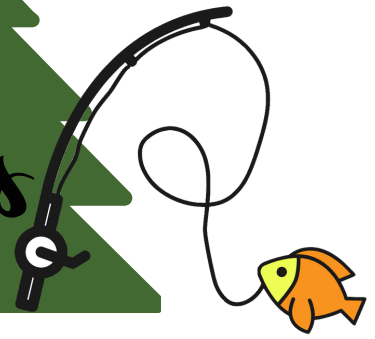


Trumbull Creek Times

"Summer Edition"

F.H. STOLTZE LAND & LUMBER CO.



Manager's Message

Welcome everyone to a new lifestyle of "sheltering in place", communicating and working from home, Zoom and Go To Meetings virtual meeting formats, face masks, temperature scanning, self-quarantine, and having your family members at home more of the time. I hope all of you and your families have been able to stay healthy and work safely. It's certainly a new world we are currently living in and experiencing while enduring the Coronavirus pandemic. Hopefully, in the not too distant future, we will look back on this period not only as a bad memory, but also as a time in history where we learned important lessons and developed improved habits in how we handle both personal and social health issues. Stoltze was designated an essential critical infrastructure business due to being a primary forest products producer and a generator of electricity into the local power grid. To date, we have been fortunate to continue operating at two shifts and to keep all of our employees working. It is an uphill climb and comes at considerable cost to keep producing lumber, while facing concerns of building volume inventory at a pace greater than we are able to sell the finished products.

FORECAST & OUTLOOK

The year 2020 started out on a positive note with an improving market and selling values that were headed in an upward trajectory. Three months previous to today we were viewing 2020 very optimistically and we all had high hopes of seeing a successful year. However, along came the COVID-19 Virus pandemic and our lumber sales, both in volume and values, have seen consistent reductions in all product lines in late March and April. It simply is impossible to guess what the future holds in regards to the lumber market for the remainder of the year. Consumer confidence in our economy is difficult at best to read at this point. I personally believe the demand by potential home builders still exists, but whether those individuals and investors have the confidence to go ahead and invest in building a home or commercial business structure remains to be seen. Most individuals will likely be cautious to move forward with borrowing money for construction before being assured their job and income are stable. I continue to be optimistic about the future, but have no idea how to estimate over what time period in the future we will see that optimism occur. We are definitely experiencing record low interest rates and very short time periods to secure loans, all which should encourage future builders and contractors. As I write this in late May we are experiencing a glimmer of my optimism.

We have seen many sawmills, panel, and plywood plants taking temporary curtailments and shift reductions over the last three months, both in the US and in Canada. This will help in the short term to alleviate a glut of over-production of products in the market to supply the country when the economy hopefully returns to pre-COVID virus conditions.

On the national stage, up until the Coronavirus hit the country, there has been consistent progress made in increasing the harvest levels and acres treated in the management of the national forests. We are very fortunate to have the current administration in place, with USDA Secretary Perdue and Under Secretary Hubbard consistently pushing the US Forest Service to meet their goals nationally and regionally. Again, hopefully this trend will continue upward after we get past the restrictions of the virus period. Thanks both to all our employees and contractors for your work, dedication, and your efforts in helping Stoltze through these unusual times. I hope all of you and your families will remain healthy and continue to work safely.

Chuck Roady
General Manager

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News From the Plant

"FILL THE TILL!" News from the Sales Office



2019 was a year in which we were pretty consistent with our production schedule and also concentrated on smaller, much needed, projects around the plant site. The first five months of the year, we ran the sawmill close to full capacity. Both the dayshift and night shift ran Monday through Thursday (each 40 hours/week). Starting in June, we scaled back and just ran the dayshift 40 hours per week, and then ran just the dayshift five days a week from August through December. We did have to increase production at the planer as well, to match what the sawmill was producing, so we ran the planer five days per week.

We ended 2019 producing 62,558,477 board feet in the sawmill and have a 22,576.14 board feet per hour average. The planer ended up producing 59,454,526 board feet and averaged 25,615.91 board feet per hour. For 2020 our goal, in the sawmill, is hitting 70 million board feet. It will be a push to hit this target number, but with some of the changes we have made and the crews we have I feel we can achieve this number. The planer will be pushed as well. I anticipate the planer producing in the 65 million board feet range.

The one major project we tackled in 2019 was replacing our south chipper in the sawmill. The old chipper was very worn and had a worn out cyclone attached. In doing this, we had to extend the sawmill building to the west; which also gave us some more dry storage for a lot of our motors. We took out the old cyclone and replaced it with a conveyor. This was a tremendous improvement and helped significantly with cleanup issues.

We also tore out and installed a new security fence on the south side of our plant site, along Braig Road. The old fence was falling apart and very dated. A new fence allows us better security and limits the possibility of someone just walking onto our plant site.

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The lumber market, what can I say?

Random Lengths Framing Lumber Composite Price December 27, 2019: \$373.00.

January started with a mix of trends with prices edging up slowly. Sales were steady and I was able to extend my order file. I wasn't having to take heavy discounts to keep stock moving, everybody was optimistic and looking forward to 2020 being a good year. Mid-January continued to be steady, buyers replenished consistently but were not willing to build inventories. Supply and demand were pretty balanced. The month finished strong with our shipments matching planer production from early January.

January 31, 2020: \$388.00.

Early February prices were still holding steady and sales were going well. Our shipments were slowing down as the volume that was ready for pickup had dropped after a good shipping month in January. The Census Bureau's January U.S. housing report showed housing starts exceeding expectations for the second month in a row. Things were looking good!

February 28, 2020: \$427.00.

How do we describe what happened next? There are a lot of Country Western song titles and verses out there that can kind of help. "Wrecking Ball" and "Ya Hit Me Like a Hurricane" seem to be stuck in my head as I am writing this.

The Coronavirus.

Buyers were starting to pull back and digest some of their earlier purchases. Prices seemed to be holding and buyers were willing to buy if you had what they needed and it was available for prompt shipment. No one wanted to get stuck with a lot of stock that did not have a home.

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"The trees are still growing!" Logging & Forestry Department Stump Speech



My daughter used to listen to this silly song that had a verse that said over and over again, "If I was you, I'd want to be me too".....it is actually a pretty horrible song, but that phrase sticks in my head when we talk about this whole COVID-19 situation and people look to us in Montana with envy. Many of us got into this business because we were "anti - bodies" who enjoyed the inherent "social distance" of working in the woods. Leave it to popular media to come up with new terms for what we just knew as normal.

Not that anything is normal about what we have experienced in the last two months. One of the biggest challenges we have in the industry in Montana is uncertainty, and this latest curveball has done nothing but ratchet that up. Thankfully, with our industry being designated as essential and critical, we have been able to keep closer to normal operations than most of our friends and neighbors. Now, coming out of break up, we are hopefully optimistic that the worst of the disease and associated restrictions are behind us. That being said, to expect us to be back to normal anytime soon is probably overly optimistic.

For our contracting base and log suppliers, the good news is we are currently taking logs at normal summer production levels. The mill continues to operate at 65 hours of sawmill production per week, which puts us on a full-scale log delivery schedule. The uncertainty of the market is worrisome, but, for the near term, we are planning strong log deliveries to rebuild some operational inventory and accommodate current levels of sawmill production.

As forest managers, we are all used to thinking about the long game. Knowing there is value in the future is critical to making good decisions today. Navigating the next 12 months is going to require we remain watchful and reactive to new information. I expect more unexpected. I expect we will need to quickly adjust to new information and short term changed conditions, but make decisions with long term goals in mind. Communication will be essential to successful navigation of unknown dangers.

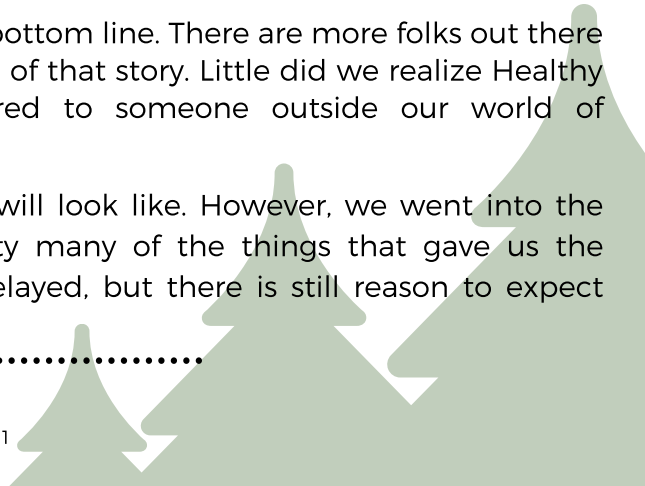
Stoltze is constantly re-evaluating our plans. Our plans for capital investment may be modified on timing, but not on priority. Good decisions survive bad events. We continue to explore new ventures to bring more value to our fiber supply. I firmly believe that the key to long term success of stewardship forestry in Montana lies in doing a better job of generating the value our trees deserve. That means changes in how we look at wood products and exploring new uses that capitalize on the strength and beauty of our Montana wood.

We can't ignore the value of the "story" behind our product. I learned another new term the other day, "triple bottom line." I still don't fully understand it, but it is the process of decision making and attributing value to intangibles associated with a product, social, environmental etc. along with the fiscal value.

Guess what? Our Montana wood certainly has a heck of a triple bottom line. There are more folks out there who want to hear that story, and possibly even pay for the value of that story. Little did we realize Healthy Forests, Healthy Families and Healthy Communities mattered to someone outside our world of commodity lumber products.

I can't make any solid promises for what the rest of the year will look like. However, we went into the beginning of this year with a pretty positive feeling. In reality many of the things that gave us the optimistic outlook have not changed. Timing may be a bit delayed, but there is still reason to expect recovery in markets; it is just a matter of when that will be.

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News From the Plant

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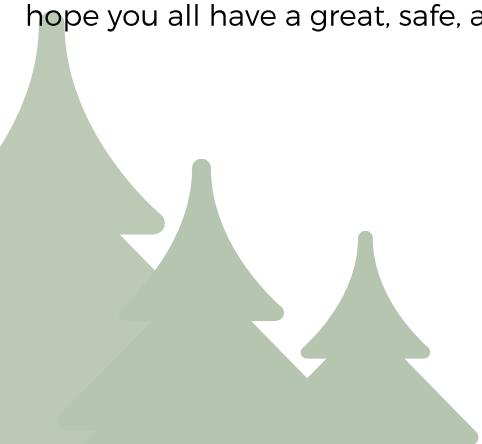
We installed a reload conveyor at our power plant. This helped to eliminate the need to run multiple pieces of equipment over the weekends, which in turn decreases our electricity costs and wear and tear on the equipment.

We also rebuilt our scale shack in our log yard. The old shack was dated and had very tight quarters. The new shack was built by our scalers, log yard crew, millwrights, and electricians; a total team (in-house) effort. It turned out great and was very much appreciated by the crews in the yard.

2020 looks like more of the same type of mentality for projects, smaller projects that have a big impact on efficiencies. As of right now we are looking to install a new self centering conveyor going into our little debarker. This will help with production and prevent log damage. This project is scheduled to be done over a four day weekend sometime during the first part of June. Another project we are looking at doing is building a hydraulic room for all of our hydraulic units that are on the east side of the sawmill. This will help us with cleanup issues and also help with protecting us from possible fires. The big project that we are looking at is possibly an auto-grader for our planer. We are looking at sometime during the 4th quarter of this year to put in the order; which would put the install date sometime during the 2nd quarter of 2021.

I not only want to thank our crews here at Stoltze, but I want to thank all of our contractors that do an amazing job getting us the logs that we need. You all do an exceptional job and it is very much appreciated here at the plant site. If we continue to work together as a team, we will be here for generations to come! I hope you all have a great, safe, and productive 2020.

Trevor Kjensrud
Plant Manager



"FILL THE TILL!" News from the Sales Office



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By the middle of March, chaos seemed to be the best way to describe the lumber market. Reality changed from day to day, mills curtailed, mills closed, mills stayed open. Truckers didn't know if they would get unloaded if they got loaded. With all of the curtailments and closures they never knew for sure what to expect.

With the dimensional lumber market down there was a bright spot- the home centers. We were able to move some 1" stock that had been accumulating. Having a diverse product line gives us options in a tight market.

March 31, 2020: \$371.00.

April started out as quite a grind. However, with the closures of Canadian mills, customers were beginning to inquire about spruce dimension. The management team made the decision to focus more on the production of spruce dimension instead of boards. We had the day shift cut dimension while the night shift cut boards. This allowed us to maintain adequate board stock while also capitalizing on the spruce dimension market.

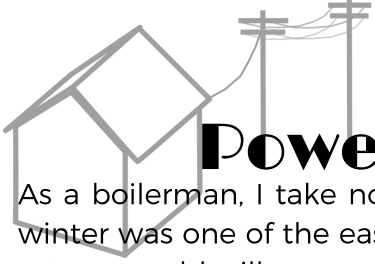
April 28, 2020: \$356.00.

As the country began to think about opening back up in May the lumber market started to slowly improve. We have had an increase in sales and shipping has begun to improve. While it would be nice to wait for the market to reach its peak before selling, we have a saying that "They make it while we sleep." With that in mind, we continue to move wood as we wait for things to return to normal.

May 22, 2020: \$427.00.

Kris Page
Sales Manager





Power Plant

As a boilerman, I take notice of the weather. Well, this winter was one of the easiest that I can remember. The extreme cold will cause us fits with feeding hogged fuel to the boiler, but this winter came and went without much trouble for us. So far, through the first five months, we have exceeded our power production by producing an extra 354 MW/HRS, and with an operating run time of 99.28% of available hours for the year.

We are continuing to improve our boiler operations. Our generator protection has been thoroughly inspected and changes have been made to better our operation. There are 82 safety devices being looked at for the turbine generator every millisecond. All settings have been improved to better protect our investment. The Schweitzer 700-G relay looks at things such as reverse power, over current, loss of field, etc. The 700-G watches the system and when something is out of range it will stop everything and open our utility breaker within four cycles. That is really fast- 60 cycles per second! Other upgrades we are doing is replacing our fly ash conveyor with a heavier chain, improved flight design, and straightening it out. A wise man once told me that 80% of your trouble with maintenance will be from 20% of your equipment. So, we focus on the things that give us fits throughout the year (the 20%) and try to improve them.

All the boiler crew and their families have stayed healthy through this pandemic. We are looking forward to the next six months to end the year on a high note.

Lee Starkel
Power Plant Manager



2020 has brought many new changes and challenges in our work and personal lives with the COVID-19 Pandemic. In light of all the new and recent mandates and guidelines in Federal and State agencies, navigating the best way to keep our employees safe and healthy while continuing our business operations has been nothing short of a learning experience.

HR Continued.....

As our state moves into Phase II of reopening guidelines starting June 1st 2020, let's not forget that this is not a time to lessen precautions and exposure we may have to COVID-19. Stoltze has implemented a restricted visitor policy to our plant site that you can view on our website, www.stoltzelumber.com, or give us a call at our main office location if you have any questions or concerns. I wish everyone a healthy and safe summer season; with a little patience and due diligence we will get through COVID-19 without too much impact to our lives.

Leah Michael
Personnel Manager

"The trees are still growing!" Logging & Forestry Department Stump Speech

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As we have said in other tough times, keep sight of the long term and take care of the near term. Keep your crews and families safe and healthy. Focus on quality land management and professionalism. Remember the importance of BMP's, good tree selection, protection of regeneration and quality log manufacturing. Our job on the ground is what we are judged by, regardless of extenuating circumstances. Look for opportunities; yes, they do exist in down times too. We just finished putting 64,000 new little trees in the ground and this rain is welcome on that front. Planting a tree is an investment in your future.

Remember, the good news is the trees are still growing!

Paul McKenzie
Resource Manager





As it seems to be alluded, nobody in our industry knows where this year is headed. From shut downs to social distancing to business requiring to close. Even as I write this, we now have protesting and rioting going on all across America. How can anybody know where we are headed? All we can do is continue to move forward and continue to make plans for the future.

I was at Costco the other day and heard somebody complain about having to wear a mask to one of the employees. Is it really such a big deal if there is any possibility it might help? Over the course of the last few months we have been asked to do many things that we may not agree with or we may not think help, but sometimes we need to do things that make other people feel better, not just ourselves. I know I have not agreed with all the things and suggestions put into place, but the slight hassle I feel when having to put on a mask to go into stores is overshadowed by the possibility of doing something to help others. I have the possibility of preventing myself, my wife or children, my parents or grandparents, or somebody I have never met from getting sick. Maybe it works, maybe not. However, other than fogging up your glasses constantly, is wearing a mask really that big of a deal?

Be sure to check out our website, www.stoltzelumber.com. If you would prefer to receive our newsletter electronically, please email info@stoltzelumber.com.

Josef Kuchera
Editor

