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Magazine for WPA Members
September 2018

Magazine



2018
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TIMCON AGM

North American Lumber Update

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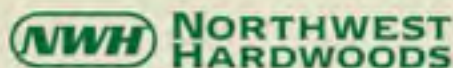
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North American Softwood Prices

Softwood prices listed as of August 21, courtesy of NRCAN.

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WPA New Members

The WPA is proud to introduce its latest new members.

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Quick Takes

A quick roundup of industry news, including Loscam sale rumor, new automated CHEP repair plant, OSHA fines, and an update on RM2.

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Interpal 2018

A report on Interpal 2018, which included networking events, educational programs as well as two different plant tour programs.

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Cover Story:

**Interpal 2018
Highlights, photos**

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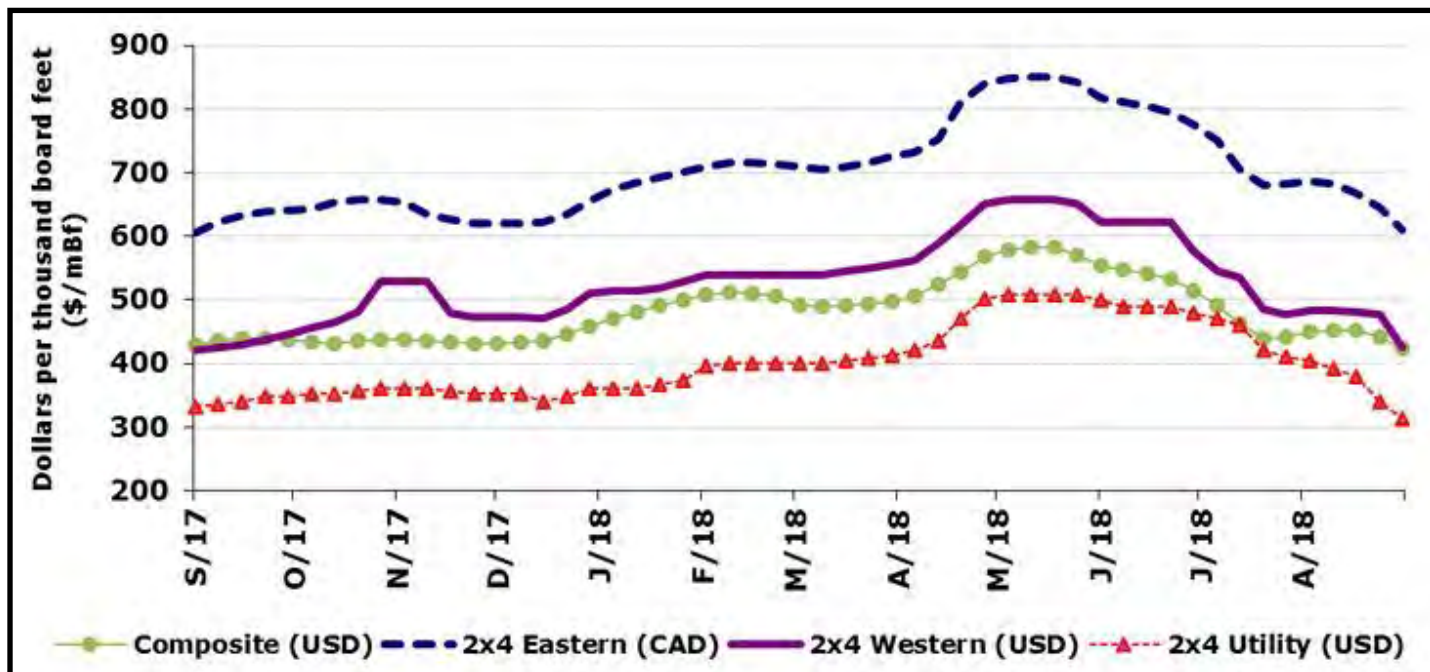
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North American Softwood Prices

Weekly softwood lumber prices to September 25, 2018 are shown below, sourced at <http://www.nrcan.gc.ca/forests/industry/13309>.



WPA New Members

The WPA strives to grow membership in order to better serve its members. This month, we are pleased to welcome the following new member.

Joe Woods
Alliance Automation
560 Bonnewitz Avenue
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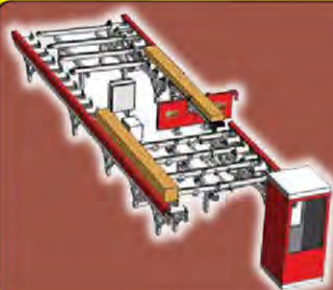


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Quick Takes

China Merchants Is Said to Weigh Sale of \$1 Billion Loscam

State-owned China Merchants Group is considering a sale of Loscam, the Asia Pacific pallet pooling provider, according to Bloomberg, citing interest from investors including Asian buyout firms.

"The Hong Kong-based conglomerate is working with financial advisers on the potential divestment of a majority stake in Loscam, the people said, asking not to be identified because the matter is private. A deal could value the business at about \$1 billion, said the people."

CMG acquired Loscam from Affinity Equity Partners in 2010, moving its headquarters to Hong Kong.

Industrial Pack 2019 Returns to Atlanta

After a successful show launch in 2018, the niche industrial packaging show returns to Cobb Centre Galleria in Atlanta. [Read more.](#)

CHEP Opens Fully Automated Repair Facility in Germany

The updated CHEP facility near Hamburg, Germany features fully automated pallet inspection and repair. With the help of robotics, full, half and quarter sized pallets can be handled more efficiently than was previously possible. [Read more.](#)

RM2 Provides Update, All in on Smart Pallets

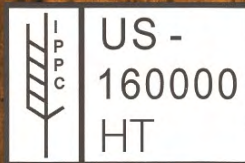
Composite pallet maker RM2 has announced its H1 2018 results, with loss after tax of \$17.3million (H1 2017: US\$19.2 million). "Following the refinancing and simplification of the capital structure in the first half of 2018, the company is focused on the deployment of RM2 ELIoT Smart pallets," said Kevin Mazula, RM2 CEO. [Read more.](#)

Pallet Manufacturer Cited After Employee Amputation

The U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) cited pallet manufacturer Buckeye Diamond Logistics Inc. – which operates as BDL Supply – for lockout/tagout hazards after an employee suffered an amputation at the Columbus-based company. OSHA proposed penalties of \$191,794 for two repeated and four serious violations.

The employee suffered a finger amputation while working with an energized pallet stack machine. OSHA investigators determined that the company failed to develop lockout/tag out procedures, install machine guards, and train employees on procedures to prevent machines from starting during service and maintenance; and exposed employees to electrical hazards.

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Interpal 2018: Networking, Tours and Educational Sessions Provide a Memorable Experience



Interpal, the leading international conference held every four years for the global wood pallet and packaging industry, took place September 18-20, in Minneapolis. Over 620 people came from six continents to network, to tour wood packaging facilities, and engage in the education sessions. It was co-hosted by NWPCA and CWPCA. The power of partnering was a recurring theme at the event.

Educational sessions covered ISPM 15 issues, the lumber market, Nature's Packaging, and more. Reports from European (FEFPEB) and Canadian (CWPCA) associations as well as participation by international participants in panel sessions provided a global perspective. The keynote speaker was author and subject matter expert Todd Snelgrove, whose presentation was entitled *Value Selling in Competitive Times, a Total Profit Added Approach*.

While value-based or total cost of ownership concepts have been discussed before at pallet

industry sessions as a way to commoditize pallet pricing, they still have not been widely embraced in many industries, including the pallet sector. Snelgrove offered many useful insights and practical approaches towards value selling. One key thought was that "Price is only ever an issue in the absence of quantified value." In other words, if customers are really stuck on price, have you done a good enough job of demonstrating the value you bring?

Scott Geffros, General Manager of CWPCA, shared statistics and insights from Canada. The Canadian pallet sector achieved \$1 billion in sales for the first time in 2017. And in case you were wondering, the leading US destination for Canadian wood packaging is California. It is the only western state in the top 10 destinations.

Fons Ceelaert, Secretary General of FEFPEB, provided an overview of trends and topics in Europe. Much of the European focus is on

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navigating regulatory issues such as ISPM 15 and EU Parliament solid waste directives.

Will Novy-Hildesley, Executive Director, North American Forest Partnership, talked about #ForestProud, and the work it does to help raise public awareness about forests through producing high quality content that its membership group can use to promote their cause. Its members include a diverse group of individuals, companies, agencies, non-profits and organizations that have come together around shared values to start a conversation about the future of forests.

"How trusted are we as a community?" Novy-Hildesley asked. "When you talk about what you do--when you tell them you work in the forest sector, do you think they trust who you are? You are involved in cutting down trees."

Negative perceptions of the forest industry still persist, and #ForestProud is working to change that. "You have an absolutely incredible story to tell," he said. Unfortunately, it is still not widely enough understood.

He believes that many people look at forests simplistically. They think of them romantically, as mythical trees that live forever, or nostalgically, as a place where they enjoyed camping or hunting, perhaps, or unfortunately, as a clearcut. There is an understanding gap as well as a trust gap.

"I believe this sector is poised to solve some of the biggest problems we face as a society today," he said. For more information, visit forestproud.org.

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Lindsey Shean, WPA President, provided an update on Nature's Packaging.



Michael Modugno of PGS Group (France) provided a perspective on Packaging from Nature, the European initiative to promote wood packaging.



John Dye, TIMCON President and Scott Group, spoke about the European timber situation.

Lindsey Shean of Valley Pallet, WPA President, provided an overview of Nature's Packaging. She has been actively involved as a volunteer since its infancy. It is based on the Packaging from Nature program launched in Europe,

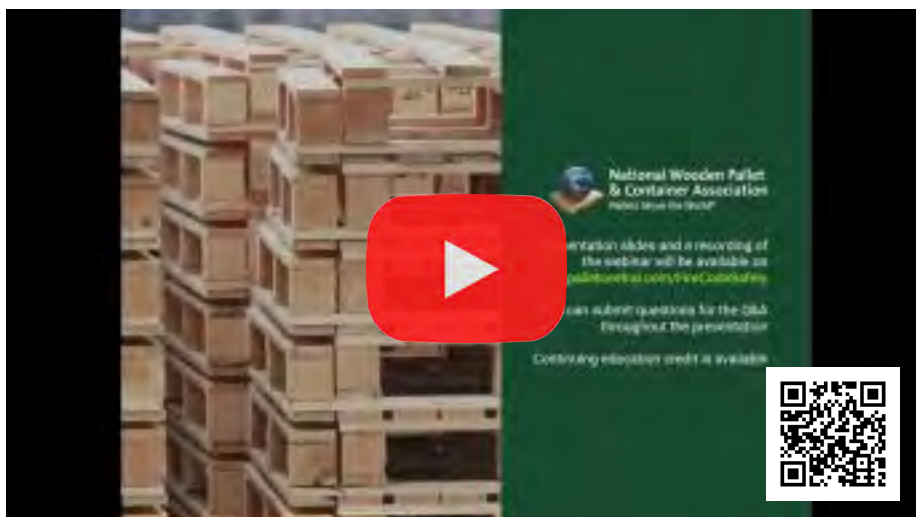
Nature's Packaging was an initiative brought forward by members of NWPCA, CWPCA and WPA to celebrate wood as the sustainable choice in packaging, promote its use to users seeking sustainable and economical packaging, and to provide accurate, science-based materials to share with their customers. As a sales professional, she has been able to use Nature's Packaging as an educational tool to educate her customers.

Michael Modugno of PGS Group spoke of the Packaging from Nature program in Europe, and the impetus for its launch, which was aimed at clarifying the benefits of wood packaging. The task was not easy. "Europe is a continent, but we have 28 countries, 28 different ways to communicate, 28 different priorities, and 28 reasons not to agree." When the wood packaging industry perceived that it was under attack, however, the group galvanized to form Packaging from Nature. The full English language site is now finalized, with six summary sites in Dutch, French, German, Italian, Portuguese and Spanish still to be signed off. Text has been updated and is mobile-friendly. Some fact sheets have also been updated.

Interpal Photo Album



Above and at right: Pallet Service Corporation, one of the tour hosts, has installed concrete barriers to clearly establish 20' access and painted lines in response to new fire safety regulations. See the link to the NWPCA webinar below.





SEPTEMBER 2018

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Photo credit: NWPCA

Above: Robotic dismantling machines from Alliance Automation were on display at two different plants. On the previous page, Nick Wenner of Pallet Service Corporation provided an overview of how his company uses Palmate to streamline its operation.

Get Connected!

All WPA Members Reserve your Exhibit Table now! 2019 WPA Annual Meeting January 18-22, 2019 Rancho Las Palmas Resort, Rancho Mirage, CA

Exhibit Cost

- \$300 - Until November 1st
- \$400 - After November 1st
- Exhibitors must be members of WPA with dues current, sign up and pay for an exhibit space, and pay the annual meeting registration fee - online meeting registration opens October 1st.

Exhibit space includes a skirted, 6' table arranged around the periphery of the meeting room. Additional amenities available through the Rancho Las Palmas Resort & Spa and are the responsibility of the Exhibitor.

Exhibit space is limited. Sign up for exhibit tables opens at 8:00 AM PDT on September 5, 2018.

Exhibit Schedule

- Saturday, January 19th - 5:00 - 6:30 PM - Exhibit Showcase during WPA welcome reception
- Sunday, January 20th - 7:00 - 8:00 AM - Exhibit Showcase during WPA breakfast
- Sunday, January 20th - 12 Noon - 1:00 PM - Exhibit Showcase during WPA lunch
- Monday January 21st- 8:00 AM - 9:00 AM - Exhibit Showcase during WPA breakfast

Set-up starts at 12:00 Noon, Saturday, January 19th, and should be ready by 5:00 PM, just in time for the welcome reception. Breakdown can start after 11:00 AM, Monday, January 21st, and completed by 2:00 PM.

Exhibitor signup only - does not include separate meeting registration open October 1, 2018.

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Above: One of several Viking machines seen on the tour. Viking Engineering itself was a featured stop on the North Tour.



Photo credit top and bottom: NWPCA

North American Lumber Trends

Key points:

- *The tight market conditions in softwood lumber markets during 2018 unlikely to repeat in 2019.*
- *North American softwood lumber production undergoing dramatic shift based on timber supply.*
- *The US China trade dispute will reverse recent growth in both log and lumber exports.*
- *There are other challenges to expanding lumber supply.*

The tight lumber markets we've seen into 2018 shouldn't persist into 2019, according to Rocky Goodnow, who spoke early this month at Interpal 2018 in Minneapolis. Goodnow is Vice President of the North American Timber Service at Forest Economic Advisors LLC.

"The first thing on most people's lists was what was going on with the SLA, the softwood lumber agreement," he said. It definitely had an impact in increasing prices." It was exasperated by BC's worst fire season on record, and one of the "more significant fire seasons" in the US West.

"It led to a lot of loggers being pulled out of the woods, and lower log decks," he said. Inventories were also impacted by severe transportation issues early in 2018, primarily in BC, which experienced rail availability problems.

And while supply was constrained, demand turned out to be surprisingly strong. Housing starts as well as repair and renovation activity were stronger than anticipated, leading to higher prices. July 2018 shipments from U.S. mills is up by 5% versus the previous year.



Rocky Goodnow

Canada started out the year very slowly because of transportation and SLA issues, but now has caught up and is exceeding previous year volume. Goodnow said the industry is starting to get into a better position from an inventory standpoint.

"That's why going forward, we don't anticipate those same issues in 2019," Goodnow stated. "We think that overall, production is going to remain strong. Sawmills are still making money, so we don't anticipate any mills pulling back, at this point."

He is projecting strong demand for softwood lumber, driven by recovery and residential construction. He sees the U.S. as being "significantly under-built in housing," noting a pent up demand for new homes. He believes that recovery efforts will be slow, but will continue to be positive.

While demand will remain strong, he sees a significant shift underway in the supply base. "When we look at major softwood supply areas, there are obstacles to increasing softwood lumber supply," he said, "most notable in British Columbia." Damage inflicted by the pine beetle epidemic will impede future production in BC. Over 50% of BC mill capacity is located in areas where over 50% of lodgepole pine has been killed. Salvage operations on beetle killed wood are winding down as the material starts to deteriorate.

And while Eastern Canada has seen strong increases, further increases will be more difficult to achieve. Mills in that region are facing strong cost headwinds due to lack of market for their residual fiber. He noted that softwood mills in Eastern Canada were built not only to produce lumber, but for wood chips for the pulp and paper industry. Without a market for their residuals, it is effectively raising the cost of producing lumber, and will limit their ability to increase production in coming years. And in the U.S. West, he anticipates limited increases of softwood going forward.

The U.S. South is poised to generate the most new production. "That's where the timber is, and it is cost effective," Goodnow said. Supply has grown by about 20% over the past decade, with the largest increases coming from plantations. Plantation volume has increased by one-third over the last decade and is still increasing. Plantation operations benefit from advanced silviculture, intense management and fertilization. He believes a number of new mill projects will help the region achieve roughly a 20% increase in lumber capacity over the next four to five years.

As for exports to China, Goodnow expects to see some big changes. Earlier in the year, phytosanitary issues disrupted Chinese exports. More recently, tariff problems have taken center stage. Southern yellow pine log imports to China have dropped to almost zero because of uncertainty about tariffs going forward. In the case of hardwood exports to China, there will also be a degree of "turmoil and caution." He anticipates that near term trade will drop sharply.

Other ongoing challenges for lumber producers include transportation and labor. "There is a severe trucking shortage," he said, noting the difficulty in finding drivers. "It is causing problems in the supply chain. Across the board when we talk to clients, this comes out as a major issue."



TIMCON to Tackle High Prices and Packaging Targets



Left to right: TIMCON president John Dye, MSP Fergus Ewing and TIMCON past president Gil Covey

The Timber Packaging & Pallet Confederation (TIMCON) is lobbying to tackle the unprecedented high price of UK wood packaging recovery notes (PRNs), which it says have serious implications for the industry. (A packaging recovery note is a type of document that provides evidence waste packaging material has been recycled into a new product.)

Speaking at the association's AGM in Edinburgh

earlier this month Angus Macpherson, managing director of The Environment Exchange, the marketplace for PRNs, explained that an increase in the UK wood recycling target had led to an all time high in the price, and further target rises scheduled for the next two years would present "a significant challenge for the wood sector."

Macpherson said that the current UK recycling targets for wood were based on the draft EU

Macpherson said that the current UK recycling targets for wood were based on the draft EU Circular Economy Package, which meant UK targets were increased to 38% this year and are due to rise to 43% and 48% in the next two years; while in the final EU Circular Economy Package wood-material-specific recycling and reuse targets are now lower, at 25% by 2025 and 30% by 2030.

"In the short term, TIMCON may wish to address the pre-2020 targets," he said, "otherwise, unless wood recycling issues outside their control change radically, every producer faces paying pretty large sums of money for the next three years." He added that the industry's discussions with Defra would be helped by collecting and communicating good quality data, something that TIMCON is already doing well in the pallet and packaging sector.

During the AGM, which featured as keynote speaker MSP Fergus Ewing, Cabinet Secretary for the Rural Economy and Connectivity, several presenters stressed the importance of reliable industry data in achieving desirable outcomes when lobbying on critical issues.

In his address to the meeting, TIMCON president John Dye said that production and recycling figures in the organisation's annual report on the packaging and pallet industry are essential to its negotiations with Defra on the Packaging Producer Responsibility policy. This currently states it will require 'packaging producers to fund the end of life costs of their packaging products and disposal costs of packaging', a situation he said could have "serious implications for our members".

"Meanwhile, the record high price of PRNs is placing a substantial and unexpected burden on

the wooden pallet and packaging industry, including manufacturers, repairers and pallet poolers, as well as the sawmilling sector," he said.

"As an industry association, we really do know our facts and figures, which gives us a much better chance of being listened to. Our recent work with Defra has confirmed this is most definitely the case," he said. "Packaging waste targets and PRNs are where our focus will be in the coming weeks and months and we will be lobbying hard to ensure that we get the best possible outcome for our industry."

Fons Ceelaert, secretary general of the European Federation of Wooden Pallet & Packaging Manufacturers (FEFPEB) underlined how important data from five European associations, including TIMCON, has been in keeping members informed about rising timber prices across Europe in recent months. He added that FEFPEB would be gathering its own statistics on pallets, lightweight and industry packaging with its own questionnaire, which will be issued once every two years.

FEFPEB played an active role liaising with the European Parliament on the revision of the packaging and packaging waste directive. He said: "FEFPEB did a lot of lobbying on this issue and we now have these minimum requirements for wood – and every country should be able to cope with that."

Earlier in the meeting MSP Fergus Ewing talked about the importance to Scotland of the pallet and packaging sector, which in 2015 made a £358 million contribution to the country's economy and accounts for just over a third of the entire forestry sector.



MSP Fergus Ewing addresses the TIMCON AGM.

He added that the industry was “essential” to Scotland, and reiterated the Government had firm plans in place to provide a “steady, sustainable supply” of three million cubic metres of timber a year from the national forest estate. Consultation with the industry, he said, has led to action points that would help increase the quantity of timber available in various technical ways.

At the meeting there was also an update on developments in the UK from Confor while Mike Glennon, joint managing director of Glennon Bros, gave the meeting an update on the supply of Irish timber. Glennon described the key challenges affecting the sawmilling sector, which include a production overcapacity of

approximately 500,000 cubic meters a year; mobilization of the private estate in Ireland; increasing competition for wood fiber, particularly from the biomass sector; and the high price of logs, which in Ireland over the last five years have been 30% higher.

Deniss Pilcikovs of pallet and pallet collar producer Kronus also gave a presentation entitled Timber packaging: Challenges and opportunities—a view from Europe. This included a look at the issue of availability of sawn timber, which has been affected recently by challenges including forest fires and obstacles to sourcing wood from Russia.



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Upcoming Events

10/14/2018 - 10/17/2018 Pack Expo International, Chicago, Illinois.
www.packexpointernational.com/

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

3/13/2019 - 3/15/2019 NWPCA Annual Leadership Conference,
San Diego, California. www.palletcentral.com

3/28/2019 - 3/29/2019 INDUSTRIAL PACK, Atlanta, Georgia.
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5/27/2019 - 5/31/2019 LIGNA 2019, Hannover, Germany.
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AUGUST 2018



JULY 2018



JUNE 2018



MAY 2018



APRIL 2018



MARCH 2018

