

# Wood Packaging Solutions



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August 2013



## INTERPAL '8' – World Pallet Congress

The French Pallet Association is hosting this international meeting from October 16-18, 2013 in Bordeaux, France. This is the second time an INTERPAL has been held in this beautiful city.

The host association is putting a theme program together called **“Creating worldwide objectives for the wooden pallet and packaging industry”**.

This host city is the centre of the beautiful capital of the Aquitaine region and has accommodated leading entrepreneurs and association leaders from all parts of the world. This is the wine capital of France and I personally have sampled some fabulous vintages when last I visited.

This event will share views and exchange up-to-date information on the important themes and developments, such as:

- The impact of the recession, how to cope with that?
- Can we achieve a common approach to ISPM 15 matters?
- Worldwide timber trends (availability and impact of biomass)
- A snapshot of the EU pallet and packaging industry: threats and opportunities
- PR / image wood and wooden packaging
- EU Timber regulation on illegal logging and how does it affect our business
- Alliances FEFPEB / NWPCA

I have always been a promoter of all INTERPAL's due to the fact that Eric Skelding the once President of FEFPEB and I met in Paris, France in 1984 and we agreed to host the first two INTERPAL'S. His INTERPAL '1', World Pallet Congress was in Hamburg, Germany and I host INTERPAL '2', World Pallet Congress in Ottawa, Canada.

Your attendance at this meeting cannot be matched and is a must to understand the struggles and successes of pallet companies globally.

For more information go to <http://www.fefpeb.org/congress-2013>



## **D-13-01 - Canadian Heat Treated Wood Products Certification Program (HT program) – Not Yet!**

I have contacted the CFIA and asked this question.

“Has the new D-13-01 **Canadian Heat Treated Wood Products Certification Program (HT program)** replaced both the D-01-05 **Canadian Wood Packaging Certification Program (CWPCP)** policy directive and D-02-03 policy directive for all **Canadian Heat Treated Wood Packaging Certification Program (CHTWPCP)** and the answer is, NOT YET”.

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I was informed that D-13-01 policy has not been approved as of yet. Facilities do not need to update their manuals yet. The CFIA is still doing internal consultations with key stakeholders and will be circulating the draft policy to all regulated parties in September.

This is very confusing due to the fact that the statement on the CWPCA/ACMPC website is posted as follows:

*After twelve months of industry consultations the Canadian Food Inspection Agency (CFIA) is finalizing a new policy directive, D-13-01, entitled Canadian Heat Treated Wood Products Certification Program (HT program)*

*This new policy directive combines two previous programs; the **Canadian Heat Treated Wood Packaging Certification Program (CHTWPCP)** and the **Canadian Wood Packaging Certification Program (CWPCP)** into one program under the name **Canadian Heat Treated Wood Products Certification Program (CHTWCP)** or more commonly referred to as the **Heat Treatment (HT)**.*



### **Official Mexican Standard NOM-016-SEMARNAT-2013 that Regulates Sawn Wood Imports**

The Mexican government have posted their new standard NOM-016 which regulates imported **lumber only**. If you are a wooden pallet, wood packaging supplier you do not have to be concerned. The only requirement for wooden pallet, wood packaging suppliers is your ISPM No. 15 stamp.

Mexican wooden pallets and wood packaging manufactured, to move product into the US or Canada under load or by the truckload, have, since 2003 been regulated to supply only certified ISPM No. 15 HT product. This was mainly due to their exotic timbers utilized and the questions surrounding the Mexico's inspection policies.

I have attached the main pieces of information from the NOM 016 Standard if you are interested.

#### **4.2.1. General Requirements**

Sawn wood must comply with the following requirements to enter Mexico:

- It must be bark free;
- It must have a Phytosanitary Certificate, issued by the NPPO of the exporting country in accordance with ISPM #12, "Phytosanitary Certificates", which will state the place of loading and country of origin as well as an additional declaration that the product is free of quarantine pests listed in this standard.
- It must be subject to phytosanitary inspection at point of entry into the country in accordance with the procedures Manual.
- In the event that a pest or evidence of a live pest is detected at point of entry, sampling will be done and the phytosanitary measures required by the Secretariat in their technical report will be applied.

#### **4.2.2. Specific requirements**

- **4.2.2.1.** To import sawn wood, air dried, wet or green, the exporter must:
  - Conduct phytosanitary treatment in the exporting country, which consist of Heat Treatment (HT) at temperature of 56°C for at least 30 minutes in the center of the largest piece or fumigate with Methyl Bromide.
  - Have a phytosanitary certificate with the following additional declaration:
  - "Lumber of this consignment is free of bark, it has been subjected to phytosanitary treatment, and it is free of quarantine pests".

**4.2.2.2.** In the event oven-dried sawn wood, the exporter must have the phytosanitary certificate indicated in section 4.2.1., paragraph B) of this standard with the following additional declaration:

- *“Lumber of this consignment is bark free, oven-dried, and free of quarantine pests”.*
- Exports of oven-dried sawn wood are allowed from any country without the need of a pest risk analysis.

**4.2.3.** List of countries from where exports of fresh lumber, air dried, wet or green are allowed without the need of a pest risk analysis:

- Germany, Argentina, Belize, Bolivia, Brazil, Cameroon, Canada, Chile, China, Colombia, Congo, Costa Rica, EE.UU., Ecuador, Spain, Fiji, Philippines, France, Ghana, Guatemala, Honduras, India, Indonesia, Italy, Malaysia, Nicaragua, Nigeria, Panama, Peru, Russia Taiwan, Uruguay, and Venezuela.

**4.2.4.** Fresh lumber, air dried, wet or green trying to be exported for the first time from origins other than the previously mentioned must submit a pest risk analysis in accordance with the current international guidelines established for this purpose.

## **5. Procedure for the evaluation of compliance**

- **5.1.** The exporter should request this procedure to the official personnel or verification unit that is properly accredited and approved within the terms established by the Federal Law on Metrology and Standardization.
- **5.2.** Official personnel or verification unit shall verify compliance with the specifications established for sawn wood imports under section 4 of this standard.
- **5.3.** Exporters interested in being verified by the verification unit must submit a request in writing so as to have the verification unit verify compliance with the points established under section 4 of this standard and confirm that the exporter has the documents required by the procedures Manual.
- **5.3.1** In case the sawn wood is tied into bundles, the individual shall untie and do what it is necessary to make visible the faces of the wood that can't be seen. Expenses generated by this procedure shall be covered by the owner or exporter.
- **5.3.2** Inspection of the load and the transportation vehicle should be conducted in order to confirm that they are free of pests in any living stage of development.
- **5.3.3** Official personnel or verification unit shall inspect for presence of live pests or for damages caused by pests associated with sawn wood, as follows:
  - Wood with round and tiny holes (3mm in diameter) and galleries full of fine powder or dust, mainly on hardwoods.
  - Wood with round and medium or tiny holes of 9 to 3 mm in diameter and galleries full of thick or granular powder, mainly hardwoods and some conifers.
  - Wood with round and tiny holes (3mm in diameter) and galleries full of little tiny droppings - hardwoods and conifers.
  - Internal galleries or galleries on the surface with plugs of dirt or dust
  - Egg masses compressed to the wood, transportation vehicle, and/or packaging, looking like an oval shaped scab that are cream or light brown in color.
  - Any living stage of development of pests associated with sawn wood.
- **5.4.** If sawn wood complies with what it is specified in section 4, the official personnel or verification unit will return to the exporter and/or customs agent or legal representative,

the original documents in order to continue with the corresponding steps. Moreover, the verification unit will issue the compliance report if the verification is successful.

- **5.5.** If as a result of the verification, the verification unit finds bark or pests in any living stage of development or non-compliance with the specifications under section 4 of this standard, the verification unit shall notify the official personnel in writing so they can go to the site of verification to do the appropriate procedure.
- **5.6.** If the official personnel finds bark in the wood or pests in any living stage of development, they will do the verification, write the appropriate report, and proceed in accordance with what it is established in article 120 of the General Law for Sustainable Forest Development, articles 129, 130, 135, 136, and 175 of their Regulation and other legal provisions. Expenses generated by these procedures will be covered by the owner or exporter.
- **5.7.** If the exporter submits the required documents and the compliance record for the export of sawn wood, the official personnel will endorse the verification report by signing and sealing it, but this endorsement does not relieve the verification unit from their responsibilities.
- **5.8.** The Technical report issued by the General Directorate for Forestry and Soil Management in accordance with article 136 of the Regulation of the General Law for sustainable Forest Development, will provide the results of the taxonomic determination and the phytosanitary measures (treatment and/or return or destruction) and if so the additional security measures that will have to be taken to prevent the spread and dissemination of quarantine pests.
  - Vehicles, packaging, containers, and storage will be subject to treatment, as it may apply, with the understanding that the expenses generated as a result of these procedures will be covered by the owner or exporter.

## **North American Cross-Border Shipping Challenges & Future Solutions**



There are a number of steps that shippers can take to meet these challenges and prepare for the future of cross-border shipping. By 24/7 Staff

July 25, 2013

Since the enactment of NAFTA in 1994, trade between the United States, Canada and Mexico has increased almost 200 percent to an estimated \$930 billion. The cross-border flow of goods between the U.S. and Canada has grown to \$400 billion.

There's no doubt that free trade has made a positive impact on cross-border shipping. As goods flow more freely and the speed of transit increases, shippers will be able to enjoy reduced risk. But the traffic lanes aren't completely clear yet.

### Security Challenges

Though NAFTA made great strides in security by reducing drayage needs and smoothing out processes, keeping loads secure remains a challenge for many shippers. In fact, recent escalations in violence have made the direct routes into Texas from the interior of Mexico the most dangerous lanes to ship along.

Also at the top of shippers' security concerns is metal theft, a market-driven crime that rockets up as the price of metals like copper increases. Though often stolen in smaller

quantities, security experts estimate that the amount of metal stolen in North America is likely more than double the FBI's estimate of \$25 billion.

The largest in-transit theft on record is a \$67 million pharmaceutical load, stolen as a husband and wife team left their truck running. In another example, a pharmaceutical company had three trucks stolen over six weeks – by thieves who were receiving inside information about the freight from an executive at the company.

These examples are evidence that security challenges can come from anywhere. As criminals get more sophisticated and employ legitimate logistics to traffic their stolen goods, shippers will need to adapt in order to meet security issues head-on.

#### Economic Challenges

Canada's economy, reeling from the impact of the recession in the U.S. and the resulting manufacturing job losses, has in turn affected the amount of freight headed south. Southbound freight costs are depressed, while northbound freight costs have skyrocketed. The Canadian GDP for 2013 is expected to grow by only 1.5 percent. This economic imbalance creates capacity issues for trucks coming back to Canada.

In Mexico, the demand for companies to be nimble enough to deliver goods to customers within 24-48 hours, coupled with rising wages in countries like China, has fueled a shift toward shipping further into the south. With near-sourcing comes a shrinking trade deficit between the U.S. and Mexico, but it's yet to be seen whether this will have a negative or positive impact on the balance of northbound and southbound traffic or capacity issues.

#### Regulatory Challenges

From paperwork to inadequate resources at border crossings, shippers continue to face regulatory challenges. Mexico, for example, has 44 different free trade agreements that make paperwork cumbersome and time-consuming.

In addition, [C-TPAT](#) and [NEEC](#) certifications can be confusing to navigate for those shippers not well-versed in regulatory requirements. If everything isn't in order though, shippers face delays at border crossings or—even worse—hefty penalties.

#### How Shippers Can Address Cross-Border Challenges

The advances in logistics and innovation in supply chain management related to cross-border shipping have come a long way to address the challenges that shippers face. There are a number of steps that shippers can take to meet these challenges and prepare for the future of cross-border shipping.

No part of the shipping industry has been more radically affected by technology than security. With the advent of tools like embedded covert cargo tracking, shippers have been able to secure and track truckloads of valuable cargo and ensure on-time delivery — even when theft does occur. And it will occur.

“It's true that when the U.S. sneezes, Canada catches a cold” Angelo LaMantia, President, Transplace Canada

The best way for shippers to approach security is from a risk-based perspective, knowing who's moving their product and how is it moving, with a matrixed or layered process for responding to and preventing loss. Only then should they invest the capital in technology, and only where it makes the most sense and impact.

Another vital step in managing risk is working with reputable service providers. Though C-TPAT is a start when it comes to working with trusted providers, experts advise taking it further than paperwork. It's critical for companies to mitigate as much loss as possible – and know what to do when loss happens.



Economic challenges, while mostly dependent on a company's ability to recover from a recession, can be faced by taking steps to manage costs as effectively as possible. From benchmarking and optimization to co-load collaboration for cost savings, shippers must analyze and optimize their transportation expenses.

To navigate regulatory bodies in Canada, carriers, drivers and importers can participate in Customs Self-Assessments. CSA facilitates moving freight more freely through border crossings by getting goods and freight pre-approved and stickered.

The shipper's role in CSA is to make sure information on the bill of lading is accurate. In addition, programs like e-manifest for the electronic submission of conveyance and crossing information will help move goods more quickly.

Knowing the security challenges, economic environment and regulatory issues that lie ahead - and how to address them - is critical to cross-border shipping success.



## **B2B Social Media for Reusable Packaging**

August 5, 2013 by [Juli Anne Patty](#)

My Opinion: I am personally on both Facebook and LinkedIn. Facebook is more of a personal site while LinkedIn is more professional. I have connected with many persons on LinkedIn to whom I am familiar and feel confident if I wanted to share information they would listen. Not sure how this would work in Reusable Packaging other than companies attempting to sell over-supply or put out some feelers on supply for a contract.

I am far from a techy so these sites may be able to offer something I cannot see.

This is the second installment of our series on B2B social media for reusable packaging. B2B social media marketing for the business world might be on the rise as a whole, but when you drill down to a specific industry, the question becomes, **is it a good investment yet?** Social media offers a low-cost tactic for engaging large groups of key audiences, but if the audiences aren't there yet (or they're really only there for recreational/social activity), that's not a budget well spent.

A quick survey of the reusable packaging, however, shows that the reusable packing industry is quickly finding its place and its market within social media. The key, at this point, is to choose your strategies selectively: go where your people are.

### LinkedIn vs. Facebook

LinkedIn, as the business-focused social media site, is probably the most obvious place to start with any B2B social media, and reusable packaging appears to be no exception. Reusable Packaging Association, which functions as a hub for the industry, joining supply chain partners, including manufacturers, poolers, distributors, retailers, educators, and policymakers, operates a [LinkedIn page](#) with more than a 1,000 members.

Other related groups with LinkedIn pages include Wooden, Plastic and Steel Pallets of America; Packaging Professionals; Bulk Container Professionals; Institute of Packaging Professionals; Green Packaging Forum; and National Wooden Pallet & Container Association. Facebook is a different story. With a few notable exceptions, reusable packaging companies are less prevalent on Facebook. Some companies and organizations have placeholder-types of Facebook pages, which are automatically generated profiles that give business details but aren't managed or maintained as ongoing promotional or communications channels. The positive news there is that these automatically generated profiles result from user searches, which means that there is a demonstrated interest in these companies and their products/services.

### Twitter Moving Up

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Some manufacturers are also utilizing social media to deliver targeted marketing for specific products or services. Rehrig Pacific of Atlanta, Ga., operates a Twitter feed aimed at promoting its [PUBKEG](#), an all-plastic, low-cost alternative to conventional, returnable kegs. But reusable packaging is more than just a single-message strategy for companies that offer that type of product. A quick key word search on Twitter (using the terms “reusable packaging,” of course) reveals a whole list of reusable packaging-related posts:

#### New Social Media Ideas

While Pinterest and Instagram might not present a strategic social media network for most B2B marketing, one new social media network offers a new angle: a way to share news as well as expertise. Quora is a Q&A site that has gained a reputation as the “smart” new social media, being driven, ostensibly, by a search for knowledge, rather than funny pet photos and clever quips. Quora presents companies a chance to present their expertise and products as answers to other user’s questions or to start a dialogue that could deliver meaningful market research.

#### Social Media Works

Even in industries that currently show minimal participation, social media will continue to grow. For one thing, social media is becoming a way of life for a majority of people, so it’s bound to find an expression in people’s jobs as well as social lives. But even more importantly, social media offers a communication channel like no other. Companies can use social media to reach all segments of their audiences – end users, developers, supply chain partners, etc. – at once. Social media, in a way, is the ultimate conference call, and people are happily, eagerly logging on.



#### **Grants Available for Reusable Transport Packaging Projects – Deadline Is Sept. 10**

August 5, 2013 by [Rick LeBlanc](#) [Leave a Comment](#)

**My Opinion: You can bet your bank account that they would not look at wood as a project award winner.**

The “Use Reusables” campaign, led by public agency StopWaste (Oakland, CA), has released its third round of grant funding for organizations that are planning to incorporate reusable packaging into their transportation and distribution systems. Eligible projects include those that replace single- or limited-use packaging with durable pallets, totes or bins, reusable pallet wrap or other packaging solutions that significantly reduce expendable packaging. Projects of all sizes will be considered, up to \$30,000 per award request. Total funding available for all grants is \$90,000. Deadline for applications is September 10, 2013.



#### **Carton Board Challenges Wood**

**My Opinion: Don’t get too concerned with this article. It is obviously a paid article in this magazine. Corrugated can offer slave type situations and cannot be in contact with any moisture.**

**Read this and file the information.**

PackagingEurope August 2013

Industries in all parts of the world are now thinking of replacing traditional transport packaging solutions made of wood and plywood with almost equal products made of substantially lighter and easily recyclable paper board.

The spearhead developer and manufacturer of pallets and transport boxes as well as other transport packaging solutions based on paper board, is the Finnish Eltete Group. The

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company has its own factories in 15 countries and a sales network reaching in excess over 60 countries.

“But since we can’t keep pace with the growing demand alone, we are also offering turnkey production lines for the open market”, says Marko Virtanen, Eltete’s sales director of technology. “The beauty of our products is that they form a modular system that can be combined into different lightweight transportation solutions. Dimensions and other specifications are easily adaptable according to the customers’ demands.”

Long track record Eltete has been on the market for almost 40 years. The company started by producing edge boards to protect and support products and is now conquering the world with automatic lines producing paper board pallets at a pace of 10 or more pallets a minute.

Virtanen says: “When you combine a pallet with a transport box that both are made of carton and can take several tons, you can really talk about an environmentally friendly transport packaging solution.”

The package as a whole consists of honeycomb boards, stabilizing edge boards with a couple of different profiles, glue and paper cores to stabilize the feet.

“It may sound easy, but in practice it is impossible to make similar products with the same quality and low price per unit without using our technology”, Virtanen states.

#### New business opportunities

As an example of the possibilities to save time and money by using paper pallets, Virtanen mentions that IKEA has reported that the company reduced its transportation costs by tens of millions of Euros per annum by switching to thin and light paper pallets that let them load significantly more goods into trucks and containers.

“We have not contributed to IKEA’s solution, but we can help other companies to make the same difference in their businesses”, Virtanen says” We can either supplement the products or the production lines and raw material knowledge. The investments’ payback time can be calculated accurately.”

In the beginning of June Eltete shipped an automatic production line for producing paper pallets to a Japanese paper roll core manufacturer that is broadening the line of business into logistics.

“We have had a business relation with the company regarding other products for a decade, but the new plant will be a totally new line of business for them”, Virtanen says. “With relatively small additions to the pallet production line it possible for them to manufacture for example boxes, since they will already have many of the production modules ready at hand.”



## **European Wooden Pallet & Packaging Industry Report**

August 2013, Gil Covey, President FEFPEB

Economic conditions in Europe remain stable but depressed and with unemployment running at high levels in some countries. Against this economic backdrop the demand for pallet and packaging products remains subdued and there continues to be a trend to increase recovery and repair. Customers continue to seek cost savings at every opportunity and suppliers of pallets and packaging have to be able to provide first class service and competitive prices in this highly demanding environment.

Although national governments and the European Commission actively encourage recovery and recycling through various incentive schemes, the main driver for the significant increase in recovery and repair of wooden pallets is the commercial pressure to minimise costs through the supply chain. For example, in the UK, recent studies indicate a decline in new pallet

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volumes of circa 50 million per annum a few years ago to 30 million in 2011. The key reason was the decline in manufacturing, growth in pallet pools and probably most importantly the organised repatriation of pallets by users and growth of a well organised used pallet repair and distribution industry.

Major clients have been most willing to source used pallets in order to save money. Building products suppliers and distributors are increasingly taking opportunities to repatriate pallets and reap the significant economic benefit. These market developments have opened up opportunities for large pallet recovery systems such as the PGS Groupe model in France and Benelux.

This trend has led to many new pallet manufacturers to diversify into pallet recover and or repairs. The old lines of distinction between new pallet manufacturer's and pallet repairer's and recyclers have become increasingly blurred.

In the UK there has in recent months been a significant upturn in activity in the construction industry as a direct result of government finance initiatives to improve the availability of mortgages. This development is leading to increased housing starts and sharply increased demand for building products including timber. The improved construction market appears to be sustainable and shortages of materials and price increases are already evident.

TIMCON – the UK Packaging and Pallet Confederation – issued a press release on 6th August 2013 highlighting the impact of the construction market upturn on prices and lead times for pallets and packaging. There has been a tendency in recent years for pallet prices to be depressed due to weak demand but with the price of timber rising, and given that it represents a high percentage of the cost of manufacture, then it is likely that the selling prices of pallets and packaging will increase as a result of the supply side pressure on raw material prices.

The proposed extension of ISPM15 in Europe for intra-Community movements of wooden pallets and packaging remains on the agenda and FEFPEB has been attending meetings with the European Commission. The Commission is undertaking a further impact study and is well informed on heat treatment capacity and investment implications. Much depends on the control of pest infestation as further outbreaks of diseases such as Pinewood Nematode would accelerate the extension of ISPM 15 in Europe. The Commission will be updating our industry at the INTERPAL meeting in Bordeaux in October. The 64th FEFPEB Congress and INTERPAL VIII will be held in Bordeaux 16th to 18th October 2013. Record sponsorship has already been achieved and a very high attendance is anticipated. The World Forum Pallet and Packaging Industry is a major initiative for the industry to be organised and deal with regulatory and market issues at the global level. Representatives from all continents will attend the Forum and a strong delegation from China will be in attendance.

There will be a presentation during the business session from the Chinese delegation about developments in the pallet and packaging industry and market in China which will supplement presentations on key issues from Europe and North America.

In summary, market conditions in Europe remain challenging and highly competitive.



## **Wood price indices up in the second quarter in Germany**

06.08.2013 –

The wood price indices established by the German federation for wooden packaging, pallets, and export packaging (HPE) for the second quarter of 2013 reveal increases across the board when compared with the figures for the first three months. Seasonal growth in demand coupled with below-average production activity in the central European sawmilling industry, for example, enabled suppliers to push through, sometimes last-minute, price increases for certain

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assortments of side-cuts and packaging products. In doing so, the uplift in prices flattened out slightly at the end of the second quarter.

## **North American Pallet and Wood Packaging, Lumber Report**



### **A Quick report on the US Pallet Market**

I have contacted some of the largest machinery suppliers in the US and all are very bullish with their remarks about the future. All believed that the pallet market has turned the corner and most pallet sectors of the US are extremely busy.

The decision makers at the many pallet plants have all wanted to upgrade or replace production equipment but have held back on any decision waiting to assure themselves that the market will sustain growth and not drop back into a downturn.

Many company owners continue to require overtime to fill orders rather than make the decision to purchase new machinery which would take the pressure off their tired employees.

Today, many equipment suppliers are busy. Pallet owners seem to be satisfied that the economy is moving in the right direction and the decision to replace their equipment or buy new equipment is safe.

Texas is the busiest state for pallet production followed by the Northwest and then the North East, Mid Atlantic, Atlantic South and then Mid West. Southern California continues to be slow to steady but not overly busy.

### **Way out West**



**Southern California's** pallet and wood packaging industry continues to be slow. Competition is strong and the industrial base many pallet companies have relied on has shown very little growth.

The company to whom I spoke is quite confident that the economy in his area will pick up but it might take longer than the rest of the nation.

Vacation time is over and the fall should bring some stability to the pallet and wood packaging market.

The request, from my California contact in my July Newsletter who was hoping, for high lumber prices has come true.

Lumber prices are up \$10.00 - \$20.00 Mbf this month putting more pressure on this sector industry and could cost them another unwanted visit to their customer.

Cores are again scarce due mainly to the fact that most pallets entering this area are predominantly pool pallets. Therefore, there is a reduced number of white board pallets available to pallet repair companies and their consumers.

Don't get me wrong, there are pallets available for repair but they are of poor quality and many DC's and pallet pickers have their pick of the best price.



Pallet core availability in the **Northwest** continues to be tight. The agricultural/farming industry has put pressure on the availability of used pallets. Prices for repaired cores is very good. The Northwest is asking and getting a very high price for their repaired cores.

Lumber prices are up slightly putting more pressure on pallet repair companies and forcing owners to pay more attention to quality reclaimed boards for repair.



**The Northwest** new pallet companies have been busy for the last few months, some working flat out. Many are not competing for 48 x40's which puts them in competition with the

large pool industry. Many are seeking out companies who require medium size orders which provides more profit on specialty size pallets and boxes.

Companies no longer have to rely on state agriculture as their main consumer due to the fact that the industrial base in Northwest has grown rapidly. We cannot forget about the fishing industry as another sector, both in the Northwest and Alaska, who use thousands of pallets and boxes.

Most are looking forward to a good fall but all are somewhat apprehensive keeping an eye on lumber supply and pricing. The Chinese buyers are back in both the Northwest and British Columbia and buying #3 and economy grade material.

Lumber prices have edged up this month. No one knows if it will be a short or long term situation. Only time will tell.



**BC lumber** sales into the US is slow. Southern California's pallet industry continues to be very slow due mainly to the inactive industrial base. Farming in California is good and pallet demand is excellent from this sector.

The Chinese buyers are back and many brokers believe the #3 and economy may be contracted out within the next month or so.

Prices for softwood shipped to the **Bay area** from BC.

- 1x6                    \$335.- 340.00 CDN add another \$10.00 for shipping to S. Cal.
- 1x4 & 2x4        \$340. – 350.00 CDN add another \$10.00 for shipping to S. Cal.

The Softwood Lumber Agreement is now in affect. The Softwood Lumber Agreement, Canadian Lumber Import Tax has returned and is in effect as of August 1, 2013. A 10% tax is back in place and added to all softwood dimension board shipments into the US. Many Canadian brokers are switching to pallet kits, which are exempt in the Softwood Lumber Agreement, to service their US customers.



### Mid West USA & South Lumber & Pallet Report



I have spoken to a pallet friend and again he is concerned with competition that are here one day and gone the next. These small firms seem to pop up and sell what they have, take the money and disappear. Their customers come calling to an established pallet firm and are alarmed at the price they now must pay for the same pallet.

All these fly-by-night pallet companies do is give the established pallet industry a black eye and cause some consumers to question the professionalism of our industry.

Established pallet operations cannot give consumers the same low price as the fly-by-night operation and many consumers now recognize that they should have contacted a pallet company with a history and discarded a shady operation.

The pallet business in the mid west is quite. July was crazy but August has dropped off. No one know why but it has sagged drastically in demand, especially in the north. Many food accounts are off by 75% this month from last year, the housing supply industry is off causing a roller coaster ride for all established pallet companies.

Again this month many companies are refusing to supply businesses that take 45+ days to pay their bills. This is due many to the tight supply of cores and money. Some companies want the pallet company to act as their bank and use their money for 45-60+ days.

Many food service companies are demanding all wooden pallet companies track and follow the US Food Safety Modernization Act. Here are just a few unrealistic demands.

- They requires all trailers be cleaned prior to shipping,

- Trailers sealed with a tag after cleaning
- Provide a chain of custody of all repaired pallets.

How can a pallet repair company prove chain of custody? I can guarantee everyone that most pallet companies will simply make something up that will clear their pallets for delivery. Who's going to prove differently.

If the pallet company supplies clean used pallets why is the consumer so worried about the transfer of moisture or other when the unit load will be boxed in moisture protective containers/corrugated or heavy plastic.

Today, due to the high humidity and extremely wet weather a small bug has been noticed on some pallets. This flying insect is called a PSOCIDS or book lice. There are more than 200 species of psocids (often pronounced "so-sheed") in the United States. Most psocids are tiny insects.

Depending on the species, the size ranges from 1 to 6 mm. The color of psocids varies according to the species. Psocids that live outdoors often have wings. Psocids that invade homes usually have very small wings or no wings at all. Psocids have chewing mouthparts, but they do not bite people or pets. When they invade kitchens, they can contaminate open packages of food.

#### Behavior, Diet & Habits

Psocids are tiny insects that live in damp environments. They eat mold and mildew. Some people call them bark lice or booklice. The name bark lice probably comes from the fact that outdoors they gather under the bark of trees. The name booklice comes from the fact that they gather on moldy books in damp homes. Experts think that the sizing and starch in the bindings of books supports mold growth in humid environments.

Psocids invade areas where there is dampness and mold, like basements and crawlspaces. They also infest areas where a plumbing leak causes mildew or mold to grow. Psocids have infested bath traps with leaking or sweating pipes. They have also infested air conditioning drain lines. They feed on mold in their damp environment.

Psocids often seem to appear suddenly. This may be because they are so small that people do not notice them when there are only a few around. Some people think psocids look like tiny termites. Psocids cannot retain water in their bodies, so they are sensitive to changes in humidity. A key step in controlling psocids is reducing the humidity in their environment. When the humidity is low, the psocids will die. If the humidity stays low, they will not re-infest.

I am concerned that many food companies are now demanding that all of their pallets be heat treated to kill this small bug but they do not realize that heat treating of a pallet does not reduce the moisture content in a pallet and in turn will not kill the Psocids. Only a dry pallet will deter this pest from infesting a pallet or wood packaging.

One of the largest pool pallet companies has had loads rejected. I am surprised that the large pool pallet companies have not visited the US Agriculture Dept. and laid out their case regarding wooden pallets.

The Environmental Protection Agency has come out and said that all wooden pallets and wood packaging should be excluded from shipping food products and replaced by plastic pallets to ship food products. Well, let me say that plastic pallets probably carry more moisture in their design and you can bet that some plastic pallets which move chemicals can also be contaminated with chemical dust and residue.

Pallet core recovery is tight. The quality is poor and many pallets accumulated for repair are odd sized.



The mid northern pallet companies are using Canadian SPF and Aspen for new and repair.

In review, August has lost the demand from a very busy July. Most are hoping for a more active September and fall season.

Most companies to who I spoke, who are members of the NWPCA, and may ask their association to investigate and produce an information sheet regarding the demand on pallet and wood packaging by the US Food Safety Modernization Act.

Core availability deeper in the south continues to be a problem. Texas and Arkansas cores prices have held. Some companies, and this is simply a rumor, are paying \$8.00-9.00 for #1 – 48x40 hardwood pallets.

Many Southern pallet companies continue to work hard locating good solid labor. The hispanic workers seem to be the most reliable and accessible. Companies do have the law to contend with but if they did not have hispanic workers their pallet company would be forced to shut down.

As I said, Texas and surrounding states are working at or near 100%. New pallet production is good, core prices are high and competition is fierce.



Hardwood lumber is not as tight as the last few months.

The weather is allowing more logging of heavy hardwoods and competition is setting in allowing cant prices to ease.

Hardwood pallet prices are now stable and consumers seem to be accepting the price increase from the spring and early summer.



### Eastern & Southern USA Lumber & Pallet Report



Competition continues to be fierce in the **North central US** but everyone seems to be busy. There is little change in the market and many seasonal customers are winding down their demand for pallets leaving some pallet companies looking to the future with questions.

Prices are stable and many pallet operations are looking to raise their prices to reflect some increases in lumber pricing. Aspen seems to be the hardwood timber of choice for many northern companies as it works well for their customers' pallet demand and keeps the hardwood pallet price competitive and the profit margin sustainable.

Many companies do prefer heavy high density hardwoods for their consumers but the prices for this timber continues to be just to high to make a clean profit. Many companies are

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paying \$410.00 Mbf for cants delivered which is about 25 to 30% higher than Aspen cants, runners and boards.

Pallet core prices continue to stay high due mainly to the high cost of retrieval. Many DC's and pallet pickers are demanding more for their white boards pallets.

The average purchase price for cores from a DC or picker in the North central US is \$2.50-3.50 and the selling price for a GMA hardwood is \$5.50-6.00 for #1's. Number 2's are selling for \$3.85 to \$4.50.

This price is very close to the New England, PA and Ohio pricing with Michigan slightly higher.

**South Eastern US** pallet industry is busy. Core availability from sources is hit and miss. Those in Charlotte are not suffering from a lack of cores but other companies northeast and northwest of Charlotte are lacking units.

The repaired cores prices are up again to \$5.85 to \$6.35, almost the strongest in the nation.

New pallet production is strong this month but hardwood prices and availability of a consistent supply of low-priced cants continues to create a problem. New pallet production and sales is saving many companies who are lacking cores for repair. The cores many are able to source are poor and odd sized.

Profits margins are getting better. The companies to whom I spoke feel very confident that the fall may save their year.



### **Western Canada Softwood and Pallet Report**



This month the western brokers are telling me that there is very little Fir and SPF 1 x 4 economy/5 common available. With the lack of availability in this dimension they all can see this price increasing in the near future.

There is also a lack of supply of 1 x 4 MR rough in all species.

All made the statement that there was plenty of wood available except in the higher grades and 1x4 economy and rough. The brokers agreed that there was a good balance between supply and demand in the lower grades and all are enjoying this market which contributes to a very high percentage of consumers paying their bills on time.

The brokers to whom I spoke all feel, after speaking to their pallet and wood packaging contacts, that the early fall will be solid but will slow slightly from November through to the new year.

The Chinese are back and their buying pattern has changed. They don't seem to be as desperate and urgent but continue to buy and ship thousands of board feet to their BC ports, destination China. This may be due to the fact that they are buying huge amounts out of the US Northwest mills and don't need to be a bullish with BC mills.

There are very few, if any, new pallet companies opening in the west. It is just too expensive for any small operator to open their doors. The government oversight and taxes are killing new pallet and wood packaging business.



**British Columbia** pallet market is quiet due mainly to vacation time plus the end of the early growing season of berries and produce. Most pallet companies are looking forward to the late harvest of apples, pear etc. for an upsurge in demand for their product.

The pallet industry in British Columbia, Saskatchewan and Alberta is very good. The labour shortage has somewhat eased this summer but will probably be back in the fall when students workers return to high school, college and university.

The pallet core business is very strong in all provinces. Prices of repaired cores continues to hold their high price and availability is tight. Pallet companies offering repaired pallets are asking \$6.00-6.25 for a high quality #1 and \$4.50-\$5.00 for a quality #2.

Clean used pallets are a real commodity due to the fact that US Homeland Security is diligent and will only accept US or Canadian manufactured pallets when shipping south.

CHEP is very strong in BC. New and used pallet cold call sales are very tough to accomplish. There is little new business and every pallet operation is very protective of their customer base.

SPF lumber prices are up a touch again this month and many are faithfully taking the hit hoping they don't have to visit their customers with another increase.



### **Eastern Canadian SPF KD/HT & Pallet Report**



**Southwest Ontario** pallet and wood packaging companies seem to have rebounded from a very poor July.

Vacations seem to have been the culprit for the slowdown. Vacations also bring machine maintenance into the mix. While the vast majority of the plant employees are on vacation the machines go through their semi annual maintenance check and service getting them ready for the fall.

August sales did pick up nicely in the agriculture area. Sales of pallets and boxes to the auto industry are showing signs of a nice recovery. Many pallet and wood packaging companies say that August is extremely busy and they are looking forward to a busy fall.

Lumber prices are good allowing many pallet companies to increase their profit margin from the rollercoaster ride this winter and early summer.

Pallet core availability is average to tight. The increase in demand has seen a reduction in supply of all sizes of #1's and #2's but the price has held or gone up.



**Eastern Ontario** pallet orders have picked up. Most are quite busy with all industrial sectors showing strength.

The pallet core business is strong and prices are up to record levels. There is just not enough good #1's and #2's in non-HT and HT to offset the demand.

Many felt that vacations caused the problem in August but others say orders come and go on a weekly basis but today they are busy. Some pallet companies to whom I have spoken feel that business will be good to at least Christmas.

Some are concerned with the increase in the fuel price, now edging to \$1.36 per litre in the Toronto region or \$5.50 per US gallon. If the fuel increases the truckers will add a surcharge on both the delivery of lumber and pallets to offset the fuel increase. There is no way around this and it may mean another trip to your customers.

I want to advise everyone about the US Food Safety Modernization Act. I spoke to some of the pallet people in the US and discussed the US Food Safety Modernization Act. This act was designed to ensure the U.S. food supply is safe by shifting the focus from responding to a contamination, to preventing it before it can move through the food chain.

The US Food and Drug Administration has issued two proposed rules under the Food Safety Modernization Act (FSMA) aimed at strengthening assurances that imported food meets the same safety standards as food produced domestically.

Therefore, all food [flour, spices, fresh veg. etc.], **in time**, from Canada will be subject to the rules outlined in the US Food Safety Modernization Act.

Some of the basic rules are, and these are only three out of **many**:

- Requirement that all trailers be cleaned prior to shipping, and
- Sealed with a tag after cleaning
- Provide a chain of custody of all repaired pallets.

Yes, you probably have the same questions as your US pallet counterparts. How will you prove chain of custody or history of pallets you have repaired and supplied to your food processing consumer?

I will endeavor to stay current on this situation and keep everyone current.



In **Quebec** the poor pallet and wood packaging market has forced some large pallet companies to diversify their product line. Many have departed from the fighting over traditional pallet 48 x 40 and standard industry orders and opted for the non-traditional odd size pallet market offering the 25 to 100 unit orders with better profit margins.

Many of their customers are local agricultural and local municipal government. Why have they diversified? They were tired of fighting for large pallet contracts with little profit margins. Many companies tried very hard to service their consumers with quality pallet and then a larger pallet competitor offered the company a price they could not refuse or simply switched to a slave pool program offered by a larger pool company.

Most companies have altered their lumber requirement from the traditional hardwood to 50% hardwood and 50% softwood or even 100% softwood.



**Eastern lumber** brokers commented that lumber availability is good and the cost per Mbf is up slightly. Pallet companies seem to be busier in Ontario and Quebec which is good news for all.

The US pallet industry has moved in and is now purchasing huge quantities of #3 in all dimensions to feed the demand for pallets and wood packaging.

Today, 2x6 random #3 is \$60.00 Mbf more expensive than 2x6 random #4 economy. 2x4 random #3 is \$60.00 Mbf more expensive than 2x4 random #4. This is consistent with all #3 economy inventory versus all #4 inventory.

Many brokers seem to believe that there will be an upswing in demand and price in the fall for both Ontario and Quebec.

Eacon, one of eastern Canada's largest mills, had a very big month in July and August at last and are looking to revisit their pricing.



### **Eastern Canada Hardwood Lumber & Pallet Market**



Guess who's coming to visit the eastern hardwood market? You are right, it is US pallet and lumber brokers. The price of hardwood has increased in the US while our hardwood pricing stayed quiet. Even Missouri's price is up \$20.00, along with hardwood prices in Western NYS @ \$397.00, Ohio @ \$410.00, PA @ \$390.00 and Michigan @ \$345.00 delivered. A surcharge may be added for longhaul delivery due to the fuel price increase. Even South and North Carolina and Georgia are well above surrounding state pricing at \$400-420.00.

Some say that the price of precut is up but I have not spoken to anyone that has indicated this fact. It sounds like a correct statement and I have reached out to some brokers and mills and will report back.

Add these US prices to the dollar difference and you have less expensive hardwood ready to be shipped into the US. Today, the dollar conversion is \$1.05 CDN dollar to \$1.00 USD. This means that when cants are shipped into the US the listed price is \$380.- 400.00 USD which is today less than Ohio, South and North Carolina and Georgia, Mid Atlantic and New England.

<b>Aspen Runners</b>	<b>Toronto</b>	<b>1 ¼ x 3 ½ x 48 Notched</b>	<b>\$.73</b>
<b>Aspen Boards</b>	<b>Toronto</b>	<b>5/8 x 3 ½ x 40</b>	<b>\$.32</b>
<b>Hardwood runners</b>	<b>Toronto</b>	<b>1 ¼ x 3 ½ x 48 Notched</b>	<b>\$.93</b>
<b>Hardwood boards</b>	<b>Toronto</b>	<b>5/8 x 3 ½ x 40</b>	<b>\$.42</b>

High density pallet production is steady. The hardwood pallet companies to whom I spoke have all reduced their commitment to heavy hardwoods by at least 50%. The only company that I can guess that is ordering heavy hardwood could be CHEP Canada and their 3<sup>rd</sup> party suppliers. I can't find anyone that is building or repairing CPC pallets but there could be a few.



### US Hardwood

The weather has eased and allowing more logging in some areas but the price of cants continues to increase.

Michigan and Missouri are holding their price but when you call for a price on cants the delivery date is well in the future and not available or the price posted cannot be met due to availability. Yes, the price is cheap but the pressure put on by contracts by a very busy pallet market in these areas offers very little available cants to buyers. In other words if you pay the price you can get cants.

Hardwood lumber availability in the Northeast, Atlantic East, Atlantic South is average to poor. The price for cants is steady to up slightly. Cant average in these areas is \$380-420.00 delivered.

The national cant average price is up slightly when you discount Missouri and Michigan. I would estimate that the average would be, if you discounted these two states, near \$390.00 delivered.

Again Texas is showing their strength. Cant prices are up over \$430.00 delivered.



### Southern Yellow Pine

2 x 4 S4S is today selling for \$230.00 to \$245.00 FOB mill depending on the mill and quality. Again this month many mills are dumping product with end of the month discounts. There is a change this month on 2x4 & 2x6 #4 KD/HT price shown below.

- 1x4 Rough Green \$235 mbf FOB NC, VA
- 1x6 Rough Green \$250 mbf FOB VA
- 2x4 Rough Green \$220 mbf FOB NC (low grade rough green)
- 1 ½ x 3 ½ Rough Green (1 ½ x 3 ½ Count) \$300 mbf FOB SC
- 2x4 #4 KD HT **\$230-235.00** mbf FOB VA, SC, NC
- 2x6 #4 KD HT **\$220-230.00** mbf FOB VA, SC, NC

Many reman mills are booking out two weeks and even though August cooled off from a crazy July. Many SYP suppliers are all looking for a very active fall and winter season.



## Canadian Lumber Market – Hardwood & Softwood Supply & Pricing

Price of 4x6 hardwood cants	\$438.00 FOB Montreal \$470.00 - \$480 FOB Toronto \$420.00 FOB Maritimes
Price of 4x4 hardwood cants	\$438.00 FOB Montreal \$470.00 - \$480 FOB Toronto

### The Western softwood market

Prices are reflective of delivery major centre.

#### Douglas Fir - ECONOMY

2 x 4 RL	\$240.00 MBF major centre.
2 X 6 RL	\$235.00 MBF major centre.
1 X 4 M/R	\$335.00 MBF major centre.
1 x 4 Economy	\$325.00 MBF major centre.

#### SPF ECONOMY

2 x 4 RL	\$240.00 MBF major centre.
2 X 6 RL	\$232.00 MBF major centre.
1 X 4 M/R	\$335.00 MBF major centre.
1 x 4 Economy/5 Common	\$325.00 MBF major centre.

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The Eastern softwood market - This is reflected in the prices FOB Toronto

#### SPF KD/HT - #4

2 x 4 x 8 economy	\$255.00 delivered Toronto
2 x 6 x 8 economy	\$230.00 delivered Toronto
2 x 6 x 7 economy	\$235.00 delivered Toronto
2 x 4 x 10 economy	\$260.00 delivered Toronto
2 x 3 x 8 economy	\$265.00 delivered Toronto
Notched stringers	\$355.00 delivered Toronto

#### SPF Rough Lumber - \$60-70.00 for HT

1 x 4 x 8	\$340.00 delivered Toronto or \$400.00 HT
1 x 3 x 8	\$330.00 delivered Toronto or \$390.00 HT
2 x 3 x 8	\$300.00 delivered Toronto or \$360.00 HT
2 x 3 x 7	\$300.00 delivered Toronto or \$360.00 HT

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### **Typical Core Buy and Sell Prices for #1 GMA or 48 x 40 pallets**

Tight to very tight continues to be the name of the game in the US. Even though August is slower than July the availability of cores is poor.

The price of a repaired GMA pallet in the Northwest topped out at \$6.90 well above the average and one company told me he sold some at \$8.00 on a one time order.

Canadian pallet repair operations are all very busy and feeling the tightness in supply of good cores. Prices are stable or inching higher.

. These are **average prices** across **North America**.

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- Repaired Non HT #1 – 48 x 40's are selling for an average of \$5.85 - \$6.25
- Repaired HT - #1 48 x 40's are selling for an average of \$7.00 - \$8.00
- Repaired Non HT #2 – 48 x 40's are selling for an average of \$4.00 - \$4.25
- Repaired HT - #2 48 x 40 pallets are selling for an average of \$4.90 - \$5.50.

### **As of August 31 – Repaired #1's available**

Hardwood	average nationwide USA	Availability > tight to very tight
Hardwood	average nationwide Canada	Availability > average to tight
Softwood	average nationwide Canada	Availability > average to tight



### **Mid-Year Export Checkup**

By Peter G. Hall, Vice-President and Chief Economist

August 15, 2013

Economic data for the first half of 2013 are almost all tabulated. At the beginning of the year, hopes were high that international trade would step up, compensating for the increasingly sluggish consumer and housing sectors. Is Canadian export performance surpassing, meeting or falling behind early-year expectations?

A quick fly-by of the numbers could be quite discouraging. Compared with last year, the 2013 numbers don't look that great across a number of industries. But here's where a bit of context is useful. In each of the prior three years, exports entered the year with great momentum, only to falter in the summer months. This wasn't due to normal seasonal variation, but in each case was the result of significant extraordinary and unpredictable events. This year is different - hopes were high at the outset, but without the same momentum factor. As such, year-over-year data aren't great - but is there a brighter story in more recent developments?

On the whole, monthly export movements have been quite decent, if somewhat volatile, since last December. Exports have grown at an annualized pace of 5 per cent since then, getting some assistance from global price movements and the weaker Canadian dollar. Fluctuations in activity are at least in part due to carry-over effects from the disruptive impacts of Hurricane Sandy and the late-2012 US fiscal cliff, and more recently the US end-March sequestration. With these events largely behind us, US demand is relatively intact and Canadian export growth has resumed - suggesting a stronger and more stable path in the second half of the year.

Despite the US disruptions, exports stateside were actually a strong driver of overall trade in the first six months of the year. Whether measured by monthly growth or year-to-year gains, the US was better than average on all metrics. Other OECD nations were the laggards. Traffic to those locations is also volatile, but export numbers are almost singularly indicating the softness of the EU, Japan and other OECD economies. Like the US, emerging market stats were also ahead of average, but counter to recent experience, the US numbers actually edged ahead in the January-June period.

Recent results were buoyed by industries higher up the value chain. The energy and metals sectors disappointed, underperforming the average. However, the grouping including chemicals, plastics and rubber was a standout, in spite of facing tight pricing conditions. In line with growing US momentum, exports of consumer and forestry products are also doing very well. Normally volatile, the aerospace industry has also racked up impressive growth in recent months.

Key to overall performance are the auto, industrial machinery and electronic products sectors. In each case, recent growth has picked up considerably, but it's making up for less-than-stellar performance in the second half of 2012. Matching or exceeding last year's figures will require further vibrant growth.

On the whole, recent performance is a relief. Last year's second-half slowdown was a blow to most industries, testing already-weak confidence. Overall export numbers are not quite what we thought they would be at this point, and clearly, more growth will be needed if the export sector is to move into the role of growth engine for the Canadian economy. Currently, the general direction is encouraging, and late-breaking key indicators suggest that global momentum is going the right way.

The bottom line? Canada's economy is still in transition from the faltering engine of the domestic economy to the high-potential international trade engine. The switch is taking time, weighing on progress, but current conditions point to increased export momentum in the remainder of the year.



## **Shippers and Carriers Need to Get Smart on Less-than-Truckload Costs**



Density pricing, based on a combination of weight and cube, allows shippers and carriers to work together on packaging and pallets to find savings for both parties.

By Peter Moore, Partner at Supply Chain Visions  
August 18, 2013

In the past months, ABF Freight System and UPS Freight announced 5.9 percent general rate increases, effective May 28 and June 10, respectively. Con-way Freight will raise its LTL rates 5.9 percent on June 24. On June 10, FedEx Freight announced a 4.5 percent GRI in non-contract base rates effective July 1, and other large carriers are expected to follow suit over the next several weeks.

However, these reported jumps in prices seem curious to shippers who are experiencing price deflation as competition heats up in consumer markets.

A shortage of capacity does not seem to be the problem. The trucking industry continues to buy new equipment and appears to be expecting growth. New Class 8 truck orders are 27.7 percent higher than last year, according to freight transportation research firm FTR Associates, and hiring is 3 percent above last year according to the U.S. Bureau of Labor Statistics. This indicates that capacity is increasing, and therefore more competition should be popping up to solicit more freight from shippers.

Carriers appear to be attempting to increase operation margins from 96.4 percent back to the 93 percent range that they enjoyed in 2008. Many shippers are pushing back as they simply can't pass these increases on to their customers, and they don't necessarily see improved services at the level that will help them win more business.

However, we are seeing new ideas emerging in the LTL pricing market. The increased use of density pricing is an example. Density pricing, based on a combination of weight and

cube, allows shippers and carriers to work together on packaging and pallets to find savings for both parties.

Density deals with two critical variables in freight transport: space capacity and weight capacity usage of the carrier's equipment. As the dimensions and the weight are known quantities, it can serve as a more efficient determination of freight price. Depending on how much capacity you're using, the trucker can charge you a portion.

Of course there are many more variables, including time, distance, and insured value being just three. And for sophisticated shippers and carriers, the negotiation of contracts involves balancing each of the elements affecting their freight.

"You need to improve efficiencies, know your costs, and arrive at a fair and equitable rate for the service you're providing," says Old Dominion's CEO David Congdon. These words don't just apply to smart carriers, but to shippers as well. This simply means that the market needs to change the way it thinks about LTL freight pricing.

LTL pricing is not a simple table with applicable discounts, as many rate bureaus would have you believe. Both parties need to put aside these tables and unbundle rates into component costs. Together, they need to begin to test adjustments to the operational drivers of these costs. This means fully understanding who pays for insurance, how long trucks were held for unloading, who will load and unload, pickup hours, accessorial service needs, density of the freight, and a dozen or more other variables.

The goal should be transparency and flexibility to help both the carrier and shipper save money. Of course, the 800-pound gorilla in the room is the transportation management systems (TMS) we now use for freight pricing and payment.

Most of these are simplistic when it comes to freight price look-up, and many will not hold dimensions needed for density pricing calculations—at this point, they're seeking one number for each load that can be applied based upon tables. New work is emerging here as well, with cloud based software services providing the ability to manipulate and confirm price changes in real time and provide variables in many price elements.

It's clear that the market will need these tools to allow better deal making and easier freight audit and payment in order to ring out more profit for carriers. Both parties need to strive for what FedEx Freight CEO William Logue calls "the right volume at the right rate into the right network." Only then can we see productivity gains improve margins for carriers rather than price increases well above the general inflation rate.



## **Construction Upturn Impacting Pallet Pricing and Lead Time, Says TIMCON**

August 14, 2013 by Rick LeBlanc

A surging construction market is putting strain on pallet pricing and lead time, according to the Timber Packaging and Pallet Confederation (TIMCON). It is alerting the market to the growing evidence of higher timber prices and early signs of some supply shortages affecting the pallet and packaging industry mainly as the result of the significant upturn in UK construction market activity.

Stuart Hex, General Secretary of TIMCON, states that "there is now clear evidence of significant and sustained UK construction market growth which has accelerated to the fastest pace in 3 years in July, led by a surge in residential building adding to signs of a pick-up in the economy. The Markit/CIPS index rose to 57 in July up from 51 in the previous month and was the third consecutive month that the reading has been above the 50 expansion marker.

“This latest information on the construction sector comes after the Markit/CIPS UK manufacturing PMI report for August which identified that purchasers are paying more for packaging and timber. Specifically, pallet timber and wooden pallets were identified as items up in price.

“The increasing prices of UK pallets and packaging has to be viewed in the context that especially for pallet manufacturers, the UK timber supply industry now has a dominant market share as supplies from other markets such as the Baltics have significantly declined and prices are currently higher as supplies are diverted to other markets and due to the effect of currency fluctuations.

“The UK and Irish sawmills are now extremely busy and there is a concentration on construction timber which generates higher added value. There is particular concern about the availability of non-standard sizes which are less attractive to the sawmills at times of high demand.”

TIMCON has issued this information as there is a long time-lag involved in the quarterly pricing indices for the pallet and packaging timber and given the rapid developments in the construction industry which are affecting the pallet and packaging sector. Prices of pallet and packaging have been depressed during the recession and with the current developments in timber prices (which represent by far the largest percentage of the total costs of manufacturing pallets) there is clear independent third party evidence that the higher input costs are being reflected in higher pallet and packaging prices. There is also concern about lengthening lead times for timber and pallets and packaging.



### **Durable-Goods Drop Imperils Outlook for U.S. Pickup: Economy**

Orders for durable goods dropped in July by the most in almost a year, calling into question the strength of the projected pickup in U.S. growth.

Bookings (DGNOCHNG) for goods meant to last at least three years fell 7.3 percent, the first decrease in four months and the biggest since August 2012, the Commerce Department said today in Washington. The retreat was broad-based, with demand excluding the volatile transportation category unexpectedly falling.

The figures signal business investment was off to a slow start in the third quarter just as housing, a mainstay of the expansion, shows signs of cooling. Demand for military gear also declined last month, highlighting the risk that federal budget cuts will continue to slow the world’s biggest economy in the second half of the year.

“Growth will stay moderate,” said Michael Gapen, a senior U.S. economist in New York, at Barclays Plc, who forecast non-transportation orders would drop. “The fiscal drag will last longer.” Barclays cut its tracking estimate for growth this quarter to 1.9 percent from 2.1 percent after the report.

Stocks dropped after comments by Secretary of State John Kerry raised concern tensions in the Middle East will bubble over. Kerry said President Barack Obama will hold Syria’s government accountable for the “moral obscenity” of using chemical weapons.

#### **Stocks Drop**

The Standard & Poor’s 500 Index fell 0.4 percent to 1,656.78 at the close in New York, erasing earlier gains as investors speculated the disappointing durable-goods data may prompt Federal Reserve policy makers to take more measured steps in reducing how much monetary stimulus they pump into financial markets.

Elsewhere, sentiment may be picking up. Economic confidence in the euro area probably rose in August to the highest level in 17 months, adding to signs that the currency bloc’s

recovery from a record-long recession is gathering pace, economists projected a report from the European Commission will show on Aug. 30.

The median forecast of 77 economists surveyed by Bloomberg called for a 4 percent drop in U.S. orders for durable goods. Estimates ranged from a drop of 8.2 percent to a 3 percent gain. Bookings rose 3.9 percent in June.

The median reflected a projected slump in demand for commercial aircraft that reflected previously released figures from Boeing Co. (BA:US) The Chicago-based plane maker had said it received orders for 90 aircraft in July, down from 287 the previous month.

#### Aircraft Bookings

Today's figures showed bookings for commercial aircraft decreased 52.3 percent after climbing 33.8 percent in June.

The setback last month proved to be more broad-based than economists estimated with bookings also falling for items such as computers and appliances. Orders excluding transportation equipment declined 0.6 percent after a 0.1 percent gain in June.

Bookings for military equipment decreased 21.7 percent last month after a 28.7 percent jump in June.

Demand for non-defense capital goods excluding aircraft, a proxy for future business investment in computers, electronics and other equipment, fell 3.3 percent in July, the biggest decrease in five months. The drop followed consecutive gains since March, meaning the three-month average climbed to a 12.8 percent annualized pace from 8.9 percent in June, according to Bloomberg calculations.

#### Investment Outlook

Shipments of those products, a measure used in calculating gross domestic product, declined 1.5 percent after falling 0.8 percent in June. The setback indicates business investment was gaining little traction at the start of the third quarter.

Cisco Systems Inc. (CSCO:US), the biggest maker of networking equipment, said Aug. 14 that global sales have been weaker, prompting the company to announce plans to reduce its workforce by about 5 percent.

"Last quarter, I described a continued slow recovery, and I haven't seen anything to suggest that this dynamic will change in the short term," John Chambers, chairman and chief executive officer at San Jose, California-based Cisco, said on a conference call. "This recovery is more mixed and inconsistent than others I've seen."

The U.S. economy grew at a 1.7 percent annualized rate in the second quarter after a 1.1 percent gain the prior three months, Commerce Department figures show. The economy has grown at an average 2.2 percent quarterly pace since the recession ended June 2009.

#### Growth Forecast

Growth is projected to pick up in the second half of the year, climbing 2.3 percent in the this quarter and 2.6 percent in the fourth quarter, according to the median estimate in a Bloomberg survey of economists from Aug. 2 to Aug. 6.

One of the bright spots in the report was a gain in demand for motor vehicles. Orders for automobiles and parts increased 0.5 percent after a 0.2 percent gain in June. Cars and light trucks sold at a 15.7 million annualized rate in July and 15.8 million the prior month, the strongest back-to-back readings since late 2007, according to figures from Ward's Automotive Group.







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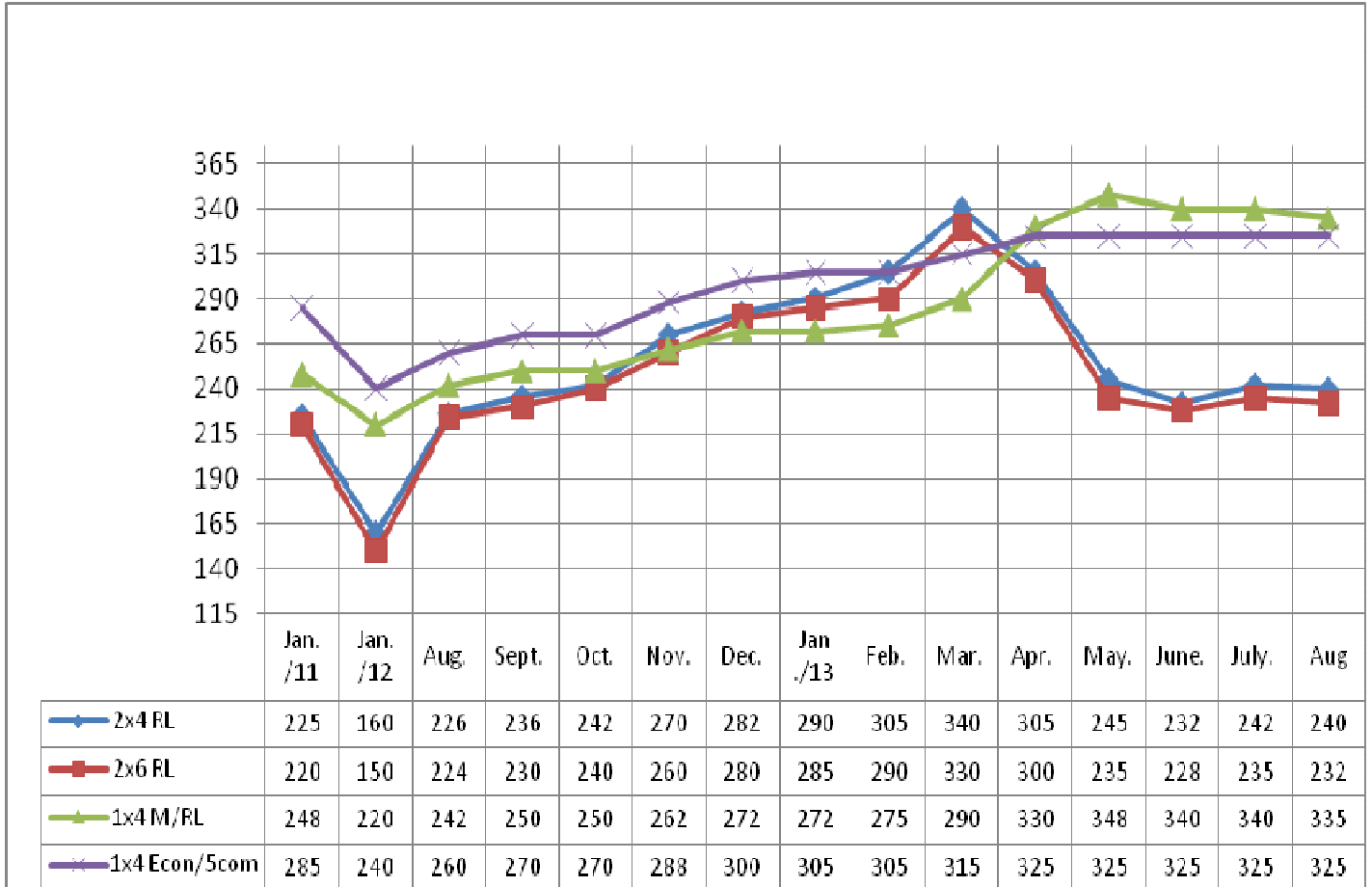
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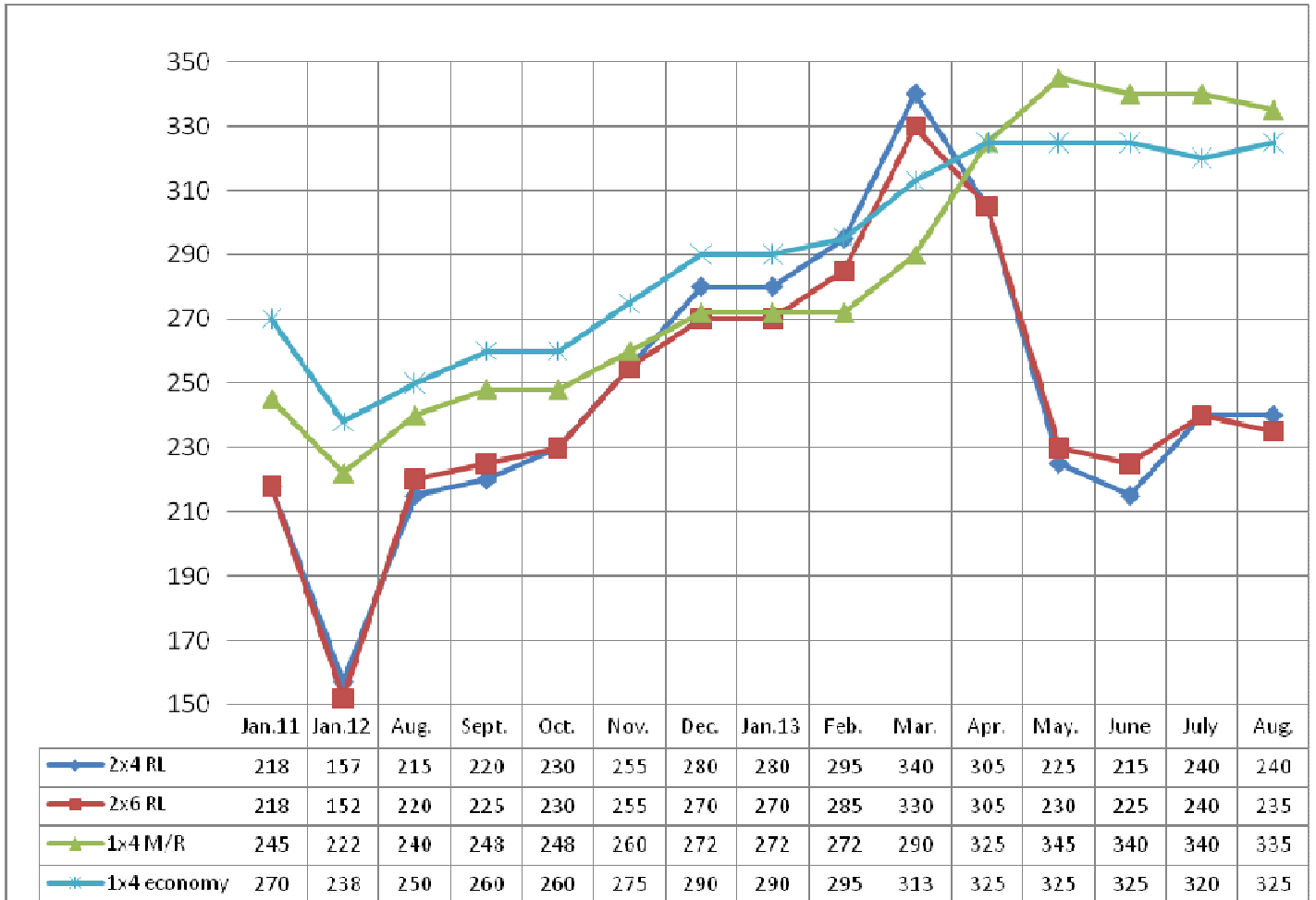
# Wood Packaging Solutions

## Western Softwood Lumber Graph – FOB Major Centre



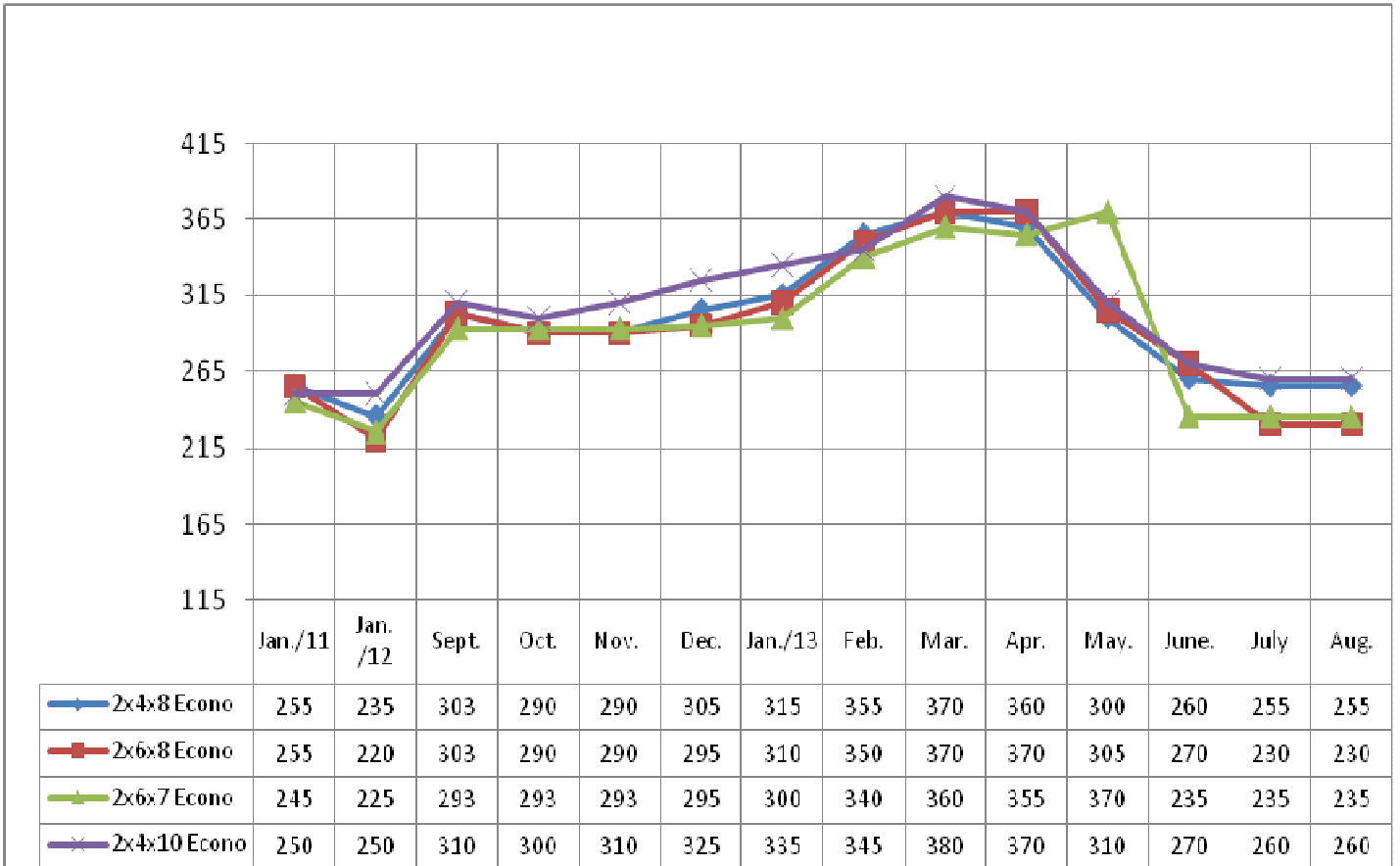
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## Western Douglas Fir – FOB Major Centre



# Wood Packaging Solutions

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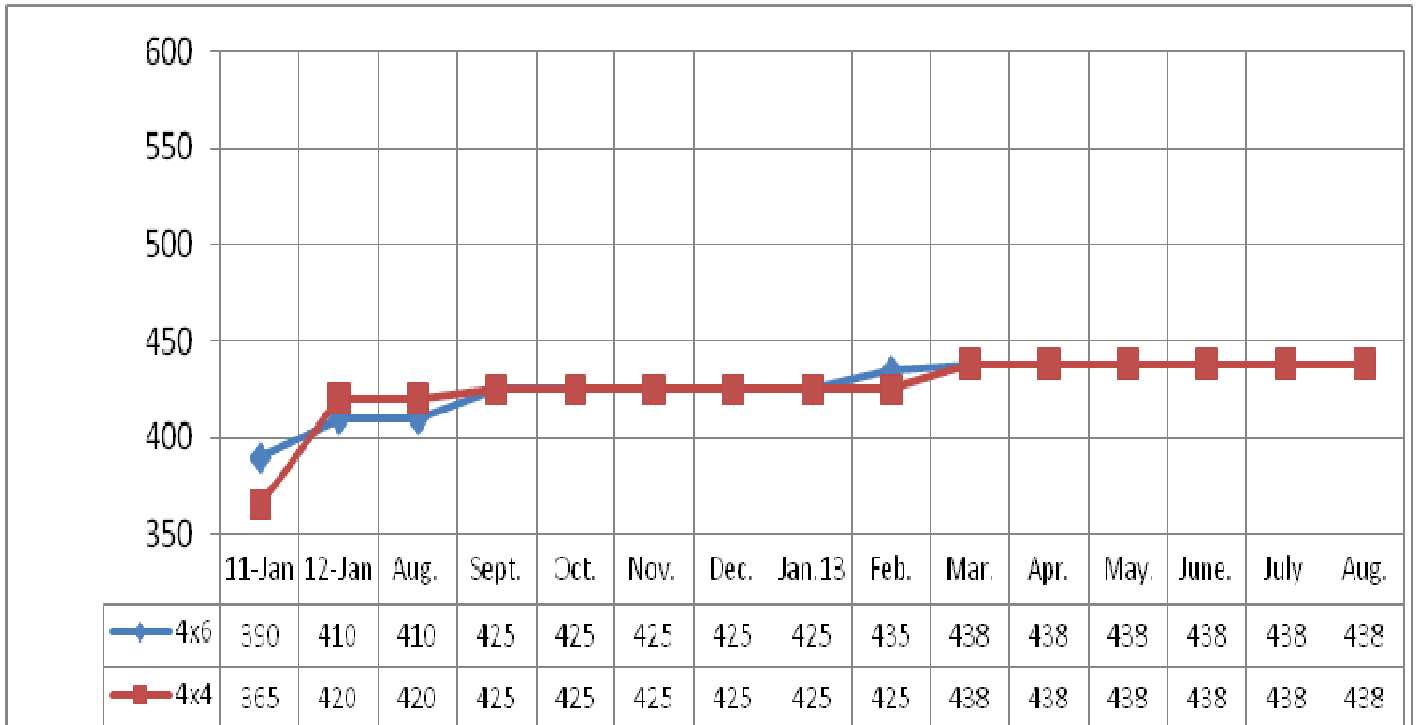


# Wood Packaging Solutions

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### 4x4 Montreal

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# Wood Packaging Solutions

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