

Session 3

Paper (c)

.HOW TO SELECT CONSULTANTS AND CONTRACTORS.

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My qualifications for addressing you on this subject:

1. A forestry degree from a university in North Wales- the professors lecture on logging was on how to trap your elephant.
2. On forest experience as a forester with the N.Z. Forest Service. This did not allow getting too close to any logging operations, but did allow the measurement and marking of unlimited trees.
3. Several years as a member of a harvesting group at the Forest Research Institute. This group was the result of the finding by the Economics of Silviculture group that it cost as much to harvest the crop as it did to grow it. Ironically, with this group, I got closer to logging than I ever did while in management. We even managed to log, for research, a part of the 60/8 forest- something that did not impress a Forest Service senior manager very much .
4. An association with the forestry consulting group Chandler Fraser Keating for the last 20 years. It is a group I can recommend without reservation.
5. The growing and logging of my own woodlots.

There is no point in telling anybody how to select a consultant and a contractor if they don't believe they need one, so in case there are any such people here let me tell you this.

Apart from a very brief encounter, I have employed consultants in the harvesting of our woodlots to date, and will continue to do so in the future. This is because I now have heard of enough experiences to know that to market and harvest the crop successfully requires the expertise of a person who is very involved in the harvesting and marketing of tree crops, is right up to date with the current market situation and, who has access to a wide range of markets and logs. These things are essential.

So there you have the first requirements for your consultant and harvesting manager .

- *Totally involved and committed

- *Up to date

- *Access to a wide range of woodlots and markets

I trust that everybody can accept that they need to employ the services of a consultant to help market and harvest their crops. I can assure you, I wouldn't use one unless I had to.

You will notice that I am not addressing the issue of how to select the contractor. This is because I believe this to be the consultants job. I hope the reasons for this will become apparant as we go.

Basically what you want to achieve with the harvesting and marketing of your crop is the maximum financial return .

This will depend on four things -

- * That the conversion of your trees into logs is optimised with regard to the market

- * That the financial return on your logs is the maximum possible for the grade of logs produced

- * That your crop is harvested efficiently

- * That you harvest on a strong market .

The effective financial return will of course also depend very much on the amount of tax paid on the income from the harvest . For this reason , probably the first person to consult is your accountant.

No, probably the first person to consult is your wife or equivalent . This is because the harvesting of a woodlot is likely to be quite a major event in terms of income and stress . It pays to prepare your partner for both events before they occur.

Another tax consideration with the harvesting of your woodlot is likely to be the effect of the much higher than normal income on your provisional tax assessment for the year.

Reference article by Andy Walton- Tree Grower Vol.17 No. 2 May 1996.

Consult your accountant on your harvesting intentions - in fact this should probably be done as part of a five year financial plan.

The next information you require is on the state of the current market for logs , and what your crop is like.

I believe there are two quite separate operations involved in the harvesting and marketing of your woodlot , and two people totally independant of each other are required to provide the service you require .

You need one , who should be totally independant of any log market and harvesting contractors , to provide you with information on the current market and the suitability of your crop to meet it , and the other to organise and manage the harvesting and marketing of your crop .

The suitability of the crop for harvesting will depend largely on it's age and condition . To provide this information the consultant will have to have up to date information on the current markets available and harvesting costs. He or she will also have to assess your crop for volume by log grade . With this information you are in a position to employ, shall we say your 'working consultant' or harvesting manager to get the job done to achieve maximum financial return. It will be the responsibilty of this person to realise the full potential value of the crop.

Equipped with a description of the crop and a report on the market you are now in the following situation .

Your accountant has satisfied you that the tax implications of the income have been appropriately considered

Your forestry consultant has satisfied you that your crop is at a suitable age for harvesting and that the market is favourable .

You have some basic information on your crop.

You are now in a position to get the job done.

The harvesting manager you next employ must have access to contractors and to markets.

Probably the best way to select this manager is to make a list of those who you have established are reliable, and then ask them for an estimate of the value of your crop harvested by a specified date.

You are going to have to make a judgement decision on the reliability of the estimate , which is much the same as making a decision on the reliability of the harvesting manager .

Establishing the reliability of a consultant or manager can only be done by asking around. Ask more than one person and bear in mind the reason for some consultants or companies having a bad reputation rests more with the client than the consultant.

The Institute of Forestry have a register of approved consultants , and some members of the Farm Forestry Association have had experience of harvesting their woodlots .

It is necessary for the harvesting manager to have control of the logs produced by the contractor as he is the one who is marketing or purchasing them . This probably means that the manager has to employ the contractor.

The reasons that a harvesting manager is likely to achieve a better result from harvesting a woodlot than an individual owner are these:

1. He is able to slot the logs into supplies from other harvesting operations to achieve a marketable volume.
2. He is better able to cope with or benefit from any market changes or operational

difficulties which occur during the harvesting operation.

3. He is experienced in the business of harvesting wood and dealing with the contractors involved in the harvesting operation.
4. He is in a better position to supply a contractor and a market with a continuous supply of wood . This has a major influence on the operational costs of the contractor and the amount the market can pay for your wood , both things which have a major bearing on the value of your woodlot .

Having received some values on your crop it is probably advisable to go back to the initial consultant you employed to help you decide which way to go . If you have requested and received a blanket price for your woodlot comparing prices is relatively straight forward but if the tendered price is by log grade , making the comparison is more difficult .

There are other factors to be considered apart from the money offered.

1. That you feel you can work with and communicate easily with the harvesting manager . This also applies to the initial consultant.
2. That the manager has seen to such matters as insurance and Resource Management Act requirements and Local Body requirements.
3. That the manager has a record keeping procedure in place that you are satisfied with.
4. That all of your wood will be uplifted and that you will be paid for all of it..
5. That any requirements that you have with regard to the operation and state of the site after logging will be complied with.
6. That the manager has inspected and approved the logging site and its access and is aware of any changes that may occur as a result of adverse weather.
7. The fee that the consultant and the manager charge for their services . The fee rate is not likely to have much bearing on the value of the consultant , but it should be known.

The final stage will be to draw up an agreement between yourself and the harvesting manager, and have this checked by your first consultant.

In the long term people rise or fall on their reputations and so it is probably better to employ somebody who has been in the business for a few years . Careful enquiries can provide a good indication of a consultant's or company's reputation and then a satisfactory response to the points I have made should ensure that you have chosen well.

It is a matter of being clear on your requirements, understanding the particular interests and skills of the people employed and following a logical sequence for putting the operation in place.