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Center for Forest Products Marketing and Management
Department of Wood Science and Forest Products
Virginia Polytechnic Institute and State University
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Director's Message

It's summer in Blacksburg. That means you can find a parking spot, a seat at a restaurant, and a campus filled with future Hokies taking classes ranging from soccer to youth conservation. As most institutions, Virginia Tech decided many years ago to fill the empty dorms during the summer with grade school, Jr. High and High Schools students to help distribute the costs of bricks and mortar over the summer months. This is a very good management decision. Not only do young students (and their parents) bring revenue to campus, they are exposed at an early age to this wonderful University. It would be interesting to see how many of them actually return to become students when they finish high school.

I bring this up to illustrate how organizations can diversify (higher education teaching grade school students) and the benefits that can result from such decisions. I am not going to bemoan the current state of our industry. Most folks now say it will be late next year before we start seeing substantial improvement. But now is when decisions regarding our industry future need to be made. Each company has to evaluate their place in the market, product offerings, technology needs and its' people. Success in industry is identifying and making decisions on those items you have control over. It is not worrying about who will run the White House, Congress or what is happening in China. I am often reminded of one of my old coach's favorite sayings, "*It is the offenses job to score points and set the tone of the game.*" These are times when companies have to be on the offensive, rather than riding out the storm (a defensive tactic). Industry must look at what they can do different, better, more efficient, or eliminate. If you want your organizations to improve over the next 12 months, the next time you meet with your staff ask them to bring ideas to the meeting. Ask them to put on their thinking caps and offer suggestions. Tell them it is a mandatory requirement to attend the meeting. No idea is not worth listening to. Ask them this question. "*What can we be doing different to be more successful next year?*" It may be surprising to see what they have to say. The employees are the people with most of the answers to a successful organization. This is some of the information that we hope our graduates will bring to your companies when they finish their time in our Department.

In this issue, Brian will update you with the latest business news, he takes a look at forest products investment in Virginia, Dr. Dan Hindman looks at safety in the wood products industry and we have a full calendar of events for the fall. I invite you all to register for our fall Center meeting on September 17th and take this chance to exhibit at our career fair on the Drill Field of Virginia Tech on September 18th. Please let me know if you have any questions/comments at 540-231-7679.

FOREST PRODUCTS BUSINESS NEWS

- Ainsworth introduced a new concrete form panel made with OSB that has medium density overlay bonded to the surface. Source: *Design Cost Data*.
- According to *Dow Jones News Service*, Lumber Liquidator's first quarter sales increased 24% despite the housing slump. Keys to their success include selling direct to consumers, sourcing directly from mills and controlling costs.
- Allied Building Products Corporation, a distributor of building products has earned FSC chain-of-custody certification. Source: *Kitchen & Bath Business*
- *Business Wire* reported that Mead Westvaco has received SFI and PEFC chain-of-custody certification for its paperboard products.
- Uniboard introduced Nu-Green, a formaldehyde-resin free particleboard that is also FSC certified. Source: *PR Newswire*.
- According to *Business Wire*, HIG Capital, a private equity firm, has acquired Linden Lumber Company. HIG Capital has now acquired four hardwood sawmills.
- The recently passed farm bill did not include a provision that would have required lumber importers to certify that Canadian lumber had been levied the proper export taxes. Source: *Environment & Energy Daily*.
- The *Canada NewWire* reported that the 2008 outlook for Canada's wood products industry predicts another year of losses that could total \$750 million.
- RISI announced a free news headline service that will supply North American Lumber and Panel news. Source: PR Newswire.
- According to an article in the *Bangor Daily News*, Maine has approximately 1.8 million tons of harvest residue that is suitable for pellet production. This supply could heat 150,000 homes.
- A new 24 megawatt renewable electricity plant in Arizona started operations using forest thinnings and waste paper fibers. Source: *Prime News-Wire*.
- West Fraser is considering a 50-70 megawatt renewable energy plant in interior British Columbia in order to utilize harvest residue left from the mountain beetle killed timber. Source: *Vancouver Sun*.
- Outdoor wood boilers are increasingly subject to local regulations in both Vermont and Minnesota as air quality concerns come to the forefront. Source: Multiple sources.
- According to www.earth2tech.com, as many as 11 companies have announced that they are building cellulosic ethanol plants in the U.S.

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

Center Focus



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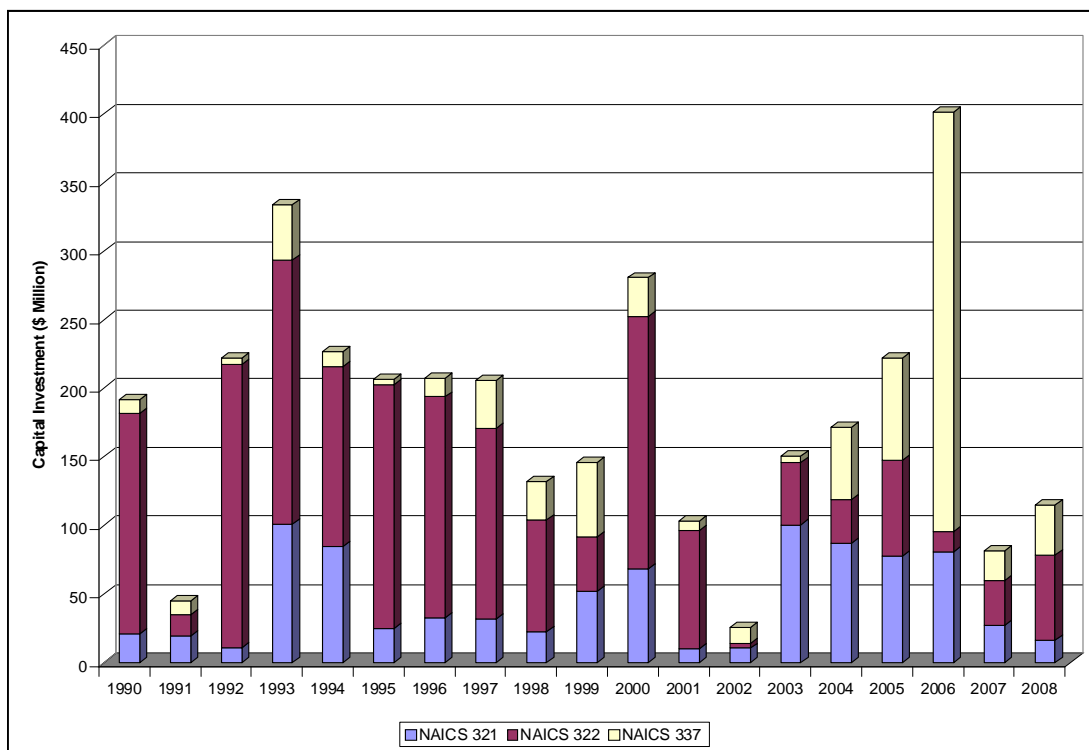
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Forest Products Jobs & Investment In Virginia

As the economy slows, job losses mount, the housing bust continues, and energy costs soar, it is easy to be pessimistic about the future of the economy. The U.S. has seen a loss of domestic furniture, paper and wood product manufacturing due to globalization, a lack of adoption of new technology and tactics and the decline of manufacturing infrastructure. Despite this decline, the domestic manufacturing sector accounts for 12% of gross domestic product, employs over 14 million people with higher wages than other sectors and creates more jobs for each manufacturing job. A number of recent articles have highlighted how manufacturing is rebounding due to a weak dollar which makes American exports more competitive and also due to the competitive advantage domestic producers have in terms of transportation and lead times. With this outline of manufacturing, the economy and forest products industry, this article will examine growth in Virginia's forest products manufacturing.

First, let's review trends in job creation and capital investment and then we'll look briefly at what some other states are doing to become more competitive. According to the Virginia Economic Development Partnership statistics, a total of 26,700 jobs have been created and over \$3.4 billion invested in wood products, paper and furniture manufacturing since 1990. As shown in Figure 1, capital investment has fluctuated over the years with paper manufacturing (NAICS 322) requiring the most capital and much of these investments occurred in the 1990s. By contrast, the furniture industry (NAICS 337) and the wood products industry (NAICS 321) saw strong capital investment during the early to mid 2000s with the last 2 years being notable exceptions. Between 1990-2006, Virginia received approximately 2% of all capital invested in the U.S. in the



wood products, paper and furniture manufacturing industries. This proportion would be expected considering that there are 50 states. One notable exception was in 2006, Virginia got nearly one third of all U.S. capital investment in the furniture industry with the announcement of

Figure 1. Capital Investment in Virginia's Forest Products Industry SwedWood's Danville furniture plant.

These capital investments are either expansion of existing facilities or new facilities and they almost always create jobs. The furniture and wood products industry has seen more job creation as compared to the paper industry (Figure 2). During the time period covered, the wood products industry created 12 jobs for each dollar of capital investment, the furniture industry 15 jobs for each dollar and the paper industry created only 2 jobs per dollar. This would indicate that capital should be invested in those first two industries in order to create more jobs in Virginia. Many of the jobs created during this time period were in industries that were tied directly to housing (lumber, window, door, millwork, flooring, truss, panel, and cabinet manufacturing). As the housing market has slowed, capital investment and job creation has also slowed the past 2 years.

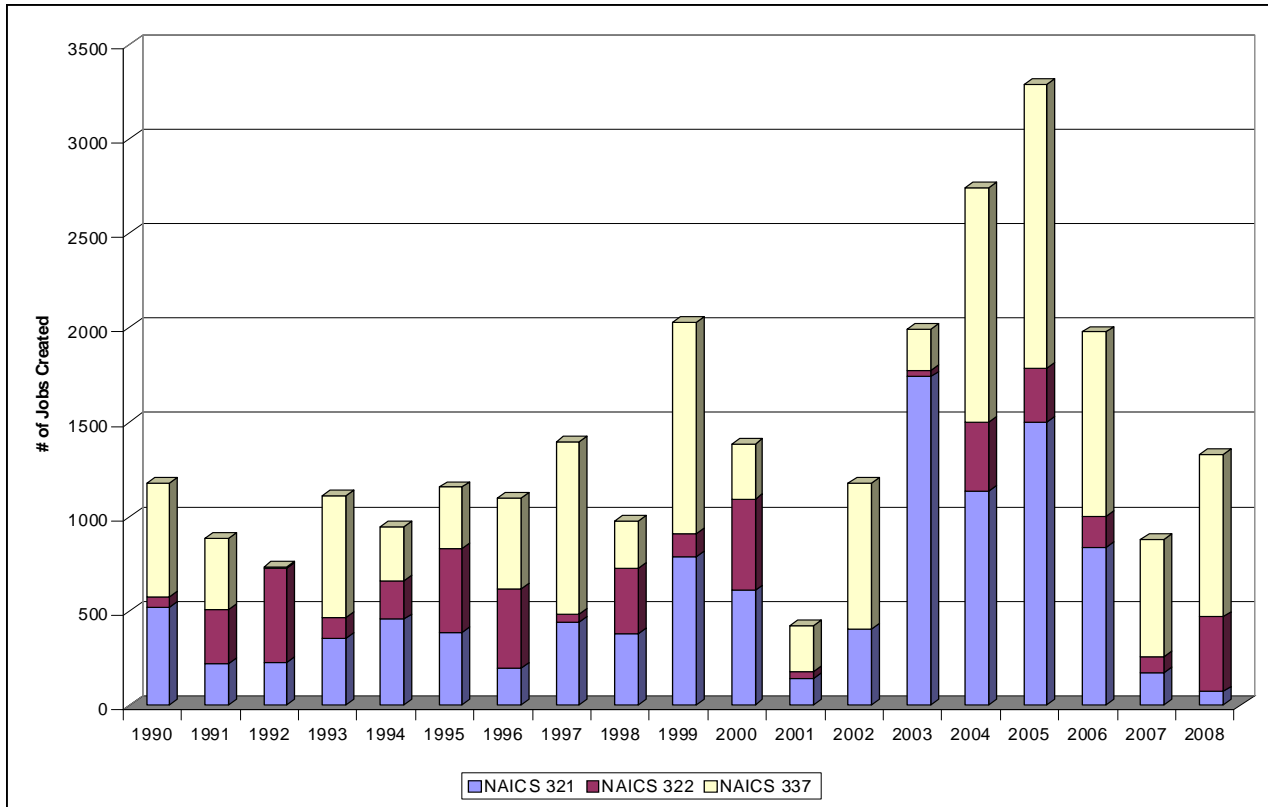


Figure 2. Job Creation in Virginia's Forest Products Industry

Despite this slowdown, Virginia is well positioned to reap more than its 2% share of U.S. capital investment and create more forest products manufacturing jobs in the future. Recently, a number of eastern hardwood states such as Vermont, Indiana, and Pennsylvania have developed a state level forest products promotion campaign. Other states such as Missouri and Minnesota have analyzed their forest industry's competitiveness and Wisconsin and New York have large areas of certified state forests. In order to remain competitive for new growth in the forest product industry, Virginia should analyze its forest products industry's competitiveness. This effort could lead to the development of a state level forest products promotion campaign. This small investment will help all of the forest products industry in Virginia and enable capital and jobs to continue to flow into the commonwealth.

Safety in the Wood Products Industry

By Daniel P. Hindman, Assistant Professor

Safety of workers is one of the most effective ways to ensure constant production on the jobsite. Safety incidents are costly to workers and owners, including lost time from work, medical costs, increased workers compensation and insurance premiums. Costs associated with safety incidents can far outweigh the expenses of safety training and equipment. Accidents can also have deeper consequences such as eroding trust and confidence between management and workers.

Most safety discussions place a large emphasis on safety training and equipment, including personal protective equipment. Understanding the causes of accidents can provide insight into how to prevent them from occurring on particular jobs or activities. The purpose of this article is to illustrate safety trends in the wood industry and provide insight into areas of concern.

A source of fatality and injury reports for many industry segments is the Bureau of Labor Statistics (www.bls.gov). These statistics have been categorized by types of incident, industry sector, job position and other factors. These statistics are used to by the Occupational Safety and Health Administration (OSHA) and the National Institute of Occupational Safety and Health (NIOSH) in establishing research and training priorities based on emerging trends.

The wood products industry is included under the agriculture, forestry and fishing sector. This sector has the highest rate of fatalities (32.5 fatalities per 10,000 workers) of all major industries. The farming, fishing and forestry sector also had the highest rate of occupational injuries (31.4 injuries per 10,000 workers) of all major occupation groups. The fatality rate of logging workers is 92.9 fatalities per 10,000 workers, which is the second highest fatality rate after fishing. This is why it is so important that logging crews are safety

trained using a program such as VA Sharp Logger. In contrast to logging, the wood products industry has very few recorded fatalities so it is more useful to examine occupational injuries.

Figure 1 shows the number of injury cases per 100 workers for selected segments of the wood products industry.

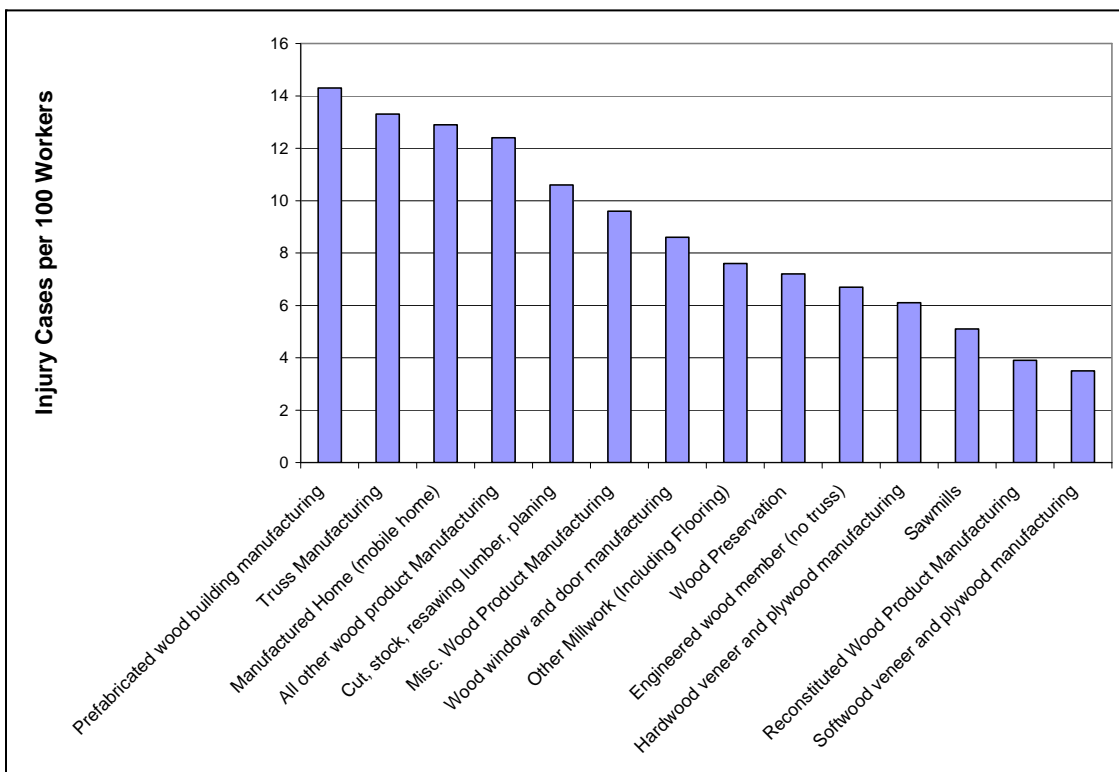


Figure 1. Rate of Occupational Injuries in the Wood Products Industry.

(Continued on next page)

The industry segments with the highest rates of injuries include prefabricated wood building manufacturing, truss manufacturing, manufactured home production and all other wood manufacturing. The industry segments with the lowest injury rates include softwood veneer and plywood manufacturing, reconstituted wood product manufacturing, and sawmills. Further examination of the kinds of injuries sustained by workers for both the higher injury rates and lower injury rates from Figure 1 reveal that the two most common industry types for both groups were struck by object and overexertion.

Figure 2 shows the number of injury cases per 100 workers which resulted in days away from work. These statistics indicate the more severe injuries where workers were required to take time off due to hospitalization or recovery. The industry segments with the highest number of days away from work correspond to the same industry segments from Figure 1 (prefabricated wood building manufacturing, truss manufacturing, manufactured home production and all other wood manufacturing). The industry segments with the lowest days away from work were the softwood veneer and plywood manufacturing and the reconstituted wood product manufacturing. The sawmill sector had a higher number of days away from work, indicating that injuries in this area were typically more severe when they occurred.

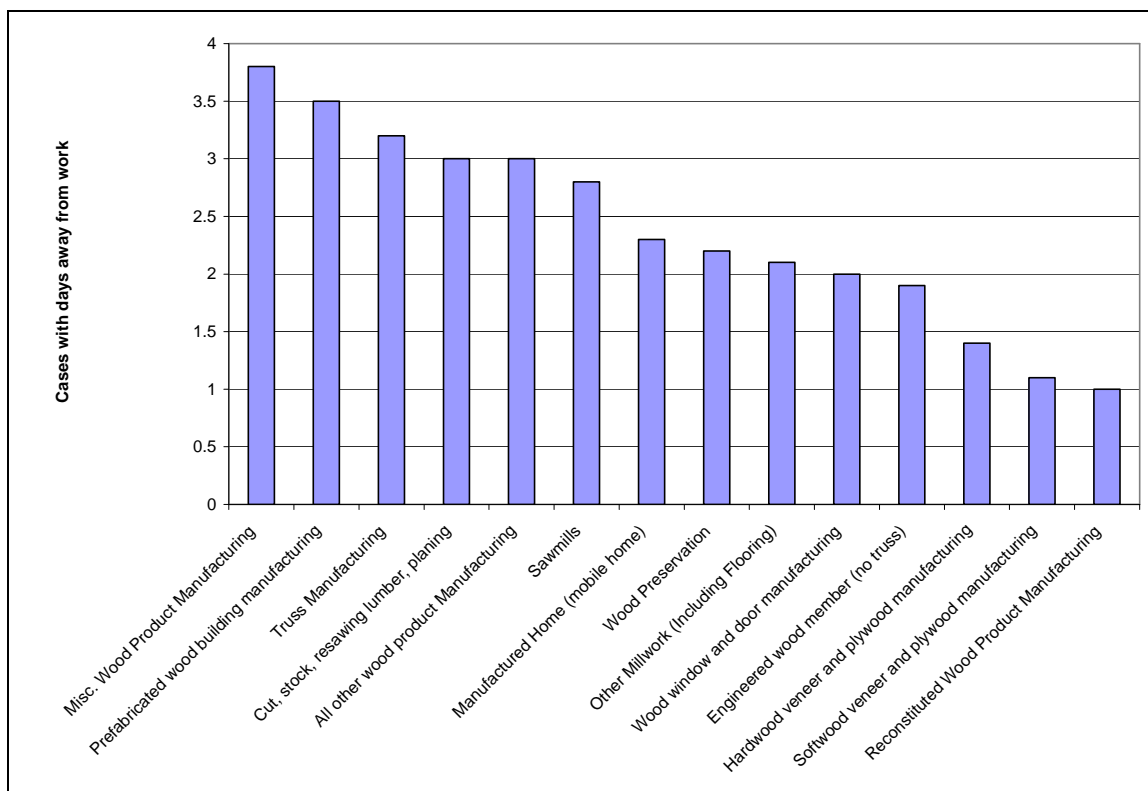


Figure 2. Loss-time Occupational Injury Rate in the Wood Products Industry

The wood products industry has a relatively low fatality rate compared to other industries in the natural resources extraction areas. Looking at the injury rates for different areas in the wood products industry, injury rates are higher in areas of prefabricated wood building manufacturing, truss manufacturing, manufactured home (mobile homes), and other area of wood products manufacturing. Many of the injuries sustained in these areas were severe enough to warrant days away from work, as were injuries sustained in sawmills. The most common injury types for all wood products industry sectors were overexertion and being struck by object. In order to prevent these two types of incidents, further study and training should be initiated.

Calendar of Events & Announcements

Student and Industry Placement Center

Our much anticipated Wood Industry Student Placement Program is now live on the following website: <http://www.woodscience.vt.edu/careers/>. Please contact Mr. Will Pfeil (wpfeil@vt.edu) in our department if you have any questions about the system and how to use it - we think you will find it easy to use!

September 15-18, 2008 Wood Week 2008

The week will begin on Monday with a student welcome back picnic and keynote public lecture by Patrick Calello, founder and designer of Automoblox (www.automoblox.com). The award-winning Wood Magic Show will be held for 4th and 5th grade students and teachers on Tuesday. Thursday is the wood industry career fair under a big-top tent in the center of the Virginia Tech campus. See the following website: <http://www.woodscience.vt.edu/woodweek/2008/> for more Wood Week 2008 details.

September 17, 2008 Center Annual Meeting

The 17th annual meeting will be held on Wednesday morning during Wood Week and the scholarship reception will be held in the evening.

October 23-24, 2008 Forest Products Marketing Short Course

Those attending this workshop learn about the products of wood based industries, marketing as it relates to small forest products businesses and how to gain a competitive advantage in the industry. It is designed for the small forest products business owner or manager and new sales and marketing personnel. For additional information, contact Bob Smith at 540/231-7679 or email rsmith4@vt.edu.

October 29-30, 2008 Forest Products Selling Short Course

Those attending this short course will learn the basics of personal selling, methods of identifying new customers, and will analyze their personal selling profile. The course is designed to improve the efficiency and effectiveness of sales personnel. It is intended for new sales and marketing personnel or those wishing to improve their selling skills in the forest products industry. For additional information, contact Bob Smith at 540/231-7679 or email rsmith4@vt.edu.