



## Mills say finding niche key to survival

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By *MICHAEL JAMISON of the Missoulian*

COLUMBIA FALLS - In 1997, economies all along the Pacific Rim stumbled into a deep financial recession, and in Montana lumber mills responded by going dark.

If anyone still doubted that global pressures pushed and pulled Western woods work, the proof presented that year was hard to ignore.

"The global market totally changed us," said Frosty Buck, purchasing agent for Plum Creek Timber Co. "Everything we do is affected by global markets."

Likewise at tiny RBM Lumber, where the Thompson family makes specialty board cuts just up the road from Plum Creek's plants.

The mills, it would seem, have much in common. But when the world got big and scary, the two outfits took very different paths to survival.

Plum Creek got bigger just like the world it lived in, evolving to meet the market on its terms. RBM, however, retreated into a smaller niche of safety, divorcing itself from commodity swings and that volatile food chain of international supply and demand.

Those responses fueled a field trip Monday, part of a University of Montana curriculum to bring students into rural Montana, learning about how to bridge the gulf between landscape and livelihood.

Coordinated by a Swan Valley organization called Northwest Connections, the field trip set out to follow trees from the forest to the mill, exploring along the way the forces that drive what has traditionally been one of the state's largest moneymakers.

At the top of his lungs, over the roar of industry, Frosty Buck explained the high-tech computer scanner in Plum Creek's plywood plant, how it "sees" flaws in the wood better than the humans who used to do the job.

"The one thing about this," he said of his machine, "is it doesn't get tired."

It is, in fact, one of many computers in the largely automated plant, where mechanics seem more common than millworkers. This, Buck said, is how Plum Creek survives.

Most years, he said, the company invests an average of about \$6 million in technology, most of it computerized. This year, it'll spend \$11 million to stay competitive.

"That's probably where we've gained the most," Buck said, "is in the efficiency of the machines."

All that technology does several things for Plum Creek. It helps the company use more of the log. It helps reduce waste and inefficiency. It improves quality as well as quantity, with production up some 10 percent, Buck said, in just 10 years.

But bigger production has not translated into bigger employment. The company's labor force, he said, is at a steady-state zero growth. More wood product goes out, but no new jobs make that happen.

In North America, lumber production increased 16 percent in the latter half of the 1990s, while during the same time 150 mills closed.

That, he said, is a fact of life in a world where labor eats the lion's share of your bottom line and safety insurance on a worker can far exceed his paycheck.

Compare that reality, he said, to Plum Creek's international competitors. In South America, for instance, "they'll work for a dollar a day," and trees are nearly free for the picking.

Plum Creek is a big outfit, Buck said, with 8.4 million acres in 21 states, and 1,800 employees in the Flathead Valley alone. Entry pay is about \$13 plus benefits, he said, and without the automation the budget just won't balance, the payroll wouldn't roll.

The company, in fact, is not a lumber company at all anymore, but rather is classified as a real estate investment trust. Not a few dollars are made transferring forests into residential spreads, and Buck said wood-products manufacturing now supplies less than 10 percent of annual revenue.

It is, like the automation, a response to the global marketplace, as is the change in what sort of wood is produced. The world is awash in plywood - from both home and abroad - and to compete, Buck said, Plum Creek has tried to wedge its big corporate structure into a narrow niche market.

His plant makes high-end industrial-grade plywood, the kind used in RVs and boats and semitrailers. The shift from regular plywood sheeting, he said, has helped insulate Plum Creek from the vagaries of the standard building material market.

(Although the world remains a player, with China gobbling up some of the raw materials much needed in Buck's plant. And earlier this year, a short-term supply glut caused "several days of unplanned downtime" at another Plum Creek plant.)

In Buck's new world, the plywood is sold before it's made, and prices are locked down long before boards hit the shelves.

"It works," he said. "Anytime you can capture a niche market you're going to do much better for yourself."

That, in fact, is exactly the philosophy at RBM Lumber, where niche has been taken to the extreme.

Standing in a brightly lit room, tall, wide and dusty, Ben Thompson looks across racks upon racks of lumber at his family mill and figures there must be more than 7,000 different products on the walls.

"Yep," he said in a slow and careful voice, "lots and lots of specialty order and odd sizes. We specialize in making what you can't get in other places. If you can go down and pick it up at Home Depot, then we tend not to make it."

Instead, RBM mills wood for paneling and flooring and doors and countertops and tables and furniture and crazy specialty pieces only a true artist could appreciate.

The company works in big wood - old-growth boles in excess of 3 feet across - but doesn't actively log old growth forests. They get logs too big from Plum Creek, get the wind-thrown or burned or bug infested dead and dying.

And, like a Plains Indian with a freshly killed buffalo, they use every bit of it.

A length of tongue-and-groove flooring with a knotty spot becomes two shorter lengths, and the bad piece is milled into something else. Rotten lodgepole pine becomes a picture frame, scraps become income.

"There's hundreds and hundreds of possibilities," Thompson said. That diversity - combined with specialty - keeps RBM at arm's length from global commodity markets, because none of these cuts are considered commodities.

"We pick the stuff that's really unique," Thompson said, "and we make something out of it."

Might take a week. Might take a month. Might take two years, but they make something out of it. Some of the inventory is here because people want it. Some is here because they had to do something with the scraps.

"To us, waste is almost a moral issue," said partner and brother Roy Thompson.

The family employs about two dozen, and produces perhaps 2 million board feet of products each year. At a more traditional mill, Ben said, two dozen people might produce 50 million board feet.

"It's about quality, not quantity," Roy said. "These are high-value products."

Of course, all of this takes time, and time is money, and money could buy automation.

"But your \$2 million scanner cannot do what your brain can do," Roy said. "We invest in our people, not in machines."

"Most people try to eliminate labor for more profit," Ben said. "But that's why we're here - to make a living. Instead of trying to eliminate as many jobs as possible, we want to create as many jobs as possible."

It's a nice philosophy, but even he concedes it probably wouldn't work so well in the cutthroat world of dimensional lumber sold on a global market. The business model is just too "complicated," Roy said, to apply as a workable model for the industry.

What would work on a bigger scale, however, is the idea of niche products and efficiencies that utilize the whole buffalo, both of which Plum Creek is now exploring.

"If you have the time and the patience," Roy said, "you can make money at it."

Mills that focus on volume and quantity go out of business, he said. Those that focus on quality and specialty remain afloat - even when prices plummet on commodity lumber and energy costs soar and wildfires cut off woods work and environmental laws slow the cut.

Even when the Pacific Rim stops buying boards.

"You can make it," Roy said, "but not if you keep doing it the way your grandpa did. You have to be willing to change."

Back at Plum Creek, Frosty Buck stands next to an automated conveyor and shouts over the din of that change.

"We've made lots of investment," he said, "lots of high-tech. I think we're in a very strong position to compete worldwide."