



## Value-added solutions

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By *MICHAEL JAMISON* of the *Missoulian*

Specialty products can be savior for mills

### About this series

Reading today's headlines, it's hard to escape the conclusion that Montana's traditional timber industry is struggling, mired in combat with global markets and local environmentalists. But those who are still thriving in the industry say timber has a future in Montana, and that its future is grounded in creativity and collaboration. The key to that future lies in regaining the trust that has been lost in public land foresters. In a series of six stories over three days, the Missoulian looks at some of the people who are working to re-establish that trust, people who are providing some solutions, albeit partial solutions, for securing a sustainable future for Montana's wood products industry.

**Sunday:** With production, jobs and salaries down, new approaches are needed for Montana's timber industry.

**Monday:** Selective logging has presented new opportunities for timber workers.

**Today:** Seeing beyond the traditional two-by-four approach has allowed some mills to prosper.

**COLUMBIA FALLS** - Roy Thompson's lumber mill hasn't made a two-by-four in years, and he couldn't be happier.

From behind his desk at RBM Lumber, Thompson has read the headlines, the stories of logging cutbacks and plant layoffs and mill closures from Libby to Belgrade, and he has slowly but surely reached an unshakable conclusion.

"I don't know where the future of the timber industry is going," he said, "but I know no one's going to get rich making two-by-fours."

Thompson, like a few other small loggers and mill owners, is something of an anomaly in the modern wood products' world: He is making money, with demand for his products far outpacing his supply.

"There's just no way we can keep up with our customers," he said. "Our growth is only controlled by how fast we can find employees who can work hard and think hard. We need people who can do both."

Thompson is one of three owners of the family-run RBM Lumber mill, located near Columbia Falls. They got started back in 1980, he said, serving a niche market for quality rough lumber.

"No one else was doing it," he said. "We were in a specialty market from day one."

Then came the rough cuts for big open beams, the sanded tongue-and-groove paneling, the smooth wood siding.

"Then, when we really got specialized, we got into flooring and molding."

In other words, Thompson's mill makes value-added products.

Across the industry, the growth areas are nearly all in value-added products - the log homes of the Bitterroot, the custom doors and woodwork of the Flathead.

"The real difference between us and everyone else is we start with a log and end up with a finished product," he said. "Most people buy lumber to end up with a finished product."

That translates to efficiency, he said, and efficiency translates into better profit margins.

"We hate waste," Thompson said. "With us, waste is real close to a moral issue. The traditional timber industry wastes so much, it's almost criminal. That's what's going to kill them."

Which is why the outfit is always looking for ways to "use the whole log. We try to make a higher-dollar product out of everything we can. To do that, you have to be very creative, and you have to be willing to step outside of normal."

That's especially important, he said, now that normal is obsolete.

"Let's accept the fact that the big days of industrial logging and cutting dimensional lumber are history," he said. "We are not a timber-based economy anymore, so let's get on with diversifying our economic outlook."

He is living proof that mill owners can thrive in today's diversified world, he said, but still, nobody has come asking him how to succeed in tomorrow's timber industry.

If they did, the first thing he'd tell them is "you need to steer your focus away from big business and commodities and toward small business and value-added products. The bread and butter of this state is small business."

The paradigm of the past, he said, is "a high-volume commodity business competing with the whole world." The future, as he sees it, "is a low-volume, high-quality specialty business catering to people who want quality products."

Even big players are trying to mimic the successes of the little guys. Timber giant Plum Creek, for instance, still produces two-by-fours and other dimensional lumber for the global commodity market, but the company has embraced ways to add value to those commodities.

The clearest veneer that comes off Plum Creek's plywood lathe, for instance, is reserved for the top of the sheet, making a better-looking plywood product.

"Adding value to commodities is harder," said Patrick Heffernan, "but that's how the bigger outfits are making it."

Heffernan is a longtime fixture in the Montana wood products industry, a former logger and later a staffer for the Montana Logging Association.

"The challenge facing the big producers," he said, "is, how to best utilize the raw material efficiently to make the most valuable product."

But Thompson argues the most valuable product is a value-added product, not a value-added commodity.

The days of wood as a structural building material are numbered, Thompson predicts, what with advances in metals and plastics.

"I believe the future of the wood products industry is in the visual," Thompson said. "Wood is starting to become a luxury item; it's a cosmetic. Anybody who steers wood into the visual market will do well. Flooring, paneling, molding, finished products. That's where the growth is."

Heffernan disagrees, saying there always will be room for dimensional lumber in the Montana wood products picture.

"Value-added is good when it works," Heffernan said, "but it's not the whole answer. What I think we're going to see here in the West is continued production of commodity lumber."

But even Ellen Engstedt, executive vice president of the Montana Wood Products Industry, admits that all of her

group's member mills have turned to some sort of value-added processing. The ones that didn't make the investment, she said, are gone.

"The world changes," she said. "It's just like any other business. It changes, and if you don't keep up, you close your doors. I don't know of any mills that aren't being creative and looking for ways to diversify. Frankly, that's why some of them are still functioning - they bit the bullet and made the investment."

"I would love to see more value-added business in Montana," Engstedt added, "because that's where the really good jobs are. It would be a great thing for our economy if we had more value-added operations. Even in the commodity market, you can add value."

Value can be added to commodity lumber, she said, not only by creating finer plywood finishes, but also by newfangled marketing. Big companies like Plum Creek and Louisiana Pacific, Heffernan said, already are trying to create "big niche markets" by direct marketing to chains such as Home Depot.

Likely, both Thompson and Heffernan are right. Likely, the future of the milling industry will reflect a blend of value-added commodity and value-added speciality products. But either way, the products will not look like the products of a decade ago.

There are a whole lot of questions about the industry's future, Thompson said, and a whole lot of answers to the industry's problems, "but selling more trees so you can go broke making more two-by-fours is definitely not the answer. We need to get past that."

And Heffernan couldn't agree more.

Whether talking about timber sales or logging or milling, Heffernan said, "if you keep doing it the old way, you become a dinosaur pretty quickly."

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