

Markets & Market Trends for Western U.S. Post/Pole Industry



Moderator in-Action



Presenters

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Presentation Outline

- Western U.S. Post/Pole Industry Characterization
- Significant Trends
- Industry Observations and Practical Examples
- Public/Private Cooperative Efforts

Terminology

- Posts - Normally 16-ft or shorter, usually peeled (i.e. follows natural taper) or doweled (i.e. cylindrical).
- Poles – Normally greater than 16-ft in length.
- “Utility Poles” - Different wood products industry subsector – specifications are more rigorous and products are usually larger.

Industry Characterization and Market Information Sources

- Based on Burke & Swan Investigations (2002), and Results! Marketing (2002-3)
- Over 100 Telephone Interviews in 13 Western U.S. States
- Production Figures Come From 18 Manufacturers, 13 Manufacturer/Treaters, and 14 Treaters
- Production Interviews Captured Estimated 80% of Western U.S. Post/Pole Production

Characterization of Western U.S. Post/Pole Industry

- Estimated 48,000,000 Linear Ft Untreated Western U.S. Production in 2001
- Over 500 People Directly Employed
- Estimated Western U.S. Untreated and Treated Market is \$64,000,000
- Approximately 65% U.S. Origin and 35% Canadian Origin
- Over 80% of production in two diameter size classes (3.0-4.9" and 5.0-6.9")

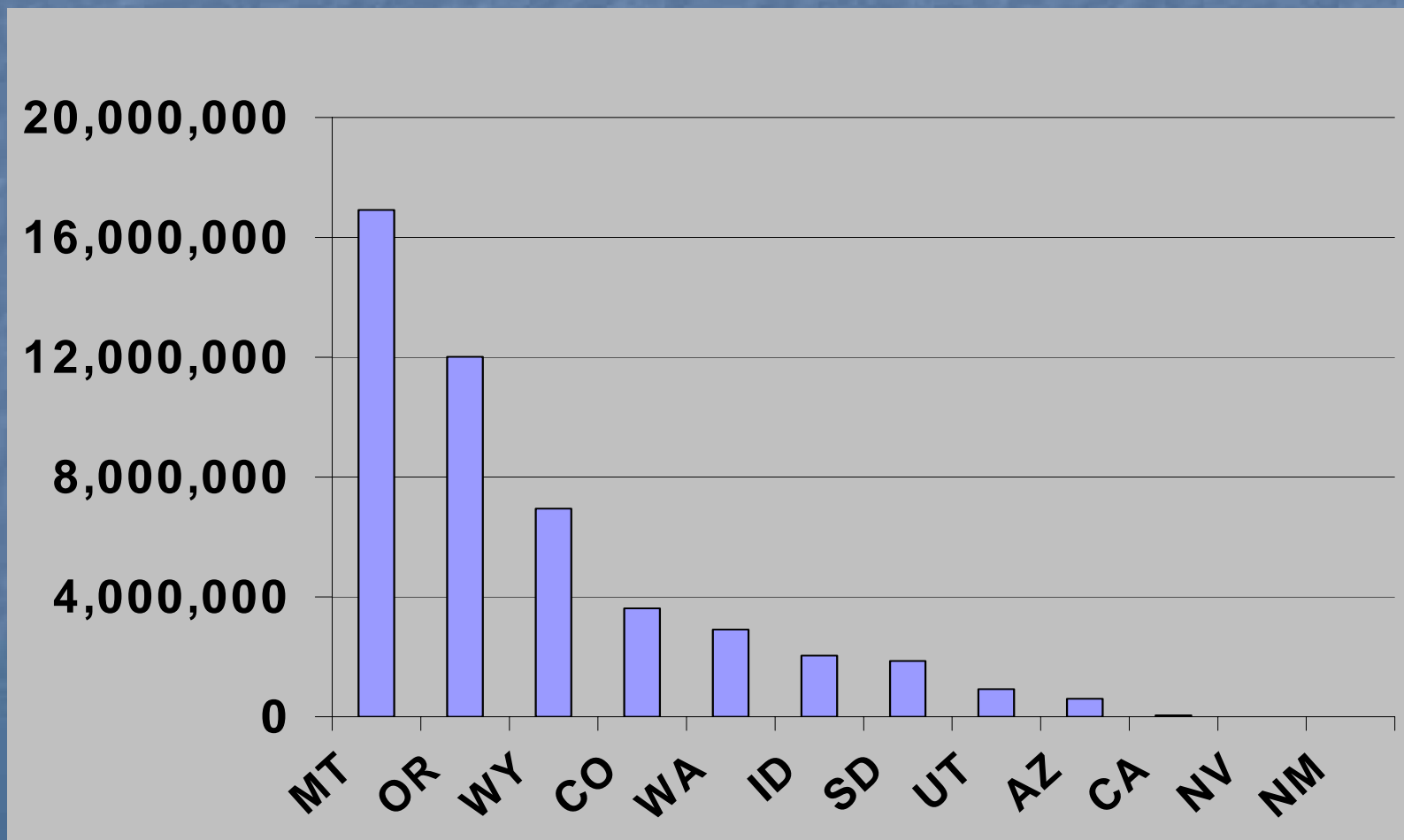
Industry Characterization - Continued

- Majority of production is from companies that produce 350,000+ pieces/yr, but there are many small manufacturers who produce fewer than 150,000 pieces/yr.
- Traditionally, bulk of production is sold to wholesaler, who pays for shipping and treatment – not the typical lumber broker arrangement.

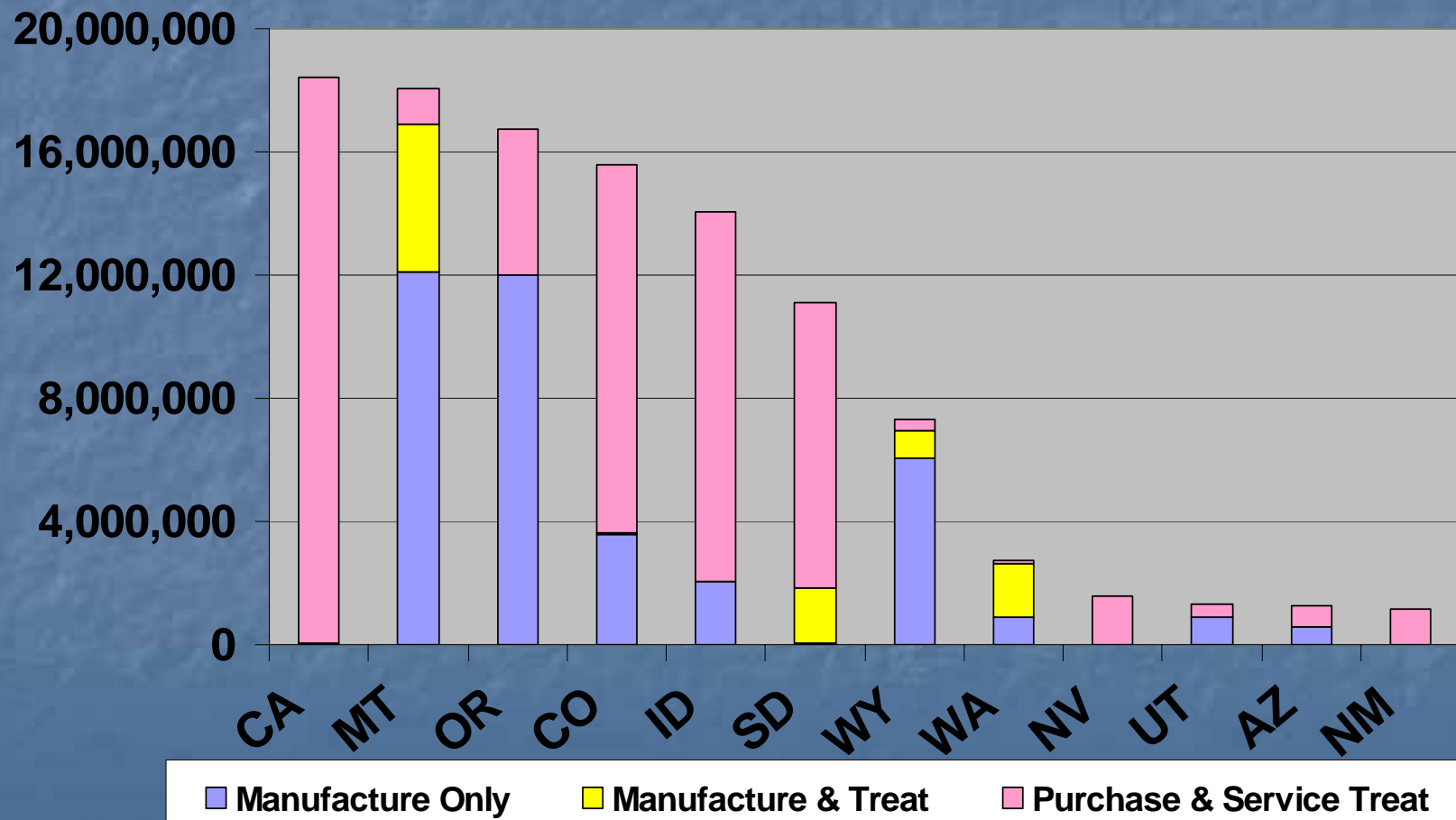
Industry Characterization – Continued

- Some post/pole manufacturers treat.
- Some treaters service treat for wholesalers, but also wholesale.
- Most companies will buy from other manufacturers, including Canadian, when have orders and price is right.
- Retailers and end-users often have poor understanding of treatment specifications.

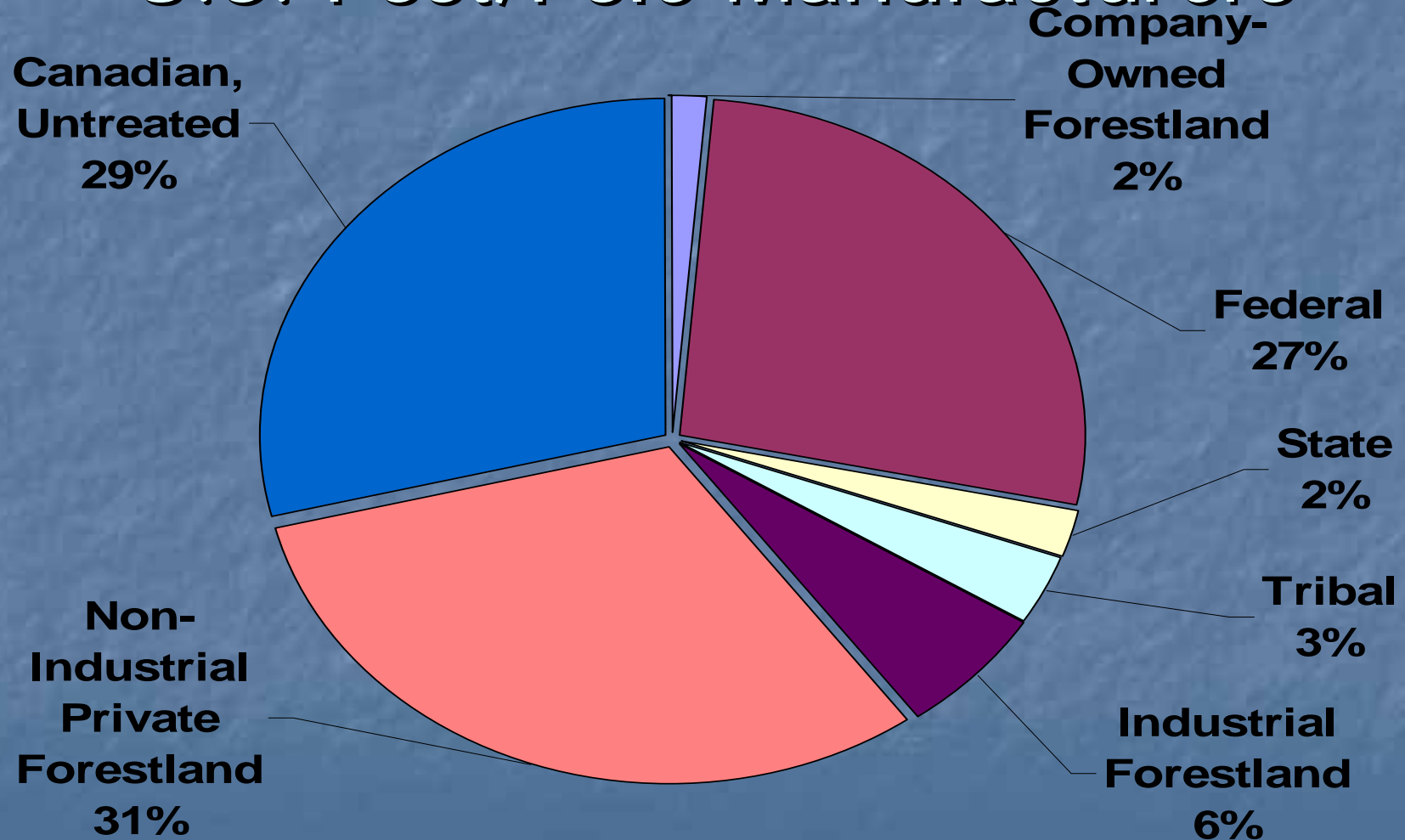
2001 Untreated Post/Pole Production By State (Linear Feet)



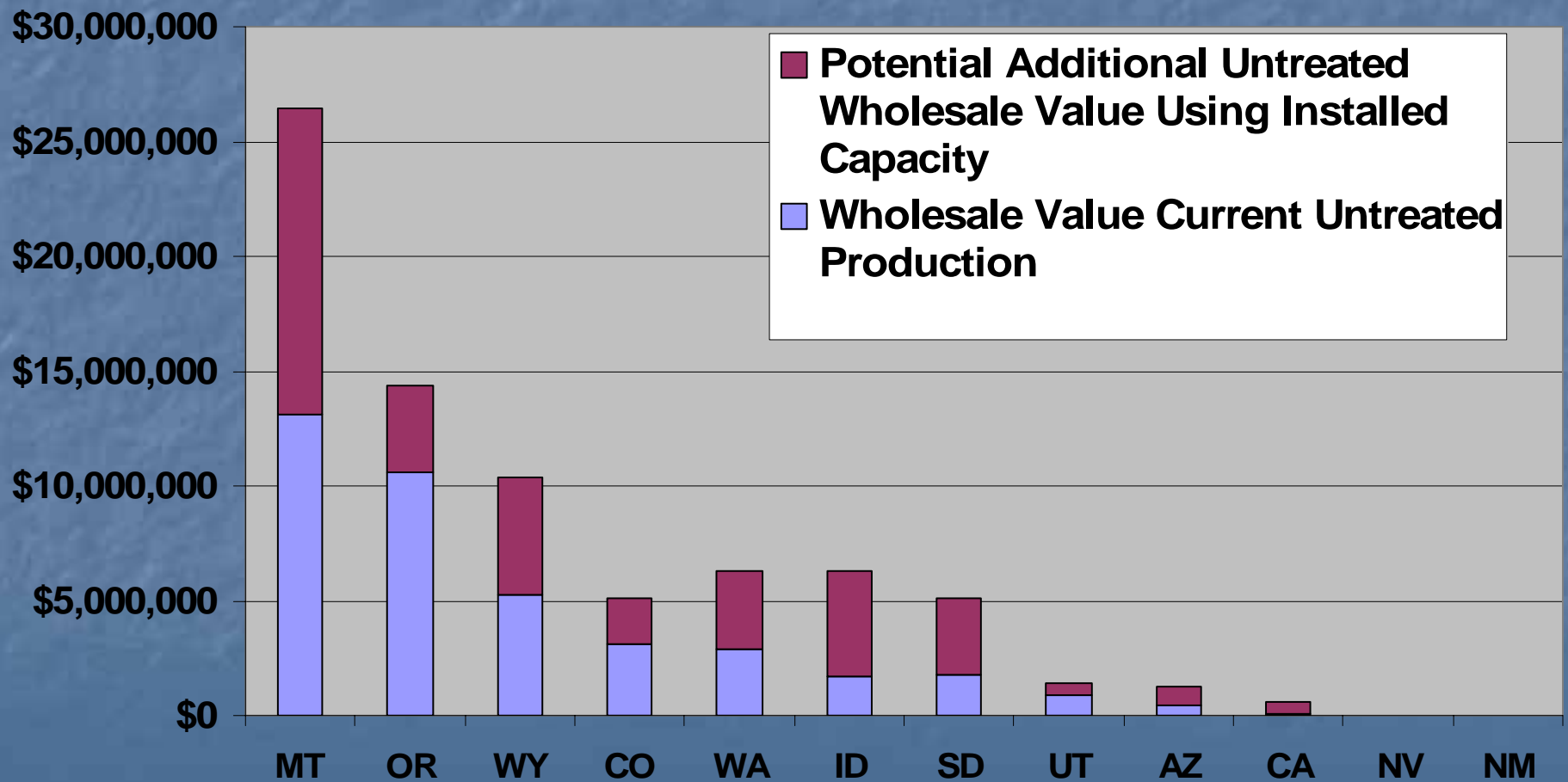
Total Treated and Untreated Production by State (Linear Ft)



Raw Material Supply for Western U.S. Post/Pole Manufacturers



Wholesale Value Untreated Production Vs Installed Capacity



Comments and Perspective of Industry



Western U.S. Post/Pole Markets

- Treated market is larger than untreated, but untreated market has more niches.
- Three major end-use markets for treated posts: Fencing, farm/ranch structures, and intensive agricultural applications.
- Growth in major end-use treated markets is flat, and highly dependent on economic cycles and public works projects.
- Word-of-mouth is primary information source for treated pole purchases.

Commodity Treated Products



Untreated Product Markets

- Roundwood Furniture
- Architectural Accents
- Pole Barns and Other Ag. Industry Structures
- Various "Ranchette" Fence Designs

Niche Untreated Market Examples



Comments and Perspective of Industry



Trends

- Increase in tree length harvest and decrease in pole cutters.
- Increase in contract supply arrangements or gatewood purchases, and decrease in company-owned harvest operations.
- Decrease in Federal supply dependence.
- Decrease in tree prop markets and leveling off of roundwood furniture markets.
- Increased use of DF and PP, but still less than 10% of total raw material use.

Trends Continued

- Continued pricing pressure from Canadian imports, even with 15% drop in dollar since 2002.
- Continued competition from steel and plastic in certain markets.
- Increased scrutiny of preservative treatments due to environmental concerns, and increased costs and uncertainties associated with alternative treatments.

Comments and Perspective of Industry



Public/Private Response to Trends and Competition

- Public/private cooperative effort – Burke and Swan research, information and awareness campaign (brochure, trade pub articles, and trade shows), government purchasing practices and access, and proposed interactive web site.
- Cooperators included USFS, IRA, MCDC, State of MT, and U. of MT.

Examples of Awareness Campaign Themes



- Quality and Treatment Standards



- Durability in Service

Awareness Campaign Themes – Continued



- Renewable Resource

New Markets



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