

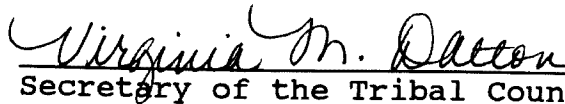
**RESOLUTION OF THE  
WHITE MOUNTAIN APACHE TRIBE OF THE  
FORT APACHE INDIAN RESERVATION**

- WHEREAS,** the White Mountain Apache Tribe has a large woodland resource that has potential for fuelwood production which would provide employment for tribal members and at the same time enhance the woodland resource; and
- WHEREAS,** the Bureau of Indian Affairs is receiving economic development proposals for woodland management projects; and
- WHEREAS,** the Tribal Council has reviewed the attached Woodland Enterprise proposal and concludes that said proposal should be presented to the Bureau of Indian Affairs with a request for funding.

**BE IT RESOLVED** by the Tribal Council of the White Mountain Apache Tribe that it hereby endorses the formation of the White Mountain Apache Fuelwood Project Proposal and submission thereof to pursue funding and such other resources of support as may be available on behalf of the White Mountain Apache Tribe for implementation of the proposal.

The foregoing resolution was on November 05, 1992, duly adopted by a vote of seven for and zero against by the Tribal Council of the White Mountain Apache Tribe, pursuant to authority vested in it by Article V, Section 1 (i) of the Amended Constitution and Bylaws of the Tribe, ratified by the Tribe June 27, 1958, and approved by the Secretary of the Interior on May 29, 1958, pursuant to Section 16 of the Act of June 18, 1934 (48 Stat. 984).

  
Chairman of the Tribal Council

  
Secretary of the Tribal Council

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# DRAFT

WHITE MOUNTAIN APACHE TRIBAL WOODLAND  
ENTERPRISE  
PROPOSAL

Submitted by: White Mountain Apache Tribal Council

Prepared by: Maurice Williams, Forester

November 4, 1992

TABLE OF CONTENTS  
WHITE MOUNTAIN APACHE TRIBE  
WHITE MOUNTAIN APACHE TRIBAL WOODLAND ENTERPRISE PROPOSAL

	Page No.
I. INTRODUCTION.....	01-03
II. PROPOSAL.....	04
A. Description.....	04-05
B. Funding.....	06-09
III. ANALYSIS.....	10
A. Analysis of First Two Years.....	11-12
B. Analysis of Third Year.....	13-16
IV. TRIBAL EMPLOYMENT.....	17-18
APPENDIX.....	19

## WHITE MOUNTAIN APACHE TRIBAL WOODLAND ENTERPRISE PROPOSAL

### I. Introduction

The purpose of this proposal is to secure funding for a two phase woodland fuelwood enterprise. The first phase, covering two years, would target sales of bulk fuelwood. The second phase, beginning in the third year, would shift management emphasis to a packaged fuelwood operation.

The objectives of the first phase are:

1. Assess production capability of the Whiteriver Community
2. Establish market conditions
3. Develop a refined and efficient infrastructure of resource management, enterprise administration, and marketing strategies.

Profit accural is directed towards the producer (the individual cutters) in the first phase. This should result in positive broad-based community interest, provide incentive to produce, and secure a steady supply pipeline.

The objectives of the second phase are:

1. Concentrate commodity refinement to a lucrative cubic foot packaging operation,

2. Provide an acceptable profitability margin for the expanded enterprise,
3. Increase the number of jobs for tribal members per unit of fuelwood, and
4. Provide continued incentive on the supply side.

Tribal Government and community support for a woodland fuelwood project has continued through the years. The Tribe's 1990-92 overall Economic Development Plan considered a Fuelwood Enterprise and was supported by Tribal Resolution. Currently tribal members are cutting in excess of 2,300 cords of firewood for resale. This is primarily dry alligator juniper which is sold in the local communities adjoining the reservation. The Tribal Council has proposed to restrict the cutting of alligator juniper for resale. Therefore, a transition from the cutting of dry wood to green Utah and one-seed juniper will occur. These species will require a drying period before they can be sold to the public. The Woodland Enterprise will provide a means to allow tribal members to harvest green juniper as well as other by products of the commercial timber industry.

From an operational stand point we are in a good position to start a fuelwood enterprise. In addition to a business plan in place, a woodlot could be easily incorporated in the current commercial timber operation at Whiteriver and Cibecue sawmills. A Woodland Management Plan has been drafted which contains silvicultural

prescriptions to harvest the required wood to supply the enterprise. The areas designated for harvest will be broken into cutting units, cruise marked, and volumes determined. Contracts for fuelwood procurement have been developed and approved.

This, then is our status to date. This proposal would eliminate the final stumbling block of capitalization. With funding, economic and resource development can occur. The implementation of this project is extremely important to the continuation of the fuelwood program on the reservation. For this reason partial funding of the project at a reduced scale would be acceptable if total funding is unavailable. Once initiated we believe that the project will be economically self sustaining. With national attention in the woodland arena, now is the time to move forward. The tribal resolution, supporting this proposal is attached.

## II. Proposal

### A. Description

The purpose of this proposal is to secure funding in the amount of \$102,685.00 for the first year of operation of a three year development plan for a White Mountain Apache Woodland Enterprise. The objectives of the enterprise are to develop woodland product sales in the fuelwood market at a profitable margin, provide jobs and income to White Mountain Apache Community members, and generate stumpage receipts to the tribal general fund.

The development of the enterprise is a two-phased approach. In the first phase, lasting two years, concentration will be aimed at bulk fuelwood sales. The enterprise strategy is to buy raw fuelwood through contracts with White Mountain Apache Community Members in the low demand period (April thru September). The enterprise would split and dry the wood then sell fuelwood in the high demand period (November thru March). The second year of the operation is aimed at the increased production of bulk fuelwood sales. The second phase, beginning in the third year, will shift emphasis to further refine the raw fuelwood into one cubic-foot bundles. This two phased approach will allow the enterprise and resource managers the opportunity to assess production capability of

our work force, establish market outlets, and further refine efficiency methods.

Management control of the resource and scaling of wood will be the responsibility of the White Mountain Apache Tribal Forestry Department. Payment to contractors and the hiring of splitters and loaders will be the responsibility of the Fort Apache Timber Company. In the third year it will be necessary to hire a business manager to coordinate all woodlot activities including marketing.

This two-phased, three year proposal will require funding in each of the three years. The funding section which follows describes the funding needs for each of the three years.

It should be noted that if no funding is available after the first year, the enterprise could still have a continuing successful operation in the phase one mode.



B. Funding

1. Funding Needs - FY 93 = \$102,685.00

1.1 Capital Expenditures

<u>Equipment</u>	<u>Description</u>	<u>Cost</u>
a) Splitter	Mechanical hydraulic wood Splitter (2)	= \$ 6,000.00
b) Conveyor	For use in loading trucks for shipment	= \$ 6,000.00
c) Chainsaw	Woodlot Trim saw (2)	= \$ 1,000.00
d) Interior Woodlot Fencing	To organize effective, efficient administrative control and management	= \$ 7,000.00
e) Shed Office	In woodlot, includes desk, chairs, cabinet, plus office supplies	= \$ 3,500.00
f) Miscellaneous	Plastic for efficient wood drying, gas, travel, phone, etc.	= <u>\$ 5,000.00</u>
Sub-total Capital Expenditures		= \$ 28,500.00

1.2 Procurement Expenditures

<u>Services</u>	<u>Procurement &amp; Assumptions</u>	<u>Cost</u>
a) Wood Purchase	1,080 cords at \$56.00/cord \$52/cord paid to cutter. 4.00/cord paid to Tribe for stumpage. Schedule = 9-20 cord contracts each month for six months (April thru September)	= \$ 60,480.00
b) Splitting and Stacking	1,080 cords at \$8.00/cord Each time 60 cords accumulate hire two temporary people for 4 days to split and properly stack the wood. Should split and stack 2 cords/hr x 8 hr. day = 16 cords/day x 4 days = 60 cords. Pay would be \$6.00/hr/person x 2 people = \$12.00/hr x 32 hrs = \$384.00. \$384.00 + 25% fringe = \$480.00 ÷ 60	= \$ 8,640.00

ords = \$8.00/cd.

c) Loading 1,080 cords at \$4.69/cord = \$ 5,065.00  
Would take 3 people 4 hrs to  
load 16 cords of split fuel-  
wood (one semi truck) with a  
conveyor belt. Pay would be  
(\$5.00/hr/person x 3 people  
= \$15.00/hr. \$15/hr x 4 hrs  
= \$60.00 + 25% fringe = \$75.00/  
16 cords. \$75.00/16 cords =  
\$4.69/cd.

Sub-total Procurement Exp. = \$ 74,185.00

TOTAL COST \$102,685.00

2. Funding Needs - FY 94 = \$28,850.00

2.1 FY-93 Sales of 1,080 cords will cover operating costs, procurement, splitting, stacking and loading of another 1,080 cords. Plan to increase production by an additional 420 cords for a total of 1,500 cords in this second year.

2.2 Procurement Expenditures

<u>Services</u>	<u>Procurement &amp; Assumptions</u>	<u>Cost</u>
a) Wood Purchase	420 cords at \$56.00/cord \$52.00/cord paid to cutter. \$4.00 paid to Tribe for stumpage. Increase production from 1,080 cords to 1,500 cords in second year.	= \$ 23,520.00
b) Splitting and	420 cords at \$8.00/cord Same cost estimates as FY93	= \$ 3,360.00
c) Loading	420 cords at \$4.69/cord	= <u>\$ 1,970.00</u>
TOTAL COST		\$ 28,850.00

3. Funding Needs - FY 95 = \$105,200.00

3.1 FY-94 sales of 1,500 cords will cover operating costs, procurement, splitting, and stacking of another 1,500 cords. Plan to hire an Enterprise Business Manager who will make capital expenditures in order to process fuelwood into one cubic foot bundles.

3.2 Capital Expenditures

<u>Equipment</u>	<u>Description</u>	<u>Cost</u>
a) Shrink Wrap Packaging Machine	WOOD-PAKER/Model G90 or equivalent	= \$ 8,000.00
b) Fork Lift Loader	1.5 ton capacity loader for moving pallets in wood lot	= \$ 25,000.00
c) Pallets	600-4ft. x4ft. Pallets at \$4.50/ea	= \$ 2,700.00
d) Banding Tool	With banding and clips to secure bundles on pallets	= \$ 2,000.00
Sub-total Capital Expenditures		= <u>\$ 37,700.00</u>

3.3 Procurement Expenditures

<u>Services</u>	<u>Procurement &amp; Assumptions</u>	<u>Cost</u>
a) Enterprise Manager	Full time employee with a back ground in business and/or marketing	= \$ 30,000.00
b) Shrink Wrapping	150,000 bundles at \$.25/ There are 100 bundles per cord of wood. 600 cords x 100 bundles/cd = 60,000 bundles. Two people can package 60 bundles/hr and load them on pallets. 60,000 bundles ÷ 60 bundles/hr. = 1000 hrs. Two people at \$6.00/hr. = \$12.00 x 1000 hrs = \$12,000 + 25% fringe = \$15,000.00 \$15,000 ÷ 60,000 bundles = \$.25/bundle	= \$ 37,500.00
Sub-total Procurement Expenditures		= <u>\$ 67,500.00</u>
TOTAL COST		<u>\$105,200.00</u>

### III. Analysis

#### A. Analysis of First Two Years

The enterprise strategy for the first two years of operation is to market bulk split fuelwood while encouraging production of raw material by White Mountain Apache Community Members. It is assumed that dry, split fuelwood can be sold at a minimum \$75/cord from Whiteriver, Arizona - The Home of the White Mountain Apache Tribe. The cost of acquiring the raw material and processing it into split, dried form ready for shipment totals \$68.69/cord. Profit margin for the Enterprise is low (\$6.31/cord) in the first two years of operation for two reasons. One is that the Tribe feels that the producers of the raw material should receive the highest incentive to continue producing, thus increasing volume and two is that the enterprise is not refining the fuelwood into a more marketable product of increased value.

It should be noted that the price structure quoted above is the best estimates at this time. Much discussion was made on the selling price of split, dried wood and payment to contractors. The tribal contention, as stated above, is to give the highest incentive to the producers of the raw fuelwood. As such, the pricing structure is subject to change depending on actual selling price by the enterprise. Care should be taken, however to insure that all operating costs are covered.

Projected revenues and costs for the first two years are as follows:

Revenues to the Contractors (cutters):

Year One = \$52.00/cord x 1,080 cords = \$56,160.00  
Year Two = \$52.00/cord x 1,500 cords = \$78,000.00

Revenues to the Tribal General Fund:

Year One = \$4.00/cord x 1,080 cords = \$4,320.00  
Year Two = \$4.00/cord x 1,500 cords = \$6,000.00

Revenues to other employees for splitting and loading:

Year One = \$12.69/cord x 1,080 cords = \$13,705.00  
Year Two = \$12.69/cord x 1,500 cords = \$19,035.00

\*Profits to the Woodland Enterprise:

Year One = \$6.31/cord x 1,080 cords = \$6,815.00  
Year Two = \$6.31/cord x 1,500 cords = \$9,465.00

Total Revenues for the First Two Years:

Year One = \$ 68,600.00  
Year Two = \$112,500.00  
\$181,100.00

Total Cost for the First Two Years:

Year One = \$102,685.00  
Year Two = \$ 28,850.00 - Additional Government Funding  
420 cords at \$68.69/cord  
Year Two = \$ 74,185.00 - Reinvestment of year one sales  
for 1,080 cords at \$68.69/cord  
\$205,720.00

\*Profits to the Woodland Enterprise shown above assume no depreciation for capital equipment. Actual depreciation costs are calculated at \$.78/cord.

Depreciation of Capital Equipment:

Splitter - \$.30/cord (Cost of splitter = \$3,000.00  
Life of splitter = 10,000  
cords)  
Conveyor - \$.30/cord (Cost of conveyor = \$3,000.00  
Life of conveyor = 10,000  
cords)

Chainsaw - \$.18/cord

(Cost of chainsaw = \$500.00  
Life of chainsaw = 5 years  
# cords processed in 5 years  
if produce 1,080 cord 1st year  
and 1,500 cords the remaining  
4 years = 6,000 cords)

Woodlot shed and fencing are negligible.

B. Analysis of Third Year

In the third year it is proposed to begin the second phase of the operation. Expansion of the enterprise into a fuelwood packaging operation will require a full time business manager. The manager should be sophisticated in analyzing production expenses, finding innovating solutions, and investigating distribution and retailing networks. A marketing background would be helpful along with proven ability to interact with the business community. It is assumed that such a person can be found at \$30,000.00/year.

It will also be necessary to make capital expenditures in the third year to acquire the needed equipment for processing and loading fuelwood packages. The cost of this equipment will total \$37,700.00.

The procurement cost for acquiring bulk fuelwood (\$56.00/cord) and splitting/stacking (\$8.00/cord is assumed to remain at the same level as years one and two. Additional labor to shrink wrap 1,500 cords of fuelwood in to 150,000 one-cubic foot bundles is estimated at \$37,500.00 (\$.25/bundle). The cost of acquiring and processing 1,500 cords of fuelwood is \$133,500.00:

Contract and stumpage = \$ 84,000.00 (\$56.00/cd x 1,500 cd)  
payments



Splitting/Stacking = \$ 12,000.00 (\$8.00/cd x 1,500 cd)

Shrink Wrap = \$ 37,500.00

TOTAL \$133,500.00

Operating expenses, including gas, oil, maintenance, office supplies, and travel, are estimated at \$16,500.00. The total amount of the above expenses are:

Manager	=	\$ 30,000.00	
Equipment	=	\$ 37,700.00	
Procurement	=	\$133,500.00	
Operating	=	<u>\$ 16,500.00</u>	
TOTAL			\$217,700.00 or \$1.45/bundle

The projected sales of 1,500 cords in year two of the bulk fuelwood operation is \$112,500.00 (1,500 cords x \$75/cord). This leaves a funding need in FY 95 of \$105,200.00 as shown in section II.B.3.

Projected Revenues for the Third Year as follows:

Revenues to the Contractors (cutters):

\$52.00/cord x 1,500 = \$ 78,000.00

Revenues to the Tribal General Fund:

\$4.00/cord x 1,500 cords = \$ 6,000.00

Revenues to employees for splitting/stacking:

\$8.00/cord x 1,500 cords = \$ 12,000.00

Revenues to employees to shrink wrapping:

150,000 bundles x \$.25/bundle = \$ 37,500.00

Revenue to Business Manager:

Yearly Salary = \$ 30,000.00

Profit to the Woodland Enterprise:

\$1.05/bundle x 150,000 bundles = \$157,500.00

Production cost = \$1.45/bundle

Assume selling price of \$2.50/bundle

TOTAL REVENUES = \$321,000.00

IV. Tribal Employment

A. Phase One - Year One - Direct Employment

1. Contract Fuelwood - 108 jobs - 540 mandays

Assumptions: 54 contracts - 20 cords/contract  
2 jobs/contract  
2 cords/manday - includes travel  
cutting, slash,  
loading, unloading

2. Splitting and stacking - 18 jobs - 144 mandays

Assumptions: 3 jobs/month - each of six months  
7.5 cords/manday

3. Loading Trucks - 18 jobs - 101 mandays

Assumptions: 1.5 mandays/16 cords (semi-truck)  
67.5 Semi-trucks

4. Total Employment - 785 mandays - 3.0 man years

B. Phase One - Year Two - Direct Employment

1. Contract Fuelwood - 150 jobs - 750 mandays

Assumptions: 75 contracts - 20 cords/contract  
2 jobs/contract  
2 cords/manday - includes travel,  
cutting, slash,  
loading, unloading

2. Splitting and stacking - 25 jobs - 200 mandays

Assumptions: 5 jobs/month - each of five months  
7.5 cords/manday

3. Loading Trucks - 25 jobs - 141 mandays

Assumptions: 1.5 mandays/16 cords (semi-truck)  
94.0 semi-trucks

4. Total Employment - 1,091 mandays - 4.2 man years

C. Phase Two - Year Three - Direct Employment

1. Contract Fuelwood - 150 jobs - 750 mandays

Assumptions: 75 contracts - 20 cords/contract  
2 jobs/contract  
2 cords/manday - includes travel,  
cutting, slash,  
loading, unloading

2. Splitting and Stacking - 25 jobs - 200 mandays

Assumptions: 5 jobs/month - each of five months  
7.5 cords/manday

3. Shrink Wrapping - 2 jobs - 313 mandays

Assumptions: 2 jobs/month - each of three months  
4.8 cords/manday

4. Business Manager - 1 job - 260 mandays  
Full-time employee

5. Total Employment - 1,523 mandays - 5.9 man years

APPENDIX  
Letters of Support