

Western Pallet



Magazine for WPA Members
May 2018

Magazine



**9 Ways Pallet Users Can Prevent
Pallet-Related Injuries**
**New Lab Explores Potential for
Biochar**

**Exploring the Cost Drivers of
Industrial Hardwoods –
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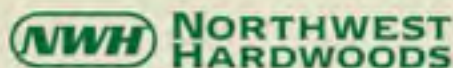
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North American Softwood Prices

Softwood prices listed as of May 22,
courtesy of NRCAN.

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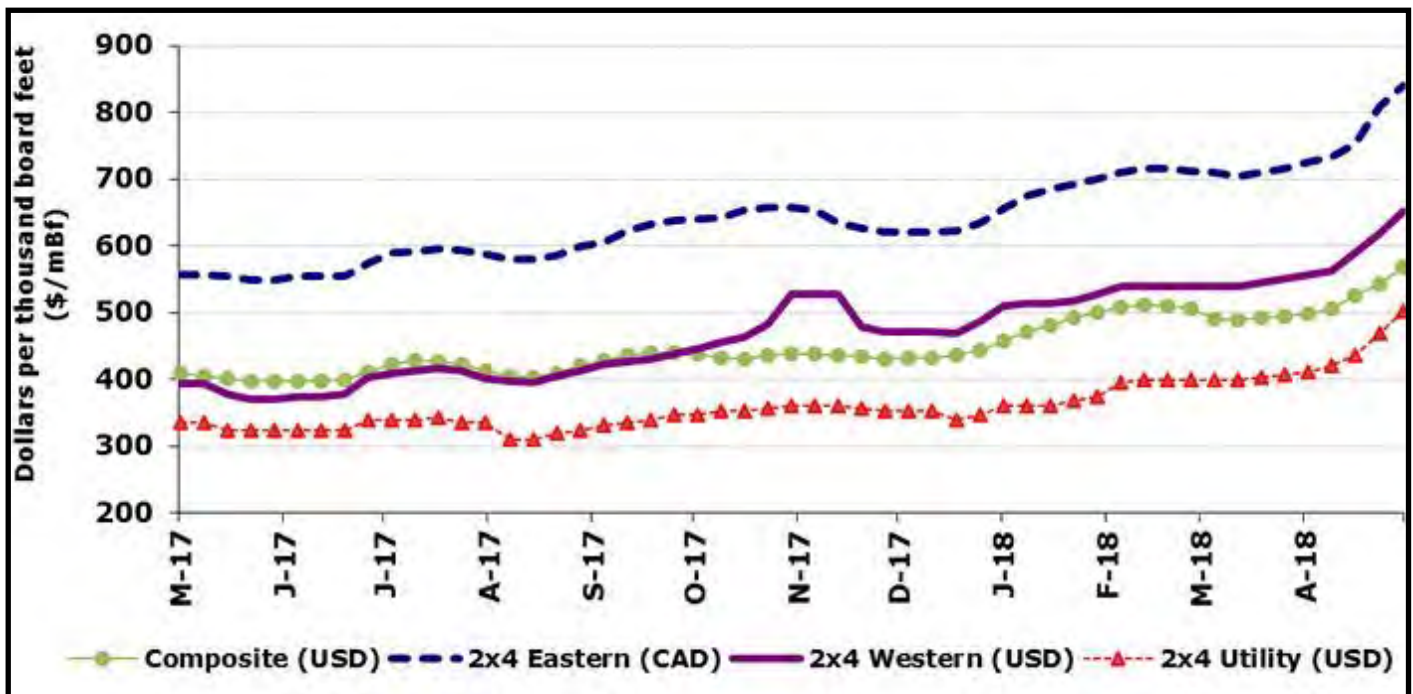
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North American Softwood Prices

Weekly softwood lumber prices to May 22, 2018 are shown below, sourced at <http://www.nrcan.gc.ca/forests/industry/13309>.



WPA New Member

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48forty

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Marcus Blood, National Brokerage Manager - West for 48forty Solutions, recently provided this introduction to the new WPA member:



The recycled pallet company formerly known as CHEP Recycled is now 48forty, and with our new name—a salute to the size of a standard wooden pallet—comes a commitment to making pallet solutions simple for our customers. The largest supplier of recycled pallets in North America, 48forty brings national capabilities with local know-how to our retail and manufacturing and local customers: 90 million pallets in force; 225 facilities across the US and Canada, 45 of which we own and operate; a fleet of 4,500 trailers and some 300 power units; and a dedicated workforce of 2,200 that ensures on-spec pallets when and where they're needed.

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industry leading Quality Management System, Good Manufacturing Practices, and OHSAS 18001 certification ensure consistent, high-quality products and safe business practices for our people and customers. When you need reliable end-to-end solutions, from pallet supply and retrieval to on-site retail services to custom sized pallets, 48forty is the one to choose. Every time. Learn more at www.48forty.com.

Contact Marcus Blood at marcus.blood@48forty.com or 801.201.8250.



Pallet Machinery Group Featured Storti Freedom, HY-400 and Ultimizer at the Richmond Show

Pallet Machinery Group featured three products from its diverse line at Expo Richmond. The show took place May 18 and 19 in Richmond VA.

The first featured product was the Storti Freedom pallet nailing system. "It is stringer only, as opposed to most Storti lines which are block and stringer," explained Greg Wine, owner of Pallet Machinery Group.

Storti Freedom features of note include fast changeovers, as well as a two board hopper system as opposed to a single hopper. "This could be loaded by a conveyor from a robot," Wine said. "Robots can feed boards onto the conveyor and the conveyor can feed the hopper." While Storti pallet nailing lines have been used with robots in Europe for 10 or 15 years, he noted, the trend is newer in the U.S. He is aware of two or three installations with robots in Texas, and one in Virginia.

Another advantage for Freedom is that it nails the entire board in one stroke, as opposed to stopping three times to nail a 6-inch board. For example, on a GMA pallet, it would stop just seven times as opposed to 16 times.

The second featured product from PMG at Expo Richmond was the HY400 saw, which Wine said is ideal for softwood splitting applications in the Western states. He describes it as faster, thinner kerf and more flexible than the competition. "We can put three saw blades on top and three blades on the bottom," he noted. "We have customers running it at 400 feet per minute."

Pallet Machinery Group also featured a board scanning system from Ultimizers, which can be used in conjunction with the HY saw.

Another product which generated a lot of interest for PMG at the show, Wine reported, was the WoodLock Bio-Shield, a mold protection product. The Bio-Shield technology is a polymer which allows the active ingredients to become bio-available at 10% ambient humidity. For more information, please check out www.palletmachinery.com.



Exploring the Potential for Biochar: Pyrolysis kiln turns trash to treasure at Cornell



Technician Akio Enders examines biochar after it is removed from the the new pyrolysis kiln. *Photo credit: Jason Koski/University Photography*

One of the all too common challenges for wood products companies is finding an application for residuals. Perhaps biochar will prove to be useful.

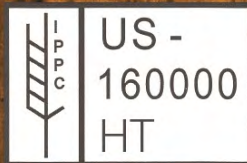
ITHACA, N.Y. – Cornell University scientists will explore turning trash into treasure as Cornell's new pyrolysis kiln – the largest research kiln of its kind at a U. S. university – will help scientists explore the potential for carbon-negative energy production, producing new biomaterials and creating Earth-friendly biochar.

Biochar is a solid, charcoal-like material formed by heating biomass in the absence of oxygen in a process known as pyrolysis.

The Cornell pyrolysis kiln officially opened on May 24 on the university's Ithaca campus.

"This is an opportunity to work with industry or municipalities that have a waste issue and find out if slow pyrolysis is a good option for them," said Lehmann, a fellow at Cornell's Atkinson Center for a Sustainable Future. "Importantly, we want to let the world know – for academic, governmental or business entities – that

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governmental or business entities – that we’re here, open and ready for research.”

Though not a fertilizer, biochar – when applied to soil – boosts fertility by helping to retain water in the soil when it is dry, promote drainage when conditions are wet and retain soil nutrients.

The new research kiln can transform over 100 pounds of waste an hour, and it is

agile enough to allow rapid testing of different inputs and production conditions.

“Pyrolysis technology and our unparalleled capacity to convert trash into treasure is an opportunity for businesses, farmers or municipalities to reduce their environmental footprint and

Cont'd on Page 13.

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Cont'd from Page 11.

create new value," Lehmann said. "We're here to tap into what businesses or local governments may not have thought about. For most industries, this is a completely new way of dealing with waste."

The kiln represents a new model for creating a green future. "With pyrolysis, we can make green hydrogen and fuel a hydrogen car—or we can produce ethanol from the gases and put it into fleets right now," Lehmann said. "It's a compelling alternative to fossil fuels especially in those global regions that have limited access to transportation fuels and where crop production relies on boosting carbon in soil."

Cornell's pyrolysis kiln project began in 2010 when philanthropist Yossie Hollander and his family made a \$5 million gift to the Cornell Center for a Sustainable Future, the predecessor to the Atkinson Center, to advance biofuel technology for developing countries.

The kiln was designed and constructed by Full Circle Biochar, a California-based company eager to demonstrate economic feasibility of eco-friendly, biomass-based materials, which remains in close collaboration with Cornell on biochar research and development.

Lehmann explains that with pyrolysis,
Cont'd on Page 15

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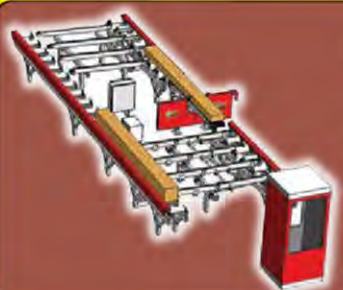


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Cont'd from Page 13

energy consumption could become carbon negative and help to slow a warming climate. "Pyrolysis could be an important part of the basket of solutions, a portfolio of emerging technologies in a world where one-size-fits-all won't work," he said.

For information about the new kiln, go to www.pyrolysis.cals.cornell.edu



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Blacksburg, VA
www.palletcentral.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

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.](#)



Overwhelming Continued Support for Softwood Lumber Board

The U.S. Department of Agriculture (USDA) has announced that domestic manufacturers and importers of softwood lumber have voted overwhelmingly to continue the efforts of the Softwood Lumber Board (SLB).

In the referendum conducted by USDA from April 17 to May 14, 2018, to determine the future of the softwood lumber industry's market promotion check-off known as the Softwood Lumber Board, a super-majority of manufacturing and importing companies established a strong new mandate to advance the program for another term.


USDA noted that 78% of companies participating in the referendum representing 94% of volume voted to continue the program. For comparison, when the program began in 2011, 67% of voting companies and 80% of voting volume, respectively, voted to establish the program.

This super-majority mandate to continue the program reflects strong industry confidence in the diligence, determination, and effectiveness of the SLB and its staff to increase market demand for softwood lumber by supporting pro-wood communications (Think Wood and Wood, Naturally), code and standards expansion (American Wood Council), educating and assisting architects, engineers and construction specifiers (WoodWorks), and supporting

innovative new applications and markets for softwood lumber products.

Commenting on the vote, Marc Brinkmeyer, Chairman of Idaho Forest Group and Chairman of the SLB said, "This vote shows the softwood lumber industry's strong support for a nationwide promotion program. The vote affirms the industry's view that the Softwood Lumber Board is an effective investment vehicle to grow the market for the benefit of all producers."

George Emmerson, President & CEO of Sierra-Pacific Industries, said, "The industry has realized that we all have common competitors in the form of other building materials. The SLB has unified the industry's efforts to compete in the marketplace – something that none of us can do acting individually."

"With these changes the SLB is ready to move to 'version 2.0' and expand its activities to take advantage of new trends to more off-site construction and factory-built housing, the opportunities awaiting with mass timber applications and expansion to off-shore markets. We are posed to build on our strong and successful campaign results of the last six years to ensure that softwood lumber is the material of choice not only in residential construction but also non-residential market segments." said Don Kayne, President & CEO of Canfor and Chair of the SLB Programs Committee. 

9 Ways Pallet Users Can Prevent Pallet-Related Injuries

Do you share pallet handling best practices with your customers? Following the death of an employee at a big box retailer after tripping on an empty pallet and hitting his head in 2016, the issue of pallet safety was raised in Ontario. As a result, that province's Workplace Safety & Prevention Services (WSPS) developed resources to help raise awareness regarding unsafe practices involving pallets.

"Without an effective pallet safety program, any operation that receives or ships goods on pallets could be putting workers at risk," stated Norm Kramer, WSPS consultant, in an article.

Kramer acknowledged that pallet users often face a number of safety challenges, including limited control over the condition of pallets entering their facility. "Pallets may be damaged or substandard," he continued. "These pallets may go unnoticed until a load sags or shifts." If a substandard pallet is detected, stacking products on better quality pallets is time consuming and may disrupt the flow of work. Improperly placed or stored pallets are another concern, as shown by the big box tripping fatality.

Kramer stressed that "It's the employer's responsibility to have a safety program in place, and assign competent personnel and resources to it."

He offered nine suggestions on how to improve pallet safety in a pallet handling workplace.

- 1. Create a pallet safety program that includes inspecting pallets, removing damaged pallets from use, and properly handling and storing pallets.** Tap into the expertise and experience of the joint health and safety committee and employees who regularly handle pallets.
- 2. Dedicate competent personnel and resources to develop and maintain the program.** Show visible support for their efforts.
- 3. Train supervisors and workers on all safe practices and procedures.**
- 4. Regularly review your pallet handling practices with an eye to making improvements.** Train people on any changes.
- 5. Implement a process to identify and remove damaged pallets from service, and restock loads on undamaged pallets.**
- 6. Use the pallets for the purpose they were designed for.** For instance, respect their load bearing limits, and use expendable pallets only once.
- 7. Source pallets only from a reputable supplier.** If you consistently receive damaged pallets, discuss with your supplier(s) how to prevent this.
- 8. Identify the best locations for placing pallets with goods stored on them, as well as empty pallets.** Eliminate blind spots and tripping hazards.
- 9. Establish a zero tolerance policy.** "Avoid a culture of complacency," says Norm. "Don't assume that just because nothing has gone wrong so far, nothing ever will."



Exploring the Cost Drivers of Industrial Hardwoods – What's Different Now?

By Tyson Steffens

In the last 15 years, the cost of industrial hardwoods has become increasingly more expensive and volatile. For almost a decade prior to 2003, hardwood cant pricing, the main feedstock to make industrial wood products and wood pallets, remained relatively steady at about \$320 MBF (thousand board feet) in the heart of hardwood country. In 2003, there was a significant jump in pricing which signaled the beginning of a continued rise in price and volatility. Why has this occurred and what is reasonable to expect moving forward?

Where does industrial hardwood come from and what has driven price fluctuations?

The origin of industrial hardwoods (and any industrial lumber) is pivotal in understanding what drives the pricing and how. Almost all trees that are cut down, other than those small or defective logs which are destined to be ground for paper pulp, are cut for grade material. Grade material is the choicest portions of the log, cut to various board sizes and kiln dried for structural and appearance applications such as building studs, furniture, trim, veneer, and some flooring etc. The remainder of the log, notably the center portion called a cant, is discarded from the process and this downfall enters

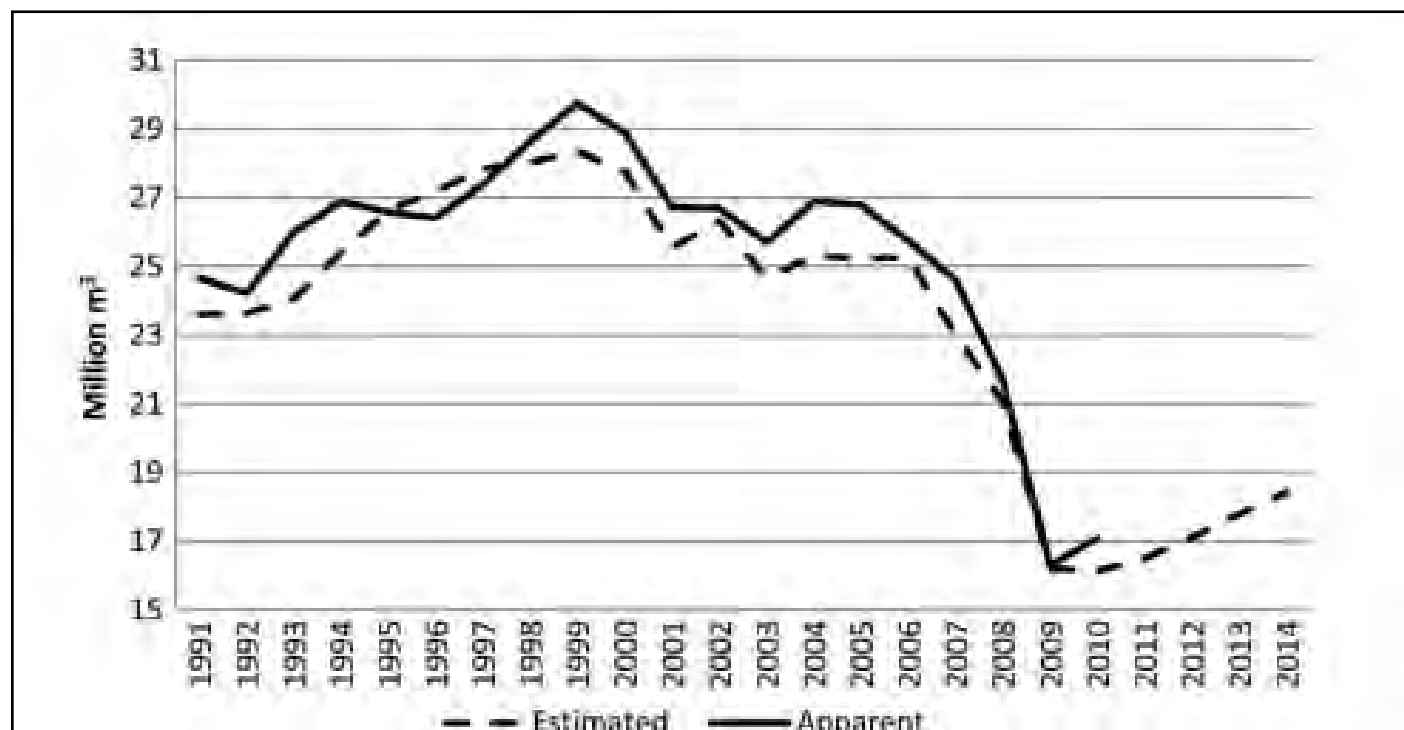
the industrial wood market. The key point to understand here is that industrial wood is a by-product of, and depends upon the production level of, the grade lumber market.

This being the case, the traditional drivers of industrial hardwood pricing were largely a balance between the demand for grade lumber and the ability to log, the latter predominately driven by weather. If housing is booming, furniture and trim are needed. Grade lumber demand increases which produces more industrial downfall acting to oversupply and push pricing down. If you have a particularly wet stretch of weather that prohibits logging crews from accessing timberland this decreases the supply of logs acting to under supply and push prices up. In the recent past when the American economy was heating up, the housing market was too, so there was a nice balance that tended to keep pricing steady, irritated only occasionally by weather events.

What changed?

A number of factors changed that began to undo this balance. While some proceeded to increase the price at which the balancing act could once again find stasis, others introduced volatility as well.

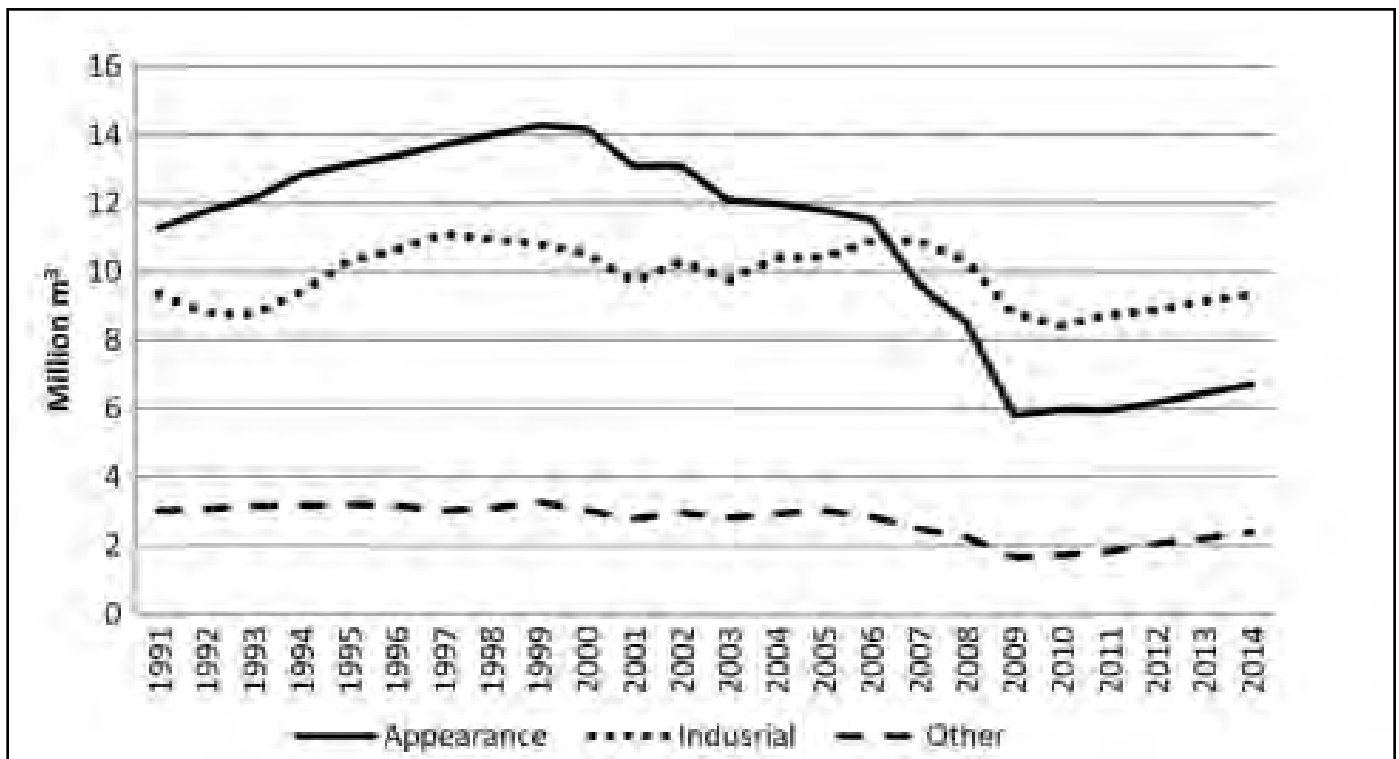
Beginning in about 2000, furniture production started to offshore. Since furniture production was a major market for grade hardwoods, the production of hardwood logs was curtailed. Eventually, hardwood sawmills began to go offline, idled, and permanently shut down. The graph below shows the US consumption of hardwood lumber.



Source: US HARDWOOD LUMBER CONSUMPTION AND INTERNATIONAL TRADE FROM 1991 TO 2014

With fewer logs being harvested for high dollar grade hardwoods, industrial hardwoods appear to make their first shift to a new balancing point moving from \$320/MSF to \$370/MSF throughout 2003. As the economy fell into the great recession, and the demand for grade material plummeted, industrial hardwoods ascended in price once again to \$420/MSF settling at a new balancing point of \$410/MSF.

The following graph shows the consumption of hardwood by major use categories. As you can see, the offshoring of furniture production, which drove US consumption down, also inverted the relationship between grade lumber and the downfall product of industrial grade hardwoods. This change in relationship created a severe strain on the availability of industrial feedstocks helping to create the new post-recession price points.



Source: *US HARDWOOD LUMBER CONSUMPTION AND INTERNATIONAL TRADE FROM 1991 TO 2014*

So how did industrial hardwoods push beyond \$500? China.

As the industrial hardwood market was settling into what seemed like another 'new normal' in mid-2010, new problems were on the way. Railroads were increasing rail tie purchases, horizontal drilling and 'fracking' were gaining traction, but the big driver was the exportation of hardwood to China.

From 2005 to 2010 the railroad industry purchased rail ties for maintenance projects at a very consistent rate. From 2010 to 2016 that number steadily increased 47% in just 6 years. A rail tie is essentially a very large cant. So, every rail tie purchased is a cant that won't be available to pallet mills. Currently, there have been cross-tie buys at \$750/MBF.

The Eagle Ford shale formation saw early drilling in 2008 but the granting of permits skyrocketed in 2010, followed shortly by the Marcellus formation in OH/PA and numerous other gas/oil reserves that these new techniques unlocked. The drilling required the use of crane mats and rig mats...both are variations of timber roads/platforms required for equipment to reach drill sites while staying within environmental regulations. Being such a small portion of the drilling cost, drillers

would specify a quantity and a date, and award business based only these two criteria. They literally did not care what the price was. One example of this approach produced crane mats being purchased at \$800/MBF when hardwood cants were running \$400/MBF. Just like a rail tie, the timbers used to create these mats are essentially oversized cants. Every timber used for matting is literally a cant removed from the market for the pallet manufacturers. These activities, which would spot buy larger quantities of lumber at prices outside the purchasing limits of the pallet industry, caused (and still do) large sudden price spikes and availability problems.

However, these appear to be sideline events to China's recent appetite for US hardwood logs. As you can see in the following graph, as US hardwood exports have increased, the main driver is the sharp increase by China.



Source: Tyson Steffens, based on various information sources

Here is a detail that often slips by. Most of this exported hardwood had always been grade boards. The logs were cut here. That meant that the cant, the falloff for the industrial sector, stayed in the US while the grade lumber went overseas. So, exports

traditionally would help create downfall for the industrial users. However, as China's volume picked up they began buying the whole log prior to its being sawn. So instead of exports helping the industrial market, every export to China was hurting the industrial market. Then China drastically increased their purchases compounding the problem.

Is there any end in sight?

At this time, nobody can predict with any real level of confidence what will happen because there are simply too many variables in play. Will China keep buying hardwood at the current or possibly increased rates? Might the US limit hardwood exports? Will our manufacturing economy experience another surge increasing industrial hardwood needs further? At what price point will it make sense for a logger to fell trees driven by industrial use rather than grade lumber demand?

One thing is for sure...as the price of industrial hardwoods continues to climb (and know that soft wood is moving too!) it is increasingly important that you have the ability to rethink the way you design, use, and source industrial lumber products. The only thing everyone seems fairly sure of is that more change is coming and at faster speeds than we've experienced in the past.

You'll be best prepared if you think of your pallet, dunnage, and crating purchases as industrial lumber purchases and evaluate them as such. Be ready to pivot. If you aren't ready to pivot on design, material, and how you use these products, get ready to. If your team doesn't have the needed skills, experience or time to do so...find a partner that can help you.

If you would like to contact Tyson directly to discuss the industrial hardwood market from either the buyer or supplier perspective feel free to contact him directly at tysteffens1@gmail.com or visit www.tpai.com.



Lumber and Log Exports to China Have Tripled in Ten Years

China imported record high volumes of softwood logs and lumber in 2017, making the country the largest log importer in the world and the second largest lumber importer after the US, according to the Wood Resource Quarterly. Over the past two years there has been a sharp shift towards importing lumber rather than logs, with lumber volumes in 2017 exceeding logs by 36%.

With limited domestic forest resources, China continues to be a major importer of forest products in order to meet its growing domestic demand for logs, lumber, chips, pulp and paper. In 2017, import volumes of both softwood logs and softwood lumber reached all-time highs despite a slowing activities in the house construction sector.

Over the past ten years, the total importation of softwood logs and softwood lumber has gone up 3.5 times in roundwood equivalents (RWE).

Over the past two years, importation of lumber has grown much faster than has importation of logs, with lumber import volumes in 2017 surpassing log import volumes by 36% (in RWE). This is a shift from the past, when there were substantially more shipments of logs than lumber entering Chinese ports. Today, China is the world's largest importer of logs and the second largest importer of lumber after the US. With these large volumes being shipped to this growing

dynamic market, there have been a number of changes in supply sources based on availability and costs over the years.

On the lumber side, the biggest changes over the past five years include a more than doubling of shipments from Russia, declining imports from North America, and higher shipments from the Nordic countries, reports the WRQ. In the short to mid-term, it is likely that European lumber producers will increase shipments to China, while lumber producers in Western Canada may choose to ship their products to the hot US lumber market where lumber prices are at record high levels.

The changes in log suppliers over the past five years have been more dramatic than those for lumber, and there are also fewer countries shipping logs to China as compared to the number shipping lumber. Five supplying countries, New Zealand, Russia, the US, Australia and Canada together accounted for 92% of total log imports in 2017. The biggest change from 2013 to 2017 was that Australia became a major source of logs, with volumes increasing from 1.6 million m³ in 2013 to 4.2 million m³ in 2017.

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