PME EVALUATION OF THE SACHIGO LAKE FORESTRY OPERATIONS

SACHIGO LAKE, ONTARIO

(INDIAN-ESKIMO AFFAIRS)

CONFIDENTIAL

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(INDIAN-ESKIMO AFFAIRS)

Program Management Evaluators:

B.E. MacDonald (Team Leader)
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PME No. 3(Y)-1972
November, 1972

I N D E X

...ii

LIST OF APPENDICES

I. INTRODUCTION

1.1 Background

1. One of the objectives of the Forestry Program is to facilitate Indian endeavours to establish, own and operate viable primary extraction enterprises. In order to identify the effectiveness and efficiency of these enterprises, the Director of the Indian-Eskimo Economic Development Branch requested Program Management Evaluation to undertake the evaluation of certain of these forestry operations, including the one located at Sachigo Lake, Ontario.

2. Sachigo Lake is located approximately 180 miles northwest of Pickle Lake Ontario. The Reserve covers approximately 15 square miles and the village of Sachigo Lake has a population of 175. The Reserve is isolated but accessible by aircraft during most of the year, and by a winter road connecting neighbouring Reserves during the winter months.

3. A sawmill was located at Sachigo Lake three years ago. The objectives for establishing the mill were: to provide a source of local lumber; to train Indian people in forestry operations; and, to provide local employment. The mill has cut approximately 15,000 f.b.m. each year over the past three years, although no cut had been made this year. The lumber cut in past years has been used on the Reserve, with most of it consumed in the construction of local housing.

...2

4. The forest in this area is generally sparce with a high percentage of waste land and water. However, there are some excellent stands of timber along the shoreline of Sachigo Lake and accessible to the Reserve. The mill at Sachigo Lake is small and only capable of meeting the needs of the local community. The availability of timber, however, places Sachigo Lake in a favourable position to be considered as a potential supplier of lumber to other Reserves in the northern part of the District.

1.2 Scope

1. The purpose of this evaluation was to analyze and assess the existing logging and milling project at Sachigo Lake in order to establish its efficiency and effectiveness as a basis for future policy planning and decision making. The emphasis has, therefore, been placed on determining the economic viability of the operation and isolating the significant variables restricting maximum output at minimum cost, rather than attempting to optimize output.

2. The Sachigo Lake settlement is administered by the Sioux Lookout District and this forestry project was evaluated in conjunction with all other mills located in the Sioux Lookout District. The Team made a detailed visit to Sachigo Lake on August 23, 1972. During this visit the Team was accompanied by a staff

...3

member from the Regional Office and the Development Officer located at Big Trout Lake. Information concerning the wood supply was obtained from the Ministry of Natural Resources at Sioux Lookout, and Thunder Bay, Ontario.

3. A standard format prepared by the Laurentian Institute, consisting of a questionnaire and model, has been prepared for the Sachigo Lake forestry operation and is attached as Appendix "B" to this report. Some minor modifications have been made to the format due to the lack of certain statistics and the accounting methods carried out at the site of the operations a d at the Sioux Lookout District Offices.

1.3 Acknowledgement

1. The PME Team wishes to acknowledge the assistance provided to it by the Toronto Regional Office, the Sioux Lookout District, the Thunder Bay Regional Offices of the Ontario Ministry of Natural Resources, and the Sioux Lookout District Office of the Ontario Ministry of Natural Resources.

...4

III. DISCUSSION

2.1 Wood Supply

1. Air photo reconnaissance indicates that the Sachigo Lake Reserve has a total forested area of approximately 6,122 acres. This forest area is mainly immature, with softwood the predominent cover type.

2. The surrounding area within a 60 mile radius has not been surveyed in detail, however, the area is known to contain excellent cutting stands of black spruce. The logs average an eight inch top and scale out to approximately 30 logs per 1,000 f.b.m. This area is entirely Crown owned and the Band has been able to obtain cutting rights for timber at no charge, provided the lumber is used for Band construction.

3. The Band has cut off the Reserve for the past three years, approximately three miles from the settlement. The annual cut has averaged 15,000 f.b.m. Cutting has taken place in the winter months, and since the Band lacks heavy equipment, the logs have been skidded to the lakeshore by skidoos and manpower.

4. Preliminary forestry surveys of this area indicate that there is excellent timber in stands that are easily accessible to the Reserve. There are indications that sufficient good timber exists at Sachigo Lake to support a mill capable of cutting

...5

200-500 M f.b.m. per year. With the possible exception of Muskrat Dam Lake, the timber appears better here than at any other settlement of the Big Trout Lake Band. For this reason Sachigo Lake should be given serious consideration as a possible site for a large mill, capable of supplying good quality lumber for housing in the northwest area of the Sioux Lookout area.

2.2 Organization and Management

1. The mill is owned by the Department, and past operations have been financed by the District. The mill has been managed and operated by the Band with technical advice provided through the District when required. Management in this area is inexperienced in other than small business enterprises. Production and control records from past operations were not available and current performance is difficult to evaluate, since the sawmill has not operated this year. On past performance it is considered adequate to operate the existing small mill, but outside management is considered to be essential, if a large mill is located at Sachigo Lake in the near future.

2. The labour at Sachigo Lake is considered to be experienced in the forestry operations and in sufficient supply to staff any size mill that might be established there. Some training on new equipment may be required, but this should be of a minor nature.

...6

2.3 Facilities

1. The sawmill is located about one mile from the settlement of Sachigo Lake on the shoreline of the Lake (see Appendix "C"). The mill is located in a small cove of the Lake. This site was chosen because of the shelter it provided, and because it enabled logs to be boomed there during rough weather. The mill site is small and inadequate, the clearing is rough and lumber must be removed from the mill as it is cut. The rough mill site will not permit the use of mechanical equipment to transport the lumber and there is no dock at the mill site so that all the lumber must be man handled back to the Lake for further transportation to the settlement.

2. The mill consists of Bell saw M 14 which is in good condition. The current replacement value of the sawmill complete with power unit, is estimated at $2,000.00. Although production records have not been kept, local estimates place daily production at not more than 1,000 f.b.m. per day. The mill in the past has cut during the summer months and employed six men.

3. A small planer is located in the settlement of Sachigo Lake. The planer is adequate to meet local needs although its production is estimated at between 6-700 f.b.m. per day. Its current replacement value is estimated at $500.00.

...7

2.4 Markets

1. The local annual market for lumber for the next five years is estimated at 30,000 f.b.m. Approximately 21,000 f.b.m. of this will be required in the construction of new houses, and it must, therefore, be good quality finished lumber. The other 9,000 f.b.m. will be required for the construction of docks, fences, sidewalks, etc., and rough ungraded lumber will satisfy this need.

2. In addition to the local market on the Sachigo Lake Reserve, there is an annual market for finished graded lumber in the northeast part of the Sioux Lookout District that is estimated at between 150,000 - 200,000 f.b.m. per year. This market is generated by the construction of new houses each year at the following settlements:

Bearskin Lake	4
Big Trout Lake	10
Kassabonika	3
Muskrat Dam	1
Sachigo Lake	3
Total Houses	21

3. In the past few years the lumber produced at these settlements has not been used for new house construction for the following reasons:

...8

(a) The mills have not been able to cut in advance of need because capital advances were not available; therefore, only green lumber was available from the mills;

(b) The reserves produced only rough, ungraded lumber, since they lacked planers, edgers and trimmers;

(c) The reserves experienced problems in safeguarding lumber, and the material was not always available when required; this resulted in delays or failures in meeting quotas and target dates in house construction.

4. Lumber requirements have, therefore, been purchased outside and brought in by tractor train or aircraft. While this guaranteed the availability of lumber, when needed, it meant that lumber delivered to the various reserves was very expensive.

5. The present mill at Sachigo Lake is not capable of producing lumber in sufficient quality and quantity to meet this off reserve market. However, Sachigo Lake should be considered as a possible site for the development of a mill of sufficient size to meet this market for the following reasons:

(a) Excellent timber is known to exist in the Sachigo Lake area, although a detailed forestry survey has not been carried out. The timber supply here appears better than at any of the other adjacent reserves.

...9

(b) An adequate supply of semi-skilled labour exists on the Reserve.

(c) The geographical location of Sachigo Lake is such that it should be possible to take advantage of back-hauls on chartered aircraft on their return flights, and thereby realize a savings on transportation costs.

6. It is estimated that a sawmill in good condition and capable of an average production of between 7-10,000 f.b.m. per day could be installed at Sachigo Lake for under $20,000.00. Additional equipment such as a skidder or tractor would also be required, bringing the total estimated capital cost for such a project to approximately $35,000.00.

7. Based on this capital cost and other estimated costs based on present costs, a projected operating statement has been drawn up and is attached as Appendix "E".

2.5 Finance

1. The sawmill at Sachigo Lake is owned by the Department and financing has been through the Economic Development Branch. The last cut took place in the summer of 1971 when a production run estimated to be between 15,000 and 16,000 f.b.m. was made.

...10

2. Complete cost and production figures were not kept for the 1971-72 year's production, so that performance cannot be accurately evaluated. The records for 1972, however, indicate that 11,482 f.b.m. had been purchased from the mill by the Department at a selling price of $300.00 per M. The records do not indicate the grade of the lumber purchased.

3. Based on the best information available, a break even chart was constructed for the 1971-72 year's operation. No degree of accuracy can be claimed for the chart as certain assumptions had to be made in the absence of exact data. The chart should, however, give a reasonable indication of the 1971-72 operations. The break even chart and supporting data are attached as Appendix "D".

4. The break even chart indicates that the average cost of production was $271.00 per M f.b.m., based on a cut of 15,000 f.b.m. The selling price was $300.00 per M f.b.m., indicating the enterprise was viable for 1971- 72.

...11

III. CONCLUSIONS

1. It is concluded that:

   (a) the timber in the immediate area of Sachigo Lake is of good quality and in sufficient quantity to support a mill cutting a minimum of 200,000 f.b.m. per year for the foreseeable future. However, a forestry survey should be made before a mill of that size is located at Sachigo Lake;

   (b) local management and labour have sufficient skills to operate the current small forestry operations located there, but management would have to be imported if a larger mill is established;

   (c) the mill is in good condition and capable of cutting sufficient lumber to meet the needs of the settlement;

   (d) the present site of the mill is small and inadequate for current needs. It should be expanded and improved;

   (e) the market for lumber on the Reserve is 30,000 f.b.m. per year. An additional off the Reserve market for 200,000 f.b.m. per year exists; and

   (f) a larger mill with an adequate planer, trimmer and edger would be required in order to compete for the off Reserve market. The cost of such a mill and associated equipment is estimated at $35,000.00.

...12

IV. RECOMMENDATIONS

1. It is recommended that:

   (a) Sachigo Lake be considered as a possible site for a forestry operation capable of supplying the north-eastern area of the Sioux Lookout District with lumber;

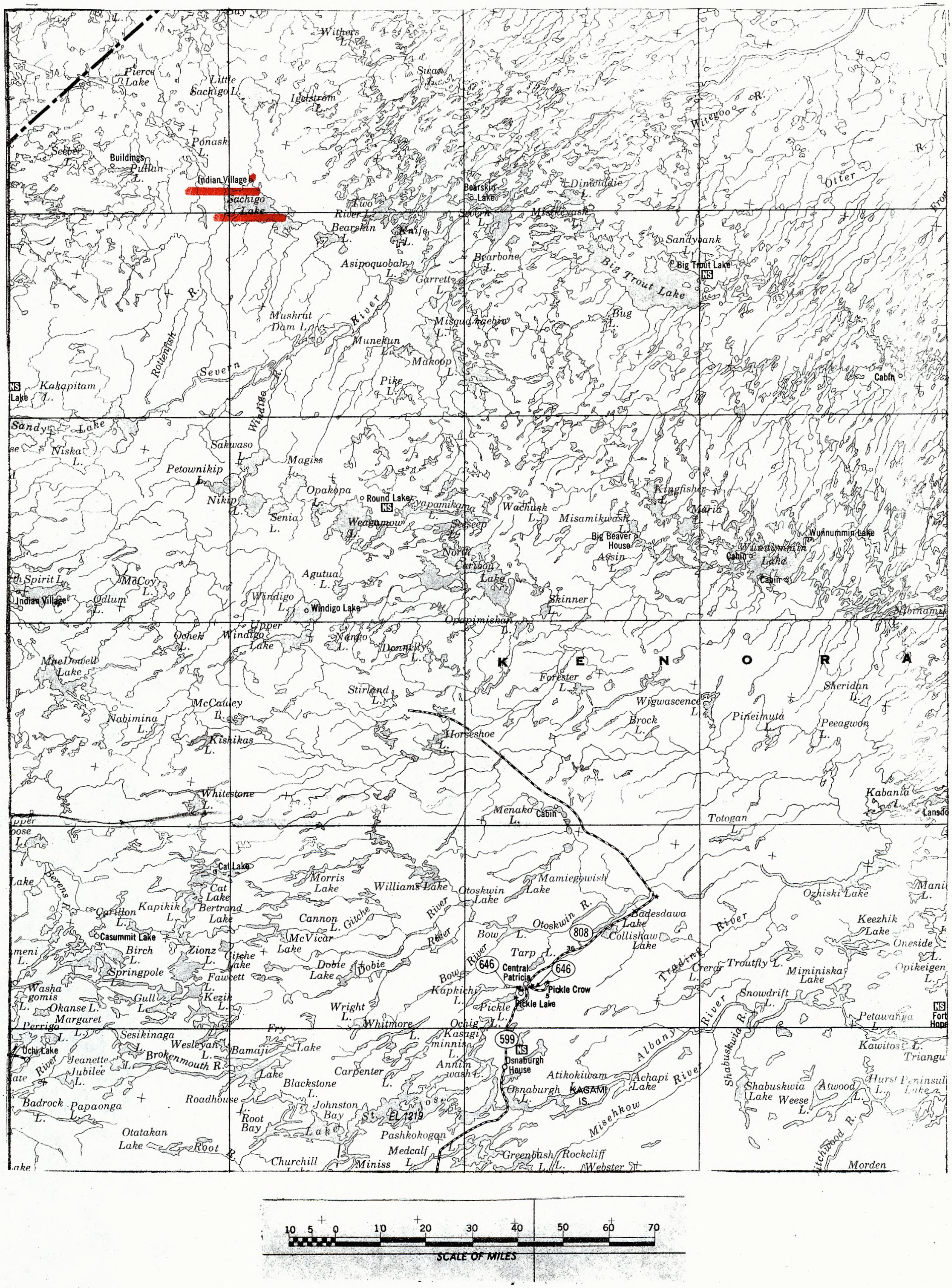
   (b) a forestry survey of the Sachigo Lake area be made to determine the amount and suitability of the timber located there;

   (c) based on a favourable forestry survey report, a mill capable of producing a minimum of 200,000 f.b.m. of good construction grade lumber be established at Sachigo Lake, with the objective of supplying lumber for house construction to the adjacent reserves in the District;

   (d) the mill be owned and managed by the Department for the first years of operation, and that financing be arranged so that the mill could cut in advance of need, thereby ensuring an adequate supply of seasoned lumber when required; and

   (e) the existing mill at Sachigo Lake be moved to Bearskin Lake, where it could be used to cut the settlements requirement for rough lumber.

APPENDIX "A"


Pierce Lake
Little Sachigo L.
Withers L.
Swan L.
Igelstrom L.
Ponask L.
Seeber L.
Buildings
Pullan L.
Indian Village
Sachigo Lake
Two River L.
Bearskin L.
Bearskin Lake
Knife L.
Severn L.
Dinwiddie L.
Misikeyask L.
Witegoo R.
Otter
Sandybank L.
Big Trout Lake
Big Trout Lake
Bearbone L.
Asipoquobah L.
Garrett L.
Muskrat Dam L.
Munekun L.
Misquamaebin L.
Bug L.
Makoop L.
Pike L.
Rottenfish R.
Severn
River
Windigo R.
Kakapitam L.
Cabin
Sandy Lake
Niska L.
Sakwaso L.
Petownikip L.
Nikip L.
Magiss L.
Opakopa L.
Round Lake
Senia L.
Weagamow L.
Wachusk L.
Misamikwash L.
Kingfisher L.
Maria L.
Big Beaver House
Assin L.
Wunnummin Lake
Cabin
North Caribou Lake
Spirit L.
McCoy L.
Indian Village
Odlum L.
Agutua L.
Windigo L.
Windigo Lake
Skinner L.
Opapimiskan L.
Ochek L.
Upper Windigo Lake
Nango L.
Donnelly L.
MacDowell Lake
K E N O R A
Forester L.
Sheridan L.
Stirland L.
Wigwascence L.
McCauley L.
Nabimina L.
Brock L.
Pineimuta L.
Peeagwon L.
Kishikas L.
Horseshoe L.
Kabania L.
Whitestone L.
Menako L.
Cabin
Totogan
Cat Lake
Morris Lake
Williams Lake
Otoskwin Lake
Mamiegowish Lake
Ozhiski Lake
Cat Lake
Bertrand Lake
Carillon L.
Kapikik L.
Cannon L.
Gitche
River
Otoskwin R.
Badesdawa Lake
Keezhik Lake
Casummit Lake
McVicar Lake
Bow L.
Collishaw Lake
Birch L.
Zionz L.
Gitche Lake
Tarp L.
808
Oneside L.
Springpole
Fawcett
Dobie Lake
Dobie
Bow River
646
Central Patricia
646
Pickle Crow
Crerar L.
Troutfly L.
Miminiska Lake
Opikeigen L.
Washagomis L.
Gull L.
Kezik L.
Kapkichi L.
Pickle Lake
Trading River
Snowdrift L.
Okanse L.
Margaret L.
Wright L.
Pickle L.
Petawanga L.
Perrigo L.
Fry
Whitmore L.
Ochig L.
Albany River
Shabuskwia R.
Kawitos L.
Sesikinaga L.
Wesleyan L.
Uchi Lake
Bamaji Lake
Kasagiminnis L.
599
Osnaburgh House
Brokenmouth R.
Jeanette L.
Jubilee L.
Annimwash L.
Atikokiwam L.
Achapi Lake
Shabuskwia Lake
Atwood L.
Weese L.
Badrock L.
Papaonga L.
Roadhouse L.
Blackstone L.
Carpenter L.
Osnaburgh L.
KAGAMI IS.
Johnston Bay
St. Joseph
EL 1319
Root Bay
Otatakan Lake
Root R.
Lake
Pashkokogan L.
Misehkow
Medcalf L.
Greenbush L.
Rockcliff L.
Webster
Churchill
Miniss
Morden
10 5 0 10 20 30 40 50 60 70
SCALE OF MILES

APPENDIX "B"

SACHIGO LAKE, ONTARIO

QUESTIONNAIRE AND MODEL TO ASSESS ECONOMIC VIABILITY OF DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT'S OWNED AND/OR OPERATED FOREST ENTERPRISES

ECONOMIC VIABILITY OF DEPARTMENT OF INDIAN AFFAIRS
AND NORTHERN DEVELOPMENT'S OWNED
AND/OR OPERATED FOREST ENTERPRISES

I. WOOD SUPPLY (POTENTIAL)

1. On-Reserve

(a) Total forested area ..... *6,122* acres

(b) Total accessible forested area ..... *6,122* acres

(c) Forest distribution (acres)

Cover Type	Mature Acres	Immature Acres	Young Acres	Total
Softwood	*795*	*1,830*	*785*	*3,310*
Mixedwood	*390*		*120*	*610*
Hardwood		*2,202*		*2,202*
Total	*1,185*	*4,032*	*905*	*6,122*

(d) Species composition -- percentage estimates from mill run if inventory not available.

Black Spruce	*60 %*
White Spruce	
Jack Pine	*15 %*
Balsam Fir	*1 %*
White Poplar	*15 %*
Black Poplar	*3 %*
White Birch	*6 %*
Total	*100 %*

...2

(e) Cords per acre: estimates using forest distribution table in (c).

-- *Not available by age distribution, average net merchantable cords per acre is estimated at 10.*

(f)

	White & Black Spruce	Jack Pine	White Poplar
Age at Maturity	*130*	*100*	*80*
Height at Maturity	*55-60*	*55*	*55*
Mean Annual Increment, cu.ft./acre	*Approximately 15 cu.ft. per acre for softwood*		

(g) Estimate in acres any significant losses due to fire, insects, blowdown, etc. and the year of occurrence.

-- *None significant*

(h) Estimate annual cut in past 5 years.

-- *No significant cut.*

...3

(i) Estimate annual cut for next 5 years.

-- *NIL*

2. Off-Reserve (information based on the average square mile) *(within a 60 mile radius of the Reserve boundary)*

(a) Ownership -- Crown ..... *ALL* square miles

-- Private ..... *NIL* square miles

-- Water *30%*

(b) Is there a possibility of obtaining cutting rights, and if so, what would be the contractual basis?

-- *Yes, from the Ontario Provincial Government on a short term lease.*

(c) Total forested area.

-- *60 % of the total area is considered to be productive.*

(d) Total accessible forested area.

-- *Only that area of the forest that is accessible to the Reserve by water*

(e) Forest distribution (acres)

Cover Type	Mature Acres	Immature Acres	Young Acres	Average Sq. Miles
Softwood	*Not available in detail by*			*60 %*
Mixedwood	*acreage distribution. Estimate*			*25 %*
Hardwood	*is by average sq. mile.*			*15 %*
Total				*100 %*

...4

(f) Species composition -- percentage estimates from mill run if inventory not available.

Black Spruce ..... } White Spruce ..... }	*60 %*
Jack Pine	*15 %*
Balsam Fir	*1 %*
White Poplar	*15 %*
Black Poplar	*3 %*
White Birch	*6 %*
	100 %

(g) Cords per acre; estimates using forest distribution table in (e).

-- *Not available by age distribution. The average net merchantable cords per productive acre is estimated at 13.*

(h)

	Black & White Spruce	Jack Pine	Poplar
Age at Maturity	*130*	*100*	*80*
Height at Maturity	*55-60*	*55*	*55*
Mean Annual Increment, cu.ft./acre	*10-12*	*10-12*	*10-12*

...5

(i) Estimate in acres any significant losses due to fire, insects, blowdown, etc. and the year of occurrence.

-- *None recorded.*

(j) Estimate annual cut in past five years.

-- *15,000 f.b.m. per year for the past three years.*

(k) Estimate annual cut for next five years.

-- *15,000 f.b.m. for reserve use; possibly increasing to 200,000 f.b.m. per year.*

II. FOREST MANAGEMENT (ON-RESERVE)

1. Inventories & Plans

	Completed		In Process	
	Yes	No	Yes	No
(a) Photo - reconnaissance	Yr. Completed	*XX*	Yr. to be Completed	*XX*
(b) Survey - with field work		*XX*		*XX*
(c) Management plans and/or recommendations		*XX*		*XX*
(d) Operating plans		*XX*		*XX*
(e) Sponsoring Agency		*XX*		*XX*

Fed. Govt. _____ Prov. Govt. _____ Band _____ Private _____

...6

2. Silviculture -- past five years

(a)

Treatments	Acres Treated	Species Involved	Age Trees	Year Treated	Objectives of Treatment	Est. Cost Per Acre
Seeding						
Planting						
Cleaning						
Thinning			--- *N I L* ---			
Pruning						
Fertilization						
Other -- specify						

(b) Sponsoring Agency *N/A*

Fed. Govt. _____ Prov. Govt. _____ Private _____ Band _____

(c) Are treatments required on the reserve at the present time?

-- *N/A*

(d) If so, what are the priorities?

-- *N/A*

(e) If so, what is the purpose of this treatment?

-- *NO*

...7

(f) Are there any treatments schedules for the next five years? If so, fill out table as in (a).

Treatments	Acres Treated	Species Involved	Age Trees	Year Treated	Objectives of Treatment	Est. Cost Per Acre
Seeding						
Planting						
Cleaning						
Thinning			--- *N / A* ---			
Pruning						
Fertilization						
Other -- specify						

(g) In your opinion, what sectors of a forest management plan should receive short term priority?

i) Growing Stock:

protection ..... _____ } *Last Priority*

regulation ..... _____ }

silviculture ..... _____ }

ii) Transportation:

road development ..... _____ *2nd Priority*

...8

iii) Markets:

product research ..... _____ *1st Priori*

promotion advertising ..... _____

iv) Other:

please elaborate ..... _____

III. WOOD PROCUREMENT

1. Questions

(a) Where is the wood being cut at the present time?

-- On-reserve _____ distance from point of sale*

_____ miles.

-- Off-reserve ___*XX*___ distance from point of sale*

___*2*___ miles.

(b) If wood is extracted from off of the reserve, what arrangements regarding cutting rights have been made with the owners and who are the owners? What are the terms of the contract in respect of:

Stumpage fees ..... ___*NIL*___ per annum

Tenure (length contract) ..... _____ years

Date commenced ..... _____ mo./yr.

Date to be terminated ..... _____ mo./yr.

Renewable options - elaborate .... *Reserve is permitted to cut on an as required basis for own use.*

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* If wood utilized on reserve, distance will be to mill site.

(c) Is the current operation conducted on a seasonal basis?

-- *Yes, December, February, March, April*

(d) What has been the average number of months in operation over the past five years?

-- *Six men for two or three months.*

(e) Do you think that the operation could be improved by further mechanization or modernization?

-- *Yes, very little mechanical equipment is employed at present.*

(f) If yes, what type of changes would you recommend?

-- *None, for the small amount being cut at the present time.*

(g) How would you expect this to affect employment and production?

-- *N/A*

(h) What in your opinion are the most significant variables working against minimizing production costs on this operation?

Check below: --

Labour:

i) Skill level - low ..... _____

- medium ..... _____

- high ..... _____

ii) Low wages or rates ..... *XX*

...10

iii) Lack of motivation XX

iv) Unavailable on a continuous basis _____

v) Other - specify ..... _____

Management:

i) No or poor leadership ..... _____

ii) No incentives given to labour ... XX

iii) No training provided XX

iv) No cost control XX

v) No production control XX

vi) Other - specify ..... _____

Equipment:

i) Antiquated equipment thus high maintenance costs and low productivity XX

ii) Non-integrated system XX

Logging Chance:

i) Terrain ..... _____

ii) Small Wood ..... _____

...11

iii) Bad environment - specify ..... _____

iv) High transportation cost ..... _____

v) Other - specify ..... *Lack of a significant market.*

(i) What is your estimate of the potential output per month if the two most significant constraints were eliminated?

-- *150,000 f.b.m., if a market was available, and suitable mechanical equipment provided.*

(j) Is it feasible to eliminate these constraints?

-- *Yes*

(k) If so, what should be done and what would be the approximate cost?

-- *The area around Sachigo appears to have sufficient timber to support a medium size sawmill. Such a mill would be capable of supplying several reserves with good lumber. The capital cost to set up such a mill is estimated at $30 - $45,000.*

(l) Estimate how this would affect production, operating costs, and employment.

-- *Such a mill should produce 500,000 f.b.m. per year, at a much lower cost than is now the case. It should provide at least 5 man years of work each year.*

IV. WOOD PROCESSING

(a) Where is the wood being acquired for the mill at present?

-- On-reserve ..... _____ %

-- Off-reserve ..... *100* %

(b) If the wood is acquired off the reserve, from whom is it purchased and at what price?

-- *Cut by the Band - no stumpage fee is charged.*

(c) Is the present operation conducted on a seasonal basis? Specify months in operation.

-- *Yes, in the summer.*

(d) What is the average number of months worked per annum?

-- *Six men for one month.*

(e) Do you think that the operation could be improved by further mechanization or modernization?

-- *Yes, but not for the small cut currently being made.*

(f) If yes, what type of changes would you recommend?

-- *No change, if past average cut is to be continued.*

(g) How would you expect these changes to affect employment and production?

-- *N/A*

(h) What in your opinion are the most significant variables working against minimizing production costs on this operation?

Check below: --

Labour:

i) Skill level - low ..... _____

- medium ..... *XX*

- high ..... _____

ii) Low wages or rates ..... *XX*

...13

iii) Lack of motivation ..... _____

iv) Unavailable on a continuous basis .. _____

v) Other ..... _____

Management:

i) No or poor leadership ..... _____

ii) No incentives given to labour XX

iii) No training provided XX

iv) No cost control XX

v) No production control XX

vi) Other ..... _____

Equipment:

i) Antiquated equipment thus high maintenance costs and frequent downtime XX

ii) Non-integrated system XX

iii) Other ..... _____

...14

Sawing Chance:

i) Large wood ..... _____

ii) Small wood ..... _____

iii) Bad environment - specify ..... _____

iv) Other ..... *Lack of a suitable market restricts size of cut.*

(i) What is your estimate of the potential output per month if the two most significant constraints were eliminated?

-- *100,000 f.b.m.*

(j) Is it feasible to eliminate these constraints?

-- *Yes*

(k) If so, what should be done and what would be the approximate cost?

-- *Consideration should be given to establishing a mill at Sachigo that could cut up to 500,000 f.b.m. a year. The approximate capital cost to set up such a mill is estimated at between $30-45,000.*

(l) Estimate how this would affect production, operating costs, and employment.

-- *Such a mill would increase production, lower costs, and provide a minimum of 5 man years of employment.*

(m) What do you think or understand were the objectives of setting up the operation in the first place?

-- *i) Provide lumber for local requirements.*
-- *ii) Train Indian people.*

...15

(n) Do you think these objectives are good or sound objectives?

-- *Yes*

(o) If no, what do you think the objectives should be?

-- *N/A*

(p) If yes, do you think that the objectives are being met?

-- *No, the lumber is no longer being used for local housing.*

(q) Are there other opportunities which would employ as many or more people at the same level of capital investment? Please elaborate.

-- *No, current capital investment is small.*

(r) Do you think that the current operation or investment represents the best opportunity in lieu of the benefits (monetary and social) received by the people involved?

-- *Yes*

(s) If answer to (r) is yes, what improvements could be made in the current operation? Please elaborate.

-- *i) Increase size of mill and provide lumber for other reserves; or,*

-- *ii) Turn the mill over to the Band and let them cut lumber for their own use.*

(t) If answer to (r) is no, what alternate investment would you recommend?

-- *N/A*

...16

V. QUESTIONS CONCERNING THE PRODUCTION MANAGEMENT VARIABLE

(a) How is the present operation organized?

i) cooperative ..... _____

ii) partnership ..... _____

iii) government supervision - yes ..... _____
(specify who and
sources of funding) - no ..... *NO (DIAND funds)*

iv) entrepreneurial (people working for and paid by a leader other than a government official) ..... _____

v) other (specify) ..... *DIAND owned mill Band operated.*

(b) What are the motives of present management?

i) maximize profits ..... _____

ii) supply domestic needs ..... *XX*

iii) employ as many people as possible ... *XX*

iv) training ..... *XX*

v) supply open market ..... _____

VI. MARKETING

(a) What per cent of total production (annual) is sold off the reserve?

-- *NIL*

...17

(b) To whom is this sold and at what price per 1,000 f.b.m.?

-- *N/A*

(c) Do you anticipate a potential (next five years) market off the reserve?

-- *Yes*

(d) If answer to (c) is yes, where and at what price per cord or M f.b.m.?

-- *Yes, there is a market for approximately 500,000 f.b.m. per year on the neighbouring reserves. The price would be approximately $220.00 M f.b.m., for dressed lumber.*

(e) Who are or would be competitors?

-- *Some of the other reserves in the District.*

(f) Can the proposed operation compete without government subsidization?

-- *No, it would need managerial and technical assistance for at least 3-5 years.*

(g) If no, list main reasons why it cannot compete.

-- *Lack of trained and experienced management.*

(h) Are there institutional constraints restricting sales off the reserve? If yes, please specify.

-- *NO*

(i) Do you think local industry would guarantee purchases of wood or timber on an annual or monthly basis?

-- *No, only DIAND would be prepared to do this, at this time.*

(j) What are the estimated requirements for wood?

	Volume (f.b.m.)	
	1971-72	1973-75
i) Local (reserve or settlements)		
houses	*25,000*	*36,000*
docks fishing camps other	*15,000*	*15,000*
ii) Other Government Agencies		
education - schools		
health and welfare -- hospitals		
other		
Neighbouring Reserves		*200,000(potential*
iii) Export (off-reserve)		
industry - mines - mills - tourists		
consumer - briquettes, decorations		
Total five year requirements - volume (f.b.m.)	*200*	*1,000 M f.b.m.*
Total value of requirements (estimated)	*$44,000.00*	*$220,000.00*

The following questions relate to marketing management.

(a) Has there been any attempt to market the product via advertising, promotion or other commercial media?

-- *No*

(b) If yes, what are the approximate costs?

-- *N/A*

(c) In your opinion, has this promotion been effective?

-- *N/A*

GENERAL INFORMATION

The purpose of this section is to yield information on the physical and cultural setting within which the forestry operation exists.

1. Area Name: *SACHIGO LAKE*

2. Agency: *SIOUX LOOKOUT AREA*

3. Total Area: *14 SQUARE MILES*

4. Population: *172*

5. Number of Family Units: *24*

6. Number Children Per Family: *5*

7. Labour Force: *18*

8. Ethnic Origin: *CREE*

9. Net Income Per Family: *$1,500-$1,800 (LESS WELFARE)*

10. Net Welfare Income Per Family: *$1,800*

11. List the present area of employment: *FISHING, TRAPPING, BAND EMPLOYMENT*

12. List the potential areas of employment: *FISHING, LUMBERING*

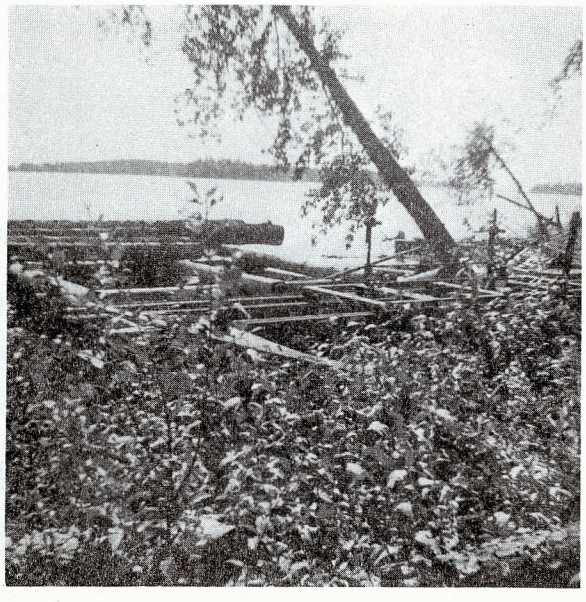
13. What are the more significant problems of the Band: elaborate:

(A) ISOLATION
(B) LACK OF EXPERIENCED MANAGEMENT
(C) LACK OF TRAINING

SACHIGO, ONTARIO
FORESTRY OPERATIONS

View of Mill Site from Sachigo Lake

Sawmill Carriage and Logs ready for Sawing



Sawmill with Sachigo Lake in Background

Jack Ladder leading from Lake to Sawmill

SACHIGO LAKE, ONTARIO
1971-72 FORESTRY OPERATIONS

VARIABLE COSTS

Purchase of logs	$ 900.00	
Gasoline	249.00	
Grease	20.00	
Transportation - Gas & Oil	525.00	
Wages	2,128.00	
Total Variable Costs		$ 3,822.00

FIXED COSTS

Depreciation of Plant ($2,500.00 X 10%)	$ 250.00	
Total Fixed Costs		$ 250.00
TOTAL COSTS		$ 4,072.00

(a) Production estimated to be 15,000 f.b.m.

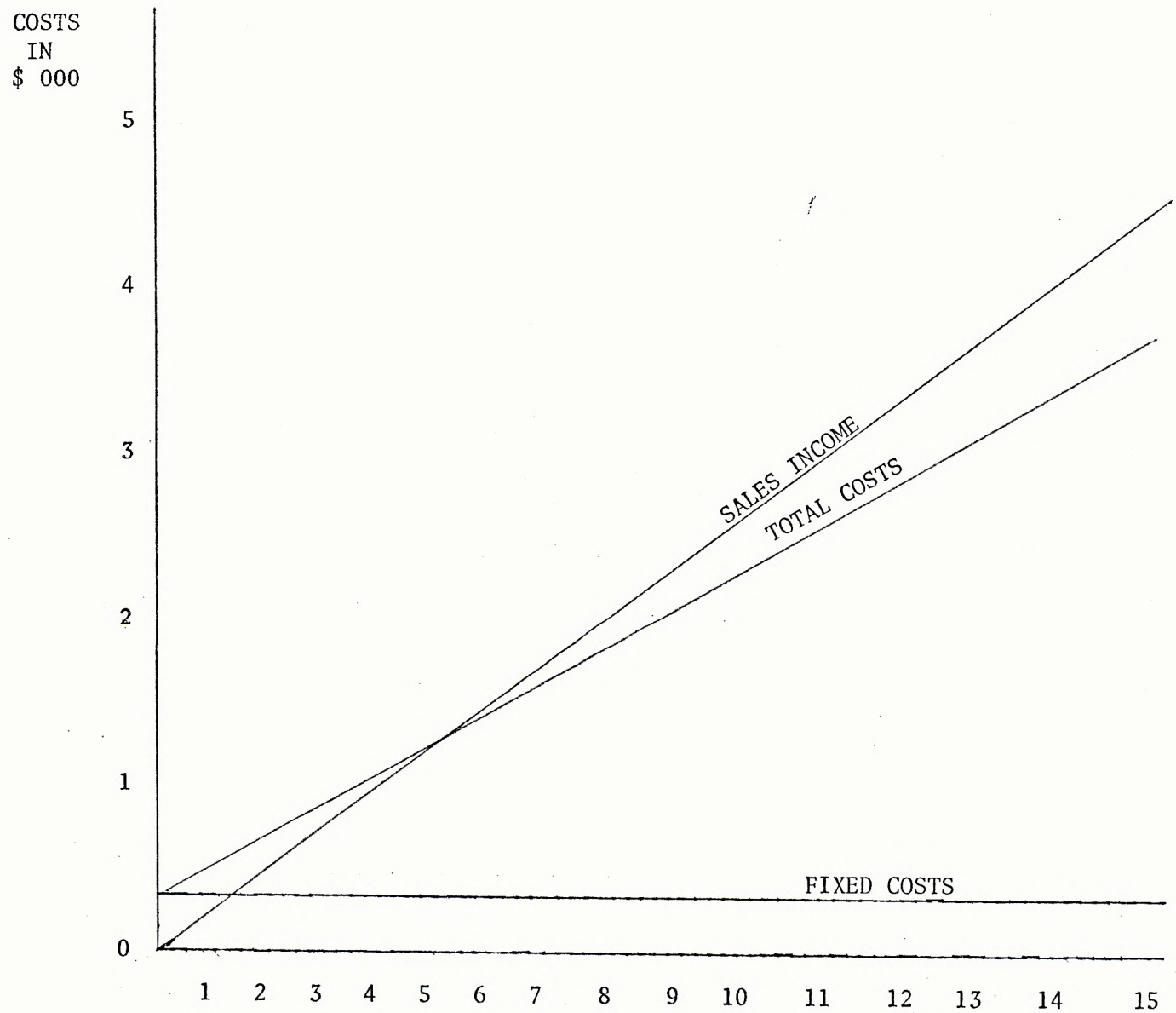
(b) Average cost per M f.b.m. = $271.00

(c) Selling price per M f.b.m. = $300.00

BREAK EVEN CHART

SACHIGO LAKE, ONTARIO

1971-72 FORESTRY OPERATIONS



SACHIGO LAKE SAWMILL
ASSUMPTIONS FOR OPERATING PROJECTIONS

1.	Cost of plant on site and ready for operation	$ 20,000.00
2.	Cost of skidder and other misc. lumbering equipment	$ 15,000.00
3.	Logging Cost	$ 60.00 per M f.b.m.
4.	Booming Costs	$ 5.00 per M f.b.m.
5.	Production rate of sawmill	8,000 f.b.m. per 8 hr day
6.	Production rate of planer	8,000 f.b.m. per 8 hr day
7.	Labour rates	$ 2.50 per hour
8.	Management Salary	$ 5.00 per hour
9.	Total production	150,000 f.b.m.
10.	Selling price for finished lumber f.o.b. Sachigo Lake	$ 220.00 per M

SACHIGO LAKE SAWMILL
PROJECTED STATEMENT FOR
FIRST YEAR OF OPERATION

Variable Costs

Procurement of logs ($60.00 X 150M) = ...	$ 9,000.00	
Booming of logs ($5.00 X 150M) = ...	750.00	
Sawmilling wages (set up milling clean-up 6 men X 25 days)	2,500.00	
Planing wages (set up - planing - clean-up 4 men X 25 days)	2,000.00	
Management (1 man 60 days)	2,400.00	
Fuels and lubricants	1,200.00	
Transportation	1,000.00	
Administration and Repairs	3,275.00	
Total Variable Costs		$22,125.00

Fixed Costs

Plant ($20,000 X .10%)	$ 2,000.00	
Equipment ($15,000 X .10%)	1,500.00	
Total Fixed Costs		$ 3,500.00
TOTAL COSTS		$25,625.00

Average cost of production per M f.b.m.	$ 170.83
Selling price per M f.b.m.	$ 220.00