

Value Focused Forestry/Forest Products

Perspective from both sides

by

John Wilkinson



Prepared for:
***"A Wealth of Opportunities:
Value Focused Forestry in British Columbia"***
Symposium sponsored by BC Forum & FPAC
March 01, 2006



My Perspective is From:

- 32 years of management at Weyerhaeuser
 - ◆ Headquarters, PNW and Far East locations
 - ◆ Timberlands, Forest Products, Pulp & Paper
 - ◆ Large Co., Public, Timberland Owning, International, Broad Product Lines
 - ◆ Largely a commodities producer

And 8 years with JELD–WEN

- Private, family & employee owned
- 40+ years old, fast growth continues
- Value-added Product Lines (doors, windows, moldings)
- Historically 100%, & still significant vertical integration
- International in the last 15 years
- Founder is the Chairman
- Dedicated to being the low cost supplier of its products (and is!)

My Major Weyerhaeuser Value Campaigns

- High Yield Forestry (planning and implementation)
- Log Production & Allocation for Maximum Value Recovery (geographic optimization)
- Customer Focus, Customer Satisfaction and Total Quality
- Asset Adjustments

My Work at JELD-WEN

- Pacific Rim Business Development
- International Supply Management

Establishing the Supply Function

- Procurement was decentralized among factories and product lines (& part time for all)
- Lack of common specifications
- Offshore supply was bought from brokers
- Numerous quality, reliability, specifications issues
- Causing major problems for our foreign and domestic suppliers
- Falling behind the cost curve in products which could use foreign sourced wood components

Products of Initial Interest

- Lumber for USA remanufacturing
- Finger joint blocks
- Finger jointed blanks
- Clear, finger jointed and laminated sawn products
- Tropical hardwood veneer and plywood
- Ready-to-hang pine doors
- Ready-to-use moldings

Our Customers

- USA, Australian, European Manufacturing Plants
- USA and European Pre-hanging and Distribution Operations
- A few third parties

Our Team

- Small in number, but
- Skilled/experienced in remanufacturing, final products, international freight, international transactions
- We promptly added information systems skills
- We used Consultants to get us acquainted with several geographies and potential suppliers

Going-In Directions

- Team with our plants and distribution facilities as true customers.
- Move to direct supplier transactions as soon as possible
- Manage inbound freight
- Purchase in US dollars
- Resolve historic problems fast and any new issues instantly
- Achieve complete teamwork within (everyone covering as needed)

We Learned

- Toughen up supplier qualification processes
- Help our targeted suppliers to improve their factories and processes
- Spread our supply to several geographies
- Spread our supply to several suppliers
- A lot about international currency mgmt.
- A lot about each supply geography

We Also Learned

- Success with our customers was more difficult than expected.
 - ◆ We invaded their domain and supplier relationships
 - ◆ Specification changes are tough and some location-specific specifications are necessary
 - ◆ Demand forecasting and ordering processes needed a lot of work
 - ◆ New on-site factory inventory expectations were required
 - ◆ Communications tools and expectations needed to be improved

We Also Learned

- By knowing a supplier country's wood costs, labor rates, freight costs, and recent currency relationships, the cost of any remanufactured or finished wood product could be estimated well and readily compared.
- How to estimate a supplier's costs – allowed us to negotiate highly competitive delivered costs
- We've scratched the surface of opportunities to internationally source and wring economies out of the supply chain

Supplying Jeld-Wen Now

- Southern Africa
- Brazil
- Chile
- New Zealand
- Indonesia
- Malaysia
- Thailand
- Taiwan
- China
- Eastern Canada
- USA
- The Baltic Region

Internationally Sourced Now

- Finger jointed & clear door stiles, rails, & panels
- Finger jointed & clear moldings
- Finger jointed & clear door frame sets
- Several laminated products and parts
- Tropical veneer and plywood doorskins
- Hardwood lumber for remanufacturing
- Ready-to-hang doors
 - ◆ Southern hemisphere pines (mostly v.g.), hemlock, Chinese fir, Russian pine, Tropical hardwoods

Opportunities?

- I think so (I'm no expert in your forests and factories)
- Some potential wood is in your wood fired boilers, chip bins or logging residuals. You might be amazed, as I was, at the quantity of otherwise low value solid wood that gets into parts for doors, windows, and moldings.
- You have “Appearance Quality” wood and “Baltic Quality” wood.
- Advantageous logistics to some markets
- Skills and wood machining technology/experience

It's Not Easy

- Lower capital, but higher skills, more management, tighter quality specifications
- Labor costs are high
- Direct Customer relationships and sales are required
- A Value, not a Volume Business

Ideas

- Japan, USA, W. Europe target markets
- Lumber specifically prepared for remanufacturers and finished product producers (including China)
- Prepared parts for value added products
- Rest your case on superior logistics, lead time, service, reliability, quality
- Determine what your timber can produce in engineered and value added products.
- Interest volume users and offer to team up
- Get in the game