

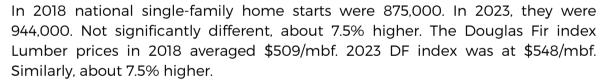
#### This Issue

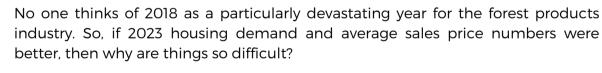
#### Manager's Message

Well, we had high hopes for 2024, but, so far, we have been sorely disappointed! We really had no good reason to expect that the first half of 2024 would be dramatically different, other than an unending optimism that seems to be a necessary trait within the wood products industry. Rising costs and waning demand continue to create extremely trying times to operate a lumber mill in Montana! We have seen devastating announcements from our partners at Pyramid Mountain Lumber and Roseburg Forest Products and our hearts go out to them.

Everyone is looking for answers as to what is driving this and trying to identify the ones they can't control as the primary factor. The answer is simply not simple. It is a combination of factors that affects not just the wood products industry. "Old timers" in our industry will tell you, we are the first to feel the effects of the economy both on the downside and upside. Let's hope that is true on the upside! Let's look at what has changed over the last five years as I think it helps identify the challenges and helps point us towards solutions. In retrospect, 2018 is the year most similar to 2023 when avoiding the craziness of the COVID period.













### F.H. Stoltze Land & Lumber Co. Lumber Manufacturers

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# Manager's Message ..... Continued from page 1 ....

CPI in 2018 was at \$247.86 and at the end of 2023 it was at \$306.75; a 24% increase. That is the funny thing about inflation, we like to talk about the "inflation rate" and politicians like to pat themselves on the back when it goes down, but we seem to forget that inflation is cumulative! Similarly, median home price in Flathead County in 2018 was \$389,000, in 2023 it was \$630,000- a staggering 49% increase in just five years. Contrary to what some will tell you, this is not a reflection of an increase in lumber values, but merely supply and demand within our region.

These indicators directly relate to the cost of living for our employees. Within that same period of time, we experienced a 31% increase in wage costs. We are not complaining, it certainly is warranted based on the cost of living here, but something that is not recovered in lumber values for the same time period. As you can imagine, nearly every other cost, fuel, parts, consumables, etc. experienced similar levels of inflation.

So where does that leave us? You can do the math. Dramatic increase in costs that are not recovered by an increase in commodity lumber value. Yet, the need for forest management is never stronger. I think it just reinforces the two primary issues we here at Stoltze continue to focus on:

How do we manage Montana forests the way they need to meet the demands of society for wood products, mitigate wildfire threat for communities, and provide the clean air, clean water and healthy wildlife habitat we all cherish? Simply put, it means increasing the pace and scale of management on our National Forests where appropriate to meet those demands. Unfortunately, we are seeing the opposite outcomes here locally. Increased certainty in log supply is essential to the continued existence of our forest management capacity in Montana. Remember, we are only talking about active management on 20% of our Montana national forest lands. The other 80% is already under hands off – natural management, which we suffer the consequences of in wildfire and insect and disease activity. The threat to Montana forests lies in continuing to do nothing, not in over management.

How do we generate the value Montana wood deserves (and needs)? We have some of the most beautiful and strong wood in the world. At the same time, we voluntarily manage our forests to the highest of standards anywhere because we treasure them more than anyone. The costs of growing and harvesting trees sustainably and converting them into durable – valuable wood products in Montana is high. We must capture the value of Montana wood products that supports the costs of the ecological and societal benefits of high standard forest stewardship of our forests and communities.

So, stay tuned. We are working tirelessly on these two issues (and about a million more). Unfortunately, market conditions will force us to make hard decisions on short-term operations that will have direct effects on our employees and communities. We have been here before and thanks to the dedication and continued focus on the long term, we will once again navigate difficult times through perseverance and innovation. What we do at Stoltze is the right thing to do. For our communities, for our forests and for our families. But remember, the right thing is not necessarily the easy thing. The good news is... the trees are still growing.

Best Regards, Paul McKenzie Vice President - General Manager



#### News From the Plant

It's hard to believe we are almost to the halfway point of 2024. Unfortunately, the start of 2024 has been like 2023; slow markets and high inflation. With it being an election year, the last half of 2024 is looking like it will be a lot like the first half of 2024. There are a lot of employees here who have seen these markets more than others; unfortunately, there have been more down markets than positive ones. Markets will turn around, and when they do, we will be here to take advantage; just like we have done for 112 years.

With the down markets, we aren't planning on any major projects this year. The plan is to recognize ways to make our processes more efficient to help lower costs. We have been looking at possibly doing a remodel of our #2 planer outfeed so that we can run products at the same time our #1 planer is running. Products like more pattern, tongue and groove, 2 x 3 lumber, or 1 x 3 and 1 x 4 lumber. We would like to try and hit some of these specialty markets to help reduce costs and also to get the most out of our lumber we can possibly get. We were able to purchase a lot of equipment, transfers, and machines from a Planer mill that shut down in Eureka many years ago. We can utilize most of this equipment in one way or the other in our #2 Planer line.

Another small project is replacing or redoing our chipper system at the Planer. The current system is very old and worn out, causing us frustration and downtime. Our thoughts are to take out the shaker and blower and just blow the chips from the chipper into chip vans. Once the vans are full, we can either take the chips to Weyerhaeuser or to our power plant for fuel.

One project that we just got up and running is our new in-line moisture meter. It is working great and giving options for our grades. This moisture meter will allow us to possibly work with some companies that need a certain moisture percentage for their products, giving us more value in our lumber.

In the sawmill, we will be concentrating on regular repair and maintenance items. Hitting machine centers that have wear and tear and replacing parts as needed to keep them in good operating order. Clean-up will be another area that is concentrated on, not just in the sawmill but plantwide. This is never-ending and any help recognizing areas that can be fixed or changed to prevent spills will be appreciated. Good housekeeping will definitely help with our ongoing maintenance and also our overall efficiency.

As I write this, we are in the late stages of spring breakup. Our contractors are gearing up and getting ready to head back out to get logs rolling to the mill. Unfortunately, it's been raining pretty consistently for the past week, delaying the start of logging a bit. The upcoming forecast does show warmer drier weather heading our way. Our Resource Department has a good plan in place to get the logs we need and I'm confident we will see our log yard full in quick order.

I know things aren't all rosy at present. Just remember that F.H. Stoltze Land & Lumber Co. has been operating for 112 years. We have made it through these years because of the dedicated and hard-working employees, because of the management team we have had in place, and because of the commitment of the Stoltze Family throughout this legacy.

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### Forester Ramblings

It's now May and time for the first TCT article of 2024. As usual, when I'm writing this two things are happening. It's raining and our Log Yard inventory is waning. But it is also greening up and warming up. Spring rains are on their way to transition into summer sunshine. Which means it is time to get back to the forest and back to work!

This has been somewhat of a spooky start to the year. Lumber markets are going on two years now of a slump. We have been waiting for an uptick, something to be positive about but it hasn't happened. Instead, two local wood products facilities have curtailed or permanently halted production. Pyramid Mountain Lumber, who we worked with frequently selling Ponderosa Pine logs, buying hog fuel from, and serving on many of the same committees and boards, was one of the mills that announced a closure. The next, Roseburg in Missoula, an OSB facility we sold all of our planer shavings to. These closures have had direct negative effects on our business.

Most recently Stimson's Plummer mill in Idaho announced its closure. Although we did not conduct business with them, this mill was specifically designed to handle small-diameter logs. What is concerning about this closure is that this is the very type of sawmill that our government would like us to re-tool for, small-diameter timber.

Many of you receiving the TCT know that in the forest products industry, we all are intertwined. Sawmills need logs, and secondary producers like MDF or OSB mills need residuals or the byproducts of logs to make their products. Having these secondary manufacturers gives value to our milling by-products; saw chips, sawdust, and planer shavings. Without a competitive secondary manufacturing process, these by-products become a burden and cost rather than a value-added product. Now, the ripple effects of the two Montana mills closing are beginning to be felt across the state.

With the down market and the shadow of the recent mill closures, you may ask how we remain positive and look toward the future.

At Stoltze, we have 112 years of history in Montana being a steward of our forests and meeting the challenges of today with an eye for the future. Challenging times call for squeezing the most value out of every log, finding niche markets, and diversifying by-product sales, along with full utilization and realization of the market value our high-quality Montana forest products deserve.

There are many challenges we face today in the forest products industry in Montana- high log costs, high labor costs, and high milling costs. Yet, we are living in a society that demands renewable energy, renewable products, and a reduction in atmospheric carbon.

There is no reason we cannot address many of these challenges as opportunities. Let's explore new markets to extract the value Montana forest products deserve. Let's educate the public that we are the answer to renewable fiber and carbon capture in our sustainable managed timberlands.

We need to tell our story and remind folks that there is a tremendous opportunity that active forest management can play in helping provide these demands, as well as all the benefits from a well-managed forest; clean water, wildlife habitat, fuel reduction, forest health resiliency, sustainable fiber production, and recreation opportunities!





#### "FILL THE TILL!"

News from the

### Sales Office

The timber industry has seen significant changes over the past few years. Despite these changes and hurdles, the one constant is our dedicated employees and their perseverance to produce a quality Montana-made and sourced wood product. Stoltze would like to recognize and thank Jeff Baiar on his retirement in April of this year. Jeff's employment with Stoltze spanned over 36 years. Jeff has been an integral part of our electrical department; his dedication and knowledge have been a valuable asset to Stoltze through his years of employment. We wish him a happy and fulfilling retirement.

Leah Michael Personnel Manager



It's Spring! Or at least that's what we've been told. Flowers are blooming, snow is almost gone, and the rain has started. Spring is usually the time when lumber markets get really fired up but this year is a little different. Markets have floundered due to interest rates, inflation, and overall uncertainty. The spring "bump" we normally see just hasn't happened yet.

We've all heard a lot about mill closures and the drop off in home sales. In general, there has been a lot of bad news in the lumber industry. Although we've accumulated more wood than we normally have this time of year due to the slow sales, which seems like a bad thing, there is a silver lining to it. With all the mill closures in the greater northwest, there is going to be a lot less wood produced this year compared to last year. That deficit in production will catch up to the market sometime in the near future and when it does, we will be in a good position to capture that market.

With markets like these you are forced to rethink what you're doing, and it becomes an opportunity to review our processes and our product lines to see if what we're doing is working or if we need to make changes. That is exactly what we've been doing. We have been fielding a lot of inquiries from customers looking to fill the gaps that will be left from the lost production.

Also, we have been engaging new customers to see if we can get into more of the niche markets where our products are worth more. A lot of these niche markets are looking for specific products, some of which we've never made, and we've run some volume through the planer to see how it comes out. A big thanks is in order to the entire planer crew for digging into all the experimental and custom planning we've been doing.

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# News From the **Plant**

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By the time this comes out, we will have passed a very special day on the calendar, June 6th. Why is it special? Well, it's the seniority date for a very special employee, Skip Zeiler. June 6th will mark the 52nd year Skip has been with F.H Stoltze. Now if that doesn't define commitment and dedication, I don't know what does. Thank You, Skip Zeiler, for everything you have done for this company and for showing me what hard work and dedication means.

Thank you all for your commitment, and for what you bring and mean to F.H. Stoltze Land & Lumber Co. We will keep pushing on, keep plugging away, and take every day as it comes. Remember, tomorrow is never promised. Keep the attitude positive. You, and only you, can control your outlook on what lies ahead. Work safe, play safe, hug your loved ones a little tighter, and smile a little longer.

Trevor Kjensrud Plant Manager

## Forester Ramblings Continued from page 4

To get through these challenging times we all need to continue to work together with more effectiveness and efficiency than ever before. We need to pull on the same rope in the same direction. They call this synchronicity. It is said that two horses pulling in tandem on the same rope in synchronicity can pull exponentially more than two horses pulling separate loads individually. If we synchronize all the way through the process of turning the logs into lumber and are all marching to the same beat we will come out of this stronger and better adapted to meet the challenges of today while setting ourselves up for future success.

Cameron Wohlschlegel Lands & Resource Manager

#### "FILL THE TILL!"

News from the

### Sales Office

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These special projects would not be possible without a lot of attention to the finer details and these folks have nailed it every time. The type of customers that are looking for these specialty products a lot of times turn into long-term relationships which is just the thing we like to pursue.

I'd be wrong if I didn't mention the pressure that Canadian wood has put on the market. Canadian mills have been dumping massive volumes into our country at huge discounts. Their prices have been consistently \$100 less per thousand than anyone else. It's put a tremendous strain on American wood and ironically has even put a strain on the Canadian lumber industry as they too have had multiple closures! It's almost like they can't see the forest through the trees. We've been working alongside other U.S. mills to push more stringent import laws and enforce tariffs to counteract this but it's a slow-moving process.

With all the negative news out of the way, there are some things to be happy about. Both the sawmill and planer have been operating at great levels and we have the logs we need to keep that going. Our lumber with its high-quality characteristics is preferred over many of our competitors and that's something to be proud of. We have made great strides forward with new technologies and our lumber just keeps getting better. And last, but certainly not least, we work for the oldest family-owned sawmill in Montana which is a great thing to be a part of.

John Bolles Sales Manager





I put off writing this as long as I could, but now, well into June, it is due... As everyone has said the market is terrible so I won't continue to dwell on that. Hopefully, we see an uptick soon. The office has recently seen a change in staff. Leslee is no longer working at Stoltze, but we have hired Brianna and I am happy to say she is doing great and catching on quickly. I would be remiss not to make sure to thank Kristin for all of her hard work during this transition time. She has been very helpful in learning how to do the job that Leslee was doing and training Brianna in her new role. Thank you, Kristin!

I don't really have a lot to add this go around on our articles. We continue to push along in these tough market conditions. John is looking for new markets and ideas for our lumber and Trevor is exploring options for our other products. Hopefully, the hard work they are putting in comes to fruition and we see new opportunities in the near future. We continue to invest in our plant and people as we have in the past, knowing we have been through tough markets before and we need to be sure to be in the right place when it turns around.

I hope I have more to talk about in the next article. By then I hope I can share more good news rather than bad, but for now, have a wonderful summer.

Josef Kuchera Office Manager/Editor

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Lumber Manufacturers

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