

# Fighting to survive in California

## Big challenges for small lumber yards



**BY DAVID JONES**

It's a fact: Most wood consumed in California is not purchased at major chain stores, but at independent lumber yards. Equally true, 90 percent of these yards are owned by families like mine, families who have met their customers' needs for generations.

Compared to the major chains, it's the independent, relatively smaller companies that can supply the often-tricky, local lumber needs for projects that range from redwood decks and homes, to commercial and industrial projects. But it's about service too, from committed people who help keep manufacturers and many other businesses buoyant in a stormy economy.

So why is it we "little guys" are facing such a dire situation right here in our very own state?

Two factors are having a profound impact:

First, customer demands are changing, and meeting their specific requirements is tough. For example, contractors rely on us for high quality or special lumber for specific building projects, often in large quantities, and they need it urgently – the kind of demands large chain stores cannot meet.

We, in turn, rely on good relationships with California lumber manufacturers. However, the absurd harvest regulations now

mean there is less California-grown wood available to meet the current market needs. Instead of supporting an active, self-sustaining industry, these regulations pose a serious threat.

Second, the cost of complying with California's timber harvest regulations has made producers' operating costs skyrocket. Add ever-increasing taxes, workers' compensation and other compliance expenses, and raising prices is the only option. Understandably, we then have to raise our prices. The result is that homeowners, contractors and end-users all pay more as well. Because producers in other states or countries are not faced with such over-regulation, they can sell their goods for less and profit more.

I recently heard top industry consultant Bill Lee speak at the LACN Convention in Nevada. He shared my concerns, and presented them in cold, numerical terms.

He stressed how in a decent business year, the pre-tax profit margin of a well-run lumber yard is between 5 and 6 percent. After taxes in California, it plummets to a

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net profit margin of about 2.5 percent (or less). Imagine: the typical lumber dealer's annual profit margin is one-third of what he pays in California sales tax! All of us in the forest products industry are in the same boat in an ever-greater sea, and we have to work together to survive.

Legislators need to see how vulnerable we are and start making the rules and regulations work with us, not against us.

Today, there are about 1,000 independent lumber retailers fighting to survive in California. Besides providing vital lumber and service, we are local entrepreneurs who create jobs and enhance our communities.

Tragically, when a local family business has to close, the community loses too. Suddenly, good people are out of work. Peripheral trade is affected as well, such



*Foster Lumber owner David Jones with his daughter, Rebekah.*

as restaurants, gas stations, banks, and schools. It can mean the difference between an active town and a ghost town.

There are other factors too, such as global instability and its impact on business in general, including the U.S. lumber retailers. However, I still believe we have what it takes to survive the hostile climate, and enjoy many more years of success in the lumber business. In fact, I have two positive suggestions.

As independent lumber dealers, the first step we can take is to join forces. As the current president of the Lumber Association of California/Nevada, I want to ask everyone who uses wood to join me in making legislators aware. Voice your opinions loud and clear. It's time to change the policies that threaten us.


The second step is to support the California Grown campaign.

It's hard to miss the emotive TV commercials and the promotional materials in supermarkets. The campaign's main objective is to inspire pride in California Grown products, including the world-class wood we produce. Pride encourages a purchase preference that is bound to stimulate the economy. Supermarkets have

seized the opportunity, and so should the lumber industry.

We will at Foster Lumber. It's a great way to remind consumers that our wood is a top-quality product from well-managed forests protected by the most stringent standards in the world.

Impressed as I am with its potential, I also like the way this campaign links rural and urban people. Suddenly, the man in Los Angeles is likely to have a far greater awareness of the man planting trees in Humboldt County – and that can only be good for our industry.

So far, more than 20 lumber retailers are interested in participating in the California Grown campaign. If you're interested too, contact Donn Zea, California Forest Products Commission President, at 530-823-2363 or dz@calforests.org. For more information on the California Grown campaign, visit [www.calforests.org](http://www.calforests.org) or [www.cdfa.ca.gov](http://www.cdfa.ca.gov). 

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