

Trumbull Creek Times



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F.H. Stoltze Land & Lumber Company

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THIS ISSUE

News From The Plant -
Page 2

Logging & Forestry -
Page 2

Sales Office -
Page 3

Editors Message-
Page 4

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Manager's Message

The first half of 2017 has proven to be increasingly positive and optimistic for the lumber market, for F.H. Stoltze, and for the forest products industry in general. To start the year off, on January 6th the International Trade Commission announced a 5-0 vote that US forest products companies had been injured by the import of Canadian lumber into the US. Immediately in the following weeks, in an anticipation of a tariff, the lumber market continued to gradually increase and by late April was almost \$100/M higher than it was in November and December of 2016. In April, a 19.88% counter-veiling duty tariff was placed on the Canadian lumber that is shipped across the border into the US. The lumber values have now leveled off and starting to find the balance point between supply and demand of the housing/construction markets. There will be another tariff announcement in late June to determine the anti-dumping duty rate, we will then see what, if any effect upon the market those tariffs may bring. Hopefully by the end of the year, the two countries will have worked out a new Softwood Lumber Agreement allowing for some market consistency for the industry on both sides of the border.

We were very fortunate to have had an adequate supply of logs for the long spring break-up period in order to have the lumber available to readily capture the uptick in the market. The resource department along with our logging contractors did a great job of planning and meeting those plans over a tough winter to build the log inventory to a level where we did not have to worry about running out of logs. As well, the milling, drying, planing, and shipping operations stepped up and increased production at a time when it was needed the most.

I have attended four different economic outlook sessions this spring, with sponsors ranging from the university and associations to our bank and without exception every single one was incredibly positive about the prospects for the future. The driving forces behind these positive predictions are a record high consumer confidence level, pent-up housing demand by the millennial generation who want to buy or build a home, low unemployment, and continued favorable interest rates and loan opportunities. Though I too am quite optimistic, I am realistic in our market expectations from many years of experience in a very cyclic business like the forest products industry.

We continue to work hard on the task of forest reform legislation in an effort to try and bring our national forests back under active management. On June 2nd Stoltze hosted Senator Steve Daines and Senator Pat Roberts (Kansas) Chairman of the Senate Agriculture, Nutrition, & Forestry Committee for a roundtable discussion. The discussion of the group focused on the concerns and frustrations of our local communities, counties, industry, and wildlife conservation groups of the financial and ecological implications of not managing the federal forests, the reasons causing this lack of management, and ideas how to help fix this dilemma legislatively through Congressional action. There will be a formal hearing of this Senate Committee on June 29th in Washington, DC to address these concerns and help form bipartisan legislation. We were also fortunate to have multiple opportunities to meet with Secretary of Agriculture Sonny Perdue on his recent visit to Montana and Idaho. Secretary Perdue is in charge of the US Forest Service and was incredibly quick in getting up to speed in understanding the problems we experience in our national forests of the West.

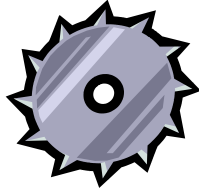
Please have a safe and fun summer enjoying your families and the recreational opportunities we have living in one of the best places on earth. Thank you all for your hard work and dedication.

Chuck Roady
General Manager



NEWS

From The
Plant



As I am sitting here writing this, I am thinking another six months has flown by. It is unbelievable that 2017 is half over already! The past couple of articles I have written contained information about the changes in the plant that have taken place over the past couple of years. This article will be no different. There is going to be a big change in the sawmill this fall. In fact, it is already happening. The sawmill is finally getting a new stacker and the drop sorter is getting an additional ten bins. The stacker will have an automatic stick feed system, the ability to offset the even end of the boards (box piling), will increase the layer speed, include a drop out system for trash and miss-sorted boards, and be run with one operator. The faster stacker system and the added storage space in the drop sorter will greatly increase efficiency and decrease downtime helping overall production in the sawmill tremendously. The time frame for startup on the stacker is the end of August; prior to that equipment will start showing up and get installed. Testing and operating the machine will be done beforehand, so that we will not have a significant amount of downtime. The tie in between the new stacker and the drop sorter will happen over a four day weekend. The additional bins will be installed a few weeks after the stacker is operational. Again, this will happen over a four day weekend; limiting the amount of downtime. I want to thank our electricians, our millwrights, our supervisors, and the many outside contractors involved in making these projects happen.

Looking into the future, the planer department will see the next major upgrade. First and foremost over the course of the next two to four years is a new planer. A new planer will allow us to run one shift efficiently and with the increased production be able to keep up with sawmill production without increasing manpower and hours. A much needed change and upgrade!

We will also be looking into updating and making our dry kilns more efficient. The kilns will need to keep up with both the increased sawmill and planer production.

Change is inevitable! We are changing now and will be changing in the future. We have to do this in order to survive and be competitive. One of the main reasons we are competitive and will survive is because of our employees. Our employees are second to none! Your hard work and dedication is unwavering! Thank You!

Continue to be safe. Work safe. Play safe. And enjoy your summer!

Trevor Kjensrud



Logging & Forestry Department



Stump Speech!

We had a great time on Monday of this week giving a tour of the sawmill, cogen, planer and AACT sites to the three fifth grade classes of Glacier Gateway Elementary here in Columbia Falls. As fate would have it, the mill was broke down, but sometimes that is a good way to show it off....nice and quiet! We had a ton of great questions and the Teachers were greatly appreciative. And being the last week of school, the fact that no one fell into the algae ponds is nothing short of a miracle!

I think it is so important for our youth, especially kids from right here in Columbia Falls to see the innovative and productive things that are going on right in their own back yard. To see the look on their faces as Michael Smith was explaining all of the science and technology that goes into running AACT was encouraging to all. We had a handful of kids whose parents, grandparents, aunts, uncles etc. work here and had no real idea what went on. It was good time spent and thanks to all of the Stoltze folks who helped corral this group as well as all of the groups that came through with Family Forestry Expo!

So I asked my group a question. "What does a sawmill run on?" I got a whole bunch of answers from nuclear energy, water, sunlight and even money! (How did that little guy know that?) I expect if I were to ask our own employees that same question I would get a variety of answers.....the foresters would say "logs", the electricians would say "electrons" the millwrights "steam and hydraulic oil" and the supervisors would probably tell you "gray hair"! While all those answers are right, it was not the answer I was looking for.

From my experience, sawmills run on PEOPLE! It is relatively easy to take care of log, machinery or market issues, but without good dedicated people, the best mill in the world is not worth the concrete it sits on. Stoltze is no different. People work here not because of just the pay or benefits, but because they believe in the company and are proud of what we do. That is a two way street that none of us can afford to forget.

The uncertainty of log supply, challenges of international markets and other business issues have been tough on the businesses in the Forest Products Industry, but the real damage shows in the hit to the confidence and conviction of our current and future generations of employees that this is a profession in which to invest your personal capital. The damage to the collective morale

Continued on Page 4



SALES OFFICE

2017 is half over now, and for the first time in a long time - boy has it been fun. The lumber market started trending up in the middle of January. We had a good supply of quality logs and decided to up our production at the mill in order to take advantage of this upward trend. February saw us building inventory on the rough side faster than we could get it through the planer. Chuck came into my office one day and pointed out that we were approaching record high inventory levels, (Not a good thing on your watch). At that time we had a 7.5 million board foot order file (a good thing). The problem was not a lack of orders. The problem was that I had to step back a bit on the sales end as I could not give accurate ship times. Most of industry will accept a one to two week ship date and you can even push it to two to three weeks but, if you are just guessing after that customers start getting nervous.

The decision was then made to increase production at the planer. We first tried running fifty hours with one crew but the mill was still getting ahead. We then decided to bump up to two forty hour shifts at the planer. Well how do you go from one crew running one long shift to two shifts? You start by hiring and training new people all of which takes time and a lot of effort. Kudos to Russ and Shaun and everyone involved for the many hours of interviewing, processing and training.

Once the second shift started, shipping followed - yea! Not so fast; I forgot to mention it was snowing. Is snow bad? Well no but, when you have a lot of lumber that has white paper on it, a lot of white snow, new guys in the shipping department and are looking at record production, record sales and record shipments what more could we want. Those new guys were probably thrown into the perfect storm. Thank you for hanging in there and not giving up; I know it was not easy. I also have to thank and congratulate the lead people who took the time to help and train the new people around them to be efficient and safe.



So then everything was going great – wrong; it was still snowing, the rail road had problems keeping its trains moving, and all the other mills were having the same great sells that I was, we had a truck shortage and it was still snowing. That takes care of January February and March. Now we are into April and May and June and prices are still good, demand is still strong and the rail road is running better. We were able to ship 6,936,598' in April and 6,913,866' in May. It is a happy place in the sales office.

Kris Page

Summertime!





Logging & Forestry continued from Page 2

extends beyond the private sector and into the public agency sector as well. Between endless litigation, vocal public scrutiny from all sides, and political gamesmanship with budgets and regulations we have seen many good folks walk away from particularly the US Forest Service in disgust and frustration. Many after a long, proud and productive careers with the Agency. A whole generation of foresters have chosen to NOT work for the USFS due to the stigma that agency holds. Just like our mill, an agency runs on its people and no amount of budget or resources will fix an entrenched culture problem like we have today.

So, now what? Our collaborative efforts show general consensus and acceptance that the land is in need of additional active management to meet the needs of society. Mother Nature is filling the gap left by our slow pace and scale of management with insects, disease and fire. The forests will be fine, Mother Nature will see to that, but the West will not be a pleasant place to try to be human if we do not change our path.

In my opinion, the time is ripe to make significant changes in the management of our public lands that will help the landscape, help our rural communities and strengthen our nation as a whole. One thing Canada has right is the understanding that good stewardship and utilization of natural resources brings tremendous stability and resilience to individuals, communities and economies. We can do the same thing in the United States with good leadership and clear vision. With this new administration we may have that opportunity.

There is a lot of talk about solutions and they include necessary things like fixing fire borrowing, addressing the litigation issue, tackling the budget challenges etc. However, if we fail to address the culture and morale issue in the USFS Agency, it will all be a wasted exercise. The USFS used to be known worldwide as the preeminent authority on public land management. We have many good people in the agency today, but even most of them would agree, the agency as an entity is broken. The minimal and slow implementation of the 2014 farm bill authorities is further proof of the dysfunction within the agency.

Over 100 years, a quagmire of policy, directives, handbooks, and rules has been developed, mostly by the agency itself, which consume tremendous energy and resources. It is time to streamline and review processes with a focus of taking care of the land. This does not mean eliminating NEPA or shortcutting the analysis, monitoring or science elements of management. It means looking for efficiencies and eliminating tasks and processes that do not contribute to the attainment of the agency objective. As Gifford Pinchot is purported to have written: *"Where conflicting interests must be reconciled, the question shall always be answered from the standpoint of the greatest good of the greatest number in the long run."*

This starts with clear leadership and direction from the very top. It means establishing clear goals and expectations and then following up with accountability and recognition of success. It means rebuilding an agency that folks feel proud to work for and feel proud to wear their uniform into the local grocery store at the end of the day. It means rebuilding the favorable relationship between the public land and our communities. Working for the USFS should be the dream of every forester coming out of forestry school, just like it was back at the turn of the century. Taking care of this great public asset is a tremendous opportunity and noble charge. I see the pride and personal satisfaction our foresters get from their management responsibilities and opportunities on Stoltze Company lands and wish the same for the managers of our National Forests.

The good news is.....the trees are still growing!

P.S. I want to sincerely thank Teresa Kimmet for her many years of service to Stoltze and mostly for her ability to greet everyone with a smile, regardless..... Enjoy your well-earned retirement! Terri West is tackling a new challenge in taking over Teresa's duties, Terri thank you for all you do! I'd say you would be greatly missed, but you are not going too far. That means we have a new person taking the reigns as our log accounting clerk, please welcome Kristin Downing to the Stoltze Team. Kristin brings tremendous energy and skill to Stoltze and will do a great job filling in behind Terri. Welcome!

Paul McKenzie
Resource Manager



Editorial

In the last newsletter I remarked how for the 45th time in our history we as a nation would peacefully transition power from one administration to the next. Boy was I wrong. There is no bloodshed in the streets, but the Democrats and major media are definitely waging a war of words and innuendo. Time and history will show if this onslaught is productive.

BEARS AND MUSSELS

The last few years we have had bears hit our garbage cans in the spring. We have always had marauding black bears in the fall but never in the spring! Now with the end of winter we have to relocate the garbage can to the garage, but normally by June they are back up in the mountains and we can leave the stinky garbage outside. Not so this year. Three times in the last month we have had bears wandering through our yard during the day in search of treats. With all the little kids we have around us, this is somewhat disturbing. I do not know what has changed their patterns of activity. Be it more bear numbers, more grizzlies and wolves pushing them out of their home range or just a change in culinary tastes; it is a pain in the butt.

If you have a boat, you need to have it inspected before you put into Whitefish or Flathead Lake. The zebra/quagga mussel scare at Tiber reservoir and Canyon Ferry reservoir east of the mountains last fall has started an all-out response in Montana. We now have a "Montana Mussel Response Team", a permanent council created by the Governor, thirty-four inspection stations, an unknown at this time number of decontamination stations, approximately 160 new seasonal employees and a budget of \$10-11 million dollars over the next biennium. Wow, government can act fast when all the players are on the same page. Though, no actual adult mussels have been discovered in Montana yet, I think vigilance is the proper response to take at this time. The Columbia River basin is the last major drainage in the US to be free of these little critters and it would be nice to keep it that way. Unfortunately, it is an uphill battle against carelessness, ignorance or just plain stupidity. Just this month, two boats headed to the Flathead from the Midwest were caught at inspection stations loaded with mussels.

As Paul mentioned earlier, Teresa is retiring in July. She started with Stoltze in 1983 and worked here until 1995 when she moved to Oregon when her husband Gary took a job there. The lure of Montana and the Flathead brought them home ten years later. She started back with Stoltze in September 2005. She has been the welcoming first face of Stoltze that visitors to the office see, a dependable co-worker and just an all-around good person. Enjoy retirement, we will miss you!

Jeff Clausen
Editor

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Page 6 ~ Trumbull Creek Times



Have a safe & fun summer!

