

Western Pallet



Magazine for WPA Members
April 2018

Magazine

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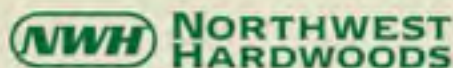
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North American Softwood Prices

Softwood prices listed as of April 24,
courtesy of NRCAN.

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WPA New Member News

The WPA is proud to introduce its
latest new members.

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Pallet Sizes More Standard

New research reveals that pallet sizes
are becoming more standardized.

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RM2 Raises \$18.2 Million

Composite pallet provider RM2 has
raised over \$18 million in new
funding.

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Cover Story:
New Research Identifies
95% Recycling Rate

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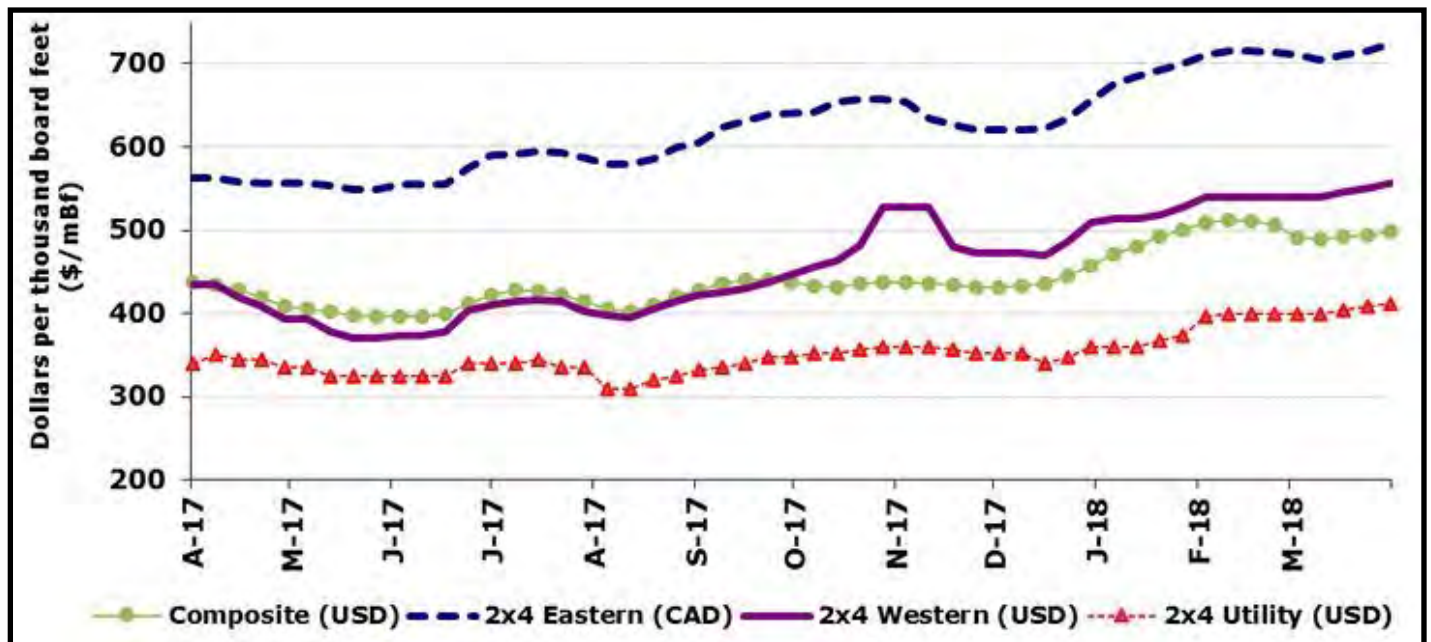
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North American Softwood Prices

Weekly softwood lumber prices to April 24, 2018 are shown below, sourced at <http://www.nrcan.gc.ca/forests/industry/13309>.



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New Research Reveals 95% of Wood Pallets Are Recycled

Preliminary results of a research project conducted by Virginia Tech on the disposal of wood pallets at landfill sites reveal that 95% of wooden pallets are being recycled.

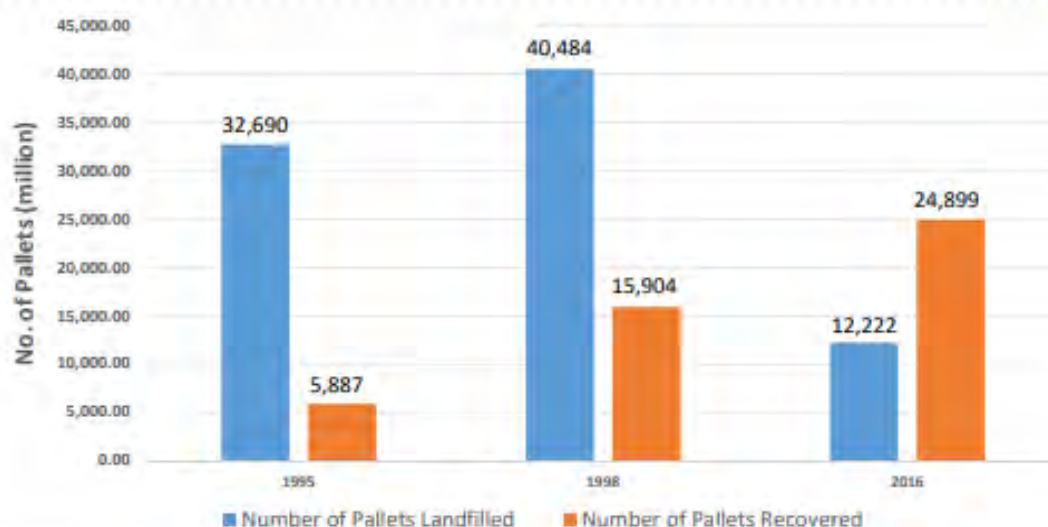
The landfill avoidance study was independently conducted at Virginia Tech over the course of two years. Both municipal and solid waste (MSW) and construction and demolition (C&D) landfill facilities were surveyed to better understand how pallets were being handled at these facilities.

According to the study, the number of pallets entering the landfill reduced by 86%, for both MSW and C&D facilities.

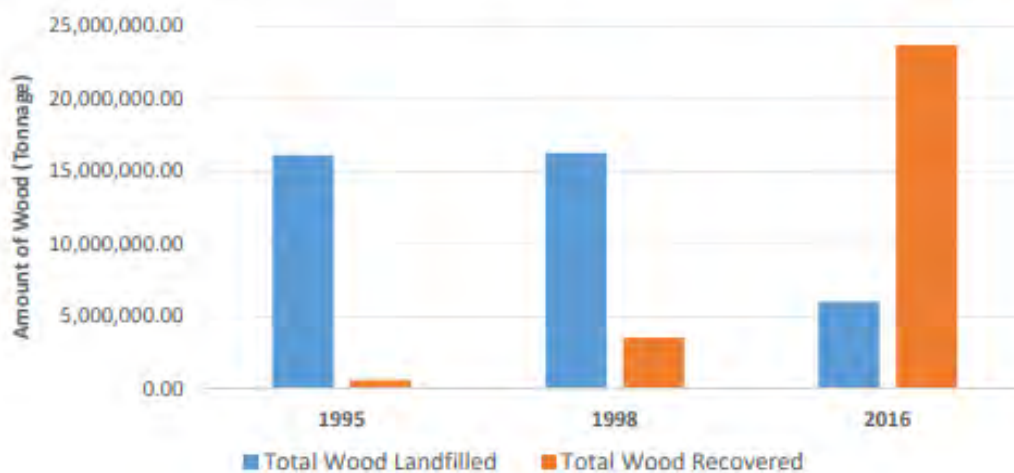
Environmental awareness, limited space and a desire to be more waste efficient have driven many of these facilities to sort and recover certain types of waste. The overall presence of wood pallets at landfill facilities has also significantly decreased.

"Our industry is thrilled that the data proves the wood packaging sector, more than any other, is closing in on zero-waste," said Larry Howell of Cottondale Wood Products and NWPCA Chair. "Wood pallets are 100% recyclable, and the newest research from Virginia Tech shows that our industry has the highest recovery rate at 95%, compared to other prevalent materials."

Distribution of Total Pallets Received



National Amount of Woody Material Landfilled and Recovered



VT
VIRGINIA TECH

"Data of this kind had not been collected since 1998," said Dr. Brad Gething, NWPCA Director of Science and Technology Integration. "The wood packaging sector has long been touting their recyclable efforts for decades, and now the data proves it." Wooden pallets get used, reused, and when they are no longer useful, they are converted to mulch, animal bedding or biofuel.

"Of those wooden pallets that arrive at landfills, both MSW and C&D facilities recycle even further," added Dr. Laszlo Horvath, Assistant Professor at Virginia

Tech. "The results show that landfill facilities have increased their wood and wood pallet recovery areas over the past two decades. For MSW facilities, this number increased from 33% to 62% of facilities, while for C&D facilities, the number increased from 27% to 45%."

"It's great news for our environment, as well as the public. Landfill facilities provide recycled by-products, such as mulch, to their local communities," said Brent McClendon, CAE, NWPCA President & CEO.



New Research Indicates Pallet Sizes Becoming More Standardized

New wooden pallet industry statistics have been made available, resulting from cooperative research projects involving NWPCA, Virginia Tech and USDA Forest Service. The research was based on a survey of wood pallet manufacturers and recyclers, as well as pallet brokers, with reference to the 2016 fiscal year. Results are as follows:

- Overall annual industry production in 2016 was estimated at 849 million wood pallets (508 million new and 341 million recycled). This output represents an overall 14% (22% increase for new pallets and 5% for recycled) increase compared to 2011 results – previously the most recent data available.
- Lumber consumption in pallet production is estimated to range between 4.1

and 5 billion board feet in 2016, with a ratio of 45% hardwood and 55% softwood. According to researchers, pallet production uses 43% of hardwood and 15% of softwood produced in the U. S.

- The dominant size remains the 48×40 pallet, representing 35% of pallets produced. Researchers noted that the gap between 48×40 category and the “other” category is closing over time. The 48×40 has increased from 24% in 2011 to 35% in 2016, while “other” has fallen from 60% to 39%. “When compared to prior studies, the difference between these two categories is smaller, which suggests that the industry may be becoming more standardized than it has in the past,” they wrote. Other popular sizes included 48×48, 42×42, 48×45, 40×48 and 37×37.

RM2 Raises \$18.2 Million

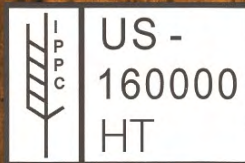
Composite pallet producer and pooler RM2 has raised \$18.2 million after issuing 1.28 billion first tranche placing shares and 3.16 billion conversion shares. Shareholders passed all resolutions put to them at an extraordinary meeting held April 13.

RM2 reported that it has entered into a Phase 1 agreement for an initial deployment of RM2 ELIoT (tagged) pallets through June 30, 2018, with a Fortune

500 company in North America following a year-long trial in the customer’s supplier network.

In addition, it announced having completed a major trial with another North American company and discussions on a large-scale implementation are expected to commence. The Company has also expanded ongoing trials with other major US-based customers.

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CHEP Launches First-Ever CarbonNeutral® Pooled Platform in North America

CHEP has announced that its 40×24 inch pooled (shared and reused) half pallets have achieved carbon neutral status. This makes CHEP's half pallet the first and only CarbonNeutral® certified pooled platform in North America. The announcement came during a retailer-manufacturer session on retail merchandising strategies, featuring executives from a regional supermarket company and CHEP, at the FMI-GMA Trading Partner Alliance (TPA) Supply Chain Conference in Orlando. CarbonNeutral® certification is based on the CarbonNeutral Protocol, a sustainability program used to certify and communicate carbon neutral status.

"With the carbon neutral half pallet, CHEP helps customers embed sustainability throughout their supply chain," said Mark LaCroix, Executive Vice President of the Americas, Natural Capital Partners. "This CarbonNeutral® certified platform demonstrates the action businesses can take to reduce their carbon footprint and have a positive impact on the environment. We are pleased to see a practical, groundbreaking solution that helps companies move closer to circular, more resilient supply chains."

As a circular and reusable solution, CHEP carbon neutral half pallets incorporate

sustainability into everyday business practices.

"When we introduced our pooled half pallet in 2014, it was an instant marketplace success thanks to its ability to cut labor costs and increase sales," said Vishal Patell, Vice President of Marketing and Customer Solutions, CHEP North America. "Now, as a carbon neutral platform, the half pallet delivers as a true circular supply chain solution, helping to protect our planet without compromising profit."

While CHEP's pooled half pallets are inherently sustainable, to "close the sustainability loop," the company calculates the carbon footprint of the platform and then purchases carbon offset credits from Natural Capital Partners, a leading offset retailer. The credits benefit the Mississippi Alluvial Valley Reforestation Project, an effort supporting an important North American eco-system. The project will reduce an estimated 200 metric tons of CO₂ equivalent per acre, create revenue and jobs and improve water quality and biodiversity. To date, CHEP has offset 926 metric tons (2.1 million pounds) of

Cont'd on Page 16.

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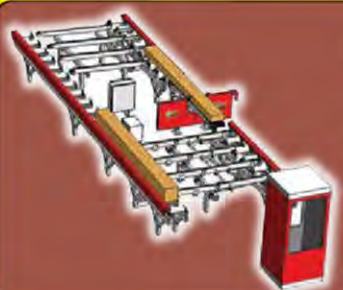


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Upcoming Events

5/18/2018- 5/19/2018 Expo Richmond, Richmond, Virginia.
www.exporichmond.com.

9/19/2018 - 9/21/2018 Western Hardwood Association Annual Convention, Portland, Oregon
www.westernhardwood.org

9/18/2018 - 9/20/2018 INTERPAL, Minneapolis, Minnesota.
www.palletcentral.com.

1/18/2019 - 1/22/2019 WPA Annual Meeting, Rancho Mirage, California
www.westernpallet.org

CHEP Launches CarbonNeutral® Half

Cont'd from Page 12

carbon emissions, equivalent to planting a variety of approximately 3,000 hardwood trees.

Immediately recognized as a “game-changing” solution, CHEP’s carbon neutral half pallet won the Environmental Initiative of the Year Award at Industrial Pack 2018 earlier this month. The half

pallet is not only a winner for sustainability – it’s also a proven winner in a number of areas: CHEP half pallets give companies the opportunity to reduce in-store labor costs by up to 75%; increase the sale of promotional items by as much as 30%; improve distribution center efficiency by more than 25%; and boost in-store efficiency by over 75%.



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octagonal, hexagonal, square and circular open-top containers. It also supports a variety of pallet sizes. Without the need for any additional assembly or equipment, STAY-RITE’s load bearing capability can support thousands of pounds of static load weight to various heights. The product is manufactured from recycled material and can be easily recycled as-is, after multiple reuses. It offers the ability to strengthen and reinforce box corners, reduce liability from falling inventory, and increase productivity through its smooth handling application.

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INTERPAL Registration Now Open



Interpal registration is now open!

Interpal is an international conference held every four years for the global wood packaging industry. The last time Interpal was held in North America was 2009. NWPCA is excited to be co-hosting Interpal 2018 with our Canadian counterparts, CWPCA.

This year, we're combining Interpal with the Fall Plant Tours, making this event a definite must-attend. In addition to the plant tours, there will be featured speakers, educational sessions, an expo, and of course, a lot of networking!

The last two years, plant tours have sold out. This year, industry professionals from all over the world will be attending, so please make sure to register early!

Plant Tours - IMPORTANT to read!

Because of the magnitude of the event, there are two options for tours: a North

and a South tour. When you register, you'll be required to choose one. Please ensure you've reviewed the options prior to selecting, as that is how you'll register.

Cost

Early bird registration is \$745, until June 30th. The price increases to \$895 July 1st. Spouse registration is \$295, (tours not included). All prices are USD.

Hotel

The host hotel is the Hyatt Regency Minneapolis. The negotiated room rate is \$199/night + tax (USD). Click to make reservations online.

Exhibiting

If you'd like to exhibit at Interpal 2018, please email Mark Barford or call +1-703-519-0186. Please note that space is limited.

[Click here to register for Interpal.](#)

Material News Roundup

WTO to Establish Panels

The World Trade Organization has agreed to establish two panels to examine Canada's complaint about duties imposed by the United States on softwood lumber imports, according to CBC.

On March 27, the Canadian government requested that a panel be set up to examine the dispute after consultations with the U.S. in January failed to find common ground. It also requested a second panel to review the U.S. use of differential pricing methodology in its anti-dumping determinations. They argued that the anti-dumping and countervailing duties imposed on softwood lumber imports were inconsistent with U.S. obligations under the agreement on subsidies and countervailing measures and the General Agreement on Tariffs and Trade.

The U.S. objected to the Canadian requests, saying it included claims against the measures that don't exist and therefore couldn't be challenged. It also said Canada stated the matter was urgent even though the final determination in the anti-dumping investigation of softwood lumber from Canada made in November 2017.

Sawlog Prices Up in Western North America

Sawlog prices have gone up universally in US dollar terms in 2017, with the

biggest growth occurring in Eastern Europe, the Nordic countries and in Western North America, while the price movements have been more modest in the US South, Latin America and Oceania, according to the Wood Resource Quarterly (WRQ).

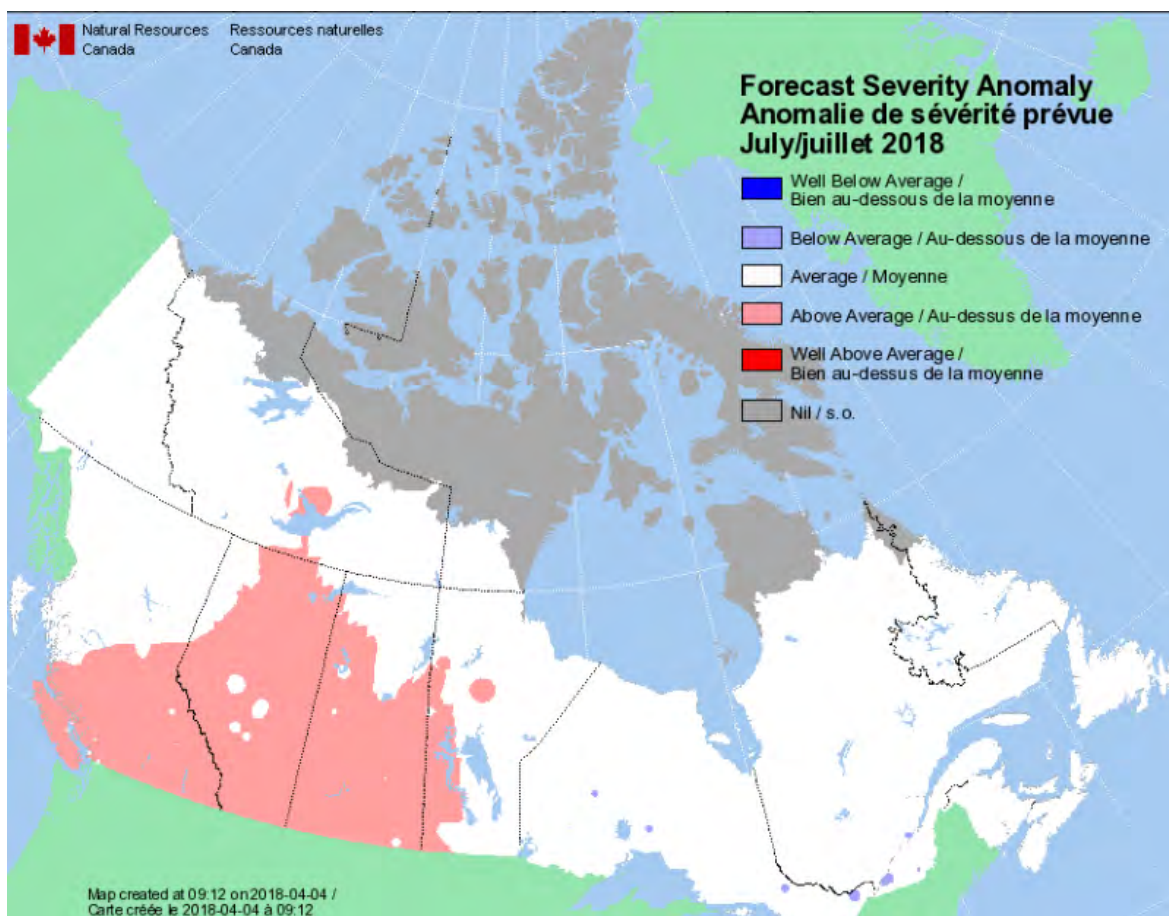
Sawlog prices in the Western US have seen a spectacular increase in less than two years. A combination of restricted log flows due to wildfires, low sawlog inventories, and strong domestic lumber markets resulted in a substantial jump in sawlog prices in the western states in the 4Q/17. This came at a time when prices had already been slowly trending upward for over a year. In the 4Q/17, average prices for Douglas-fir and hemlock sawlogs were about 27% higher than in early 2016, making the current price levels the highest recorded since the WRQ started tracking sawlog prices in 1995.

Other notes:

- Trade of softwood lumber reached an all-time-high in 2017 as demand for wood was strong in most key markets around the world. An estimated 126 million m³ of softwood lumber was shipped from forest-rich countries such as Canada, Russia, Sweden and Finland to markets with high consumption of lumber, including China, the US, the United Kingdom, Japan and Germany.

- US softwood lumber production in 2017 reached the highest level seen in ten years, with the biggest increase in the southern states.

The strong market for lumber in the US led to record high lumber prices in both



- The strong market for lumber in the US led to record high lumber prices in both the US and Canada in late 2017 and early 2018.

- Over the past two years, prices for imported softwood lumber to China have been steadily rising and reached the highest levels in three years in early 2018.

- Although lumber imports to Japan fell in the 4Q/17, the total volume for the year was up slightly for the second consecutive year.

Global trade of wood pellets has grown quite substantially over the past five years, from 11.8 million tons in 2013 to 18.3 million tons in 2017 with Europe being the dominant market.

- Most of the investments in pellet production over the past five years have been in the US South, while investments in Canadian capacity have been limited.

Wildfire Forecasts Predict Hot, Dry Conditions in BC

Preliminary forecasts from federal government scientists suggest B.C. may be in for another active wildfire season, according to a news report.

Richard Carr, a fire research analyst with the Canadian Forest Service, told CBC there's no reason to be alarmed, but the current climate models suggest above-average hot and dry conditions in some parts of the province — increasing the risk of wildfire.

"By the time we get into June ... we're starting to pick up on potential problems in the southern half of B.C., kind of extending up to the northeast," he said. "Without adequate spring precipitation, then we might start to see some drying and fire activity again in June."

BC Forests Minister Doug Donaldson said that province has added \$50 million to his ministry's budget over the next three years to help communities become more "fire resilient."

Softwood Lumber exports to U.S. Fall 20% Amid Rail Problems

Softwood lumber exports from British Columbia to the United States in March were down 20% from the same month in 2017, according to Global Affairs Canada, with a shortage of rail transportation tapped as being a key constraint to shipments.

First-quarter shipments from the B.C. Interior, which account for more than 90% of B.C.'s lumber exports, were off by 18% from last year, largely due to transportation issues. B.C. Coastal shipments were down by 36%.

Total Canadian shipments in the first three months were down 17.4%, but up 2% from February to March.

Canadian National Railway and Canadian Pacific Railway say western Canadian routes were more affected by cold winter weather and unexpected volume increases that slowed traffic.

US Consumption of Softwood Lumber is Likely to Reach Record-highs by 2030

Higher lumber demand from all end-use sectors in the US in the coming years will result in continued expansion of sawmill capacity in the US South and increased imports from overseas, while Western Canada will reduce its shipments to the US market.

A newly released study by ForestEdge and Wood Resources International forecasts that US softwood lumber demand will grow at an annual rate of 2.3% through 2030, which will be higher than the reports projection of real GDP. The study's Base Case demand scenario suggests that US lumber consumption will reach an all-time high by 2030.

A detailed analysis of the future consumption of softwood lumber in each of the five end-use categories (residential housing, repair & remodeling, non-residential construction, material handling and other) reveals that the category "Non-Residential Construction" will grow at the fastest rate and will increase its share of the total softwood lumber usage from just over 11% in 2016 to almost 14% by 2030. Lumber consumed by the residential housing sector, including repair and remodeling, will continue to account for the almost 70% of the end-use market.

At an estimated softwood lumber production cost of less than US\$200/m³ in 2016, the US South is one of the lowest cost suppliers of softwood lumber to the US market. This, combined with a significant "overhang" supply of softwood sawtimber as a result of the Global Financial Crisis in 2008-09 and a mature plantation resource, is expected to continue to facilitate a major expansion of sawmill capacity in the region.

The Canadian lumber producers market

The Canadian lumber producers market share in the US is expected to decline in the coming years, with the biggest reduction occurring between 2017 and 2025. The outlook for available log supply to the sawmilling sector will be different in the two major lumber-producing regions in Canada, with harvest levels falling substantially in British Columbia over the next ten years.

Overseas supply of lumber to the US is forecasted to increase both in volume and market share by 2025, followed by a decline until 2030. Based on the study's lumber supply curve analysis, the major supplying regions are likely to include Brazil, Chile, Germany and the Nordic countries. In the study's High Demand Scenario, which projects a very strong rebound in housing starts, R&R and non-residential construction, overseas supply will be crucial and reach a market share of over 10 % by 2030.

After nearly two decades of real price declines of sawlogs in North America and elsewhere, the combination of a rebounding US softwood lumber demand, constraints on log supply and export production in Western Canada, and continued strong demand for softwood lumber from markets in Europe, Asia and the Middle East/North Africa (MENA) region, is expected to push conifer log prices higher in real US dollar

terms in many timberland investment regions by 2030.

The excerpt above is from the new multi-client study "Future Suppliers of Softwood Lumber to the US Market – Supply and Demand Outlook 2017-2030", published by ForestEdge LLC and Wood Resources International LLC. For more information about the study or to enquire about the purchasing of the 218-page report, please contact either Robert Hagler (robert@forestedge.com) or Hakan Ekstrom (hakan@woodprices.com)

Multiple Pressures on Nail Prices

A number of factors are leading to pressure on pallet nail prices, according to a feature in Pallet Profile Weekly. An active construction industry, higher steel rod prices, capacity reductions and other factors are at play. Ian Carter of Crane Point Industrial noted that China has been shutting down inefficient and polluting steel mills and galvanizing facilities.

Bruce Kennedy, sales manager of industrial fasteners for Mid-Continent Nail Corp. was also interviewed, noting that rod from import and domestic sources has jumped \$221 per ton (\$5.53/box) over the last year. For complete coverage, subscribe to Pallet Profile Weekly.



CHEP Canada Honored as an Industry Leader in Corporate Social Responsibility

CHEP Canada has received an Advanced Gold Award, ranking it in the top 1% of all suppliers assessed on their Corporate Social Responsibility (CSR) performance by independent rating agency EcoVadis. This marks the third year in a row CHEP Canada has earned a Gold Recognition Level, the highest level available.

"This recognition, our third consecutive Gold rating, underscores how CHEP is a true leader in ethical, sustainable supply chains," said Jeff Doman, quality and sustainability director for CHEP Canada. "CHEP innovations help customers incorporate sustainability into everyday business practices. We're demonstrating that businesses can protect both the planet and profits."

EcoVadis methodology is built on international CSR standards, including the Global Reporting Initiative, the United Nations Global Compact and the ISO 26000, covering 150 spend categories and 140 countries. EcoVadis assesses 35,000 suppliers across 150 business sectors.

CHEP has also received EcoVadis Gold Recognition Levels in Europe and Australia over the last year. The company's commitment to CSR is demonstrated by its focus on creating a circular economy, powered by a circular



Paola Floris

supply chain. The business is inherently sustainable; CHEP is based on a "pooling" model that uses shared and reusable assets. It moves consumer goods throughout the world on more than 300 million pallets, containers and crates that are used over-and-over again by its customers.

"CHEP is dedicated to a culture of continuous improvement, and we do business in a responsible way that helps our customers meet their marketplace goals while making the world a better place at the same time," said Paola Floris, Vice President and General Manager, CHEP Canada. "The EcoVadis award symbolizes the constant progress we are making toward that goal."



Industry Concern over Timber Availability Prompts Record Turnout for TIMCON

A general meeting of the Timber Packaging & Pallet Confederation (TIMCON) saw a record turnout last month, as members of the sector and the wider forest-based industry gathered to discuss unprecedented shortages of timber available to its members in the UK and Ireland.

The Manchester event heard of the "serious challenges" affecting availability of timber, particularly of the smaller logs required by the pallet and packaging sector, with discussions between manufacturers, sawmillers and other related industry partners.

John Dye, TIMCON president, said: "The record numbers who attended last month's general meeting illustrates the severity of the situation in which the timber packaging and pallet business currently finds itself. Fortunately, as a part of the wider forest-based industry, we have strong allies with whom we are sharing information and developing coordinated responses and solutions to the current challenges.

"Timber remains the most sustainable and economic choice of material, not only for pallets and packaging but also an increasing number of consumer and industrial goods."

Guy Watt presented the results of TIMCON's latest UK Wood Pallet & Packaging Market report, which showed an overview of the industry for 2016.

He said an estimated 42.5 million new pallets were produced in 2016, up 5.6% compared with 2015; in the same period, an estimated 41.4 million pallets were repaired, up 6.2% on 2015. Total UK turnover from manufacturing pallets was £268.1 million; while turnover for repairing pallets was £90.2m.

TIMCON members who completed the annual survey said they expected an increase in turnover in the year ahead, a reflection mainly of increasing timber prices.

In a presentation on the challenges and opportunities in UK domestic timber supply, CONFOR's Andrew Heald said the market is experiencing the highest prices for 20 years. There is an estimated shortfall of 5-10%; the shortage appears to be most acute in southern Scotland and northern England.

Communication within and by the forest sector was key, he said, adding that CONFOR had met with the Forestry Commission and politicians recently, with timber supply at the top of the agenda.

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WHY WOOD?

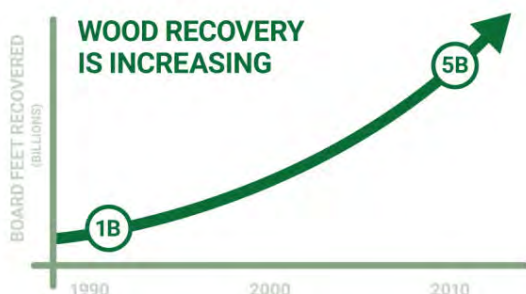
NATURE'S PACKAGING™

WOOD PACKAGING IS RECYCLABLE



Wood is recyclable. The recycling of wood pallets and wood packaging material is being accomplished at a very high level throughout North America.

Recycling takes place throughout the product use cycle. New pallet manufacturing is only one part of how pallets are used. The pallet usage cycle also involves recovery and reuse of pallets that are in good condition as well as the repair and reconstruction of damaged pallets. Pallets can also be dismantled and the lumber used to remanufacture new pallets.



With the application of grinding, wood pallets and components that are at the end of their useful life end up in fiber based products such as landscape mulch, animal bedding, soil enhancements, wood particle board or are used in bioenergy.

This model of reuse delivers wood packaging materials and pallets that make multiple trips before they reach the end of their useful life, therefore minimizing waste generation and reducing overall consumption of wood fiber.

NORTH AMERICA

In 2011, 416 million new pallets were manufactured. In the same year, 474 million pallets were recovered out of which 326 million pallets were reused as pallets, with the remaining 148 million recycled to become other reprocessed products¹.

Use of recovered wood in pallet manufacturing is growing at a high rate while use of new lumber for wood pallets has remained unchanged. In 1992, recovered wood use was 1.02 billion board feet of lumber, in 2011, this number had increased to 5.25 billion board feet.

To claim that a product is recyclable there should be recycling facilities available to at least 60 percent of the consumers where the product is sold². In the United States there is a comprehensive network of pallet recyclers serving the industrial and retail marketplace that far exceeds the 60% requirement³.

In Canada there are in excess of 80 recycling companies servicing every market sector in the country, far exceeding the 60% requirement⁴.

¹ Trends in the Use of Wood Products for Distribution Packaging Cooperative Agreement No. 11-CA11330142-13 Robert J. Bush Department of Sustainable Biomaterials Virginia Tech Blacksburg, Virginia and Philip A. Araman Research Team Leader USDA – Forest Service Southern Research Station Blacksburg, Virginia April 2014 (Revised May 2015)

² US Federal Trade Commission Environmental Claims: Summary of the Green Guides

³ Search the NWPCA Directory and WPA Recyclers Directory

⁴ Search the CWPCA Recyclers Directory



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Long-term supply contracts between Forest Enterprise and sawmills were a promising development, he said, and similar arrangements with the private sector could work well to secure supplies into the future. Vertical integration between sawmilling and forest management companies is also a positive trend.

He concluded by saying that ongoing coverage of the pricing issue meant in Scotland new plantings of timber have begun to climb again—by as much as 9,000 hectares a year; a trend he hoped would spread to England as well.

Stuart Hex, general secretary of TIMCON, said: "Recent Pöyry data shows a

significant increase in the price of timber. The Markit/CIPS report released at the beginning of March also shows pallet timber has increased in price for the 20th consecutive month. Meanwhile, anecdotal evidence from the pallet and packaging industry suggests the availability of smaller logs is extremely tight.

"The open forum at TIMCON's general meeting was an essential exchange of industry views on the current situation. There was a consensus that there is sufficient timber supply to service the market, but that we may have to adjust to structural pricing changes to ensure these short-term issues are overcome."

In case you missed them...

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