Logs-act as a woodyard and sell logs you don’t want to saw
- Upside is that you are not limited in the volume of lumber and logs you can buy and resale!
- Can buy/sell used equipment too!

BUSINESS-METRO FOCUS HAVE $ TO SPEND
- Metro areas have large populations and offer unlimited possibilities for selling sawmill products
- Retail prices are higher in metro areas than rural areas
- Offers possible value added services that are simple to perform, like planning and simple machining for customization, can offer thick products not found in big box stores
- Social media offers low cost marketing to metro areas
- A few hours of driving time can reach a metro area in most of the US

BUSINESS-BE A SCHEDULER
- Be proactive and make a weekly production schedule even if you operate a one person sawmill business
- Use the schedule to project a profit and loss statement-use $ per day for labor and overhead to add to the cost of logs to create a schedule cost and profit projection
- Example-if you have $10,000 of logs on the yard, how does the profitability vary with the number of work days needed to process the logs into lumber?
- With a visible production schedule, employees are self empowered to work to the schedule!

INVENTORY MANAGEMENT
Inventory management-want to balance inventory $ and avoid losses to stain in lumber and logs
a. Logs-should know $ value and footages in inventory
b. Air dried lumber-should protect from degrade or will lose inventory $ value
c. Kiln dried lumber-want to move if excess inventory builds
d. Protect lumber and logs from the elements

ADDING A DRY KILN TO A GREEN SAWMILL
The business argument for adding a dry kiln to a green lumber small sawmill business
- Higher value for kiln dried lumber
- Larger pool of buyers
- Wholesale and retail buyers available

EMPLOYEES
Training-operating the mill, stacking lumber, running the edger, maintenance, etc. Have positive expectations of the employees
Inventive pay methods-reward good performances
Work scheduling-put out a weekly schedule to put a sense of urgency in the employee-customers want the products
BUSINESS-GREEN SAWMILL EQUIPMENT

Match purchases of equipment to business needs:
- Mills-band-Woodmizer, Norwood, EZ Boardwalk, Timberking, others
- Mills-swing blade circular-Peterson, Lucas, Mobile
- Mills-fixed blade circular-Frick, Edminston, Foley
- Edgers
- Trim saw

SAWMILL EQUIPMENT-BUYING EQUIPMENT

- New-normally from a manufacturer or a dealer
- Used-individuals, used equipment dealers, advertising media
- Internet ads-Craigslist, Facebook Marketplace

SAWMILL EQUIPMENT-BUILDINGS

- Buildings for storing and working equipment-
  - pole sheds
  - enclosed buildings
- Lumber drying and storage
- Protecting equipment adds years to its use, resale $ value and the ability to work outside more days per year

BUSINESS STRATEGY-

WASTE MANAGEMENT AND A PROFIT CENTER

Sawdust
- Collect with a fan and send into a cyclone outside
- Slabs
- Think about splitting into bundle firewood at $3 a bundle wholesale and $6 a bundle retail, can earn $20 a log for making bundle firewood from slabs-kinetic wood splitter with a wide splitter wedge
- Can use slabs for crafts
- Can rip off edges for a siding board
- Must have a system for dealing with slabs
- Can chip using a PTO tractor powered chipper
- Lots of potential buyers for gardening, farming, animals, landscaping

BUSINESS INSURANCE

- Insurance and business liability management
  - Liability on grounds
  - Equipment insurance
  - Worker’s compensation

PRICING LUMBER-AN ART AND A SCIENCE!

- Have to cover costs of logs + labor + overhead
- Have to generate needed profits
- More sales $ volume helps spread out the overhead costs
  - If have $20,000 of overhead costs for producing 100 mbf of lumber sales, overhead costs = $200 of overhead per mbf of lumber sold
  - If have $20,000 of overhead costs for producing 150 mbf of lumber sales, then overhead costs = $133 of overhead per mbf of lumber sold
PRICING LUMBER—AN ART AND A SCIENCE!

- Logs are often bought on a scaled volume.
- Overruns of the log rule reduce log cost per mbf.
  - Example: if you pay $300 per mbf and have a 20% overrun, then your log cost for lumber produced is $300 / 1.2 = $250 per mbf.
- Logs always saw out a variation of lumber quality from high grade to low.
- Better quality logs saw out higher grade lumber and higher $ values for a log.

PRICING LUMBER—AN ART AND A SCIENCE!

- Labor costs vary with output, productivity.
- Can think of labor $ per mbf.
- Best to think of the Profit and Loss Statement as hitting bottom line profitability goals is more important than having a low cost of labor.
- Think of ways to grow productivity of labor—better material handling, better logs, smarter sawing, better choice of products.

RESOURCES

Internet at US Forest Products Lab
- Dry Kiln Operator’s Manual: [www.fpl.fs.fed.us/documents/usda/ah188/ah188.htm](http://www.fpl.fs.fed.us/documents/usda/ah188/ah188.htm)

RESOURCES

Publications—Sawmills
- Jonathan Kays—University of Maryland—publications: [http://extension.umd.edu/woodland](http://extension.umd.edu/woodland)
- Harry Watt publications: [https://outreach.cnr.ncsu.edu/ncwood](https://outreach.cnr.ncsu.edu/ncwood)
- Terry Conners—cross ties: [https://forestry.ca.uky.edu/conners-pubs](https://forestry.ca.uky.edu/conners-pubs)
- Brian Bond—Virginia Tech, bbond@vt.edu
- Wisconsin Department of Natural Resources—[https://wdnr.widencollective.com/portals/84nd650p/ForestryPublications](https://wdnr.widencollective.com/portals/84nd650p/ForestryPublications)