



Center Focus

Fall 2009



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Director's Message

Greetings from Blacksburg:

The colors are peaking, the Hokies are winning, and the students are studying (I think). It must be fall at Virginia Tech. As we prepare for winter to arrive, I am always amazed at how the change of seasons affects our lifestyles. In the upper Midwest, where we hibernated for six months of the year, winter was a time to put wood in the stove, put on an extra blanket, and make sure the pantry was full. In Virginia, it means put up the roof on the convertible, put on the fleece lined vest, and have an extra jacket if you ride your bike to work. Students tend to be more serious in the fall semester hoping to make it through football season with good grades, while the faculty determines their fate.

We are fortunate in Wood Science that our students not only receive good classroom instruction, but experiential opportunities through service learning classes, study abroad programs, and the internships that our industrial partners provide. As I have mentioned before, it is our goal to produce the best trained student for your company, and we recognize that the benefit of our Center is how you help us do that. Although our industry and economy is suffering the full impact of the current recession, I hope all of us, by working together, can provide the summer experiences that our students need to meet the requirements of the 21st century wood products workforce. Probably no time in our history is it more important to have employees who understand how to run a business and market products. Your competitive advantage is your people. The only thing that differentiates you from the competition is how your people handle the customer relationship process. Those relationships can be anywhere within your value chain and within your company. Therefore, a repeated message that our students receive in numerous classes is that "People make the difference!"

As the holiday season approaches, we want to wish the very best to your organizations, its employees and your families. It has been a challenging year for all of us, but we must remember that we are fortunate to live in this great country and have the opportunity to make our future through our own efforts. The wood products industry has always adjusted to the challenges thrown in its direction and come out stronger, and it will do it again. Please contact me if you have any comments or suggestions: rsmith4@vt.edu or 540-231-7679.

Best wishes,

Bob Smith
Director

FOREST PRODUCTS BUSINESS NEWS

- Biofuels company Mascoma Corp said it has entered a two-year feedstock agreement with a unit of Chevron Corp that will help it make advanced cellulosic ethanol, made from the woody bits of nonfood crops. *Reuters News*.
- Uniboard, manufacturer of engineered wood products based in Laval, Quebec, reported that the construction of its new Medium and High Density Fiberboard plant in Moncure, NC, remains on schedule for a late 2009 startup. *Southeast Construction*.
- Norbord Inc. announced that it now has Chain of Custody certification under the Sustainable Forest Initiative at five additional North American OSB mills, bringing the total number to seven. Norbord also achieved FSC certification at its OSB mill in Bemidji, Minnesota, making it Norbord's third FSC-certified mill in North America. Source: *Marketing Weekly News*.
- Pessimism remains for the tropical timber trade in the third and fourth quarters of this year, said the International Tropical Timber Organization (ITTO). In its bi-monthly Tropical Timber Market Report, ITTO said overall, there was little demand for tropical timber in the three tropical producer regions (Africa, Asia-Pacific and Latin America). *The Edge Financial Daily*.
- Winchester, Va.-based American Woodmark, specialists in kitchen cabinets, posted a 28% sales decline in its first quarter, which ended July 31. The company's \$100.8 million sales included more than 20% declines in both its remodeling and new construction channels. *Home Channel News*.
- It was announced that an international arbitral tribunal has rejected a Canadian offer to pay the U.S. Government US\$36.66 million to cure Canada's breach of the Softwood Lumber Agreement. As a result of the ruling, a 10 percent duty on Canadian softwood imports may remain in effect. *US Fed News*.
- A biomass power station capable of powering half a million homes has been given the go-ahead. The plant in South Wales will create electricity from wood chips, which produces 50-80 percent less greenhouse gas emissions than gas or coal-fired power stations. *Birmingham Mail*.
- The United Nations Economic and Social Council's Economic Commission has reported that wood energy consumption has increased by 3.5% annually between 2005 and 2007 in its 56 Member States. *US Fed News*.
- Stanley Furniture Co. expects its third-quarter operating loss to widen sequentially due to lower sales. The company said it saw a higher operating loss, in part caused by its moving about one-third of its Young America production back to the U.S. from offshore. *Dow Jones News Service*.
- Ethan Allen's wood furniture is becoming a custom business. Products will be made to order, rather than in large production runs. The company plans to convert its entire American-made case goods business to custom within 12 months. *Business Wire*.

Forest Products Business News has been designed for educational and engagement purposes only. The intention is to report news that affects various business segments of the forest products industry. Any comments or questions should be referred to: cf.editor@vt.edu

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Potential for Virginia White Oak in the Chilean Wine Industry

By: Henry Quesada (quesada@vt.edu)

Henry Quesada, assistant professor in our Department, and Joel Stopha, Wood Products International Marketing Specialist at the Virginia Department of Agriculture and Consumer Services, visited Chilean wineries and cooperages during July, in order to identify potential opportunities for Virginia white oak producers in the Chilean wine industry. Some of their findings are described in this article.



Figure 1. Wine barrel being assembled at a cooperage in Chile

Chilean wineries considered French oaks (Sessile oak -*Quercus petrae*- and Pedunculate Oak -*Quercus robur*-), in general, of higher quality than American oaks (*Quercus alba*) for aging premium wines. The main reason for this preference is the belief that French oaks are grown with better controlled forest harvesting practices that allow better tracking capabilities that ensure consistency during the whole process. Also, the wineries have indicated that French oaks have more subtle features that affect wine overall composition. Therefore, the exchange rate of chemicals with the wine is slower.

Personnel at the visited wineries stated that American oaks are more “aggressive” than French oaks. Heavy tannins and faster liberation of flavors and odors are thought as the main features of American oak. Individuals at the wineries mentioned that for some types of wines these features are desirable. It was also clear that cost issues are critical for wineries, and American oak is very cost competitive compared to the French. On average, a French oak wine barrel is priced at about 80% above a similar one made with American oak.

It appears that wine variety and price are important factors when making barrel sourcing decisions. From entry to mid-range wines, oak inserts (used as additives) such as powders, chips and stave inserts are preferred to age the wine. In most cases, these oak alternatives are made with American oak rather than French oak. However, in the case of premium wines, French oak wine barrels are preferred. However, changes in technology are rapidly increasing the attractiveness of American oak as a material for alternatives and barrels, even for certain types of premium wines, especially at a time when the wine industry is becoming very sensitive to cost of inputs.

Table 1. Descriptors and perceptions of American oak in visited cooperages in Chile

Issue	Cooperage 1	Cooperage 2	Cooperage 3
Annual production	2,000 barrels	16,000 barrels plus additives	2,000 barrels
Processes	Only cooperage. Staves are bought from supplier	Seasoning, cooperage, and oak alternatives production	Only cooperage. Staves are bought from supplier
Toasting methods	Traditional toasting using computer control	Convection method	Traditional toasting using computer control
Raw materials mix for barrels	45% American oak 50% French oak 5% other oaks	60% American oak 40% French oak	35% American oak 65% French oak
Perception on American oak	Use is decreasing, more impact on alternatives	Not suitable for premium wines but it is gaining market share as additives	It is more aggressive. Also American oak do not have a sustainability image

Wineries and cooperages clearly indicated that there is a need of emphasis on traceability and certification issues in the production of American oak logs, in order to increase market share in the wine industry, especially for premium wines (see Table 1). Both wineries and cooperages stated that if the origin of the American oak logs were known, then proper seasoning and toasting (a heating process to change the chemical properties on the wood surface) procedures could be modified to approximate or generate new recipes that will be of the liking of wine producers, and thus achieve better results. For example, one winery indicated that a perfect wine barrel can produce a sweet, bitterless, dry wine. These specific characteristics depend not only on the oak origin, but also on the seasoning and toasting processes.

The research showed that there are opportunities for American oak in the Chilean market. Wineries in Chile continue to look for cost-effective oak wine barrels and alternatives that can provide high quality, specific flavor, aromatic, and texture notes on all types and levels of wines. It seems that American oaks could meet these requirements if white oak producers were able to correctly identify the origin and carry out the proper seasoning and toasting process. Virginia white oak could be used for wine barrel staves or alternatives manufacturing and exported to Chile with little complication. As an instance, and based on the interviews performed in this research, 80% of the wine produced in Chile requires some level of oak alternatives (powder, chips and staves). A quick calculation, based on the average oak concentration required, indicates that the actual consumption of oak alternatives in Chile is over 2,500 tons of oak per year. The US Department of Agriculture Attaché Representative at the US Embassy in Chile indicates that the value of wine barrels and oak additives imports to Chile during 2008 was over \$43 million and only \$8.2 million came from the US.

These results might also be very important for the local Virginia wine industry, where more than 150 wineries are currently producing all types of wines with Virginia-grown grapes and the addition of wine barrels or alternatives made with Virginia white oaks could play an important role.

Calendar of Events & Announcements

October 20, 2009

Workshop: International Marketing for Forest Products Industries

Location: Wood Education Research Center in Princeton, WV

This workshop is designed to assist wood products companies from primary and secondary sectors to better understand and seize exporting opportunities. Speakers will cover aspects ranging from marketing principles to logistic issues in preparation to capture international markets. Contact Henry Quesada at quesada@vt.edu for further details.

.November 5, 2009

Workshop: Introduction to Decision Making Techniques: Applications for Forest Products Industries

Location: Virginia Tech National Capital Regional Campus at Falls Church, VA

This workshop will address the most important decision making techniques in the areas of financial management and operations research from a manager point of view. Contact Henry Quesada at quesada@vt.edu for further details.

November 19, 2009

Workshop: Introduction to Business Process Management

Location: Roanoke Higher Education Center, Roanoke, VA

Participants in this workshop will learn what value chains are and how to recognize them within their own company. Concepts, definitions, methodologies, and information technologies that support the BPM process will be taught in this workshop. Contact Henry Quesada at quesada@vt.edu for further details.

January 19, 2010

Workshop: Understanding and Implementing the Innovation Process

Location: Institute for Advanced Learning and Research in Danville, VA

Participants in this workshop will be exposed to basic concepts of innovation and specific research on innovation issues with emphasis in the wood products sector. Contact Henry Quesada at quesada@vt.edu for further details.
