



Timber Products Company
THE TREMENDOUS RESOURCE™

timberline

SPRING 2013

Secret to Success

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America's Forests: The Future is Now

By Joe Gonyea, III



America's forests, both publically and privately owned, are one of the greatest assets of our nation. Today, we stand at a crossroads where the decisions we make will determine the health of this tremendous natural resource for generations to come. As owners of timberlands and buyers of federal timber, Timber Products Company is squarely in the middle of these discussions and debates. We feel it is important that the readers of *Timberline* have access to factual information on this topic. To that end, every issue of *Timberline* this year will address a different aspect of forestry in America.

The issue of forest management is important on a number of levels. Public and private forestlands

provide the wood fiber that is vital to our overall economy and fuels the wood products industry. The business of forestry is also important, as it provides the jobs that are pivotal to the economy of many rural communities, particularly in the West. And possibly the most important issue, modern forestry management practices must focus on achieving healthy forests, using the best science available, to ensure that the resource will be there for generations to come. As Gifford Pinchot, the first chief of the U.S. Forest Service said, "we must strive to manage our resources for the greatest good, for the greatest number, for the longest time."

We were pleased to see President Obama address global warming and climate change in his inaugural address. Forest management is a key component of any such effort. When it comes to public forestlands, we believe the focus should be on how active forest management can achieve maximum forest health. That is not the case in our federal forests today, especially in the western United States.

For real change to happen, we need a paradigm shift. Elected officials, industry and environmental groups must come together in a collaborative process to discuss better solutions for managing our forests. What we have today is gridlock. The result is an increasing tree mortality rate, which leads to an increase in fuels on the forest floor, which then leads to catastrophic wildfires. It's a sad fact that more than one half of the U.S. Forest Service budget is dedicated to fire suppression.

I want to personally thank and applaud the efforts of Sen. Ron Wyden (Ore.), Oregon Gov. John Kitzhaber, and U.S. Reps. Peter DeFazio (Ore.) and Greg Walden (Ore.) for their leadership on this issue. The time is right to work together in true bipartisan fashion to tackle our forest management challenges. What's at stake is long-term forest health, the vitality of the North American wood products industry, and the prosperity of rural communities.

We hope you enjoy and benefit from this series of articles.

U.S. Forestland Outlook Dims in Recent USDA Report

You might not think about it day-to-day, but the health of U.S. forestlands greatly impacts the entire woodworking industry—from manufacturers to distributors to woodworking companies. Without a sustainable supply of trees, the process to bring wood products to market is threatened.

The big questions today are, how healthy are our forests and how does their health impact your business? To answer these very broad questions, the USDA Forest Service prepares a 50-year assessment of renewable natural resources on the national forest and rangelands every 10 years. The latest Resources Planning Act (RPA) Assessment was released at the end of 2012 and, according to industry analysts, was a stark contrast to the previous study.

A LOOK BACK

Before we look ahead to what's in store for domestic forestland, it's helpful to look back at where we've been and how the forests have been managed recently.

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5 Questions with Mark Rey

Currently affiliated with The Livingston Group, Mark E. Rey served for eight years as the nation's Under Secretary for Natural Resources and Environment at the United States Department of Agriculture (USDA).

As Under Secretary, Rey oversaw the programs for the U.S. Forest Service and Natural Resources Conservation Service. Serving on Capitol Hill for the Senate Committee on Energy and Natural Resources, he was responsible for drafting legislation and organizing more than 100 legislative and oversight hearings.

Timberline recently caught up with Rey to talk about the state of the nation's forests.

Timberline: What are the biggest issues facing managers of our federal forest resources?

Rey: For once the single, biggest issue facing federal forest managers is not unique to the national forests. It is the same issue facing all federal agencies. That issue is the rising federal deficit, and what the President and the Congress are going to do about it. Every federal agency is at this moment living in a state of suspended animation, waiting to see what will happen with entitlement reform, tax reform, domestic spending and defense spending. The decisions made within the next 90 days will determine whether federal forest

managers will be able to make investments in federal resource management. No other issue is currently of comparable importance.

TL: How can we do a better job of balancing economic and environmental considerations?

Rey: In this case, the answer is not for Congress to enact new and better laws. The statutes that exist already provide mechanisms for balancing these interests. What would produce a better result would be a concerted effort by agency decision makers to seek out and involve representatives of both interests as early as possible in the decision making process with a clear understanding that they will have to accommodate each other before any kind of final decision is reached. Local collabora-

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Fessenden Hall's Secret to Success: Build Relationships



Ed Birdsall, right, President of Fessenden Hall and the fifth generation of his family to head the business, and his nephew, Roebby Birdsall, believe that relationships are the key principle that has been passed down from generation to generation.



Fessenden Hall Incorporated was founded in 1890 by Edward Hall and today stands as one of the leading building products distributors on the East Coast.



After nearly 125 years in the building supply industry, you learn a thing or two about business, customers, surviving in challenging economic climates, and moving ahead.

That's the story of Fessenden Hall Incorporated, one of the oldest and most trusted building products distributors on the East Coast.

"We have been fortunate to have great employees who are passionate about what they do, and loyal customers that challenge us each and every day," said President Ed Birdsall, who represents the fifth generation of his family to head up the Philadelphia business that was founded in 1890 by Edward Hall. "We have also been fortunate and humbled to have some wonderful relationships over the years with vendors and branded products, like Timber Products Company."

Fess Hall, as the company is commonly known, has flourished since the days when Benjamin Harrison occupied the White House, on a very simple philosophy that is often easier said than done: build lasting relationships.

"Relationships are the key principle that has been passed down from generation to generation," said Birdsall. "Our relationships with key vendors are long-lasting. We don't jump around and our vendors treat us the same way. When I started in the business, my father was adamant about getting me involved in our customer relationships. You have to have a passion for your business and your customer's business to be successful."

That commitment to excellence, and understanding that the customer is always right, is what Fessenden Hall sales representatives are taught from their first day with the company.

"This may be contrary to what others believe, but we want our salespeople to talk openly and honestly with customers. To know that it's not a priority to walk out with an order after every visit," said Birdsall. "We believe that it's more important to walk out with a complete understanding of where that customer is headed and how we can participate with them. Tomorrow is another day. We don't have to get the order immediately. It's more important to build the relationship and think long-term rather than short-term."

That philosophy is evident in Fess Hall's relationship with Timber Products Company. Terry Gery, who is set to retire at the end of 2013 after 24 years with Fess Hall, has been the liaison between the two companies for years.

"We value the relationship with Terry because he is a true partner," said Timber Products Vice President Roger Rutan. "Terry is open to new ideas and new products. He will try new products and give us honest feedback, even though it may not be what we want to hear. He is a valued customer but more so, a friend."

Another key to Fess Hall's longevity is diversification, and adapting to new products and implementing them into its offerings at the right time. Fessenden Hall was on the forefront of selling plywood when the technology made it commercially feasible around the time of World War I. Fir plywood from the West Coast has been heading to Philadelphia ever since. In 1945, the company was one of the first to sell Formica to the building trades.

"When you go back and look at our business, we were in lumber, then plywood, then laminate, then solid surface, then hardware, and now quartz," said Birdsall. "Milestones that have come at strategic times moved our business along. Every generation has added something new and innovative that has made us more valuable to our customers, vendors and employees."

Innovation, customer/vendor relationships and a committed workforce have helped Fessenden Hall survive through tough economic times, like the Great Depression of the 1930s and the Great Recession of the past few years. Birdsall sees the current economy starting to turn slightly, but still sees some uncertainty.

"Before 2008, our business was 60 percent residential," he said. "Since 2008, we're 70 percent commercial. I don't know if the ratio will return to the way it was, or that it should be the way it was. I do know that there is pent-up demand out there and I don't think new residential trends will be clearly understood until confidence is returned to the marketplace. That is certain."

Looking to the future, and passing the reins to the family's sixth generation, nephew Roebby Birdsall, Ed Birdsall envisions staying the course that has so far spanned nearly 125 years in business. That means continuing to build relationships and expanding only when it makes sense.

"I'm not a big advocate of growing geographically," he said. "I'm about growing market share dominance in a geographic location. Our goal is to enjoy a 50 percent market share of every customer's available business. Until we can prove to ourselves that has occurred, we believe that there is still plenty of opportunity in our own backyard."

The Fess Hall Philosophy

- Relationships are the key principle that has been passed down from generation to generation
- One must have a passion for the business and a customer's business to be successful
- You don't have to get the order immediately
- Enjoy a 50 percent market share of every customer's available business

5 Questions with Mark Rey (continued)

tive efforts have demonstrated that competing interests can be depended upon to do the right thing by one another—after they have tried everything else. A skilled decision maker, appreciative of this reality, can make the balance happen faster and better by forcing early engagement.

TL: What can be done to reduce the number and magnitude of wildfires?

Rey: There are two critical needs in this area. The first is to continue to make investments (assuming there is any money—see the answer to #1) in fuels treatment work. The second is to move to modernize the large air tanker program. Large air tankers are a primary initial attack asset. They keep new ignitions from becoming large fires. As such, they save firefighting costs. However, the current fleet is falling out of service and falling out of the sky. The planes are substantially older than the pilots flying them. Here again, assuming there is any money left, Congress must provide the federal firefighting agencies with the tools to keep fires from becoming catastrophic.

TL: How would you assess the health of our national forests? What needs to be done to make it better?

Rey: In some regions, the health of our federal forests is just fine. In fire-dominated ecosystems, however, it is not good. As a consequence of both fire suppression and reduced timber harvests, fuel loads are providing the fuel for fires that are ecologically and economically catastrophic. There are about 80 million federal acres where fuel reduction work is critical. This work cannot be funded exclusively through federally appropriated dollars. Federal forest managers are now finding, and will continue to have to find, ways of making this effort pay part of its way out of the woods.

TL: What can be done to increase harvest levels, to even a fraction of the Clinton Plan?

Rey: The Clinton Plan was a solution that ignored the underlying problem—a pitched legal battle over the continued harvest of old growth timber. If we want to use the goals of the Clinton Plan as a worthwhile jumping-off point, and we believe that these goals are desirable (both ecologically and economically), then the only way they are all going to be achieved is for Congress to legislatively protect the plan and its implementing actions from judicial challenge. Otherwise, the legal battles will continue.



New Video: Inside Timber Products Company

Timber Products Company is about more than just hardwood plywood. Did you know that we can deliver your order to you through TP Trucking? Or that we are the largest U.S. hardwood plywood manufacturer that owns its own forestland, so your wood supply is readily available? Here's your chance to learn more about how our company can help you with your business.

A new, brief corporate overview video will show you the ins and outs of Timber Products Company, and how we are your tremendous resource when it comes to your business planning.

The new video is available on the Timber Products YouTube channel:
www.youtube.com/timberproductstv



What's Next: The Impact of a Housing Recovery

The housing market has been waiting for a rebound since 2008, when the U.S. economy went into free fall mainly due to the subprime mortgage crisis. Well, here we are in 2013 and signs of a comeback are evident. But what happens when housing fully recovers? Some say the value chain—from wood products manufacturers to distributors to trucking companies—might not be able to ramp to scale right away. How will this impact your business and the goods and services the industry relies on to keep the work flowing?

The Timber Products team believes there is reason to be optimistic about the overall outlook for 2013. First, some numbers:

Housing Starts

Mainstream media reports housing forecasts from traditional sources such as the National Association of Home Builders. But it is only one of many well-respected entities that have been tracking and forecasting housing data for decades. Others include banks, wood products economic advisory companies, and research firms such as Moody's. The average 2013 housing start forecast for nine of the top reporting entities is 991,000, compared to actual starts in 2012 of 780,000. (Note: housing starts in 2012 were 28 percent higher than 2011). All forecasts are over 900,000, with one projection as high as 1.2 million. The crystal ball at Timber Products says 925,000. Regardless of the exact number, if we are close to any of these in 2013, the wood products industry should have a very strong year.

Remodeling

The Joint Center for Housing Studies at Harvard University publishes the LIRA – Leading Indicator of Remodeling Activity. The Jan. 17, 2013, report states, "The LIRA projects annual homeowner improvement spending to accelerate to double-digit growth through the third quarter of 2013."

On the housing market overall, Eric Belsky, Managing Director of the Joint Center, states, "Through the first three quarters of 2012, investment in the residential sector was responsible for one out of every six dollars added to our GDP."

According to the APA December housing report, remodeling spending was "near an annual rate of \$130 billion, an improvement of 12 percent over 2011."

Contingency Planning for Growth

So what we have is a forecast for 2013 that is so strong, many experts are advising contingency planning to accommodate growth. Why? Because the supply chain cannot turn on and off like a water spigot. This thought also comes from Bill Conerly (www.ConerlyConsulting.com), a nationally known economist, author, and contributor to Forbes. The wood products industry is an industry sector he has focused on for decades:

"If I were a betting man," he states in a January 2013 Forbes article, "**I'd rather be long on wood than short. Business leaders in the industry should be prepared for the risk of stronger than expected demand. It sounds good, but unplanned growth represents challenges. Suppliers may not be ready to deliver raw materials, cash holdings may be stretched, and skilled workers may not be available. It's certainly worth some economic contingency planning,**" he concludes.

That's the bottom line: 2013 could be stronger than expected, and you don't want to get left out in the cold securing materials and supplies when you need them. Start the dialogue with your suppliers today about your needs this year and get ahead of your contingency planning.



Species Spotlight: Alder

In this issue's Species Spotlight, Timber Products veneer specialist Eric Cullen shares his insight on Alder. If you have a particular species you would like to know more about, send an email inquiry to lhartwig@timberproducts.com and we will include it in a future edition.

Species: Alder (*Alnus Rubra*), sometimes called Western Red Alder, began to make inroads in the kitchen cabinet market roughly 15 years ago when Birch heartwood was in limited supply and high demand. Alder became an alternative to red Birch, and has since gained a foothold in the market as one of the more popular species. Alder is the most abundant hardwood species in the Pacific Northwest, where most trees are harvested (and replanted) for housing and woodworking use. And here's a fun fact: because of its oily smoke, Alder is the wood of choice for smoking salmon.

Appearance: Alder has more character than the traditional hardwood species. Rustic, with its knotty appearance, is the most popular of the Alder grades. Although Alder is a hardwood, its grades and appearances tend to be more similar to Western Softwood species rather than hardwood species.

Uses: Common uses of Alder include cabinets, furniture, millwork, pellets, musical instruments and firewood. Its popularity for producing guitars stems from its balanced tonality. In panel form, Alder is most often used for making kitchen cabinets. At Timber Products Company, Alder is the largest plain sliced species produced for customers. Alder is primarily used in the West for Western style log homes.

Characteristics: Light tan to reddish brown in appearance. Color darkens and reddens with age. No visible distinction between heartwood and sapwood. Rustic grade features a lot of knots and character. Small pores and a fine, even straight grain. Rustic's goal is to have lots of knots and character. Always planked-matched. Glues well and stands on its own with a clear finish.

Current Trends: Recently, Alder has moved beyond log homes and mountain lodges into modern homes where it really stands out and adds character to otherwise plain interiors. A popular veneer lately is our TP Knotty Alder, which is often described as Rustic Alder on steroids for its ultra-rustic appearance. The veneer is sliced exclusively from lumber, so the color is already set.

If you have questions about Alder, contact your Timber Products sales representative.

Timber Products' Top Wood Species for 2013

1. Maple
2. Birch
3. Red Oak
4. Alder
5. Cherry
6. Walnut
7. White Oak



U.S. Forestland Outlook Dims in Recent USDA Report (continued)

Overall, it's been a struggle for U.S. forestland. According to a white paper by the Federal Forest Resource Coalition, "Federal Forest Management: A Case for Change," acts of Congress and aggressive litigation tactics by a small number of environmental advocacy groups have reduced the acres available for management on federal lands, and have significantly reduced timber outputs over the past 25 years. The result is that timber harvests have declined by more than 80 percent over the past two decades, the paper explains.

The lack of timber management, the report says, has resulted in a decline in other benefits such as revenue to counties, watershed health, and resilience to forest fires.

A LOOK FORWARD

When the 2010 RPA was released, several industry analysts noticed the dramatic differences in tone and substance from the 2000 report. For example, the *Hardwood Review Express*, in its Jan. 11, 2013 edition, noted that "the 2000 RPA Assessment was simple and overwhelmingly positive. It focused heavily on past performance as an indicator of a bright future for our nation's forests ... Unfortunately, with the 2010 RPA Assessment, the USDA has taken a dramatically different approach to assessing the national renewable resources and produced an outlook that is dark and gloomy and, at times, 180 degrees different than the outlook of just 10 years ago."

While there are some positives in the 2010 RPA, the key findings outlined by the USDA were inherently negative for forest health out to 2060. For example:

- Urbanization and low density development will continue to threaten the integrity of natural ecosystems and forest area will decline in all scenarios, contributing to reduced growth in total forest inventory.
- Climate change will alter natural ecosystems and affect their ability to provide goods and services.
- Competition for goods and services from natural ecosystems will increase.
- Geographic variation in resource responses to drivers of changes will require regional and local strategies to address resource management issues.

So what do you need to know now? Here's the bottom line: keep your eye on forest issues and news about the nation's forest because ultimately it impacts the woodworking industry and the supply of natural resources that you purchase and use. As you can see from the 2010 RPA, in just the past 10 years the outlook has changed dramatically.

Texture Option Added to Spectrum Decorative Line



The rich colors and patterns of decorative panels from the Timber Products Spectrum Division just received an added bonus: texture.

Customers now have the option of specifying a variety of modern woodgrain textures for their decorative panel orders, thanks to a new press at the company's White City, Ore., location.

Available with particleboard and MDF cores up to 1.25 inches thick, the textured laminate panels are available in all of the current decorative panel colors, plus seven new shades: Cordoba Pine, Pen Pine, Exotic Walnut, Rift White Oak, Grey Lines, Bamboo and Brown Zebrano.

"Customers who order the textured option will realize all of the features and benefits of our current melamine panels, with the added benefit of a little European flair," said Patrick Cowan, Manager of the Spectrum Division. "Colors and a more fashionable look are trending in the market now, so these panels should be very popular with designers who are specifying a more stylish look with their projects."

According to Cowan, kitchen cabinets, furniture, point-of-purchase displays and commercial applications are the top sectors showing interest in the textured panels.

For distributors, the new textured option means Timber Products Company is your one-stop-shop for all decorative panels. **If you would like more information on the textured laminate line, contact your sales representative or call 800-547-9520.**

Social Media Central: Best Practices for Social Media Success



Facebook. Twitter. YouTube. LinkedIn. Pinterest. There is no shortage of social media channels to utilize these days to directly reach customers and spark engagements. That's the name of the game in marketing today; the landscape has changed and customers are in charge of how they perceive your brand and products.

That means that using social media is vital to keeping your company relevant and top-of-mind with customers who are ready to buy.

Timber Products Company utilizes many of the social channels listed above, but we're curious how you utilize social media. Do you have a presence? What's your content strategy? Is it successful? Drop us a line and let us know.

In the meantime, here are just a few tips we've learned since we began our social media efforts in 2008. We hope that they can help you find success in social media.

Before starting a social media effort, ask yourself a few questions in order to form a strategy:

- What do you want to achieve with social media?
- Where is the audience and how do they behave?
- How will you execute the campaign?
- How does your social media campaign fit within your company's digital marketing guidelines?

What does it take to succeed in social media?

- In-house experts who will contribute content regularly
- A consistent effort and flow of content
- Focusing on your strengths and specialties
- Measuring your progress/success
- Engagement with others

What are your best social media tips?

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Timberline is a publication for our employees, families and customers.

Requests for additional copies, or to be included on the *Timberline* mailing list may be sent to timberline@timberproducts.com.

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