

Center



Focus

A Publication from the
Center for Forest Products Marketing and Management
Department of Wood Science and Forest Products
Virginia Polytechnic Institute and State University
<http://www.cfpmm.vt.edu>

September 2006

IN THIS ISSUE:

<i>FOREST PRODUCTS BUSINESS NEWS</i>	2
Carbon Markets	3
<i>Calendar of Events</i>	4
Career Fair Information	5

Director's Message

The reason we are here appeared on campus last week, with over 25,000 students returning for the first week of classes. It is always refreshing to see the enthusiasm and energy of 18 to 22 year olds. It revitalizes the faculty and reminds us that we are a community trying to better the world we live in. You have heard me say this before, but education is a process of instilling change within each of us. As faculty, we are the facilitators or initiators of the student's education, but only the student can capitalize on what is being offered. Our student population

has remained about the same this year, with between 40 and 50 undergraduates and approximately 20 graduate students. Our revised curriculum is in its second year and students have a broader choice of options to choose from. Many are still choosing Marketing and Management as their career path. I sincerely believe that if we have done our job, our students will be your future managers, vice-presidents or CEOs. For many of your companies, this is already true. In other words, our success is measured by your success. That is why Center members are so important to our students. It is the first opportunity that many of them have with the forest products industry. Your support, scholarships and internships are an investment not only in the industry, but in your future as a company. With the continuing changing market conditions, your investment hopefully will yield large dividends in the future.

You will find a different feature in this Focus. Brian developed a quick look at what's happening around the industry with a section called "Forest Products Business News." It will hopefully peak your interest in an area, and in many cases, he has provided you with a link to where you can find more information on the subject. He also wanted to share some thoughts in the area of *Carbon Markets*. I will be the first to admit this is one of the more confusing areas in our industry for me. I was recently at a meeting on biomass energy and an individual from a major electric power company told me that they were buying timber in the tropical rain forests in Latin America to get carbon credits to off-set their CO² emissions from their coal firing plants in the mid-Atlantic states. (Somehow, I believe there are attorneys involved in this). But, there is no doubt this will play an increasing role in our industry's future.

Finally, I would like you to mark your calendars for October 4th. That is the day of our annual meeting. This year marks the 15th anniversary of the Center and this partnership has been very rewarding for our students and myself, personally. One of my greatest rewards is the opportunity to visit, establish friendships and work together for the students and the industry. The annual meeting is a great opportunity for you to visit our campus, interview students and see what we have been doing this past year. If you are not a member and would like information on attending, please contact me. On October 5th, we will be having a wood career fair held at the Brooks Center where you can display your company and visit or interview our students. Again, thank you for your continued support of our program and as always, please feel free to contact me at any time: 540-231-9759 or rsmith4@vt.edu.

Best wishes,

Bob

FOREST PRODUCTS BUSINESS NEWS

- Xethanol has announced plans to build two cellulosic ethanol plants in Augusta, GA and Spring Hope, NC. The latter facility will utilize and expand an idled fiberboard plant. More information at www.xethanol.com
- An article in the *Wall Street Journal* described Weyerhaeuser's new lean inventory strategy based upon "precise customer forecasts." Communication within the supply chain was cited as a key to successful implementation.
- A new bark gasification plant at Tolko Industries' plywood plant in British Columbia is expected to reduce their current gas bill by one third according to the *Montreal Gazette*. The new plant, designed and built by Nexterra Energy, is expected to pay for itself in 3 1/2 years.
- Despite reported earnings and sales below year ago levels, Stanley Furniture slightly beat its own estimate according to the *Roanoke Times*. Higher operating costs and weak sales are expected for the remainder of the year.
- The *Sarasota Herald-Tribune* reported that Home Depot bought Forest Products Supply. This follows the purchase of Cox Lumber Co., which was Florida's largest independent building materials dealer.
- Jeld-Wen will be a major sponsor of The Players Tournament starting in 2007 as per *The Oregonian*. This marketing campaign will include television advertising during the tournament.
- The General Accountability Office released a report on wood utilization that was requested by Senators Lugar and Cochran. For an electronic copy of the report: http://lugar.senate.gov/reports/GAO_wood_products.pdf
- Lumber Liquidators, the largest direct retailer of hardwood flooring, upgraded their website with new browsing technology provided by Fry Inc. The new website, www.lumberliquidators.com, allows customers to make attribute choices without refreshing the page. Source: *PR Newswire*
- The *State Journal* reported that the Hardwood Alliance Zone, representing forestry and wood products companies in a seven county area in WV, has hired Ed Murriner as a forest products specialist.
- Clinger Lumber Company in Milton, PA has closed for the last time after 152 years in business according to *The Associated Press*.
- Recent fires have damaged or destroyed wood pallet manufacturing facilities and/or storage yards in Missouri, Idaho, North Carolina, and New Jersey.
- The *Vancouver Sun* reported that a new engineered wood product, named StrongWood, has been developed at the University of British Columbia. Its creators hope to compete favorably with LVL and PSL.

Forest Products Business News is a new feature in the *Center Focus*. It has been designed for educational and outreach purposes only. The intention is to report news that affects various business segments of the forest products industry. Any comments or questions should be referred to: cf.editor@vt.edu

Center Focus



Published Quarterly by
The
Center for Forest
Products Marketing and
Management

Department of Wood
Science and Forest Products
Virginia Tech
1650 Ramble Road
Mail Code 0503
Blacksburg, VA 24061

EDITOR

Brian Perkins

CONTRIBUTING EDITORS

Angie Riegel
Bob Smith

PHONE: (540) 231-4406

FAX: (540) 231-8868



VT/0023/0801/1.7M/220696



How will Carbon Markets affect the Forest Products Industry?

Carbon dioxide (CO₂) is used by trees in order to make glucose and other sugars for energy and synthesis of cellulose and hemicellulose. CO₂ is also one of the major greenhouse gases, whose increase in atmospheric concentration coincide with increases in average global temperature. Whether you believe global climate change is human-induced, part of a natural fluctuation or both is not important. What is important is that the forest products industry should understand the threats and opportunities posed by global climate change.

Decades of intra-disciplinary research into the details of carbon sequestration and life cycle analysis have given our industry the conviction that wood is the most abundant, benign, and useful natural material. We know that young fast-growing forests sequester carbon at a faster rate than older slow-growing forests. We know that active forest management produces those young fast-growing forests. We know that increasing the durability and longevity of forest products keeps carbon (CO₂) out of the atmosphere longer. Research¹ has demonstrated that the implementation of short rotations; the use of long-lived wood products; and the displacement of non-renewable energy-intensive materials sequesters more carbon than just preserving the forest.

There are currently two offsets that could impact the forest products industry: renewable energy, such as the implementation of cogeneration at an existing facility, that displaces fossil fuel derived energy; and forestry offsets where forestland is preserved to enable it to sequester carbon. The renewable energy offset has been used successfully by the [Collins Company](#) and the [Climate Trust](#) in Oregon. The latter method is apparently somewhat controversial² in the marketplace as it should be. Preservation of forests will sequester carbon but the forest will eventually release that carbon back into the atmosphere via decomposition and respiration as shown in Figure 1.

The Kyoto Protocol does not currently take into account the carbon stored in wood products or the displacement of fossil fuel derived energy¹. However, according to a report³, globally, there are 300 million tons of carbon stored in wood products annually and the substitution effect may be 250 million tons of carbon per year. At current market prices⁴, this 550 million tons of carbon is worth approximately \$2.2 billion. This is a potential ancillary source of growth for the forest products industry. Other opportunities in the developing carbon market could also include: a service offering for an industry that has traditionally been a manufacturer of goods; enabling renewable energy projects where they otherwise wouldn't be possible; and taking an initiative in regulatory matters.

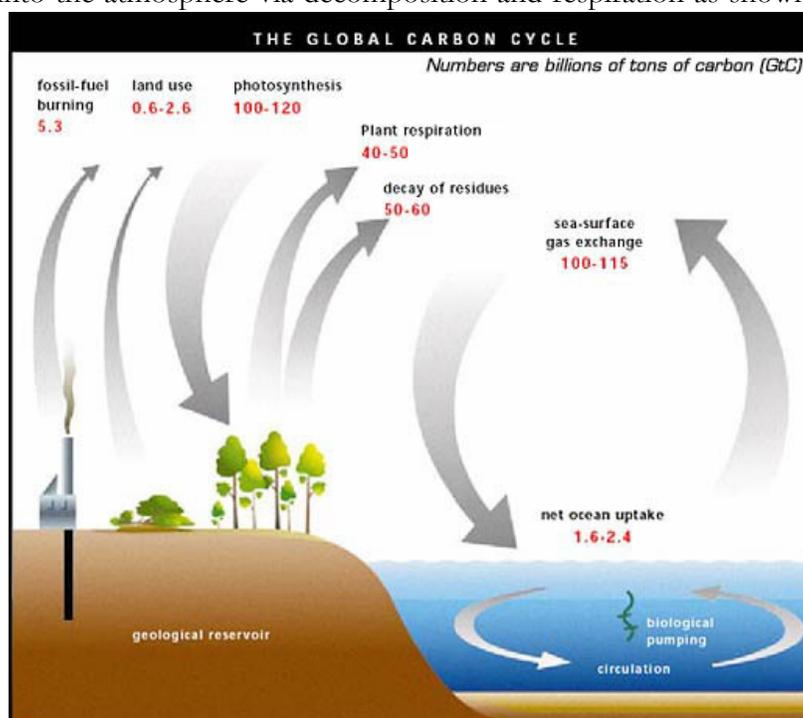


Figure 1. Carbon Cycle.

Source: www.safeclimate.net

The potential threats from the voluntary carbon market could be relatively benign. There is the potential to lose productive forestland because current forestry offsets specify preservation of forestland (i.e. no timber harvesting) in lieu of conservation of forestland. The potential for increased regulations are never viewed favorably by businesses. The cost of manufacturing could increase in some segments of the forest products industry as compared to competitors overseas where voluntary carbon markets or the Kyoto Protocol isn't in effect.

The United States didn't implement the Kyoto protocol. However, the current U.S. policy⁵ is to reduce emissions by 18% in ten years; voluntarily register greenhouse gas emissions; allow businesses to receive credit for their reductions; and supply funding for climate change programs.

(continued on next page)

Carbon Markets (Continued)

There are some state level programs, such as California's recent agreement with Britain, and voluntary programs such as the EPA's [Climate Leaders Program](#) and [Combined Heat and Power Partnership](#). The outlook for future policy is very speculative; however, rest assured that some movement on this issue is likely in the long term.

¹Lippke, B., Wilson, J., Perez-Garcia, J., Bowyer, J. and Meil, J., 2004. CORRIM: Life-Cycle Environmental Performance of Renewable Building Materials. *Forest Products Journal*. 54(6): 8-19.

²Anonymous, 2006. Upset about Offsets. *Economist*. Accessed August 18, 2006.
http://www.economist.com/opinion/displaystory.cfm?story_id=7253138

³Multiple Authors, 2001. Climate Change 2001: Mitigation. Intergovernmental Panel on Climate Change. Working Group III.
http://www.grida.no/climate/ipcc_tar/wg3/167.htm Accessed August 18, 2006.

⁴Anonymous, 2006. CCX Carbon Financial Instrument (CFI) Contracts - Market Data Chicago Climate Exchange.
http://www.chicagoclimatex.com/trading/stats/daily/st_060817.html. Accessed August, 18 2006.

⁵Anonymous, 2006. United States Carbon Briefing. Accessed August 17, 2006.
<http://www.co2e.com/CarbonBriefing/carbonbriefingview.asp?categoryid=202>

Calendar of Events

Center for Forest Products Marketing & Management

- | | |
|------------------------------|---|
| <i>September 15-17, 2006</i> | <i>Virginia Forest Products Association Meeting</i>
The meeting will be held at the Sheraton Ocean Front Hotel in Virginia Beach, VA. For more information contact the VFPA at (804) 737-5625. |
| <i>October 4, 2006</i> | <i>Center for Forest Products Marketing & Management 15th Annual Meeting</i>
Join us for our annual meeting to be held in conjunction with Wood Week at Virginia Tech. 2:30 - 5:00 PM. Inn at Virginia Tech. |
| <i>October 5, 2006</i> | <i>Career Awareness Fair at T.M. Brooks Forest Products Center</i>
See next page for details. |
| <i>October 15-21, 2006</i> | <i>National Forest Products Week</i>
This week is a time to observe and promote the contribution and importance of the forest products to our society. |
| <i>October 25-26, 2006</i> | <i>Forest Products Marketing Short Course</i>
The course will introduce forest products, marketing basics, marketing strategy and research to new marketing and sales personnel. |
| <i>November 7-9, 2006</i> | <i>Workshop for Remaining Competitive in Hardwood Lumber Production</i>
New information and techniques are available to assist managers and production personnel of hardwood sawmills in increasing their overall competitiveness. This workshop will introduce new technologies and decision-making tools to assist managers in planning operations and/or new equipment/technology adoption. The information presented at the workshop will focus on currently available tools, technologies, and systems rather than those under development. For more information contact Brian Bond at (540) 231-8752 or bbond@vt.edu |



Wood Week at Virginia Tech - 2006 Department of Wood Science and Forest Products

Career Awareness Fair - Help Us Build Your Future Workforce

We are seeking industry and association partners to join the department of Wood Science and Forest Products at Virginia Tech in building career awareness in the forest products and wood-using industries with university students. Career Awareness Fair at Wood Week 2005 was a rousing success for the first year. This year promises to be even better! This is not a job fair or a replacement for any Virginia Tech sponsored job fair that is held each fall and spring for the entire university. This is a targeted career awareness-building day with our forest products students in a partnership with industry participants. We are one of the largest wood science and forest products programs in North America and have high quality students available for future permanent employment.

A partnership implies that we are partnering to raise awareness of career opportunities, bring to light internship and summer job opportunities, and to reach our lower level students in particular (freshman and sophomores) with a contact and relationship building experience with our industry partners. Industry partners should be hiring freshman, sophomore and junior students for summer and internship positions as you reach across the education supply chain to find and recruit the best student talent for future permanent employment opportunities with your firm. We need outside help to recruit students and validate career opportunities in our industry.

Where: Virginia Tech Department of Wood Science and Forest Products. The Career Awareness Fair in association with Wood Week 2006 at Virginia Tech will be held in our large wood engineering lab located at our Brooks Forest Products Center on the edge of the Virginia Tech campus. We have room for 20 displays and seek a broad spectrum of the industry represented. As a participant you would be invited to our student scholarship recognition and awards reception being held on Wednesday evening October 4, 2006 (6:30 pm - 8:30 pm) in our beautiful new conference center on our campus (www.innatvirginiatech.com). Lodging is available at the Inn and elsewhere in the Blacksburg and Christiansburg.

When: Thursday October 5, 2006 9:30am – 4 pm

What: Up to 20 industry or association partners sought for Career Awareness Fair 2006. Industry partners bring your company trade show display, lots of handouts, current job opportunities, etc. Treat this like a trade show and bring your wares, but targeted at university students in a relaxed, informal atmosphere. The Department will provide lunch and lots of students for you to influence!

What to Expect: Expect student numbers from approximately 50 to 150 during the day. We have 65 students in our program alone (undergraduate and graduate) and expect to draw students from the college undecided pool, university undeclared pool (hence you help us recruit), industrial and systems engineering, mechanical engineering, architecture, industrial and interior design, marketing, management and perhaps other departments on the campus. Good discussion with students, faculty, staff, and each other. See our program first hand.

Who to Contact: Contact Dr. Paul Winistorfer, Department Head
Phone 540.231.8853
Email pstorfer@vt.edu

Deadline: Confirmation no later than Friday Sept. 22. First come first served basis.

Invent the Future