

DYNA Firewood Processor Business Guide

DYNA firewood processors are at the heart of many successful firewood businesses. While some of our customers already know how a new processor will fit into their business, many come to us wondering what the firewood business is all about, and asking if it's possible to make a living producing and selling firewood.

This guide, prepared by the National Firewood Association, provides an overview of the business and its variations in relation to ownership of a mid-size processor.

The Markets

The firewood market breaks down into a number of different segments:

Primary home heating fuel

This market has the lowest profit margin, although there are ways to make it work. With a (2017) average of \$175-\$225/cord, having your own source of feedstock is one way to do it. A lot of firewood businesses got their start from logging operations looking to extract value from their slash and cut timber not suitable for sawlogs or veneer. A lot of tree services came on board the same way.

The upside of this market is that your customers buy in quantity and are probably your neighbors. Delivery distances are short, and order quantities predictable. Treat them right and you'll have long-term customers.

Secondary home heating fuel

These customers buy firewood to fire up a stove on a chilly morning, or a fireplace in the evening. They usually don't want more than a face cord at a time, and have been known to prefer a quarter-cord, as it reflects an even lower-cost option.

Serving this market is a "sweet spot" for many firewood businesses, especially those charge extra for delivery and/or stacking. You might charge \$19 for delivery, and \$25 for stacking (per face cord). If you charge \$129 for a quarter cord, then get another \$44 for delivery and stacking, you're bringing in \$692 per cord. That includes transport and time/labor for stacking, but compare the difference between \$692/cord vs. \$200/cord, local delivery included. And don't forget, you can fit four separate orders in the space of one cord on a smaller truck.

This market responds well to "white glove" service and clean, shiny trucks. It also invites competition, once someone from the country figures out the math. Not all of the \$692 is yours to keep. A significant portion will have to be reinvested in marketing, advertising, and company image. Shiny trucks with professional signage, uniformed delivery people, a website where people can place orders, pens with your logo...

These investments may seem unnecessary, but your image is not only what your customers see, it is also what your (current and potential) competition sees. The last thing you want anyone to think when they first encounter your company's public face is "I could do a better job than that!" Instead, shoot for a response like "These guys look like they're serious about this!"

Everything -- down to pens, stickers, t-shirts, uniforms, etc. -- they are all "weight" that help you grow into the 800-lb gorilla you want to be. It's entirely possible to build a successful low-key business on performance and reputation alone, but it takes time. Projecting an image that says you're serious is how you speed up that process.

Parks and campgrounds

These customers are highly desirable as they buy during the summer. The trend here is moving toward bundles, but honor-system cribs and other retail schemes are still in place. Here, reliability is the key metric to getting and keeping customers.

The way to get these accounts is to visit every prospective buyer within, say, 25 miles of your area. This is one of the few times in business it's better to just show up and introduce yourself than to call and ask for an appointment.

Ask them who their firewood supplier is and how they get along with them. If they're very happy, consider it market research and make a note of your competition. If they're not happy, they'll be glad to tell you all about it.

The "catch" is that these accounts need deliveries (usually) every week, if not more often. Running out causes a problem and makes people very unhappy. Running low causes people to think they should buy wood somewhere else in case your supply might run out.

Resorts and hotels

Resorts and hotels/motels may buy wood for a fire in the lobby or make it available to guests. Each will have its own specific needs and buying profile, but again, reliability is the key to success. A serious firewood business should offer the same high level of service your best local gas company or electric utility does.

Restaurants

For a restaurant with a wood-fired grill, reliable delivery of top-quality wood is mission critical. Their business suffers immediately when they run out of wood. They don't usually have much room for storage, either, meaning weekly deliveries must be made (on a very regular schedule, down to the time of day).

A restaurant manager will pay a good price in exchange for a trusting relationship and priority status in your schedule. Once your first account is running smoothly your second restaurant account will come along shortly. Good news travels fast.

Retail Bundles (Mass production)

This is the toughest market of all to enter. At this level, your wood yard is going to be producing 16" three-quarter cubic foot bundles all long. Producers for this market often run two (or more) large processors and chew through 10,000 cords/year. Buyers are typically brokers who sell your firewood and arrange the delivery logistics to grocery stores, convenience store chains and big-box retailers.

For small to mid-size producers, there are still locally owned grocery and convenience stores, bait shops, etc. who you can make a deal with.

Wholesale supplier

There are a number of firewood operations with kilns who will buy green wood. If you have good, clean wood they often pay a decent price for it to kiln-dry and sell to their customers. Don't expect the same money you'd get selling it yourself after seasoning, but if you're reliable and easy to work with it won't be hard to reach an agreement on price.

Again, service is the defining factor. Time is money and the more smoothly things run for your customer, the more value you represent.

After-hours

You might laugh, but setting up a roadside stand with cribs of wood or bundles can bump your bottom line a bit, bringing in an extra thousand or more, depending on your location. Make it an attractive display with easy access, and price it at \$5/bundle or crib with an honor box. Keeping the stand full is a great way for kids to earn their allowance.

You can set up a game camera for security, but beyond that most people just shrug off the loss as a cost of doing business balanced against the stress of worrying about it.

Custom Processing

A lot of Dyna owners keep their machines (and themselves) busy by offering on-site processing. You rent yourself out with the machine. You may need to bring a loader along to feed the log deck, but often the customer will have a suitable loader.

Some people charge an hourly rate, especially when the customer is loading the logs. If you're using your own equipment and crew, we suggest charging by the cord. At \$40-\$60/per cord you make more by lunchtime than in a whole day charging a reasonable hourly rate. Eight hours charged at \$40/hour = \$320/day. If you're producing just 1.5 cords per hour, that translates into \$480 in the same eight hours at \$40/cord instead of per hour. (2017 figures)

While \$40 or \$50/hour sounds pretty good, the truth is that it isn't worth doing for less. By the time you factor in your equipment costs, depreciation (wear and tear), gas, oil and taxes, you're probably taking home about \$15/hour for hauling out your processor and loader.

If you're just trying to recoup the cost of the processor and are willing to sacrifice your time to meet that goal, be aware that any substantial discount is not going to make you any friends among those who are processing firewood full-time to feed their families. Don't be stuck on feeling that the only way to compete is by price -- by being satisfied with less. Justify your price by earning it.

About firewood prices

Everyone knows that prices go up and down with the cost of petroleum and electricity. But they don't go up or down much. Firewood is undervalued from the start. There are a number of reasons for this:

The first reason is the "weekend warriors" selling by the pickup load. They get their wood for free (often from public lands), don't pay taxes on their earnings and have little overhead. It sounds a bit harsh but this is, by definition, black market activity.

They also give firewood a bad name by selling wood that isn't fully seasoned (if at all). A "heaping truckload" will probably contain gnarled branches, and may well have a chainsaw and a gas can buried beneath it to make it look heaping.

These are not legitimate businesses, and they won't be in business in January when their customers run out of wood.

The second reason is marketing. Firewood, as a fuel, has no marketing or advertising. Utility and oil companies spend millions telling us how clean natural gas burns, or how environmentally responsible it is to generate electricity from biomass. Even "clean coal" had a marketing and advertising budget, but firewood has none.

The public messaging you hear about firewood is entirely unfavorable. Firewood is characterized as a source of air pollution, and responsible for dwindling forests and unsightly clear cutting. It is also a pathway for spreading tragic infestations of unwanted insects.

That's the non-wood-burning public's perception of firewood. It's no wonder firewood is undervalued by the public at large.

Kiln Drying adds value

Aside from the processor itself, the single biggest game changer in firewood is the kiln. Just as important as a kiln's ability to produce USDA-approved firewood suitable for transport across any quarantine boundaries -- it shortens the time it takes to season green firewood from months to days. Those using kilns indicate that 72 hours in the kiln is typical to get the wood down to a moisture content of 15% or so.

While 20% is considered fully seasoned, a moisture content below 17% is required to prevent fungus/mold growth. Contracts for commercial bundles typically demand kiln-dried wood for this reason.

While a kiln is a substantial investment, the increase in productivity it allows is unbeatable. Imagine producing 1200 cords of firewood a year in a yard where you can only deck 40 or 50 cords at a time.

Of course, kiln-drying adds significantly to the cost of producing a cord of wood. Kiln dried cords go for \$300 and up, and face cords up to \$180. This is where the quarter-cord quantity comes in. You can advertise a fair-size pile of wood at a price point below what you charge for a face cord. A lot of people are willing to pay a bit more overall to spend a bit less today, particularly those who only burn a fire occasionally.

Interviews with those who kiln dry their wood indicate that it is hard, initially, to convince consumers to spend the extra money for kiln dried wood -- but once they try it, they always come back for more.

Some suppliers offer a money-back guarantee, while others go so far as to offer a face or quarter cord free of charge, with the customer agreeing to pay only if he's satisfied. A few people may try to take advantage of this promotion, but there's some value in letting them identify themselves as problem customers up front. Take a note and move on.

The Secrets to Success

The first secret is that firewood nearly sells itself. Mention to a few people you're in the firewood business, and before long you'll be getting calls late at night and on holiday weekends. "Do you sell firewood?"

The National Firewood Association began with a goal of helping its members sell more wood, but it only took one fall season to learn that selling wood wasn't a common problem. Most of the producers interviewed said the same thing, "I could sell more if I could just make more." (The second most common problem was sourcing more logs to process).

Only in the most remote, rural locations is it difficult to grow into a very successful firewood business. (In a remote location you need a relationship with brokers or buyers who will take truckload quantities on a weekly basis). You will either be selling to another producer who will kiln dry the wood, or a buyer who will demand the wood be kiln-dried and wrapped/bundled on pallets.

Read contracts carefully and take them seriously. A lot of firewood business is done on a handshake, but brokers and large commercial buyers demand detailed written contracts. It never hurts to have an attorney or another sharp set of eyes help you look it over.

Relying on a single customer for all of your income is a mistake made by many new to the business. Understand that most of your commercial customers are just waiting for a competitor to sell firewood closer to their distribution center who can deliver at a lower cost.

By all accounts there is unknown potential in firewood. There is room for growth in virtually any market. The problem is that there's no good way to calculate how much growth is possible (until the market is saturated).

It must be noted that the demand for firewood is more accurately described as "the demand for a reliable and reputable supply of firewood." The firewood business has a terrible reputation for a lack of professionalism. Virtually every firewood buyer has a horror story to tell, if not several.

In any case, production is the limiting factor in firewood, whether it's due to inefficient processes or a shaky supply of feedstock logs. A splitter is an obvious improvement over a maul, and a firewood processor provides an even bigger leap in production.

The obvious benefit to a firewood processor is combining the cutting and splitting into a single operation. There are other benefits that are less obvious. A processor improves job site logistics, you avoid all the labor of bucking rounds and hauling them to the splitter and surrounding the operator with them.

There's also a significant reduction in risk of injury. Aside from catastrophic chainsaw injuries, using a processor can mean fewer trips to the chiropractor, or afternoons off when the barometric pressure changes suddenly.

In the office

Basic business practices (accounting, etc.) are essential and fairly straightforward. Hire a receptionist and a bookkeeper/accountant. No secrets here, just common sense. Save every receipt, track every cost. That information will be invaluable in the future. Make sure every phone call is answered during business hours.

The bottom line

The biggest "secret" is recognizing that service equals success in the firewood business. A neat, professional image combined with reliable, friendly service is what it takes. The reliability of your service is your primary challenge.

Join the National Firewood Association

The NFA asks our members to adhere to a basic set of common sense standards in return for the rights to use the NFA logo on their equipment and in their advertising. This gives your business added legitimacy with what is perceived by consumers to be a "Seal of Approval." It indicates some level of commitment to professionalism and sets you apart from your competition.

The NFA is a good source of information on the firewood industry, and we help members understand and improve their operations in any number of ways, from marketing tips and recommendations to formal introductions to other members and industry contacts.

The National Firewood Association represents a network of firewood producers and vendors from coast-to-coast along with industry insiders. We talk to firewood people every day, and match members up with buyers when the occasional request comes in. We also make strategic introductions among fellow members.

We also help to improve the image of firewood by being an authoritative contact for the media when they have questions about firewood. We've contributed to stories in Popular Mechanics, This Old House magazine, Wood-fired magazine, Survivor's Edge, USA Today, New York Times, Cleveland Plain-Dealer, and smaller publications and trade journals.

Do you have what it takes?

Producing large quantities of firewood is the definition of hard work. Retirees can operate a processor and skid steer, but it takes a fast pace and long hours to cover payroll. Time spent making deliveries is time away from processing, and vice-versa. It's a tough balance that takes some smarts and a professional attitude to master.

Unless you're processing indoors, weather is a major variable. Your health is a variable, and your employees can be an extreme variable. If you rely on a third party for delivering your loads, that's yet another variable. These are on top of equipment breakdowns, and downtime for completely random reasons you could never have seen coming.

These are the legitimate reasons the firewood business has a poor reputation for reliability. It's tough to battle deadlines when mother nature is working against you, and it takes a tough crew to double-time it and get caught up after a storm.

The good news is that there is plenty of room for improvement. Social media makes it easy to promote a local business at a very reasonable cost. The internet also makes it easier to do business, with online ordering and email/txt communication, not to mention simple credit card processing.

Today's generation of firewood producers has the greatest opportunity in history to build a successful firewood business. With the low-cost business resources available online (you can even put an attorney on retainer online) it has never been easier to start a business and get up to speed quickly. Conditions will never be more favorable for starting a firewood business than they are right now, as the industry is still being dragged into the 21st century by the Internet.