



Holding Steady

Creekside Logging doesn't let a little thing like the economy keep them down

By Kathy Coatney

The slow down in the economy has left some logging companies struggling, but with some careful planning, other companies have managed to stay afloat and not lay off employees.

Delbert Gannon, owner of Creekside Logging, a sister company to Blue Ridge Logging, is based out of Redding, Calif. For the last 15 years, the company has logged for Roseburg Forest Products or Sierra Pacific Industries.

Although the economy has been a struggle, Gannon says it's still on solid footing.

"We've kept with these two main companies, and I think that I can continue that with Sierra Pacific as long as they can keep afloat and not shut any more mills down," Gannon says. "We're one of the fortunate ones that kind of saw this coming, and we were able to lock in some deals for this prior year. We've got 23 million board feet lined up on the books."

There are a couple of factors that have kept Creekside stable. One, they've been in business for 40 years. Two, they've been able to weather this storm financially because their equipment has been kept up, and there are no large payments looming over them.

"I think we'll be able to get through this year and then see what next year brings us," Gannon says.

Diversity

Another cushion Creekside has in its favor is diversity. "We've tried different things," says Gannon. "Right now we run a chipping side and two mechanical logging sides."

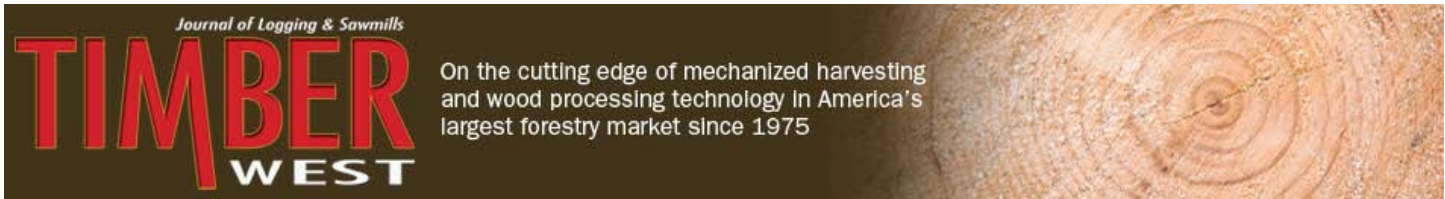
The mechanical logging sides produce logs that go to the mill site. Running a mechanical side is more profitable because it requires fewer employees, has increased production, and overall it is just more efficient.

"That's where it's at today. You've got to get the production," Gannon says.

To stay productive has required purchasing the right blend of equipment. Gannon has purchased a number of Cats over the years -- two 527 Cat tracked skidders as well as a D6C and a D6D.

His Papé dealer has supplied him with much of the remaining iron, including: two 2054 Deere carriers with Pierce delimiters, a 2554 Deere log loader, and six 648 GIII Deere skidders.

To keep up with his chipping needs, Gannon relies on a 5048 Morbark chipper, with hydraulic stabilizers and a drum designed with a staggered knife pattern and heat-treated knife.



Chipping Away

There is currently no profit in the chipping. “Basically, kind of the joke that goes around is, we’ll chip for logs,” he says. Which means, these days, private landowners expect chipping in exchange for logging rights.

In fact, Gannon has private landowners telling him that if he’s going to log for them, he’s going to be doing the chipping as well.

Could chipping become profitable at some point? Gannon certainly hopes so, since chipping is something that helps reduce fire danger, and it keeps the forest healthy. But the bottom line still comes back to, there’s just no money in it.

This hasn’t always been the case. In the early 1980s, Pacific Gas and Electric Company (PG&E) had a 10-year subsidized contract that allowed for some profitability in chipping. When that contract expired so did the profit margin.

The problem, Gannon says, is that PG&E doesn’t buy enough power for the power companies to pay enough for the chips.

In order for chipping to become profitable again, Gannon predicts it will have to come from the top, meaning more subsidization from the government that would enable utility companies like PG&E to pay more for the chips.

Fire

The 2008 fires in northern California didn’t impact Creekside’s logging areas, but they did shut down their green sales in the middle of the summer so they could log out the burn sections.

With drought conditions in California, fire is a major concern. Logging companies in California are mandated to certify a percentage of their crews through Cal Fire, so if a fire breaks out, the company’s crew can immediately work to put it out.

“Cal Fire can’t put anybody on a fire without them being trained,” says Gannon.

If a fire were to start on land where Creekside was working, their certified crew would immediately work to put the fire out. As soon as Cal Fire arrives on the scene, they take over, and Gannon’s crew would then be under their direction.

Gannon’s people would remain on the fire, and they would be paid for fire suppression versus logging by the landowner at that point.

Employees

Creekside is fortunate to have employees who have been with the company for more than 10 years. Part of the reason for their high retention rate is they strive to keep their employees working.

“We usually keep about 25 to 30 employees employed--that’s during regular season,” Gannon says, and he hopes to continue to keep all of his employees working this year.



Keeping their employees working a 10-month season is the goal, and they had been very successful at maintaining that objective until the economy tanked.

One way they try to keep employees working is by having them in the shop to maintain equipment during the off season. "There's certain guys that we know that can do certain things. We try to work them in the shop as much as we can," says Gannon.

Finding and keeping good employees is a challenge, Gannon admits. One of the biggest challenges is finding employees who can pass a drug test. That is critical, and once you find an employee who can, many times it's only to discover you are competing with construction companies for these very same employees.

Now there is the subtle irony that construction jobs are few and far between, which means there is a surplus of quality employees. On the flip side, however, the demand for lumber is down because of the slow down in construction, which impacts the number of employees Gannon needs.

So what's the key to keeping employees? "You've got to pay them well, and you've got to treat them well," Gannon says, and most importantly, remember that when you find a good one, he's gold.