

Discussion Document from JAG Member Jere Melo

Disposition of the North Fork Spur Timber Sale
Jackson Demonstration State Forest Advisory Group

Meeting of June 26 and 27, 2009

About June 8, 2009, Schmidbauer Lumber Company of Eureka was notified that Cal Fire had rejecting their bid on the North Fork Spur timber sale. Some simple facts about the sale are as follows:

- The bid date was May 5, 2009. A provision of the contract was that at least 500 MBF was to be paid for and harvested between May 11 and June 30, 2009. The sale was to be completed by October 15, 2010.
- At the time Schmidbauer Lumber submitted its bid, their log buyer indicated that they intended to complete the sale in 2009.
- The minimum bid price for Whitewoods was set at \$5.00 per MBF; the minimum bid for Douglas-fir was \$10.00 per MBF. There was no advertised minimum bid for Redwood logs.
- Schmidbauer Lumber bid the minimum price for Whitewoods and Douglas-fir, and they also bid \$50.00 per MBF for Redwood. The bid was accepted as a responsive bid, but the sale was not awarded.
- Just over a month past the bid date, Cal Fire rejected the bid. Had they decided to award the sale, it would have been difficult to have a complete contract and time to pay for and harvest at least 500 MBF by June 30, 2009.

JDSF has offered three sales as of June 10, 2009. Two sales, 14 Gulch and North Dunlap, have had no bids. North Fork Spur had only one bid, the Schmidbauer Lumber bid. There is a clear problem with the sale program, especially if the sale of timber is to be used to finance the various programs in the Management Plan. The result of the 2008-2009 season is that there will be no cash flowing to the Forest to offset a rough \$2.2 million cost. Annual costs to implement the Management Plan are currently estimates at between \$6 to \$7 million.

Recommendations:

- Invite some potential log purchasers and loggers to offer their comments the current sale program. *Suggestions: Larry Holmgran of Schmidbauer Lumber, Chris Baldo of Willits Redwood Company (purchaser of the Camp 3 Sale), and Gary Roach, Roach Brothers Logging of Fort Bragg.*
- Invite Cal Fire to explain how they came to the decision to reject the bid, how they estimate the costs of each sale and how the sale program might be put on a more economic basis.

Background Information:

- JDSF has been off the timber market for several years. They have no clientele at this time. The sale program must be treated as a new business in the community, and its business practices must be oriented toward building a clientele.

- The current market for forest products is very depressed. Sales are slow; mills have high log and lumber inventories that must be worked down before better prices for logs can be anticipated. Other timber owners are receiving much lower prices for logs this year, as compared to past years.
- JAG has been told that JDSF must support its programs with funds generated from the Forest or from outside sources. The harvest limits imposed by the up to 3-years “interim guidelines” severely limit the ability to provide logs that would sell to local mills.
- A major goal of the Management Plan is to provide jobs and raw materials for local business. The rejection of the North Fork Spur sale affects local persons who would like the work, about 30 to 40 persons who would have 3-4 months of woods work.