

The McShan PLANE DEALER



McShan Lumber
Company
McShan, Al

205.375.6277 Fax 2773
We are a family owned and operated quality Southern Pine Lumber from our abundant and Sustainable Southern Forests since 1907.

It is our goal to profitably provide products our customers value anywhere on the globe. We believe it is our duty to extract all the value and quality from every log that passes through our mill and to be good stewards of all the resources that are entrusted to us. We enjoy a worldwide reputation for quality and we strive daily to maintain this hard earned status.

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PREDICTIONS FOR 2011

A new year and a clean slate. That’s what many were hoping for after yet another challenging year in US lumber and housing markets. Three weeks into the new year every discussion with buyers includes the question, “what do you think this market will do?”. We listen to every newscast and search every news article about our industry, looking for some glimmer of hope that this will be the year it turns around. But we hear that housing permits are up, while on the other hand we should expect record foreclosures in 2011, and we come away even more confused because we know nobody really knows.

“We believe 2011 is going to be a good year”

When people ask us for our prediction for 2011, we tell them we believe it is going to be a good year. We believe that because we are going to make the most of it. More times than not, we get what we expect. It can be a self-fulfilling prophecy and if nothing else high expectations make you prepare. The story below illustrates the point:

“A group of (indigenous peoples) in the remote village of Outpost were preparing for winter. The group’s leader, unschooled in the old ways, made a guess: the winter was going to be cold and the people should gather firewood. Then one day, he traveled to the nearest town and called the National Weather Service, which confirmed his suspicion: the winter was indeed going to be cold. The leader ordered more firewood to be collected, and checked in with the National Weather Service again a week later, which amended its forecast — not only for a cold winter, but a very cold winter. So the people of Outpost gathered even more wood.

When the leader checked in with the National Weather Service a third time, the prediction was now for a very, very cold winter. Finally, having asked for every branch and twig to be gathered, the leader asked the National Weather Service how they could be so sure. The answer: “The people of Outpost are gathering an awful lot of firewood.”



Korn Ferry Institute Briefings on Talent and Leadership

ADIOS MUCHACHOS

With our rail siding on the KCS railway (Kansas City Southern, *the NAFTA railway*), the Mexico market is within competitive striking distance of our mill. The two cars shown here are loaded with our lumber, headed for Mexico.

If you sell into this market, or would like to, remember our rail loading option.



PLEASE BE ENVIRONMENTALLY RESPONSIBLE, PRINT THAT EMAIL AND GO BUY A 2X4

Back a couple of years ago when Al Gore was winning his Oscar and Peace Prize, we saw the emergence of the corporate Chief Sustainability Officer (CSO). Although much of the climate change science has been called into question, the CSO position still exists. We're happy to see corporations in general begin to embrace greenness and sustainability like to forest products industry has done for years. However, it seems the general public's idea of being green means no tree should ever be harvested. When we see company goals to be paperless because they want to be green or see the announcements like the one that this year, one particular brand of Girl Scout cookies will come wrapped in plastic instead of cardboard (still trying to figure out how that is more green) we know there is a huge disconnect between perception and reality.



“the best way to ensure we'll have trees really is to continue to cut them down”

No doubt all corporate CSO's would agree with us that trees are the world's lungs and we need them to absorb carbon dioxide and sequester carbon. What they fail to realize is that large areas of forestland (here in the Southeastern US and in Europe in particular) are privately owned. If we want to ensure forests continue to exist, we need to ensure there are markets for forest products. Land owners will seek the highest return for their land. If the market for forest products dries up, a lot of forest land will be converted to some other higher value enterprise like crops, parking lots or golf courses. It may sound counterintuitive but the best way to ensure we'll have trees really is to continue to cut them down.

You've probably seen notices at the bottom of some emails that say something like “consider your environmental responsibility before printing this email”. We've starting putting the notice below on our emails and encourage you to use it on yours:

NOTICE: It is okay to print this email. Paper is a plentiful, biodegradable, renewable, recyclable, sustainable product made from trees that provide jobs and income for millions of Americans. Thanks to improved forest management, we have more trees in America today than we had 100 years ago.

CUSTOMER SPOTLIGHT

Name: **Shawna Dalrymple**

Company: Universal Forest Products, Inc

How long have you been in the lumber business? 13 years

What was your first job in the lumber business? Import Coordinator for UFP

Most recent book you read: I just got a Nook for my birthday, but have been too busy to get any new books on it yet! I think I want to read *The Girl With The Dragon Tattoo* next.

Favorite music: I love all music! My Ipod has so many different genres on it. I am currently listening to a lot of Pink and The Blackeyed Peas – great work out music!

What is your relationship with McShan Lumber Company? I buy boards from them.

Personal and/or company goal yet to be achieved? I have a long list of places I want to visit all around the world – I love to travel!

What do you like most about our industry? The people who work in it.

Professional pet peeve? People who don't do what they say they are going to do.

What would be the title of your autobiography? "Life is short – enjoy it now!"

Where is your most favorite place in the world? Of the places I've been, I love New York City and Key West...I know they are on opposite ends of the spectrum, but I have reasons for loving them both!

What is your favorite meal? French Fries...(yes, that is a meal)

Name a company or organization that you admire? Disney – just amazing what they have done

Who are your personal heroes? I have learned that you have to be your own hero.

What do you see as the most pressing issue our industry faces? Obviously, the economy, but that is going to get better eventually. I think China is the X-factor – they are changing the whole landscape of our industry, both as a supplier and a consumer. Everyone knows they are going to be a big player – it still remains to be seen just how many ways they are going to impact us all in the future

If you weren't doing this, what career field would you be in? I would love to do party planning or trip planning...

What advice would you give to a young person starting out in the lumber business today?
As with everything else in life, you will get out of it what you put in to it.

What are you most thankful for? My daughter and my wonderful fiancé for loving me for who I am and not asking me to be anyone different.

What is something that most people don't know about you? I am afraid of the dark (I guess I have read too many Stephen King novels!)



WE HAVE BEEN DOWN THIS ROAD BEFORE

“What has been will be again, what has been done will be done again; there is nothing new under the sun” – Ecclesiastes 1:19

Everyone knows the lumber market has been tough lately. It’s easy to convince ourselves that things have never been worse and we are facing problems we’ve never faced before. However, like most things, a little historical perspective always helps.

For the Southern Pine industry we have a great resource in the book *The New South and New Competition* by Dr. James Fickle. The book chronicles the establishment and development of the Southern Pine Association (SPA) which later became today’s Southern Forest Products Association (SFPA). It is enlightening and entertaining to look back and see that many of the problems, issues and attitudes we are facing today have been faced time and again in the past. Here’s a few:



Competition from substitutes and other species

“In July 1922, the SPA board of directors appointed a special committee “for the purpose of investigating the extent to which Fir lumber is displacing Southern Pine in the (rail) car material trade and the markets of the Atlantic seaboard.”

“In addition to its loss of markets to the western producers and substitutes, the Southern Pine industry was threatened near the end of the decade (1920’s) by foreign lumber which began to appear in the Atlantic Seaboard market. This lumber came primarily from Russia, which had reasserted its position as a leading lumber exporting nation.”

Father of Checkoff?

“During 1927 the lumber industry generally, under the leadership of the National Lumber Manufacturer’s Association, inaugurated a million-dollar trade extension campaign to counteract the growing incursions of substitute materials into traditional lumber markets.”

“The SPA was not completely satisfied with the idea of uniform campaigns in favor of all wood species and it was still plagued with internal disagreements about the sort of approach to take in advertising its own product.”

Outspent by competitors

“The situation confronting the SPA was exemplified by the fact that while during WWII it had been spending only about \$30,000 per year for advertising and trade promotion, the radio program of one major substitute materials producer cost over \$800,000 annually!”

The Role of Wholesalers:

“during the early 1850’s millmen in southern Mississippi formed the Bayou Bernard Lumber Company, which attempted to fix prices while eliminating the middleman and competition among mills serving New Orleans. After a few months, it disintegrated”

Regular Folks:

“(1915) the SPA never had elaborate equipment or offices and consciously cultivated a frugal image. As long time Secretary-Manager H.C. Berckes said, “A lot of associations that had our influence had much better offices than we did. You know, lumbermen are a difficult type of people. When you get a fellow out there with a small sawmill and he comes in to see you and you’re puttin’ on too much dog, he don’t like it”.

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November 2010

YOUR QUESTIONS ANSWERED HERE

We recently asked you to send us your questions about anything that was on your mind regarding logging, lumber manufacturing, market outlook etc... We received some great questions and we'll do our best to answer as many as we can here:



How many houses can be framed from one load of wood (logs)?

The average load of logs weighs 27 tons.

The average conversion factor of green tons to shippable lumber is 4.38 tons/mbf. (conversion comes from SLMA's annual mill survey. The majority of mills completing this survey are dimension mills.)

So the total board feet in an average load of logs is 6,164.

According to the National Association of Home Builders, the average 2400 square foot home is made up of 14,400 board feet of framing lumber (and 12,400 sf of structural panels)

14,400 bf/house divided by 6,164 bf/truck of logs = 2.34 loads of logs to frame a house.

What sectors make up the US Softwood lumber market and how have they changed in recent years?

Softwood Lumber Markets Estimates (BBF)						
Sector	2006		2009		2010*	
Residential	23.98	39%	6.9	21%	8.3	24%
Repair & Alteration	21.46	35%	13.56	42%	14.29	41%
Non-Res.	4.18	7%	3.83	12%	3.43	10%
Industrial	11.27	19%	7.85	24%	8.44	24%
Total	60.89		32.14		34.46	
Source: SPPA					*estimate	

What impact will China have on the Southern Pine lumber market?

A lot has been written about China's impact on all markets and we do not have any special insight into the situation. We do know that tremendous amounts of Canadian lumber is going to China. China began to look elsewhere for supply when Russia increased its log export tariffs. Russia recently has scaled that tariff back so it will obviously have an impact in China. On the other hand, growth in China continues. Recently we heard a China expert give an interesting answer to the question, "where is the next China?" He said it will be China. Most of the growth in China has been in the coastal areas. Now the interior of the country is developing. Much of the wood that has gone into China in recent years was manufactured into something else then exported to other countries. Now, a lot of the wood going into the country is being manufactured into other goods and sold in China to their growing middle class. As a grade mill focusing on high grade boards, the Middle East market is currently having a larger impact on many of our markets than China.

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We Produce

	<u>Dressed Domestic</u>					<u>Rough Export</u>							
	C	C/D	D	#2	#3	Econ	Prime & Btr	Merch	Sap	Prime	Caribbean	#2	#3
1x4	x	x		x	x		x				x		
1x6	x	x		x	x		x				x		
1x8	x	x		x	x		x				x		
1x10							x				x		
1x12							x				x		
5/4x4	x		x	x	x				x	x		x	x
5/4x6 *	x		x	x	x				x	x		x	x
5/4x8	x		x	x	x				x	x		x	x
5/4x10 **	x		x	x	x	x			x	x		x	x
5/4x12 **	x		x	x	x	x			x	x		x	x
* decking													
** S4S or Stepping													
8/4x6							x	x				x	x
8/4x8							x	x				x	x
8/4x10							x	x				x	x
8/4x12							x	x				x	x
2x12				x	x	x							

		DRESSED				ROUGH			
		high	wide	PCS/PK		high	wide	PCS/PK	
1 x	4		32	12	384				
1 x	6		32	8	256		25	7	175
1 x	8		32	6	192		25	5	125
1 x	10		32	5	160		25	4	100
1 x	12		32	4	128		25	3	75
5/4 x	4		25	12	300		20	10	200
5/4 x	6		25	8	200		20	7	140
5/4 x	8		25	6	150		20	5	100
5/4 x	10		25	5	125		20	4	80
5/4 x	12		25	4	100		20	3	60
8/4 x	6						12	7	84
8/4 x	8						12	5	60
8/4 x	10						12	4	48
8/4 x	12						12	3	36
2 x	12		16	4	64				

No particular theme to quotes this month. We just wanted to share with you some good stuff we have read:

“When I try to tell people what Ronald Reagan was like”, says Peggy Noonan, former White House speechwriter, “I tell them the bathroom story.”

The what? The bathroom story:

“A few days after President Reagan had been shot, when he was well enough to get out of bed, he wasn’t feeling well, so he went into the bathroom that connected to his room. He slapped some water on his face and some of the water sloshed out of the sink. He got some paper towels and got down on the floor to clean it up. An aide went in to check on him, and found the president of the United States on his hands and knees on the cold tile floor, mopping up water with paper towels. “Mr. President,” the aide said, “what are you doing? Let the nurse clean that up!” And the president said, “Oh no. I made that mess, and I’d hate for the nurse to have to clean it up.”



The Paradox of Power by Pat Williams

Reasons to work :

1. For the money
2. To be challenged
3. For the pleasure/calling of doing the work
4. For the impact it makes on the world
5. For the reputation you build in the community
6. To solve interesting problems
7. To be part of a group and to experience the mission
8. To be appreciated

Why do we always focus on the first? Why do we advertise jobs or promotions as being generic on items 2 through 8 and differentiated only by #1? In fact, unless you're a drug kingpin or a Wall Street trader, my guess is that the other factors are at work every time you think about your work

– Seth Godin

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