INTRODUCTION: It is common for mills to use zone, county, or other distance-based pricing structures, paying wood suppliers a higher delivered price as haul distance increases, to account for the increased hauling costs. The potential exists for wood suppliers to abuse the distance-based pricing system if a mill fails to verify the actual location of its wood delivery sources.

SECURITY BREACH: An independent wood supplier in the Appalachians had requested and received a particular delivered price from a mill based on loads that were to be hauled from a distance of more than 100 miles from the woods to the mill. At some point during the wood supplier’s operation, he was actually hauling timber from a source that was less than 50 miles from the mill, but he was still representing the wood as coming from the source greater than 100 miles away.

The mill’s procurement forester did business with scores of wood suppliers and had not visited this independent gatewood supplier recently. During the course of the forester’s conversation with another logger, the forester learned that the wood supplier was actually harvesting timber from a tract located much closer to the mill.

ACTIONS TAKEN: The forester drove to the closer tract and verified that wood was indeed being loaded and delivered to the mill but being paid for at a higher, further-distance rate. The forester confronted the wood supplier with the evidence. The wood supplier seemed to shrug off the security breach, justifying his behavior by citing an incident in the past where he felt he had made out poorly in a business dealing with the mill. The forester immediately terminated the agreement with the wood supplier and refused to do business with him from that point on. Other wood suppliers eventually heard about this incident, and they realized that the mill was going to verify the locations and distances of all open-market wood and would terminate business relationships with any supplier who engaged in “zone jumping.”

RECOMMENDATIONS: Although an individual may have no intention of engaging in timber fraud, there might be incidents in which a wood supplier is inadvertently paid extra money for wood erroneously reported from or assigned to a “more expensive” location. If no one from the
wood-consuming company notices, such errors create temptation. Couple the “no one noticed” incident with a wood processing facility that may have fewer foresters or contract administrators to do field checks, and the temptation grows. Finally, it is common for a person who engages in fraud against a timber company to justify it by convincing him- or herself that “the mill deserves it because they haven’t treated me well,” or “times are really tough. It won’t hurt them if I get a little bit more money—I really need it.”

Mill personnel should conduct regular, unannounced inspections to all wood suppliers’ operations to verify locations and compliance with contract or wood order terms. Mill personnel should always initiate a new contract for all tracts and avoid the temptation of telling the producer to go ahead and run the new tract through the old contract. Communicate regularly with wood suppliers, business colleagues, and industry associates to stay in touch with suppliers’ and companies’ situations. Insist that wood suppliers notify the mill when they move locations, and institute penalties for those who do not comply. Consider regular distance-verification audits which compare tract locations with purchase information and at the same time communicate a “zero-tolerance policy” against zone jumping or other distance-based pricing violations. A well-communicated independent audit also sends the zero-tolerance policy to procurement personnel.

Aggressively pursue any cases of zone jumping and terminate business agreements. If the violation appears willful or ongoing, consider bringing in a security consultant to gather evidence while the security breach continues, in preparation for legal action.

It is important for company personnel to check weekly scale tickets or delivery information from each supplier to become aware of any locations that don’t seem to make sense or that do not match wood procurement’s expectations.

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