

# Distribution of Timber Sales on Northern New Mexico National Forests :

Are Small and Medium Sized Businesses Getting Their Share?

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## **INTRODUCTION**

The timber industry in New Mexico has a century-long history. In the early 1900s, the railroad heavily logged northern New Mexico's forests for railroad ties. After the railroad came industrial logging, which in the ensuing decades, has high-graded millions of board feet annually from the state's forests. These decades of use are partly to blame for the current situation of densely packed, small-diameter trees in our forests. Today, the United States Forest Service manages the majority of northern New Mexico's forests. Although for many years the Forest Service utilized volume quotas to maximize harvests, public opinion has moved policy towards ecological integrity and sustainability.

Predating the railroad by several hundred years, northern New Mexico has been home to Hispanic and Native American residents whose existence depended on close and fruitful relationships with their surrounding forests. To this day, these forests provide rural communities with wood to build their homes, keep them warm, and cook their food. This centuries old tradition of community-based forestry perseveres alongside the modern timber industry.

In recognition of the unique cultural and social environment of northern New Mexico, the Forest Service adopted a policy designed to maximize the forests' contribution to local needs (Hurst 1972). The policy states that "large [timber sale] contracts are not generally compatible with [the people of northern New Mexico's] needs."

This report analyzes to what extent the Forest Service is meeting its commitment to local communities, by looking at volume distributions among the primary stakeholders. The patterns of the data indicate certain trends, which reflect the individual policies and actions of the Carson and Santa Fe National Forests.

In February 1997, the Forest Trust published a research paper titled "Distribution of Timber Sales on Northern New Mexico National Forests: Are Small and Medium Sized Businesses Getting Their Share?" This paper analyzed timber sales on the Carson and Santa Fe National Forests from 1992-1995 to determine how well the national forests were meeting the needs of local sawmills and woodworkers. This new report includes the original data, and has been updated for the years 1996-1999. This updated report emphasizes all wood products being removed from the forests, not just timber sale contracts.

## **TERMINOLOGY**

The U.S. Forest Service uses various terms in the administration of its timber program. A brief explanation of the terms used in this report may make the report easier to understand.

Wood products are sold on national forests through contracts or permits. Contracts are generally used for the sale of sawtimber, and are awarded through a competitive bidding process. They require complex paperwork and typically involve sales with greater values and volumes than permits. Commercial timber sales are only authorized through contracts.

Because of the size and complex requirements of contracts, the bidders are usually wood products businesses.

For the purposes of this report, contracts are subdivided into three categories: those awarded to small businesses, medium-sized businesses, and large businesses. A small business is defined as employing less than 10 people; a medium-sized business employs 10 to 49 people; and a large business employs 50 or more. These definitions are not reflective of the Small Business Administration (SBA) standards; rather, they reflect the actual business climate in northern New Mexico.

Permits are issued by the Forest Service for both commercial and personal use, and require much less paperwork than contracts. Commercial permits are sold to individuals or small businesses for value-added products that will be resold such as posts, poles, vigas, small quantities of sawtimber, firewood, and Christmas trees. Personal use permits require less paperwork than commercial permits, but it is illegal to resell the products. There is evidence, however, that a significant amount of the wood that is acquired through personal use permits is later sold.

A third category of permit exists for gathering of dead and down material, primarily for firewood. The term “dead and down” does not refer only to blow down and long dead material and may be misleading. The term also includes green trees that have been recently felled in thinning or fuel reduction efforts.

Prior to 1998, the Carson National Forest did not record this volume in their timber reports. However, in fiscal year 1997 alone, the Carson National Forest gave away free use permits for 12.5 million board feet of firewood. Additionally, a great deal of wood is removed each year from the national forests without contracts or permits. Therefore, this report does not record all of the wood products leaving the Carson and Santa Fe National Forests.

All volumes in this report are measured in thousand board feet (mbf) unless stated otherwise. The Forest Service is currently in the process of converting its tracking to hundred cubic feet (ccf). For purposes of continuity with the previous edition of this report, however, we have maintained usage of board feet.

## **METHODOLOGY**

The raw data used for this report was obtained from the Forest Service. Periodic Timber Sale Accomplishment Reports (PTSARs) and Sold and Removed Worksheets from the Automated Timber Sale Accounting System were the primary documents utilized. District Rangers and Timber Sale Accounting Technicians at the Supervisor’s Offices also provided useful information.

Acquiring and accurately portraying this data was not a simple process. Part of this difficulty was due to administrative differences in the Carson and Santa Fe National Forests. All contract data for the Carson was acquired from the individual Ranger Districts (RDs). The

Sold and Removed Worksheets, maintained by the Supervisor’s Office (SO), also contain this data and were used to corroborate RD records.

Approximately half of the data needed for this report was missing from the Carson SO’s records. Many contradictions were found between PTSAR reports, TSA Sold and Removed Worksheets, and RD records. Through a system of cross-checking and informed guesswork, we assembled data according to the most likely scenario.

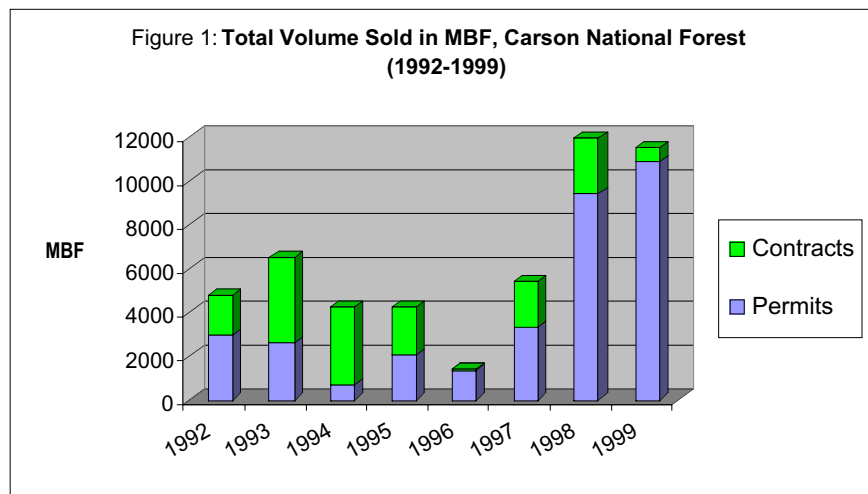
Data collection from the Santa Fe National Forest proved to be much different. All of the Ranger Districts referred us to the SO. Upon request, the SO sent us the necessary PTSARs and the complete Sold and Removed Worksheets. This made analysis of Santa Fe data a relatively easy process.

A median was used to calculate price averages so that sales on the extremes of the spectrum would not skew results. For example, fire scarred or poor-quality trees may sell for an extremely low price, while large trees of the highest quality may sell for a very high price. Because of this paper’s specific interest in the wood products industry, only contracts were analyzed for price comparisons.

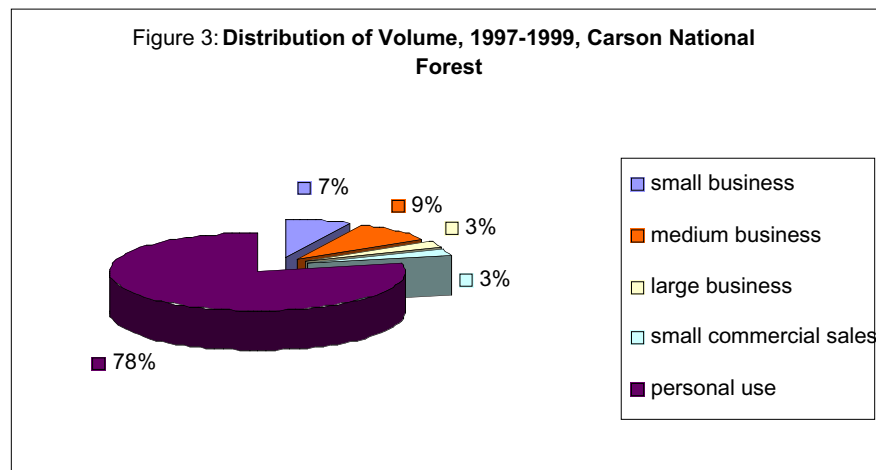
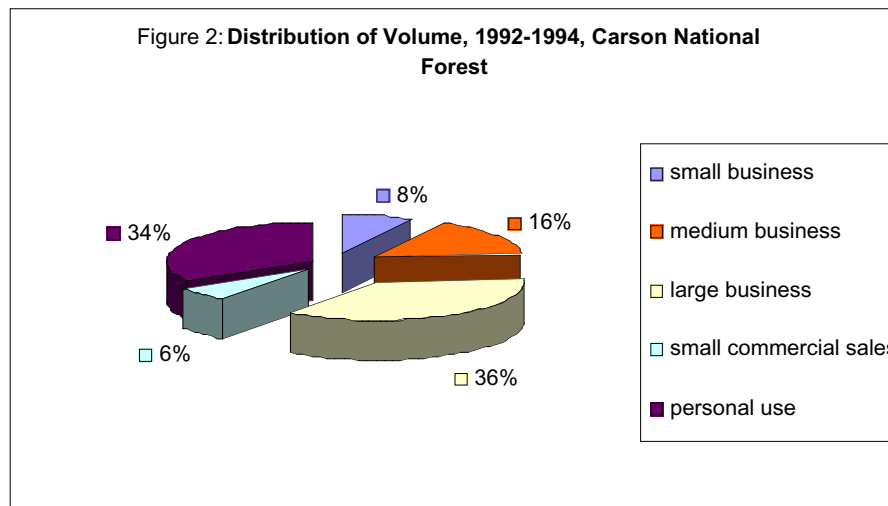
## FINDINGS

### Carson National Forest

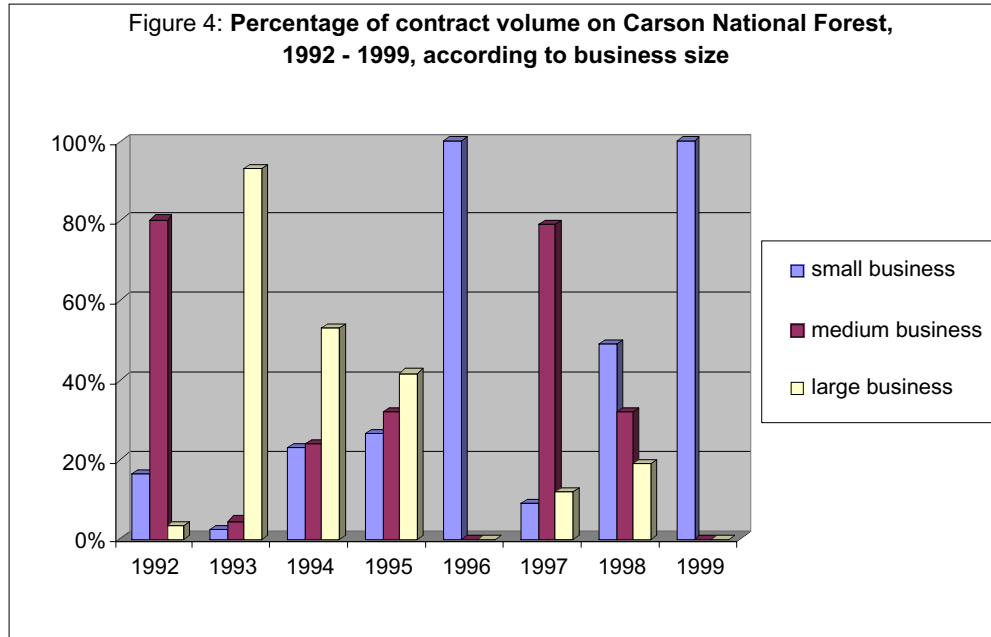
The total volume sold on the Carson National Forest has fluctuated a great deal in the last few years. Very little activity took place in 1996 due to the spotted owl controversy. However, in 1998 the volume jumped to almost twelve million board feet, and that level was maintained in 1999 (Figure 1). This increase is because the Carson National Forest halted their free-use firewood program and began charging for and recording dead and down permit volume in 1998 (see Appendix - Table 1). For example, the Carson gave away free-use permits for 10.0 million board feet of firewood in 1996, and 12.5 million board feet in 1997. Because of the free-use designation, however, the Carson did not record this volume in its total harvest figures.



An important goal of this paper is to show current trends on the national forests. These trends can be demonstrated by comparing the first three years of the report, 1992-1994, with the latest three years, 1997-1999. Between 1992-1994, large businesses had the biggest share of the distribution pie, with 36% of total volume. Personal use permits claimed the second largest share with 34% of volume (Figure 2). More recently, however, the situation has seen dramatic change. Personal use permits now account for 78% of volume distribution, dwarfing all other groups. Large business contracts have greatly receded, accounting for only 3% of volume (Figure 3).

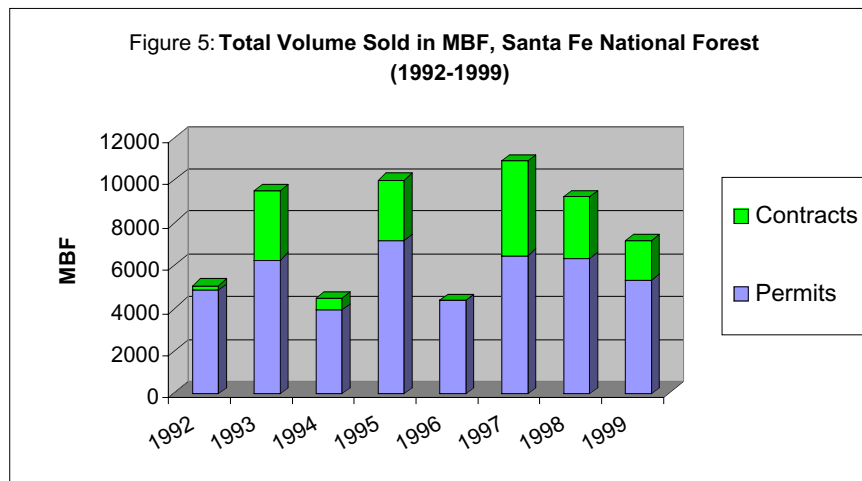


Looking strictly at contract volume, small and medium-sized businesses have dominated the market since 1996 (Figure 4). This dominance can be compared to the years 1993-1995, when large businesses were the principal recipient of contract volume. These trends are encouraging for rural New Mexico, and seem to demonstrate that the Carson National Forest is interested in addressing the needs of local communities.

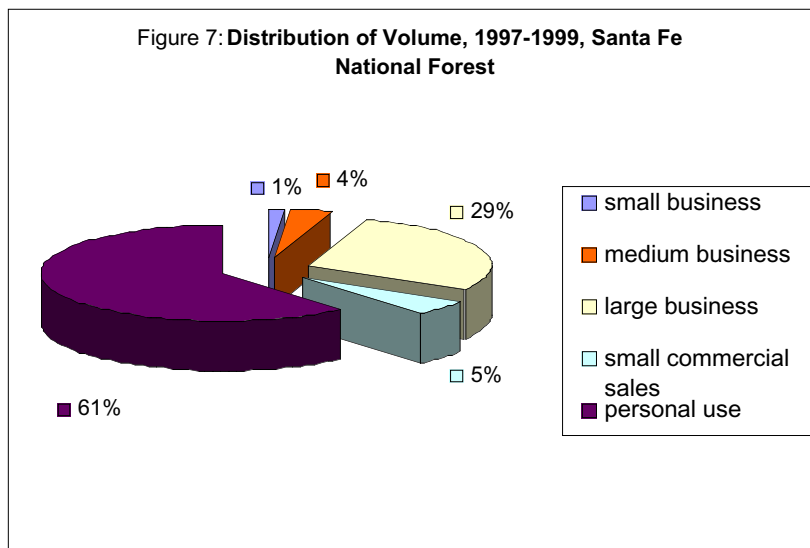
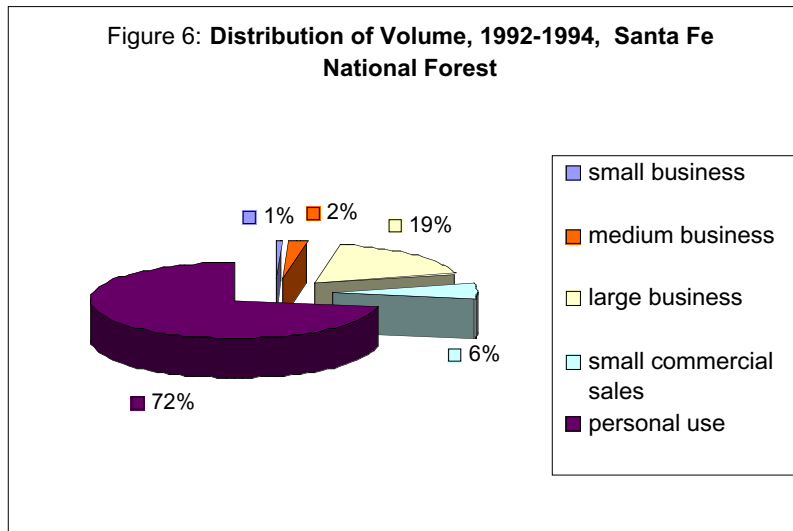


### Santa Fe National Forest

Total reported volume sold on the Santa Fe National Forest from 1997-1999 fluctuated between 7 and 11 million board feet, with an average of 9.1 million board feet of lumber sold annually (Figure 5). There were no contract timber sales in 1996, also due to the spotted owl controversy (Appendix - Table 2).



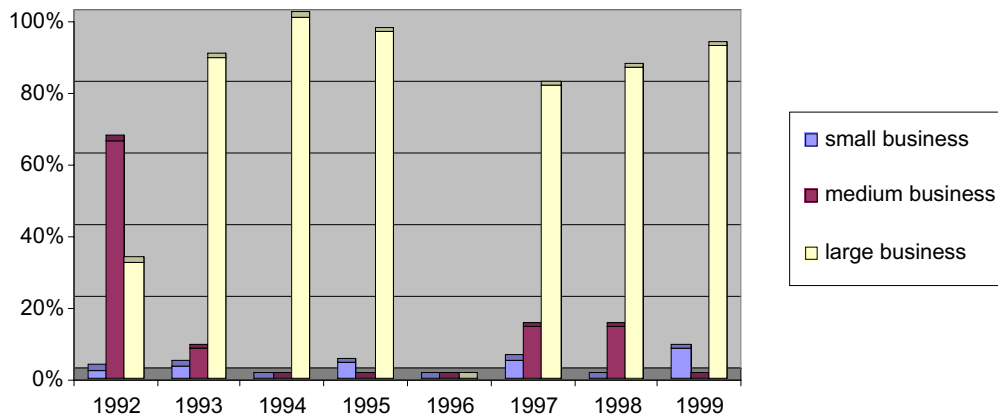
Between 1997-1999, 61% of volume on the Santa Fe was distributed through personal use permits. Large businesses received the second largest share at 29% of volume (Figure 6). When these figures are compared to 1992-1994, large business percentage has increased by ten points, while small and medium businesses combine for only 5 percent of total volume (Figure 7).



Looking solely at contract volume on the Santa Fe National Forest, Figure 8 paints a distinct picture. Large businesses have received at least 80% of contract volume every year since 1993 (Figure 8). From 1997-1999, small and medium businesses accounted for only fifteen percent of contract volume. This trend is in distinct contrast to the Carson National Forest, where small and medium-sized businesses received 86% of contract volume in the same time period.



Figure 8: Percentage of contract volume on Santa Fe National Forest, 1992 - 1999, according to size of business

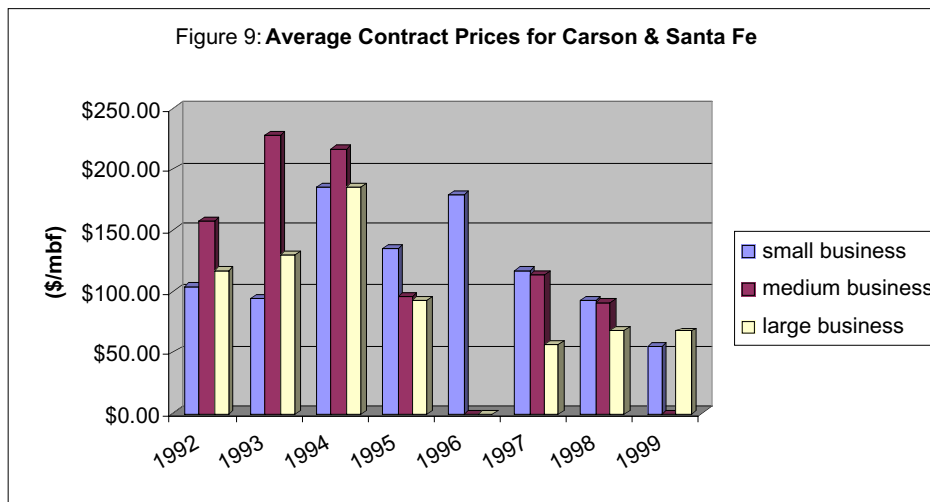


## Prices

Many factors determine contract pricing, of which timber quality is often the most significant. Average prices per mbf have fallen significantly on the Carson and Santa Fe over the past several years (Figure 9). This trend partially reflects the lower quality timber that is being harvested from the national forests, a result of policy directives to reduce high-grading. Prices of foreign lumber, as well as local economic fluctuations, also affect contract prices.

Medium-sized businesses, on average, paid the most per mbf on both the Carson and Santa Fe National Forests (Appendix - Table 3). Large businesses paid the least on the Carson, while small businesses paid the least on the Santa Fe. Without knowing the quality of the timber being bid upon, it is difficult to conclude if one business size class is being given a competitive advantage.

Figure 9: Average Contract Prices for Carson & Santa Fe



## CONCLUSIONS

The Carson and Santa Fe National Forests cover a vast portion of northern New Mexico. Many of the mountain communities that exist adjacent to these National Forests are dependent on the forests for their livelihoods and sustenance. Sustenance comes from firewood and other personal use products that provide for a family's basic needs. Livelihoods derive from the ability to harvest and resell wood products for economic gain.

Both the Carson and Santa Fe provide a great deal of products for local communities. In the last decade, as forest industry in the region has declined, the majority of wood products being removed from the national forests have been for personal use. However, these communities need more than survival rations; they also need the potential to earn living-wage incomes. The Carson National Forest is demonstrating that timber sales can be successfully geared to small operators. Over the last three years, over 97% of the total volume from the Carson has been distributed to either individuals or small and medium-sized businesses.

The Santa Fe National Forest Plan states that "in the unique cultural environment of northern New Mexico, ... our mission ... includes: contributions to the economic and social needs of the people of northern New Mexico; strengthening of the rural economy of the region and encouraging the enrichment of traditional cultural values; recognition that the way of life of many rural residents is, and will continue to be, directly affected by the management of Forest lands..." In the Forest's five-year review of the plan, the agency recognizes "that a relatively small percentage of the offered sawtimber volume is purchased by small operators," and that "many of the small mill operators can only afford to bid on 50-100 MBF sales."

However, from 1997-1999, only one out of seventeen timber sales offered was for less than 100 MBF. In fact, over half of the sales were to Rio Grande Lumber Co., which is owned by an out-of-state timber corporation. The Santa Fe National Forest defends their actions by stating that "thousands of permits are issued to the public each year in addition to the sawtimber contracts." The majority of these permits, though, are for personal use and cannot legally be used to strengthen the rural economy. Small commercial sale permits, which can be used for economic gain, account for only four percent of timber volume sold by the Santa Fe over the eight-year course of this study.

In the wake of recent forest fires, Congress has budgeted hundreds of millions of dollars towards future restoration and thinning on national forests. The new timber economy that is emerging will require businesses with the capacity to handle small-diameter wood. It is crucial that our national forests provide small and medium-sized businesses with the opportunities to develop their capacity for this material. The Carson National Forest has demonstrated that it is possible to support local economies through both permits and contracts. Now, the Santa Fe National Forest must take the step of implementing its forest plan policies through its actions.

## **LITERATURE CITED**

Hurst, William D. Region 3 Policy on Managing National Forest Land in Northern New Mexico; March 6, 1972. U.S. Department of Agriculture, Forest Service.

U.S. Department of Agriculture, Forest Service, Southwestern Region. Five Year Review of the Santa Fe National Forest Plan: 1988-1992 Monitoring Results and Timber Program Reanalysis.

U.S. Department of Agriculture, Forest Service. Santa Fe National Forest Plan, 198

**APPENDIX A**

Table 1: Total Volume sold (mbf): Permits & Contracts (Carson National Forest)

|                      | 1992°        | 1993°        | 1994°        | 1995°        | 1996°        | 1997°        | 1998°         | 1999°         | Average °    |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| <b>Contracts:</b>    |              |              |              |              |              |              |               |               |              |
| small business       | 301          | 89           | 817          | 580          | 49           | 181          | 1275          | 625           | 490°         |
| medium business      | 1478         | 182          | 843          | 695          | 0            | 1681         | 826           | 0             | 713°         |
| large business       | 60           | 3662         | 1882         | 912          | 0            | 262          | 505           | 0             | 910°         |
| Subtotal (contracts) | 1839 (38%)   | 3933 (60%)   | 3542 (83%)   | 2187 (52%)   | 49 (3%)      | 2124 (39%)   | 2606 (22%)    | 625 (5%)      | 2113 (34%)   |
| <b>Permits:</b>      |              |              |              |              |              |              |               |               |              |
| small commercial     | 305          | 467          | 236          | 233          | 139          | 156          | 101           | 526           | 270°         |
| personal use         | 2643         | 2111         | 464          | 1797         | 1226°        | 3147°        | 9274°         | 10339°        | 3875°        |
| Subtotal (permits)   | 2948 (62%)   | 2578 (40%)   | 700 (17%)    | 2030 (48%)   | 1365 (97%)   | 3303 (61%)   | 9375 (78%)    | 10865 (95%)   | 4146 (66%)   |
| <b>TOTAL</b>         | <b>4787°</b> | <b>6511°</b> | <b>4242°</b> | <b>4217°</b> | <b>1414°</b> | <b>5427°</b> | <b>11981°</b> | <b>11490°</b> | <b>6259°</b> |

Table 2: Total Volume sold (mbf): Permits & Contracts (Santa Fe National Forest)

|                      | 1992°        | 1993°        | 1994°        | 1995°         | 1996°        | 1997°         | 1998°        | 1999°        | Average °    |
|----------------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|
| <b>Contracts:</b>    |              |              |              |               |              |               |              |              |              |
| small business       | 6            | 107          | 0            | 118           | 0            | 238           | 0            | 155°         | 78°          |
| medium business      | 176          | 255          | 0            | 0             | 0            | 617           | 407          | 0°           | 182°         |
| large business       | 86           | 2881         | 574          | 2745          | 0            | 3588          | 2497         | 1704°        | 1759°        |
| Subtotal (contracts) | 268 (5%)     | 3243 (34%)   | 574 (13%)    | 2863 (29%)    | 0 (0%)       | 4443 (41%)    | 2904 (31%)   | 1859 (26%)   | 2019 (27%)   |
| <b>Permits:</b>      |              |              |              |               |              |               |              |              |              |
| small commercial     | 351          | 539          | 315          | 512           | 93           | 570           | 470          | 406°         | 407°         |
| personal use         | 4460         | 5736         | 3575         | 6630          | 4305°        | 5900°         | 5871°        | 4930°        | 5176°        |
| Subtotal (permits)   | 4811 (95%)   | 6275 (66%)   | 3890 (87%)   | 7142 (71%)    | 4398 (100%)  | 6470 (59%)    | 6341 (69%)   | 5336 (74%)   | 5583 (73%)   |
| <b>TOTAL</b>         | <b>5079°</b> | <b>9518°</b> | <b>4464°</b> | <b>10005°</b> | <b>4398°</b> | <b>10913°</b> | <b>9245°</b> | <b>7195°</b> | <b>7602°</b> |

Table 3: Average Contract Prices (\$/mbf)

| <b>Carson</b>                |          |          |          |          |          |          |          |         |          |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|---------|----------|
|                              | 1992     | 1993     | 1994     | 1995     | 1996     | 1997     | 1998     | 1999    | Average  |
| small business               | \$57.90  | \$116.22 | \$185.10 | \$156.75 | \$179.30 | \$86.95  | \$91.81  | \$82.00 | \$119.50 |
| medium business              | \$90.20  | \$222.90 | \$216.04 | \$96.19  | n/a      | \$157.98 | \$106.80 | n/a     | \$148.35 |
| large business               | \$64.54  | \$124.57 | \$209.02 | \$137.36 | n/a      | \$11.37  | \$85.78  | n/a     | \$105.44 |
| <b>Santa Fe</b>              |          |          |          |          |          |          |          |         |          |
|                              | 1992     | 1993     | 1994     | 1995     | 1996     | 1997     | 1998     | 1999    | Average  |
| small business               | \$150.63 | \$70.50  | n/a      | \$112.60 | n/a      | \$147.08 | n/a      | \$28.90 | \$101.94 |
| medium business              | \$223.53 | \$232.01 | n/a      | n/a      | n/a      | \$68.50  | \$75.66  | n/a     | \$149.92 |
| large business               | \$170.10 | \$134.23 | \$161.62 | \$46.73  | n/a      | \$101.10 | \$49.81  | \$67.14 | \$104.39 |
| <b>Carson &amp; Santa Fe</b> |          |          |          |          |          |          |          |         |          |
|                              | 1992     | 1993     | 1994     | 1995     | 1996     | 1997     | 1998     | 1999    | Average  |
| small business               | \$104.27 | \$93.36  | \$185.10 | \$134.68 | \$179.30 | \$117.02 | \$91.81  | \$55.45 | \$120.12 |
| medium business              | \$156.87 | \$227.46 | \$216.04 | \$96.19  | n/a      | \$113.24 | \$91.23  | n/a     | \$150.17 |
| large business               | \$117.32 | \$129.40 | \$185.32 | \$92.05  | n/a      | \$56.24  | \$67.80  | \$67.14 | \$102.18 |



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