

Pallet Companies Speak Out On Best Treatment Options

For over two years the industry has been buzzing with talk of new plant health standards affecting pallet manufacturers, low grade lumber suppliers and recyclers. Delay after delay has led many in the industry to take a "I'll believe it when I see it approach." Others have jumped on the situation by putting in place treatment measures just in case customers come asking for it.

Having weathered one of the most dismal periods in recent memory, the pallet industry faces a potentially devastating lumber shortage situation this winter. In the minds of many pallet people, the need to prepare for new phytosanitary (plant health) requirements could not have come at a worse time. No matter what option you choose it is going to end up costing you more money. Even if you decide to sidestep a capital outlay for a heat treatment system, the cost to fumigate and be licensed by an inspection agency is not cheap. With margins already running very thin, there is not enough room for pallet companies to absorb these costs without raising prices.

As the world steps closer to the implementation of a global standard requiring treatment of wood packaging, many pallet and lumber companies have been forced to evaluate various treatment systems. With a wide variety of options on the market, trying to figure out what is the best match for your company can be difficult. Before you finalize your treatment strategy, read this article. You may learn a tip that can save you thousands of dollars or keep you from buying the wrong treatment solution for your needs.

The Starting Line

Any effort to evaluate the proper strategy for your company must start with your customers. Find out how much of

what they ship on your product gets exported. If most of your customers only ship products within the U.S. and Canada, the phytosanitary issue may not be a big deal for you. Some companies that do a significant amount of shipping off shore may decide to keep their entire inventory on packaging certified for international transport. This keeps them from having to manage two separate inventories just because of the packaging. For example, IBM has already issued a directive to its suppliers warning that it requires all transport packaging be compliant to the international standard developed under the authority of the United Nations (International Plant Protection Convention). Some companies figure it is more efficient to have everything on compliant packaging, which removes the need for re-palletizing just because the load destination changes.

Keep in mind that some countries have not decided whether or not to use international standards developed by the International Plant Protection Convention (IPPC). For example, Australia has more stringent requirements than the current IPPC standard. Most have to implement it yet even if they plan on using it in the future.

The two primary methods of treatment are fumigation with methyl bromide and heat treatment. Both methods are approved under the IPPC standard and have certification programs in place within the United States. Dr. Edgar Deomano, the technical director for the National Wooden Pallet & Container Association (NWPCA), said that the certification program for fumigation officially launched in September. The NWPCA has agreed to oversee the program, similar to what the American Lumber Standard Committee does for heat treatment. The agencies approved to certify fumigation are Timber Products Inspection and Package Research

Laboratory.

Figuring out when your customers will start asking for treated packaging remains the big unknown for many companies. Most packaging users do not want to pay the extra cost for treatment until they absolutely have to by law. Various international governments remain somewhat guarded about their timeline. International trade policy can change at any time, and government bureaucrats tend to give themselves plenty of room to maneuver, which can make it difficult for those looking to be compliant at just the right time.

Currently, the NWPCA expects for Europe to begin enforcing IPPC regulations in July 2004. At this point, the U.S. government is scheduled to start enforcing regulations for packaging coming into the U.S. by the end of January 2004. Due to strong similarities between U.S. and Canadian forest ecosystems and plant protection policies, packaging can ship back and forth between the U.S. and Canada without having to be treated or certified. However, the phytosanitary issue may become a major concern for any shipments going back and forth across the Mexico/U.S. border because both countries are requiring solid wood packaging to be treated according to the IPPC standard. New Zealand already requires imports to be IPPC compliant. Look for export customers to start requiring more treated packaging sometime next year.

Comments from around the industry reveal the high level of uncertainty and skepticism on the issue. "The phase in has been delayed many times. We are waiting to see what will happen... We are not going to jump into treatment until we know for sure our customers want it," said Mark Garnett, vice president of Garnett Wood Products Co., Brandsville, Mo.

"I am frustrated by the constant delay, which means nothing will happen until

next summer,” said Jeff Lewis, president of Atlanta Pallets & Services, Atlanta, Ga.

Others are leery of the motives behind the move to impose international standards. Rob Trexler, president and general manager of Pasadena Skid & Pallet Inc., Pasadena, Texas said, “It (various international requirements) is more about politics and free trade than protecting forests.”

Heat Treatment Versus Fumigation

Asking people what treatment method they have decided to use brought a wide variety of responses. Some people felt very passionate about their decision.

Asher Tourison of ACME Pallet, Holland, Mich. said that he would have a hard time telling his customers, “These are your skids, which we have just covered with poison gas.” Asher said, “In the long run, it will be more expensive and dangerous to use fumigation.” Concerned about the legal liability of using chemicals, Asher has opted to install a heat treatment system.

Similar to ACME pallet, Atlanta Pallets & Services plans to take advantage of the dry kiln it already had on site. “Methyl bromide scarea me to death...Heat treatment is easy. There are no employee safety worries with heat treatment,” said Jeff.

Others hold a completely different view. John Britt of Direct Wood Products, Inc., West Point, Va. said that his company has decided to use fumigation. As a pallet recycler, Direct Wood Products has only a few customers asking for treated pallets. It has found for its needs that fumigation is a cheaper option. Direct Wood Products fumigates 1-2 loads every week and has not experienced any problems. A licensed fumigator comes in and handles the entire process for around \$300 per load.

Some companies prefer fumigation because a third party will come in and do most of the work. These services take the burden off the back of the pallet company and allow them to focus on other things. Many pallet companies do not want to invest in a heat treatment system until they know for sure the regulations will be enacted. Garnett Wood Products has opted to use fumigation as an interim measure. Mark said, “Heat treatment is cheaper in the long term if all the un-

knowns are known.”

Location can impact which method will work best for you. Rob reported that in the Houston area licensed fumigators are everywhere. As a major port city, exporters have been using fumigation for years. “I can call a fumigator and get him here in 20 minutes,” said Rob. Due to the significant capacity in the area, Rob claims to pay between 28-50 cents per pallet for treatment. Most industry contacts report paying \$200-\$400 per load for fumigation. Costs vary depending on geographic location and the outside air temperature. Which treatment method is

the least expensive? Many pallet company owners have run the numbers and claim heat treatment is the cheapest way to go in the long term if you expect high treatment volumes. But this may not be true depending on the fumigation price in your area. Another factor to consider is how long the treatment system will last. And nobody really knows what new technology will be on the market in the next five years.

Although some are hesitant to use fumigation due to safety, environmental protection and chemical availability issues, Bruce Scholnick, NWPCA presi-

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dent, dismissed these concerns calling fumigation a viable treatment option for the industry to consider. Bruce said the concern that methyl bromide causes ozone depletion is a non-issue. He claimed that the half life of the chemical is years less than the times it takes for it to reach the ozone layer. As far as the phase out of methyl bromide, the Environmental Protection Agency has given the chemical an exemption for quarantine applications, such as wood packaging. "Methyl bromide will not be phased out by 2005, and by then, I hope we have more treat-

ment technology options on the market," said Bruce.

Others have bypassed the issue completely by purchasing already treated lumber. Mountain Valley Farms & Lumber, Biglerville, PA. does not do any treating of its own. It simply buys certified lumber when the need arises. This approach will likely get more expensive once IPPC compliance becomes more common for international shipment. There is not a glut of treated/certified softwood lumber on the market right now. And once everyone makes a run for it, look for prices to rise.

Business Strategy

ACME Pallet decided to purchase a kiln (minus a boiler) when one of its major customers starting asking for treated pallets. The move has not come cheap. Besides the cost of the kiln, ACME must pay the inspection service (monthly fee plus mileage) and handle a "ton of paperwork." Asher estimates he will have to hire an additional secretary just to keep up with the records required for the heat treatment program.

"I intend to charge for the heat treatment service...This is an opportunity for the pallet industry to get paid for what it does. This is the time to separate the men from the boys," said Asher. As one of the largest pallet manufacturers in Michigan, ACME hopes by being prepared it will be able to attract additional customers.

Atlanta Pallets & Services looks forward to a similar opportunity in the South. "I believe that a lot of smaller pallet companies will have problems supplying customers once the whole thing hits," said Jeff.

Will the treatment requirement compounded with high lumber prices make it difficult for the little guy to compete? A number of regional factors will impact companies across North America including local treatment capacity, fumigation costs, the availability of treated softwood and the level of preparation made by smaller players.

First movers should expect to see a price advantage, especially in markets where there are not enough treated pallets. In time, the industry will likely see profit margins drop for treatment services due to increased availability. Most companies are talking about charging \$1-1.5 per pallet for treatment services.

Being ready does not necessarily mean you have to install a ton of expensive equipment. It all starts with learning about the issue, the various treatment options and having a plan in place when the customer calls wanting you to rescue them. If you do not have a solution ready, your competition will. 

See Heat Treatment
Equipment Checklist
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HEAT TREATMENT EQUIPMENT CHECKLIST

(continued from page 36)

If you plan to buy a heat treatment system, the following checklist presents some key points to ponder when evaluating various technologies.

1.) What capacity will you need?

Start with this question first. The number of pallets that you want to treat per day will help you determine the size of the chamber needed to meet your demand. If you only want to treat a limited number of pallets per week, one of the less expensive, smaller options may work well. For larger volumes, a sizeable dry kiln-like system may be the best fit.

2.) Weather – Frozen Lumber or Moldy Pallets?

Mother Nature can actively work to sabotage your treatment system. Cold weather environments lower the temperature of the lumber, which increases the energy and time needed to treat the pallet. "Less expensive heat treatment methods make me a little nervous when it comes to the frozen wood issue," said Asher. He prefers a system run on steam because it will help deal with the harsh Michigan winters. In warmer environments, moisture can cause a mold problem if the pallet is not dried.

3.) Loading and Unloading Method

Some systems are designed to be loaded and unloaded by a lift truck driving directly inside the chamber. Others require pallets to be pre-loaded onto a dolly first. The dolly sits on a track and is pushed into the chamber. The dolly approach can add extra handling costs due to the fact that most loads of pallets are moved around the plant on forklifts.

4.) Energy Source

Energy sources vary from wood chips to natural gas to liquid propane. Cheaper fuel sources, such as wood chips, require more up-front cost due to the need to install a boiler. In the long run, a company saves money, especially if more expensive fuel sources start to rise in price.

5.) The Need for Speed

How long it takes to treat a load of pallets is a major factor for those looking to treat high volumes. A number of factors such as the size and insulation of the container as well as the weather can impact the heat transfer rate.

6.) Staging/Logistics

Depending on the capacity of your treatment chamber, the layout of your plant and the volume of heat-treated pallets required by your customers, timing could be critical. Some pallet companies are concerned about scheduling

problems as customers make a run on treated pallets. Consider how you will stage your pallets, where you will store them after treatment, etc. The last thing you want is a logistics nightmare in your plant.

7.) Dry or Just Heat?

You can buy a system that will only heat the pallet/lumber or will heat and dry it at the same time. Chambers that do both cost more, but they offer greater flexibility. Why would a customer want a dry pallet? Dry pallets weigh less, easing ergonomic concerns. Plus, moisture removal reduces the threat of mold or water damage to products shipped on the pallet. The ability to regulate humidity in the air also affects lumber quality.

8.) Environmental Concerns

In some areas of the country, local governments may require a detailed permit process to install a boiler. Check with the local government to find out how cumbersome the process can be. Clean air regulations have made it difficult for even paper companies to burn their wood waste in some states.

9.) Construction

Consider how durable the chamber will be. How thick are the walls? Does the system provide adequate air flow to ensure proper treatment levels in all areas of the chamber? Factor into your decision the probable lifespan of the treatment system. Asher said, "I want something that is not going to fall apart before it depreciates."

Forklifts can cause damage, especially if a chamber is poorly built. Kilns have raised, con-

crete bases, which will take a beating over time.

10.) Price

Everything usually comes down to price at one point or another. But remember that total cost is not necessarily the same as the lowest sticker price. Focus on the lowest treatment cost per pallet. The less expensive option may or may not be more expensive than you think. Consider how long the system will last.

The larger volume, dry kiln costs more than the small box systems. Kilns require concrete work, boilers, piping, pumps, and other incidentals, which can add big bucks to the cost of a system.

11.) Lumber Degradation

Many of the commercially available options will dry and/or heat pallets and lumber without causing any real lumber damage, even in hardwoods, if managed properly. However, it is not as simple as throwing in a load of pallets and turning on the timer. "If a heat treatment chamber is setup wrong, you can ruin your pallets," said Mark.

12.) Reputation

Whatever you plan to buy, go and visit a system working in the field. Talk with others in the industry to see what they have decided to do. Consider the reputation of the system provider and how long it has been in business. Asher said, "I went with a company that has been in business for 30 years not a me-to addition."

Discuss the system you want to buy with your certification agency. A little more research now can save you a major headache later.



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