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### **Wide Lumber Boosts Profits in Southern Pine Region**

**Portland, OR – July 26, 2013** – A benchmarking study recently completed by The Beck Group reveals that among producers of Southern Yellow Pine lumber, mills focused on producing wide lumber (particularly 2x12) were more profitable in 2012 than mills that were not. Typically the large logs that yield wide lumber are more expensive than smaller logs. However, the price spread has diminished in recent years as lower demand from sawmills and plywood plants has driven large log prices down. At the same time strong roundwood demand from pulp mills put a floor on the cost of small and intermediate sized logs. In 2012, the year examined in the benchmarking study, 2x12 lumber commanded a significant premium over narrower lumber sizes, so the combination of higher lumber sales values for wides and relatively low prices for large logs was a winning combination for several Southern Pine mills.

The benchmarking study provided other interesting insights, as well. A comparison of mill performance between 2010 (the last time a similar study was conducted) and 2012 reveals that while lumber recovery and productivity showed very little change, mills have improved operating costs by several dollars per thousand board feet, on average. The cost reduction was due, in part, to economies of scale as operating hours and total production increased, but also to cost cutting measures.

Another noteworthy trend in the Southern Pine industry is the increasing popularity of single extended operating shifts. While mills cut back from two shifts to one during poor lumber markets over the last several years, many of them are opting not to go back to a full two shifts of operation as lumber demand increases. Instead, mills will either ask their crews to work extended hours (50+ hours per week) or will create rotating staffing schedules that allow the mill to operate 60 or more hours per week while individual employees work only 40 hours. Mill managers cite a variety of reasons for this strategy, including improvements in productivity that allow them to produce as much in 50 or 60 hours as they used to in 80, trouble finding qualified employees to staff an additional full shift, and logging and log hauling infrastructure constraints that limit the amount of logs the mill can source.

Twenty-four mills representing fifteen companies across the U.S. South participated in the study, including both publicly and privately held firms.

#### **About The Beck Group**

The Beck Group is the forest products industry leader in benchmarking, and offers a wide variety of planning and consulting services in North America and around the world. For more than 30 years, The Beck Group has assisted forest products companies with project planning, feasibility studies, mill modernizations, competitive assessments, due diligence, valuation appraisals, fiber supply, and timber procurement planning. [www.beckgroupconsulting.com](http://www.beckgroupconsulting.com)