SUBJECT: OPINIONS ON TRENDS IN PRODUCTION OF WOOD FIBER TO PAPER MILLS - SEAMAN HUDSON

I HAVE LIMITED MY SUBJECT TO INCLUDE ONLY MY PARTICULAR FIELD - PULPWOOD PROCUREMENT. EVEN SO, ALL FORMS OF WOOD FIBER SUPPLY ARE INTERDEPENDENT AND INTERRELATED, ONE TO THE OTHER. A DISCUSSION OF PULPWOOD SUPPLY CAN NOT HELP BUT BE AN INSIGHT INTO INFLUENCES ON OTHER FOREST PRODUCT PRODUCTION SUCH AS VENEER LOGS, SAWLOGS, CHIP-N-SAW MATERIAL OR VARIOUS COMBINATIONS THEREOF.

ALSO LET ME SAY THAT I AM SPEAKING FROM MY RECENT EXPERIENCE OF THE LAST 10 - 15 YEARS IN ONE AREA OF THE SOUTH - NORTH AND SOUTH CAROLINA. I POINT OUT THAT DIFFERENT GEOGRAPHICAL AREAS HAVE WIDELY DIFFERENT SITUATIONS. WHAT I SAY MAY OR MAY NOT APPLY TO YOUR AREA AT ALL. HOWEVER ALL AREAS HAVE RELATED COMBINATIONS OF PEOPLE, TERRAIN, EQUIPMENT, FOREST LAND, WEATHER AND MARKETS. SO - WHILE AN AREA MAY BE VASTLY DIFFERENT THERE ARE GENERAL PRINCIPLES WHICH APPLY TO THE OVERALL PICTURE ACROSS THE SOUTH.

I SPEAK OF THE "GENERAL PRINCIPLES". IN DOING SO I HOPE TO STIMULATE YOU TO ASK QUESTIONS:
OR, TO CONTRADICT ME
OR, TO POINT OUT TO OTHERS HERE WHY WHAT I SAY MAY OR MAY NOT BE APPLICABLE IN YOUR GEOGRAPHICAL AREA.

I AM NOT HERE TO LECTURE. RATHER I HOPE TO CREATE A DISCUSSION ATMOSPHERE CONducIVE TO YOUR VOCAL PARTICIPATION IN THE SEMINAR. THIS I ASK FOR FROM YOU.

SO MUCH FOR MY INTRODUCTORY REMARKS. THEY ARE LONGER THAN THE THRUST OF MY MAIN EFFORT.

TRENDS HAVE ALREADY STARTED AND CONTINUE TO EXIST IN DIFFERENT SEGMENTS OF WOOD FIBER PRODUCTION. I WILL TAKE SOME OF THESE TREND DIRECTIONS AND EXPOUND ON THEM AS I GO, ITEM BY ITEM.

FIRST - LONGWOOD AND SHORTWOOD SIMULTANEOUSLY

AS WOODS LABOR SUPPLY HAS DECREASED THE DEMAND FOR PRODUCTION HAS INCREASED. FORTUNATELY MACHINERY HAS TAKEN UP MOST OF THE NEW DEMAND FOR PRODUCTION. MACHINERY IS BEST USED WITH LONGWOOD. LONGWOOD IN TURN LENDS ITSELF TO PROPER AND BETTER UTILIZATION OF THE FULL TREE. LONGWOOD IS HERE TO STAY. IT WILL GROW IN IMPORTANCE. HOWEVER DO NOT THINK THAT SHORTWOOD IS OUT OF THE PICTURE. THE RAILROADS AND THE MILLS ARE GEARED TO HANDLE SHORTWOOD.
THERE ARE MANY MILLIONS OF DOLLARS TIED UP IN THE NECESSARY PROCESSING EQUIPMENT. WE WILL NOT GO OUT OF THE SHORTWOOD PHASE. RATHER WE WILL FIND WAYS TO PRODUCE SHORTWOOD BETTER. WE WILL FIND WAYS TO MAKE SHORTWOOD PRODUCTION MORE ATTRACTIVE TO LABOR.

IT IS MY CONTENTION THAT AS THE FUTURE DEVELOPS WERE SHORTWOOD PRODUCERS TO RECEIVE A SUM EQUAL TO THE FULL COST OF LONGWOOD INCLUDING PARTICULARLY ITS ATTENDANT COST OF CONVERSION INTO SHORTWOOD AT SOME POINT, THEN IN SUCH CASE, LABOR WILL BE ATTRACTED BACK TO SHORTWOOD PRODUCTION. THUS, SHORTWOOD WILL REMAIN AS THE MAJOR FORM OF SUPPLY.

NEXT - CHIPS FROM SOURCES OTHER THAN THOSE AT THE MILL WOODYARD:

These sources other than at the mill are continuing to gain in importance. As paper mills get into the sawmill business and as paper mills and sawmills recognize that they have mutual interests, chips are the inevitable result. These suppliers can be competitive and yet be cooperative because of their mutual interests. Both segments are now showing signs of this maturity. Such maturity will be conducive to chip production.
OUTSIDE CHIP MILLS AS CONTRASTED TO SAWMILL CHIPS ARE LIMITED IN NUMBER PARTIALLY BECAUSE OF THEIR HIGH INVESTMENT COSTS. HOWEVER, THOUGH LIMITED, CHIP MILLS ARE VERY IMPORTANT WHERE THEY EXIST. BECAUSE OF THEIR LIMITED COSTS I FEEL THERE WILL BE SOME INCREASE. BUT, I REPEAT, CHIP MILLS ARE AN IMPORTANT SOURCE OF SUPPLY TO THOSE PAPER MILLS INVOLVED, ESPECIALLY THE INTEGRATED ONES.

THIRD - EQUIPMENT:
TO ME, WITHOUT A QUESTION OR A DOUBT, NEED. COUPLED WITH INGENUITY WILL DEVELOP DIFFERENT AND BETTER EQUIPMENT FOR THE PRODUCTION OF FOREST PRODUCTS. WE HAVE MADE EXCELLENT PROGRESS EQUIPMENT - WISE OVER THE LAST 20 OR 30 YEARS BUT WE HAVE NOT REACHED THE ULTIMATE IN EQUIPMENT. I REPEAT, INGENUITY WILL CREATE EQUIPMENT AS THE NEED ARISES. PROGRESSIVE IMPROVEMENT IN EQUIPMENT WILL BE THE RESULTING TREND.

NEED AND INGENUITY - WE HAVE AMPLE QUANTITIES OF BOTH SO THE FUTURE LOOKS GOOD.

NOW - THE DEALER SYSTEM VERSUS ALTERNATIVES:
WOOD DEALERS ARE SMART, AGGRESSIVE BUSINESS MEN. AS
SITUATIONS ADAPT TO CHANGES IN TIME SO WILL DEALERS THEMSELVES ADAPT TO NEW SITUATIONS. THOSE FEW WHO ARE INFLEXIBLE WILL FAIL. BUT THE DEALER SYSTEM IN PRINCIPLE WILL REMAIN VIALBE. THE DEALER SYSTEM WILL BE DIFFERENT FROM WHAT WE KNOW IT AS NOW AS IT ADAPTS TO THE FUTURE PARAMETERS. ADAPT, IT MUST; ADAPT, IT WILL.

AN ALTERNATIVE TO THE DEALER SYSTEM EXISTS FOR THOSE MILLS WHO HAVE ENOUGH LAND TO BE NEARLY SELF-SUFFICIENT IN STUMPAGE. THEY CAN DEVELOP INTO DIRECT PROCUREMENT. BUT THE CHANGE TO DIRECT PROCUREMENT IS LIMITED BECAUSE THE MILLS WITH SUFFICIENT LAND ARE VERY, VERY LIMITED IN NUMBER.

COMPANY OPERATIONS WILL BE WITH US. THEY WILL GROW IN NUMBER BUT THE TOTAL CONTRIBUTION TO SUPPLY WILL NOT REPLACE OR OFFSET OTHER TYPES OF SUPPLY. SOME OF THESE COMPANY OPERATIONS WILL BE EMPIRE BUILDING BY ZEALOUS EXECUTIVES. SOME COMPANY OPERATIONS WILL BE NECESSARY BECAUSE THE AVERAGE LOGGER WILL NOT ADAPT TO TECHNICALLY - ORIENTED FORESTERS SUPERVISING PRODUCTION - CONSCIOUS LOGGERS - LOGGERS WHO MUST MEET EQUIPMENT PAYMENTS AND A PAYROLL.

WHEN OPERATIONS GET LARGE ENOUGH IN PRODUCTION AND IN USE
OF EQUIPMENT THE "COMPANY OPERATIONS" MAY BECOME JUSTIFIED. EVEN SO, I THINK MANY SUCH LARGE OPERATIONS WILL THEN BE RE-STRUCTURED INTO SMALLER OPERATIONS AND GO BACK TO THE "PRIVATE" STATUS OF CONTRACT LOGGING.

ALSO, FOR SO LONG AS OPERATIONS ARE RELATIVELY SMALL, I.E. $250,000 IN EQUIPMENT COST, MORE OR LESS, A COMPANY OPERATION CAN NOT ECONOMICALLY COMPETE, IN MOST CASES, WITH A PRIVATE OPERATOR. NOTE I SAY "ECONOMICALLY COMPETE". IF THERE ARE REASONS OTHER THAN ECONOMICS THEN TO THAT EXTENT COMPANY OPERATIONS MAY BE JUSTIFIED AND SO BE A LIMITED FORCE IN THE FUTURE.

SOME COMPANY OPERATIONS WILL BE VERY SUCCESSFUL BECAUSE THE MEN RESPONSIBLE WOULD BE SUCCESSFUL IN ANY ENDEAVOR THEY MIGHT UNDERTAKE. UNFORTUNATELY, THESE TYPE OF LEADERS ARE LIMITED IN NUMBER.

CONTRACT LOGGING IS A MODIFICATION OF, BUT STILL REMAINS, AS A PRIVATE OPERATION. IT WILL GROW IN THE FUTURE BECAUSE IT IS AN IMPROVEMENT AND REMAINS PRIVATE. NECESSITY DEMANDS I SAY MORE?

A LITTLE NOTICED LOGGING OPERATION IS THAT OF DEVELOPMENT BY THE PAPER COMPANY OF LOGGING PROCEDURE WITH NEW
EQUIPMENT. THEN AFTER THE SHAKEDOWN AND DEVELOPMENTAL STAGE THE UNIT IS TURNED OVER TO A PRIVATE LOGGER - LOCK, STOCK, BARREL AND COST. THIS APPROACH IS NOW LIMITED; IT SHOULD RECEIVE GREATER CONSIDERATION BY ALL WOOD FIBER CONSUMERS. THIS IN MY BIASED OPINION HAS GREATER MERIT THAN CONTINUING THE "COMPANY OPERATION".

AS A LAST THOUGHT - GOVERNMENT POLICIES AND PROGRAMS AS THEY MAY INFLUENCE A WOOD SUPPLY PROGRAM:

GOVERNMENTAL ACTIVITIES WILL SHAPE AND CHANGE FUTURE PROCEDURES. WE CAN'T PLAN TODAY AS TO WHAT WE WILL DO LATER BECAUSE WE CAN'T PREDICT THE NEXT PROGRAM TO BE DEVELOPED BY THE BUREAUCRATS. I.E. HOW IN HELL CAN WE PLAN FOR THE, AS YET, UNKNOWN?

LET IT SUFFICE TO SAY WE WILL OPPOSE, WE WILL ADAPT AND WE SHOULD DO MORE OPPOSING AND LESS ADAPTING.

TO CONCLUDE:

OF THE VARIOUS TRENDS TO THE FUTURE IN WOOD SUPPLY THERE IS ONLY ONE SURE THING:

- THE FUTURE WILL HAVE CHANGE. THIS CHANGE WILL BE DIFFERENT IN DIFFERENT AREAS.

THIS CHANGE WILL BE A COMBINATION AND ADAPTATION OF
THE OLD AND OF THE NEW, WE WILL GO BACK AND IMPROVE THE OLD AS WELL AS CREATE THE NEW.

NEED, COUPLED WITH MECHANICAL INGENUITY, WILL SERVE THE FUTURE WELL!

THANK YOU.

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SKH
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