Spring 2007

Presidents Overview

It would be unrealistic for my overview not to begin with a comment on the continuing escalating cost situation. However, it should not overshadow the number of positive TIMCON initiatives underway at present and I will turn to those shortly.

It is vital that we continue to communicate on a regular basis with the sawmills and hope that prices begin to plateau. This will contribute significantly to bringing some stability to an uncertain situation and give members a chance to review the position with their customers. Escalating costs are a potential threat to the entire wood pallet and packaging supply chain. It must be remembered by all parties that if timber product prices become too unattractive, customers could well start to look for alternatives. A reminder too that with members having to continually explain the reasons behind frequent price increases, the Poyry Index is a valuable independent reference point, enabling price trends in the industry to be monitored on a tracker basis. The Poyry Index information is also backed up by the Purchase Managers Index, and TIMCON has permission to use information from this equally valuable resource in its Hot News publication.

It is most important in the current climate that we spread the word at every opportunity about the many environmental benefits that wood packaging offers over our competition. With this in mind, we are continuing to work closely with the successful wood for good campaign and are planning the next stage of the promotional programme as we go to press. Our recent memory stick film, produced in collaboration with wood for good, has been well received internationally and has set the standard for our European colleagues at FEFPEB to follow.

None of us needs to be reminded of the questionable safety record in the timber extraction and processing industry and our new TIMCON certificated training scheme for Pallet and Case Workers is going from strength to strength in an attempt to combat this. There are 24 modules in all – including a welcome new addition of special interest – the ISPM15 module which will further contribute to raising and maintaining standards. The purpose of the scheme is to:

- provide relevant guidance in key industry areas
- develop a knowledge base for safe working practices
- create a proactive health and safety and controlled risk environment
- enhance the profile of the association and consequently its members
- bring a greater degree of standardisation throughout the sector

The course – which covers safe working practices for the majority of the basic work activities undertaken in a typical pallet and case workshop – is intended for in-house delivery by company trainers, managers or supervisors, who must possess a good knowledge of the work and of the people being trained. A new booklet on the course will be available.

We are currently working hard on developing the website. One of the new features will be a buyers section where customer questions can be posted, and in line with this it is also our intention to raise the profile of our Technical Service. TIMCON has enormous acquired knowledge and is uniquely placed to offer specialist advice across a number of diverse areas. Consultation on responsible 'fit-for-purpose' pallet design is a particularly popular topic, and for any members wishing to buy the latest generation – version 4.0 – of the market leading Pallet Design System (PDS) at a discount, we have negotiated special licensing rights for sale in the UK.

CONTENTS

John Dye – President

Raw material supply

Woodworking industries demand equal treatment over raw material supply CEI-Bois General Assembly debates future wood availability and supply of raw material to the industry.

At the General Assembly of the Brussels based European Confederation of Woodworking Industries, held on 8 March 2007, the members discussed current policy issues affecting the sector and especially the issue of future supply of raw material to the sector.

Wood and wood products, made from a unique, naturally renewable resource, bind CO2 and therefore contribute strongly to mitigating the effects of climate change. The raw material, however, also presents itself as an ideal source of bio-energy. As pioneers in the development of bio-energy, the woodworking industries support its further development but cannot accept that their future supply of raw material is jeopardised by massive support and subventions to the energy sector. In many parts of Europe, this subvention policy has strongly distorted the market for wood raw material and created shortages for industry, despite the theoretical availability of wood in the forests.

This availability of wood raw material and its mobilisation was the topic of a presentation given by the Head of the UNECE/FAO forest section, Mr Kit Prins. Mr Prins focused on the conclusions of the workshop "Mobilising wood resources" organised by the UNECE in January 2007. These stressed, among others:

- The need for policy coherence;
- The need to include the whole supply chain in biomass strategies;
- The need for comprehensive reliable data.

CEI-Bois will work to have these conclusions included in the forthcoming resolution "Forests, wood and energy" of the Ministerial Conference on the Protection of Forest in Europe (MCPFE).

Prior to the European Council meeting in Brussels on 8 and 9 March 2007, CEI-Bois had raised these same issues in a common position with the pulp/paper, margarine and oleochemical industry associations.

Mr. Luis Filipe Girão, Head of the Unit "Textiles, Fashion and Forest-based Industries" in DG Enterprise explained that the issue of conflicting uses of wood is being addressed by his Unit and other Commission services. With regard to the new Unit now in charge of forest-based industries, Mr. Girão underlined that future co-operation with CEI-Bois and the other industry representatives within these industries will remain pro-active as in the past.

Concluding the debate, CEI-Bois Chairman Mr Eliasson stressed that the current political developments provide both challenges and opportunities for the sector. He also pointed out that wood raw material is often used in the production of energy for the production of other materials that are non-renewable.

Canada's Lumber & Pallet Market

The lumber industry in eastern Canada continues to reel from the lacklustre economy of both Canada and the USA. The housing starts were down again in both countries in January, causing the softwood sawmills to back off even more.

The lack of a quota, if you can call the new softwood agreement that, has not done a thing to better the margins or competitiveness of the softwood suppliers. Eastern hardwood prices continue to hold or climb slowly. Even with some increased demand from the USA and eastern Canadian manufacturers the price of hardwood pre-cut and cants continues to be dull to moderate.

The western softwood market is being dumped on with bug hole timber. This is timber that has been allowed to be cut and heat treated to KD-HT levels and is driving down the prices of western SPF and holding them down. Some dimensions of Hemlock and Doug Fir are even lower than SPF causing some mills to reduce their shifts and employee base. The unions are fighting back but have little ammunition.

The pallet demand in the east is moderate to good with most companies relying on past purchase lumber contracts with brokers and mills assisting their margins. March and April do not show any increase in demand from the consumer base but time will tell.

The western market leader again is Alberta followed by British Columbia. Saskatchewan is now feeling some demand as their oil patch is ramping up. Most pallet operations in Manitoba and BC are working to 70% levels, well within the acceptable range.

The pallet industry continues to cope with a fluctuating economy, a strong stock market and easing US market. The membership in most provinces is coping with the marketplace and hope for a better early summer.

Protecting corporate and social reputation

Timcon has been working hard to reinforce the message – to specifiers and procurers of packaging – of their corporate and social responsibilities. Points to remember when talking directly to such sectors could include the following:

Carbon dioxide in the atmosphere has risen by over 30% since the Industrial Revolution and the trend is accelerating as every year we add an extra 3.3 billion tonnes. One surprisingly simple way of helping protect the environment is for companies to use wooden packaging and pallets – and in particular, products from members of the Timber Packaging and Pallet Confederation (TIMCON).

Timber is the most popular material in the world for the storage, transport and movement of goods, and one of the key elements in timber being such a responsible corporate choice environmentally is its renewability. Over 90% of the softwood used in the UK is sourced from the European forest industry, an industry which fully recognises its future is firmly linked to the protection and expansion of its forests. They are professionally managed resources, with more trees being planted annually than are harvested – and the forests are in fact expanding every year by an area about the size of Cyprus. They both absorb CO2 and release oxygen, helping to reduce the build-up of greenhouse gases

Put simply, every cubic metre of European softwood used saves almost a tonne of carbon dioxide entering the atmosphere – and with 350 million pallets in circulation in Europe alone – that is around 11 million tonnes of CO2 annually. Timber pallets and packaging can of course also be repaired and reused, or disposed of for energy generation – the energy in wood being a wonderful carbon-neutral substitute for fossil fuels.

In terms of hygiene, pine and spruce have a natural antibacterial effect, providing poor living conditions for bacteria – even when compared with plastic laminates and steel. This natural antibacterial factor, combined with modern milling technology, means that high quality, kiln dried wooden pallets are ideal for almost any application in the food and other sensitive industries. High temperature treatment, high pressure cold water treatment and microwaving all provide effective additional pallet sanitation, with no post-treatment bacterial growth.

Bulgaria and Romania join EU

On the 1st January, Bulgaria and Romania joined the EU and therefore goods shipped to and from either country, from any other part of the EU, need not be ISPM 15 compliant. Japan has also announced that from 1 April 2007 it will be implementing ISPM 15 import requirements and the Republic of Korea has confirmed that it will now accept wood packaging material that has been fumigated with methyl bromide.

Up until recently, it would only accept heat treatment from countries where Pine Wood Nematode occurs. Brazil has announced through the World Trade Organisation (WTO) that it intends to implement import requirements based on ISPM 15.

Comments on its proposals will be taken up until 17th April after which an implementation date will be announced, together with final details of its requirements.

Details of this and all other known national positions can be found at either www.forestry.gov.uk/planthealth or www.timcon.org. WTO notifications can be viewed at www.wto.org/english/tratop_e/sps_e/sps_e.htm

FEFPEB active on major developments in the European Pallet and Packaging industry

Gil Covey – Immediate Past President of TIMCON and current President of FEFPEB (Federation of European Wooden Pallet and Packaging Manufacturers) – reports on key developments in our European Association.

FEFPEB continues to be at the heart of developments in the European timber pallet and packaging industry. FEFPEB has voiced its concern within CEI-Bois about the effect on future adequate timber supplies to our industry by the growing demand from the energy sector. As a result of in-depth analysis and discussions, CEI-Bois issued a Press Release on 12 March 2006, stating that the future supply of raw material to the European woodworking industries must not be jeopardized by massive support and subventions to the energy sector. CEI-Bois and FEFPEB will continue to engage with the European Commission, so as to ensure that it has proper regard to the ongoing requirements of our industry.

The major current concern has been the spectre of timber shortages and rapidly increasing timber prices across Europe. FEFPEB issued another Press Release in December 2006, alerting the associations at the national level and our industry's customers about the unprecedented situation on timber supply. The situation appears to have become more stable, but there continues to be some shortages, and FEFPEB will be monitoring the situation closely in the coming months.

FEFPEB has reached agreement with Pöyry Consulting to jointly develop a commentary on timber availability and prices, based on the input from national associations. TIMCON pioneered the development of a Pallet and Packaging Timber Price Index, which is compiled by a respected and independent third party. Other countries, such as Germany and Holland have followed TIMCON's lead, and there is now sufficient information for Pöyry and FEFPEB to develop a quarterly report on timber availability and price trends across Europe. The intention is not to provide a statistical index, since market conditions vary tremendously across European borders, but rather to use the information that it available from the National Associations and provide a European-wide commentary.

Work on the Roadmap 2010 Project is gathering momentum. FEFPEB's Market Study Questionnaires will soon be issued to the National Associations, and this will be a unique opportunity for members of TIMCON to report on the scale and challenges facing the pallet and packaging industry in the U.K. In addition to members having the opportunity to provide detailed information, there will be interviews with key industrialists and clients. This will certainly be the most comprehensive study to date of the European timber pallet and packaging industry and the feedback for TIMCON members should be invaluable.

The communications aspects of the Roadmap 2010 project are being investigated and developed. Key areas, such as rules for hygienic pallets and packaging, carbon calculator criteria to demonstrate the environmental advantages of the industry's products, standardization and a co-ordinated approach to public relations, advertising and marketing are all under development. TIMCON is at the forefront on such matters, and its input is crucial to FEFPEB's successful development of this project.

FEFPEB's separate Committee on industrial and lightweight packaging has proved to be very popular and has been welcomed by the packaging members of the Association. FEFPEB is developing guidelines for industrial packaging and a database of accredited packaging service companies across Europe. This will be of great benefit to TIMCON members who are involved in the packaging sector.

The next major event will be the FEFPEB Congress, to be held in Northern Portugal/North West Spain between 25 and 29 September 2007. Full details are available on the official website www.60cong-fefpeb.org.

The Congress will follow its normal format of industrial visits, business session and full social programme. The 60'th FEFPEB Congress will be focussed on climate change, the eco sustainability of material, recovery and recycling, and the overall role of the pallet and packaging sector in sustainable development. TIMCON members are eligible and advised to attend this Congress, in order to learn of key opportunities in our industry, as well as the chance to network with their colleagues from across Europe. FEFPEB will also be hosting a World Pallet Council, and there will be many visitors from outside Europe, especially from North America.

As with all Associations who rely heavily on the participation of industrialists, there is a finite amount of time and effort that can go into such activities. Nevertheless, it is clear that FEFPEB is very active on key issues affecting the European timber pallet and packaging industry. The ongoing support of TIMCON and its members is very important, in order that key decisions at the European level take account of the critical scale and importance of our industry.

ISPM 15 developments
- an update from Roddie Burgess

In my role as moderator of the electronic ISPM15 Discussion Board, operated for the International Forestry Research Quarantine Group to assist the Secretariat of the International Plant Protection Convention, I have been handling some lively exchanges. These concern the format of the mark applied to wood packaging material and exploring why some countries have been rejecting some marks because they do not follow exactly the model in ISPM 15.

In one case, a consignment was rejected because the "I" in the "IPPC" logo was not left-aligned above "PPC" while the question of whether there should be a frame around the mark has also generated a range of views, with some suggesting it should be there while most who have commented agree it does not matter – it is the country, producer and treatment codes, together with the IPPC logo that are important.

One respondent has noted that the presence of the frame on a brand makes it harder to get a good imprint on wet or frozen wood. These views, coming from both regulators and the industry are important and they will help the Technical Panel on Forest Quarantine, charged with the job of preparing the revision to ISPM15, get it right. Many TIMCON members have already subscribed to the Discussion Board and their views have contributed in a number of topics we have covered.

To subscribe, send an e mail to mailserv@mailserv.fao.org leave the subject line blank and type the message <subscribe ISPM-15-L>. You will receive a welcome message with information on how to post messages to the board. While you won't be able to view previous postings, you will be able to see a list of previous questions and answers, agreed by consensus, posted at www.forestry-quarantine.org the IFQRG web site."

Q & A…. Timcon can help…

Q:

We are experiencing unacceptable levels of container rain (internal condensation) leading to mould growth on the wood of the pallets. This is in a standard 40-foot container shipped from the UK to Japan with bottled and canned beverage product on heat treated wooden pallets with desiccant put into the containers.

A:

There is a vast difference between heat-treated and kiln dried.
Heat-treated does NOT remove the moisture from the wood.
It merely raises the temperature and nullifies any organisms carrying certain risks. Kiln drying reduces the moisture content down to the specified level.
For sensitive product it is suggested that 18% moisture content or below is regarded as dry. However, joinery fitted in houses will be down to 12% or so.

I would suggest that Kiln dried (KD) should be used and desiccants packed as well.
The use of plastic wrapping air tight and vacuum drawn to remove the air is as good a protection as any. Advice from any Timcon export packager should be sought.

It should also be noted that sea containers are not "sealed" against external air entry. If that air is moist, then in the absence of a sealed packaging, the wood will assume the ambient moisture content on its surface. This, combined with the air bound moisture, can create growing conditions for any funguses that may be present in the container from other sources.

Information from EUWID

Baltic States Winter log harvest lower than in 2006

In the Baltic States, the supply of softwood sawlogs has slightly improved in the course of the past weeks. In January still and starting again by mid March, harvesting had been hampered by bad weather. This winter the periods with frost had been shorter than usually so that the harvested quantities of logs are lower than one year ago. This resulted in up to 40% lower winter yards at the sawmills than in other years. At present, mainly spruce logs are difficult to obtain, whereas pine sawlogs are available in slightly higher quantities. At present, the sawmills find it possible to largely utilize their production capacities. However, the log yards of many mills having run rather low, sawn timber production is safeguarded until May only. Also in summer the situation about log supply must not be expected to relax decisively. The shortage in log supply resulted in further price increases. In Estonia, an equivalent of €70/m³ has to be paid at present for softwood sawlogs. In Latvia, log prices are even higher by €6 8/m³.

In the weeks ahead, problems about supply might develop also in respect of Russian softwood logs because of the low harvesting volumes in the course of winter. This will give rise to another increase in log prices. Additional cost increases will result from the planned enhancement of export tariffs on Russian logs to €10/m³ as of 1 July, 2007.

Information courtesy of Euwid Wood Products and Panels
www.euwid-wood-products.com

British imports of softwood lumber down 5%

According to figures published by Eurostat British imports of rough sawn and planed softwood lumber declined by 5% to 7.276m m³ (2005: 7.624m) in 2006 compared with the previous year. While British imports of rough sawn softwood dropped by 6% against the previous year in 2006 to a total of 5.934m m³ (6.286m), imports of planed sawnwood were slightly higher than last year (see separate report). All softwood species contributed equally to the decline in softwood rough sawn lumber imports. Imports of rough sawn spruce dropped by 6% to 2.224m m³ (2.363m). Imports of sawn pine fell by 5% to 1.769m m³ (1.871m), while imports of the other softwood species declined by 5% to 1.941m m³ (2.052m). Sweden was Britain's most important supplier of spruce/fir and pine softwood lumber in 2006. When it came to other species, Russia was the most important supplier followed by Sweden and Latvia.

Total imports of rough sawn softwood from other EU countries dropped by 6% to 5.031m m³ (5.324m); deliveries from other EU countries accounted for 85% (85) of all British softwood lumber imports. Imports from Sweden of 2.019m m³ (2.027m) were slightly lower than one year ago. Imports from Latvia, on the other hand, declined by 11% to 0.984m m³ (1.11m). Finnish shipments to Great Britain declined by 5% to 0.929m m³ (0.974m), whereas imports from Estonia grew by 22% to 327,567m³ (217,272). Imports from Germany showed a 10% increase to 182,332m³ (165,570). Imports from Lithuania, on the other hand, declined by 42% to 104,065m³ (180,716). Imports from Austria dropped by 4% to 69,043m³ (71,976) and imports from the Czech Republic showed a decline by 26% to 67,854m³ (91,689). Russia was the most important supplier outside the EU. Last year, British imports from Russia declined by 2% to 0.727m m³ (0.743m).

With the exception of Sweden and Estonia, all the bigger exporting countries in Scandinavia, Eastern Europe, as well as Russia had to take a marked decline in shipments to Great Britain. The bottlenecks in log supply made it impossible to make full use of production capacities especially for sawmills in Northern Europe, Finland, and also in Austria. On the other hand, demand has picked up on the bigger sales markets. Especially on the markets in North Africa higher prices were achieved than in Great Britain. Moreover, in the Scandinavian and East European countries demand for sawn timber has improved because of the higher requirements on part of the building and the woodworking industry. The availability of softwood lumber thus proved insufficient for satisfying the full volume of demand on the British sales market.

Information courtesy of Euwid Wood Products and Panels
www.euwid-wood-products.com

Higher demand for British softwood lumber

Last year brought a satisfying development of business for British softwood sawmills. This was the result of a most recent investigation by the Dublane/Pertshire based United Kingdom Forest Products Association (UKFPA) among its member companies. The UKFPA represents the British timber industry.

As a result, British sawmills that managed to expand their production in 2006 reported higher demand for softwood lumber than in earlier years. In autumn last year, the UNECE Timber Committee in Geneva/Switzerland had forecast a 1.9% increase in the British production of softwood lumber to 2.86m m³ (2005: 2.808m). On the other hand, imports dropped by 4.7% to an estimated volume of 7.2m m³ (7.559m). The UKFPA evaluation arrived at the result that in 2006 British consumption of softwood lumber might have been about the same as one year ago. In Great Britain, mainly Scandinavian and East European softwood lumber had been available in limited quantities only in 2006. Throughout the year, imported sawn pine had been short in supply.

On the other hand, in the beginning of the year a glut in the supply of sawn spruce was experienced that was gradually wearing down during the months after. Starting by mid 2006, bottlenecks in supply were developing also in respect of imported whitewood. Against this background the UKFPA would expect the brisk demand for sawn timber from the British production to continue also in the medium term. In 2006, British sawmills achieved price increases, thus having compensated for part of the increase in energy costs. In earlier years, however, the increase in production was not fully transferring to the prices for finished products.

The market for British softwood logs is largely balanced at present. In the course of the past years the harvesting of softwood logs in Great Britain was expanded in parallel with the expansion of production capacities and the growing demand for firewood. Nonetheless, among the British timber industry it is feared that in future demand for logs might be rising more strongly than the harvesting volume. In the opinion of the UKFPA, in future mainly private forest owners should expand their log harvest.

Information courtesy of Euwid Wood Products and Panels
www.euwid-wood-products.com

Seasonal dip in demand on the Central European pallet markets

Higher purchasing costs not passed on to pallet prices as yet Central European producers of wood flat pallets raised production substantially compared with the first few weeks of the New Year. Output had climbed by 10% to 30% depending on the manufacturer, sources indicated. Both the generally mild weather and recent satisfactory supply of lumber were cited as the main reasons for this upturn in output. Furthermore the commissioning of new production capacities was leaving its mark in places. The price hikes announced for the start of the year were implemented despite the increased output.

This unexpectedly brisk production allowed manufacturers to reduce delivery backlogs. Since mid January, the majority of suppliers had registered a slight overall dip in pallet demand and an upturn in their inventories of finished goods, although this did not have a significant impact on the market. However deliveries had been higher across the board in the first few weeks of 2007 compared with previous years. Pallet manufacturers expected demand for flat pallets to continue to grow on both the domestic and export markets in 2007. Sources anticipated that delivery figures would substantially exceed last year's level again. This forecast seemed realistic given the further increase in Central European production capacities and the likely sufficient supply of packaging lumber. According to statistics available so far, German pallet output reached a new record of 64m to 65m (2005: 59.2m) units during 2006 as a whole. Industry insiders expected production to reach record levels again this year given the investments carried out so far or those announced for 2007 in expanding capacity.

Manufacturers already raised the prospect of 5 8% hikes in prices in January 2007 back in November/December 2006. Insiders told EUWID that these increases were successfully implemented for the most part, too. Consequently new EUR standard quality pallets made in Central Europe currently fetch €9.20 9.90 with an average of €9.55 when full loads were ordered. In southern Germany, where higher prices are traditionally recorded, KD goods now cost €9.85 10.70, with prices above €11.00 often being achieved in the retail business. Imported goods from East Europe are currently traded at €9.15 9.45 free of all charges.

Significant volumes of used flat pallets returned from business over Christmas and New Year substantially improved the availability of used pallets. On the other hand, the improved supply situation meant that prices for these grades had not risen as sharply in recent times.

First choice pallets currently change hands for €8.20 8.60, with an average of around €8.35 and top end prices of up to €8.85. Prices of around €9.20 9.50 were quoted in southern Germany. Shipping qualities remained scarce despite the increased return of used pallets. Prices for these grades were in the region of €6.15 6.95 with an average of €6.55. Demand for chemical pallets remained strong, too. CP1 were traded at €7.90 8.45 and averaged €8.15. KD grades cost up to €9.15. CP fetched around €0.25 more than CP1 pallets, while CP2 reached €6.75 7.25. Following the price hikes achieved at the start of the year, upstream product prices have not changed significantly in recent weeks. Manufacturers overwhelmingly described the availability of pallet offcuts and long grades as much better. In the majority of cases, contracts for delivery in the first quarter of 2007 contained sufficient volumes. EUR offcuts from West Europe currently cost around €168 173/m³ free of all charges, with top end prices of up to €175/m³. 18x80/100mm CP offcuts from fresh cuttings were quoted at €172 181/m³. German A/B 78x78mm square timber reached around €158 160/m³. Pallet blocks averaged €180/m³. The commissioning of another pallet blocks plant in southwestern Germany would considerably raise the availability of pallet blocks.

Information courtesy of Euwid Wood Products and Panels
www.euwid-wood-products.com

Tough times call for...

The first quarter of 2007 has offered no relief from the rise in timber prices that began in the late spring of 2006 and has now continued apace for the last ten months. The causes of these price rises have been well documented, and can best be summed up in two ways. Firstly increased foreign demand for traditional British supply sources and secondly rapid economic depopulation from the Baltic states as labour tempted by opportunities offered within the EU has migrated westwards. There is no doubt that even in normal times these first few months of the year offer their own climatic challenges. These occur in the form of frozen logs, iced up ports and gale force winds that force ships to seek shelter thus delaying the delivery of their cargoes. This quarter has been no exception though ironically many Baltic suppliers were claiming that owing to exceptionally mild winter conditions they were unable to harvest wood. This period was followed by a severe freeze which meant many sawmillers were unable to process their logs.

There has been a certain unevenness characterising the Baltic performance since the Christmas shutdown. Some sizes have appeared in plentiful supply, however other non standard ones have been almost impossible to obtain with buyers having to wait months for contracts to be fulfiled. Moreover some shippers have appeared to have held prices throughout the period, although these tended to be the ones that sought the largest pre Christmas rises, whilst others have continually asked for small increases every time their stock has landed on the quay.

There is no doubt though that most importers are able to sell landed stock almost as soon as it arrives. This is a scenario that describes the current state of the supply chain far more accurately than the condition of the British economy. Few in the industry can predict the future of this period of price inflation; the quarter both began and ended with the major homegrown sawmills increasing their selling prices and most will admit to favouring regular customers with their capacity. A significant by product of this sustained period of price increase has been for homegrown mills to cease to offer the 15mm thick board. One agent complained he was unable to offer anything thinner than a 17mm board. This factor alone is bound to have a not inconsiderable effect on the prices or profitability of the lighter pallet.

With shortages widespread and prices rising alternative sources of supply have continued to be sought. Firstly Britain's oldest ally Portugal. Here owing to much diminished capacity from days of yore prices have soon increased and are now significantly higher than those of the UK and Baltic. However an increased quantity is now being imported from Portugal and pallet manufacturers long used to a diet of aspen, alder and birch from the Baltics can only admire Portuguese Maritime Pine for its appearance and strength. This factor is not lost on lorry drivers who arrive at the buyers yard wondering at the increased weight of their load. The South American producers namely Brazil and Chile are now exporting increased capacity to the UK tempted by the higher prices now on offer. Brazilian Elliottis Pine has the distinct advantage of being offered both kiln dried and 56/30 H.T. This is welcome to U.K. producers in the face of increasing demand for ISPM15 compliancy and will take the pressure of kilning capacity for the pallet maker. This is particularly useful in the light of the high energy costs present in the UK. Canadian imports too are now being offered and are a viable alternative once the conversion factor from imperial to metric sizes has been achieved. It is reported that one enterprising, long established UK timber agent is reputedly seeking alternative sourcing from the Dominican Republic although the veracity of this story is yet to be fully confirmed. However a major disadvantage of the Americas as a source will always be distance with lead times significantly higher than European suppliers provide. Yet they are providing a much needed alternative during this time.

In conclusion no real end to the current crisis can be forecast in the short term and the supply chain will continue to prove difficult. Purchasers of Scandinavian and Russian softwood will testify that their situation has if anything worsened with lack of supply and increased prices commonplace, log supplies remain difficult. From July 1 Russian government will increase its duty on logs in a series of stages from 20% to 80% in June 2009. As many Baltic agents are now sourcing additional supply from Russia it is impossible to calculate what effect this may have on pallet wood production from this country. Packaging Manufacturers are facing troubled times through the summer of 2007 at least.

Rules governing wood packaging shipments to Australia

AQIS, the Australian body which governs the import of wood packaging, has issued a statement regarding the de-barking of wood packaging entering Australia through their ports.

This warning came from the CFIA on behalf of AQIS and should be noted. The demand was very specific and has caused the CFIA to add a section to the Canadian Wood Packaging Certification Program D-01-05. The CFIA is considering this statement - Countries may have additional Phytosanitary import requirements that are above and beyond the scope of the ISPM no.15 standard. All exporters are encouraged to consult the following website: www.inspection.gc.ca/english/plaveg/for/cwpc/ispm15e.shtml.

To verify the Phytosanitary requirements for the respective countries. Every member can access the same information from www.canadianwoodpackaging.ca or from www.emballagedeboiscanadien.ca, our new website for the program.

Even though Australia does recognize and subject their imports to the IPPC-ISPM 15 policy they can request additional protection for their national forests and plants. With this in mind they have regulated bark on the import of wood packaging. Their document AQIS – Cargo Containers – Quarantine Aspects and Procedures – 15 November, 2006 states that they will only accept wood packaging that is free of bark.

What is Bark Free Wood?

Bark-free wood – common declaration:

• Wood from which all bark, except ingrown bark around knots and bark pockets between rings of annual growth, has been removed

More specific declaration - Inspection to verify the wood is bark-free:

• Where NPPO's require that wood be bark-free, the commodity should not retain any visible indication of bark. In many cases, this wood may contain evidence of cambium, which may appear as a brown discoloured tissue on the surface of the wood. Furthermore bark-free wood may also contain ingrown bark and bark pockets, but in general should not contain any evidence of the layer of tissue above the cambium.

AQIS Bark Statement

• Where timber packing has been used, each packing declaration must contain a statement as to whether or not the timber packing within the container has bark on it. Bark is the external natural layer covering trees and branches. This material is distinct and separable from processed timber. A bark statement must be present on any packing declaration that has timber declared.

Neither the CFIA, nor the manufacturer, can fight this declaration. You must meet Australia's decision to require FREE OF BARK on all wood packaging entering their country. If you have a shipment now on board, destination Australia, you can only hope that the timber used was free of bark or very close. They do have some tolerance on the import side but it is very narrow.

We all know how hard it may be to pre-select lumber for shipments to Australia. Having one of your employees go through a lift and select only pieces that are Free of Bark. Your customers also must realize that Australia's requirements do put more pressure on you and the cost of producing the wood packaging may increase.

At the end of March 2007, the ISPM 15 policy was discussed in Rome. The Food and Agriculture Organization of the United Nations through the CPM 2007/2 has issued a document that will discuss the de-barking and free of bark issue. The International Forestry Quarantine Research Group (IFQRG) will give results of their study but it still comes down to the requirements that a country wishes attach to wood packaging imports.

It is believed that Australia and New Zealand will regulate wood packaging. Free of Bark is their requirement and the meetings in Rome will not change their import policy. Please update your Quality Manual with this information.

The 10 Commandments of Networking.

Getting The Most Out of Business Networking

Networking is a lot of fun! Business networking is when a group of like minded business people gather and help each other. If you check, you will surely find a networking group in your area. The networking group can meet as often as they wish and as is convenient for the participants.

Regrettably, most people start with a networking group by looking for immediate gains.... that is, for favourable results for themselves. If this is what you are trying to achieve, you are networking for the wrong reasons and will stick out like a sore thumb.

Many people think that the size of a networking group makes the difference. When groups start falling in size, members will say, "we have to build up our numbers." Now, what numbers are they referring to? Is it the number of participants? Better to belong to a networking group of two people who can help each other on a regular basis, than have a large group of business people not following the Ten Commandments of Networking.

It is not the quantity, it is the quality.

"I haven't got any leads yet!" Well excuse me, have you given one, ever? Or, have you made a suggestion that might help a fellow member? Did you call anyone with a compliment and say, "Just wanted you to know, Jim, that your comments on the XYZ expansion was right on the money." One must be willing to put in time waiting also. It might take a while before people feel comfortable with offering you a referral.

Networking groups will come and go. To get the most out of your networking experience, you need to build a relationship with people whom you want to have contact with. Not all members will be able to help you, nor will you be able to help them. That doesn't mean you should snub them! It is possible to have strong relationships with networking friends from groups that are long gone.

When networking, spend most of your time and effort on people who can help each other out, for the long term. That's right – this is a long term project. Countless times people have been seen at business networking events actually running from person to person, with the expectations of first giving away their card and hoping to gather the other person's. How can you possibly build a relationship with a person when your objective is to get out there and collect cards? Some networking groups make a game out of it to see who can collect the most in a certain time. What a waste of business cards!

You will find that a highly effective networker will "work the net". This is where you go into a function with a goal in mind. A reasonable business networking goal is to have the expectation that you will "meet" and "understand" only three people per event. Recognise what kind of person you can help and expect that this person will be able to do the same for you. The highly effective networker will take the time to cultivate a rapport.

After the business networking event is when the real work begins, remember you are only at the networking event to meet and build rapport. Follow up ASAP. Now is the time to send a nice customized card, and call a few days after to arrange a time to meet for a coffee or to have lunch. That is when you can listen to the details of what your new "friend" requires. You might even have the chance to offer your goods and services, only after listening.

If you want to gain the most out of business networking, follow the Ten Commandments of Networking!

1. *Thou shalt drop the "what is in it for me?" attitude.*
2. *Thou shalt listen.*
3. *Thou shalt build a relationship.*
4. *Thou shalt give the first referral.*
5. *Thou shalt not tell others of the referral you require; thou shalt "show them" with a story.*
6. *Thou shalt be specific of the type of referral.*
7. *Thou shalt reciprocate when appropriate.*
8. *Thou shalt participate in the network executive, functions, and network time.*
9. *Thou shalt thank the person who gave a referral.*
10. *Thou shalt follow up on the referral within 24 hours.*

Supply problems hit Russian Birch plywood

It looks very much as though packing case manufacturers, particularly those using Russian Birch plywood, are going to have to negotiate urgent price increases with their customers. The whole industry has been affected in a very short space of time, but packing case manufacturers are hardest hit by price rises that have affected not just plywood, but MDF, OSB, chipboard and hardboard as well.

Russian Birch plywood, which accounts for over half of the material used in manufacturing plywood packing cases, has seen prices rise by 40% over the last couple of months and the material in very short supply. Alternatives such as Chinese Birch / Poplar are available, but on a thickness-for-thickness comparison these are not as strong. Also, they too are now seeing prices begin to move upwards.

There are a number of factors affecting supply. The weather has hampered the usual harvesting of logs, with 60% of the winter logging period being lost due to the forests failing to freeze up until mid January. They then thawed again in March and this has put log supply in a very fragile position. It is not expected to improve for the remainder of this year. Finnish mills are now quoting October or November shipment with restricted volumes.

Another contributing factor that is hampering log extraction by all of the Russian mills, is that many forest roads still remain closed by the government. This is in an effort to allow road recovery from heavy traffic churning up the ground.

A report has also been received advising that the St. Petersburg Terminal, through which significant volumes of Russian Birch plywood traffic pass, has been blocked until further notice. At the moment we are not clear as to the reasons for this, but it will inevitably hinder some shipments.

With the current log supply difficulties across Europe all the mills have a reduced capacity available. This is not expected to improve in the short to medium term and there is a high risk of some confirmed contracts still having to be re-negotiated at higher prices.

Continued increase in forest area in Europe brings big eco and commercial opportunities.

Forests are not only our "green lungs", as the popular saying goes, but they also play a key role in the climate of our planet. In the year 2000, 38.6 million km2 of the terrestrial surface was covered by forests. Although Europe holds only a small share of this (1.1 million km2), it has a considerable part of the managed forests. Worldwide, forests are shrinking due to heavy logging and habitat destruction. Europe however is the exception and is currently increasing its forest area each year, covering additional area equivalent to the size of Cyprus. Whilst 2.3% of forest cover worldwide was lost annually during the years 1990-2000, Europe has "bucked the trend" actually increasing its wooded area by nearly 10,000 km2.

The reforestation policy in European countries is based mainly on economic considerations, although the climatic role of forests is increasingly being taken into account, too. The guideline for any forestry policy should be sustainability: replacing each piece of logged land with re-plantation of equivalent ecological value.

Given the importance of the forestry sector, considering both ecological and economic impacts, an integrated approach to improved management is essential. Forest managers have to know in time about the needs of the timber industry, which relies on a regular supply of wood with uniform properties. A model for forecasting the quality of timber would be very helpful in decision-making about planting and logging schemes.

A European group – Mefyque – has received funding under the Fifth Framework Programme (QLK5-2000-00345) to develop an integrated modelling framework. The aim is to improve understanding of the relationships between site conditions and growth, timber quality and production, current and future scenarios of climate change and atmospheric compositions.
The group intends to:

- Monitor existing forest sites;
- Manipulate conditions of growth;
- Analyse anatomical, biochemical and mechanical properties of wood;
- Model growth, yield and quality at a range of spatial scales.

The integrated modelling system will enable forest managers, the timber industry and policy-makers to decide whether forest management should be principally for production, conservation or amenity outputs.

Timber is naturally sustainable, renewable and environmentally friendly. It offers businesses with packaging requirements, plus a number of other sectors including construction; retail and manufacturing the opportunity to reduce their carbon footprint – and therefore the effect their businesses have on the environment. Furthermore, many timber-associated companies are major regional employers, playing a large part on an area's social and employment structure. All these positive factors make a compelling case for the continued expansion in the use of timber as a material of choice.

US Democrats demand shift in US Trade Policy.

House Speaker Nancy Pelosi, D-Calif., and Majority Leader Steny Hoyer, D-Md., along with several senior members of the Ways and Means Committee, recently wrote to President Bush urging him to develop a new direction in U.S. trade policy that addresses "in a meaningful way" the U.S. trade deficit, which hit a record $763.6 billion in 2006.

To help achieve this, the letter recommends a shift in focus from negotiating free trade agreements with countries that only account for a small percentage of total U.S. trade, to agreements with more significant trading partners. Senate Finance Committee Chairman Max Baucus, D-Mont., echoed this sentiment at a hearing last week, saying an emphasis on more commercially meaningful trading partners offers greater opportunities to U.S. exporters.
.
Pointing out that the deficits with just three trading partners – China, Japan and the European Union – account for the majority of the overall U.S. trade deficit, the letter calls on the administration to present to Congress within 90 days a comprehensive plan to eliminate these deficits. Some specific actions the Democrats suggest are:

- taking aggressive action to combat currency manipulation in China and Japan
- bringing WTO cases against China's intellectual property rights violations and the EU's discriminatory trading arrangements
- enforcing U.S. trade remedy laws, including by maintaining the ability to use zeroing;
- allowing countervailing duties to be imposed on subsidized Chinese exports.

The letter enumerates Democratic concerns on other trade issues as well. It states that Congress is prepared to approve a Doha Round agreement, provided that it "achieves core U.S. objectives, including in the areas of agriculture, manufacturing – including the dismantling of non-tariff barriers – and services and preserves (and ensures that WTO dispute settlement does not undermine) strong U.S. fair trade laws". The letter urges the administration to ensure that any FTA with Korea includes benefits for U.S. beef producers, automobile manufacturers and pharmaceutical companies. Democrats call on the administration to incorporate within FTA's an enforceable commitment to adopt the five core International Labor Organization labor standards.

Lastly, the letter encourages the administration to create new programs, such as early childhood education and public-private initiatives to spur research and innovation, in order to better equip U.S. entities to take maximum advantage of the benefits of globalization.

The administration's response to these suggestions remains to be seen. One area where it does not appear to be heeding the letter's advice is on the issue of zeroing. U.S. officials indicated to the WTO Feb. 20 that the U.S. intends to comply with a recent ruling against zeroing in original investigations as well as administrative, sunset and new shipper reviews. This follows the Department of Commerce's announcement in December, that it will eliminate zeroing in the calculation of weighted-average dumping margins in AD duty investigations.

Both Sen. Baucus and House Ways and Means Chairman Charles Rangel, D-N.Y., have responded by calling for the DOC to delay this step, arguing that the WTO dispute panel overstepped its authority.

The administration will, however, almost certainly have to make some concessions, particularly in the areas of labor and the environment and countering the negative effects of globalization on U.S. workers, in order to gain congressional approval for any extension of trade promotion authority. Some observers speculate that a TPA renewal bill could include provisions on these and many other issues of concern to both Republicans and Democrats.

Key points from the new Driver's Hours Law.

The European Road Transport Working Time Directive 2002/15/EC was initially introduced to restrict the amount of working time that could be performed by 'mobile workers' – those that form the travelling staff of vehicles of more than 3.5 tonnes, typically drivers and crew, but also apprentices and trainees – operating on vehicles subject to the European drivers' hours rules.

In the UK, the Directive was implemented through the Road Transport (Working Time) Regulations 2005, which came into force in April of that year. Basically, it was introduced to protect the health and safety of its workers and the wider public, with employers required to maintain records of the Working Time of those mobile workers subject to Community Drivers' Hours regulation 3820/85/EEC – or in some cases the AETR hours rules.

On April 11th 2007 Regulation 3820/85 will be replaced by Drivers' Hours Law Regulation 561/2006. The new Regulation is aimed at maintaining road safety, improving working conditions for vehicle crew and ensuring that transport operations are working to the same rules throughout the road transport sector in Europe.

For drivers and operators, it will mean a number of changes, some of them more restrictive than the current legislation.

TIMCON stresses that for those working with in-scope vehicles, the new Drivers' Hours Law cannot be avoided – so do make sure that you know what it means and how it will affect you before it becomes mandatory on April 11th.

In summary the main points are:

- After a driving period of 4.5 hours a driver must take an uninterrupted break of no less than 45 minutes; however, this break may be replaced with a break of at least 15 minutes followed by a 30 minute break within the 4.5 hour period.
- Permitted daily driving totals remain the same, 9 hours per day, which may be increased to 10 hours twice in a fixed week.
- The weekly driving total must not exceed 56 hours, and in any two consecutive weeks must not exceed 90 hours.
- Drivers must take a (regular) daily rest period of at least 11 hours in a 24 hour period, however this may be reduced to no less than 9 hours (non regular) three times between any two weekly rest periods. Note, no compensation is required.
- A regular daily rest period can also be taken in two separate periods, the first period being at least 3 hours and the second at least 9 hours.
- After no more than 6 successive periods of 24 hours following the last weekly rest period, the driver must take a weekly rest that amounts to 45 hours (regular), but can be reduced to no less than 24 hours (non regular) at base or away from base
- A full regular 45 hours rest is required in any two consecutive weeks.
- Any reduction in weekly rest must be compensated by the end of the third week following the week in question.
- Currently drivers only have to keep tachograph records for days on which they are driving, however from 11th April drivers needs to keep a record of both driving and non driving days within a fixed week, where in scope driving has occurred.
  The record should include all periods of availability and other work including work carried out for any other employer.

John Dye comments: "It remains to be seen how the impending changes will impact on the road haulage industry and on transport costs overall. For the pallet and packaging industry specifically, the delivery of materials, finished products and wood waste for recycling represent significant transportation costs and TIMCON will be monitoring developments in this important area and keeping members fully informed."

No justification to discriminate against wood in the food industry.

Traditionally wood has been used for many applications in the food industry. Today though, it is being discriminated against in many sectors, particularly utensils, interiors, and buildings – as well as in pallets and packaging. The reasons cited are that wood is a porous material, splinters are a risk and there is a lack of cleaning or sanitation methods.

However, a number of studies, primarily in Germany, Switzerland and the Nordic countries, show that bacteria actually have a greater capacity to survive on plastics than on wood, with certain types of wood having superior hygienic qualities over plastics.

Both laboratory testing and field tests have been employed. With the laboratory tests the use of high temperature treatment for sanitation is shown to be very effective and no bacterial growth could be detected afterwards. Field tests have used high-pressure water treatment, and this too has been very efficient as a cleaning method.

One promising technique for pasteurising wooden packaging is microwaving, where a technique has been developed for sanitising wooden pallets and corrugated egg boxes. The effect of microwaves on samples of pine and beech infested with different bacteria and on samples of mould infested board material, were tested and preliminary results indicate that there is a good reason to experiment further with this process.

In one test, different wood species ash, beech and oak – as well as plastic and steel – were inoculated with bacteria to replicate the effect of bacteria on wood, which has been in direct contact with meat. Namely chopping boards, tabletops, knife handles for example. After two hours oak and beech have the same incidence of bacteria as plastic and steel, but after 168 hours, laboratory examination indicates that the bacteria survive better on plastic and steel.

Different wood species provide different conditions of life for bacteria. Generally, it has been shown that oak performs better than beech or ash – and Scotch pine for pallets is a more hygienic wood species to use than Norwegian spruce. This is due not only to the species of wood, but also the moisture content. Increased wood moisture correlates with better living conditions for bacteria.

Rules for Food handling

Timber pallets and packaging continue to deliver quality, hygiene, sustainability, improved fire resistance and long term best value. Food manufacturers and handlers however are reminded that they should adhere to the following recommendations.

These are basic guidelines, but it is for the food handler to ensure that all legislative rules are complied with.

Clean, dry pallets should be used for the food industry. Wooden pallets should not be stored unprotected outdoors in order to avoid biological, physical and chemical contamination.

A general rule is that wood shall have moisture content below 20% to avoid growth of most mould and fungi. The same is valid for bacteria. The higher the moisture content the better survival of the micro organisms. Quality control must also secure good trimming of the boards, if required the boards can be planed. There should be no protruding nails.

Keep pallets for hygienic zones well separated. If the pallet is dirty, one efficient method is to clean the pallet using a high pressure water jet. Allow the pallet to dry thoroughly before putting it into service.

Heat treated pallets can be sterilised by an additional drying cycle in a kiln.

For the egg industry, drying pallets by microwave irradiation has been used successfully in Denmark. Recent trials on pallets have been promising, and there seems to be good potential for this to be recognised globally as an alternative treatment for all wood packaging material.

All packed and ready to go!

Packing for preservation and shipment has been performed for thousands of years in various forms. From the mummification of the pharaohs where the need was for preservation into another life to the amazing ingenuity of the likes of Howard Carter who packed the contents of Tutankahmun's tomb in the Valley of the Kings in Egypt for shipment back to the British Museum. In those days there were not the materials such as foam, barrier foil, polythene and desiccants such as we use today. Thus making their endeavours to protect those antiquities an even greater fete. Today with the aid of the latest technology, some of which were obtained from the NASA space centre, we are able to transport the most delicate of objects on air ride vehicles, temperature controlled containers for both air and sea movements and a host of cushioning mediums to protect the biggest threat that of human error in handling. Contents that are susceptible to climate conditions can now be hermetically sealed in foil or polythene, although foil is the most preferred method today. This together with both manual and electronic indicators enable us to measure if packages have been mishandled on route and where it took place.

This is where the need of an experienced packer is paramount. There are many export packers throughout the UK but only a handful that have the knowledge and experience to pack such fine delicate cargo whether it be purely for storage and / or shipment. Either way these packers will be members of TIMCON (The Timber Packaging and Pallet Confederation) through its UK Wood Packaging Material Marking Programme. This programme was introduced to regulate companies to conform with the requirements of ISPM 15 whereby over 70 counties now stipulate that apart from plywood, all timber used for packaging must be either heat treated or fumigated using Methyl Bromide. The packaging is duly identified by stencilling the packer's unique mark. ISPM 15 was introduced to protect the world's forests from decimation by wood boring insects. This is achieved by heating the timber to 56 degrees for 30 minutes and is mainly done at source where the timber has been debarked and cut prior to shipment. If timber cases, crates or pallets are found by the importing country not to bear the required marking then several courses of action can be taken. These include, shipping back to the country of export, fumigating the cargo at or near the point of entry or destroying the cargo. All of the options are at the consignee's expense. Consequently it is imperative that the packer, case maker and forwarding agent ensure that these regulations are followed. At present the four main countries that are rigorously enforcing these regulations to protect their borders from these unwanted guests. They are USA, Canada, China and Australia.

timcon

timber packaging and pallet confederation

840 Melton Road •
Thurmaston •
Leicester LE4 8BN
Tel • +44 (0)116 264 0579
Fax • +44 (0)116 264 0141

email timcon@associationhq.org.uk
website www.timcon.org