

PACIFIC LUMBER  
INSPECTION BUREAU



2018  
ANNUAL  
REPORT

~ 2018 ~

PACIFIC LUMBER  
INSPECTION BUREAU, INC.

ESTABLISHED IN 1903

ANNUAL  
REPORT



1903 ~ 2018

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# OFFICERS

## CHAIRMAN

Ken Thorlakson

## VICE CHAIRMAN

Ryan Beaver

## PRESIDENT-TREASURER

Jeffrey A. Fantozzi

## SECRETARY

Hannah Petersen

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Paul Beltgens	Sam Sanders
John Blodgett	Greg Smith
Ashlee Cribb	Ken Thorlakson

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Kelly Clifford	William Moore
Margaret Dirksen	Hannah Petersen
Jeffrey Fantozzi	Margaret Poe
Benjamin Haynes	Glen Walton

# PLIB ACTIVITIES

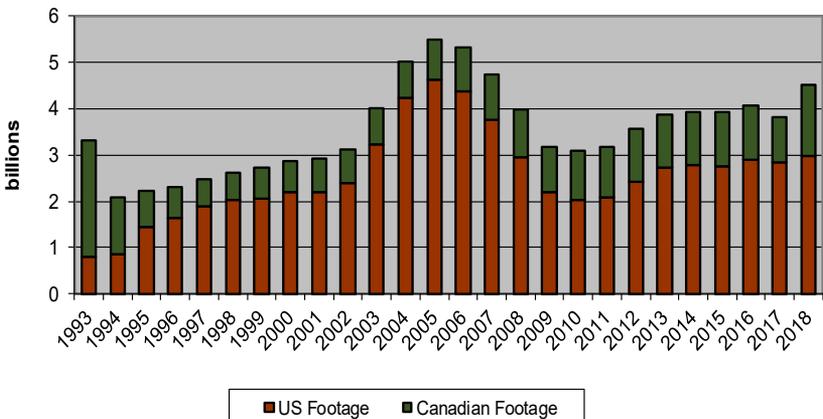
## SUMMARY – GENERAL COMMENTS

2018 saw moderate improvements in the U.S. housing market with housing starts increasing 3.6% to 1.25 million single and multi-family units in 2018 from 1.203 million units in 2017. The bigger news in the industry was lumber prices, which spent much of the year at historic high levels, fueling higher production and profits for mills. Log supply issues began to have a significant impact on Canadian mills and their ability to run at capacity signaling a trend of reduced production and curtailments for the future in BC. Meanwhile, production from Southern U.S. mills and imports from European producers surged. For PLIB, much of the year was spent working with West Coast Lumber Inspection Bureau (WCLIB) on a merger between the two organizations. On October 11 and 12, 2018, the members of both organizations voted to approve the merger, which would be effective January 1, 2019. The consolidation of the two organization followed the general trend in the lumber industry of corporate consolidation.

## MEMBER MILL SHIPMENTS

Shipments by PLIB member mills are the fundamental statistic that the Bureau uses to determine the budget and dues each fiscal year. Most mills had higher shipment volumes in 2018 and PLIB experienced an increase in overall due to the addition of four large member mills in British Columbia. Total shipments for PLIB members in 2018 was 4.50 billion board feet, 17.8% higher than the previous year. Annual shipments by PLIB’s Canadian members increased by a whopping 57% to 1.54 billion board feet while U.S. member mill shipments increased 4.3% to 2.96 billion board feet.

**Member Shipments**



## MEMBERSHIP (As of December 31, 2018)

Members of the Bureau must be primary or secondary manufacturers of lumber that have signed a grade stamp licensing agreement and utilize the services of the Bureau to oversee the grading and labeling of manufactured lumber products. Voting rights are limited to active PLIB Members. Member dues are based on total shipments in most cases unless the shipments are below the minimum threshold, in which case dues are based on a flat monthly rate. In addition to the grading and labeling program for sawn lumber, the Bureau also operates several other quality control programs for subscribers. These include the heat treated (HT) lumber program, the Wood Packaging program (WPM) and the Densified Fuel (wood pellet) program. Non-member facilities and companies that require these programs can contract with PLIB for a monthly fee and receive subscriber benefits associated with these programs.

### Members

During 2018, PLIB Directors approved one new U.S. member who began producing under the PLIB trademark in August.

#### *New Primary Manufacturing Members:*

Weyerhaeuser Co. Kalispell Division (Kalispell, MT)

At year end, PLIB's membership stood as follows:

#### *Primary Lumber Mfg. & Reman Member Mills (including those beginning service January 2018)*

	<u>Members</u>	<u>Mills</u>
Canada	6	12
U.S.	<u>20</u>	<u>27</u>
	26	39

The Bureau welcomes all new facilities and looks forward to a long and successful relationship.

## FINANCIAL

PLIB budgeted for another deficit in 2018. Total assets decreased by \$187,892 to \$709,700 (US\$) as reported in the Independent Auditor's Reports by PLIB's accounting firm, Clark Nuber.

Expenses exceeded income by \$176,749 (US\$) for the year. About \$46,000 of this loss was due to the drop in value of the Canadian dollar where PLIB has significant portion of its cash reserves. The shortfall was covered by reserves, which remained above the minimum target line established by the Board of Directors several years ago.

A new dues schedule was adopted at the mid-year meeting in June. The dues continued to be cost-competitive compared to other agencies in the Pacific Northwest region of the U.S. and Western Canada.

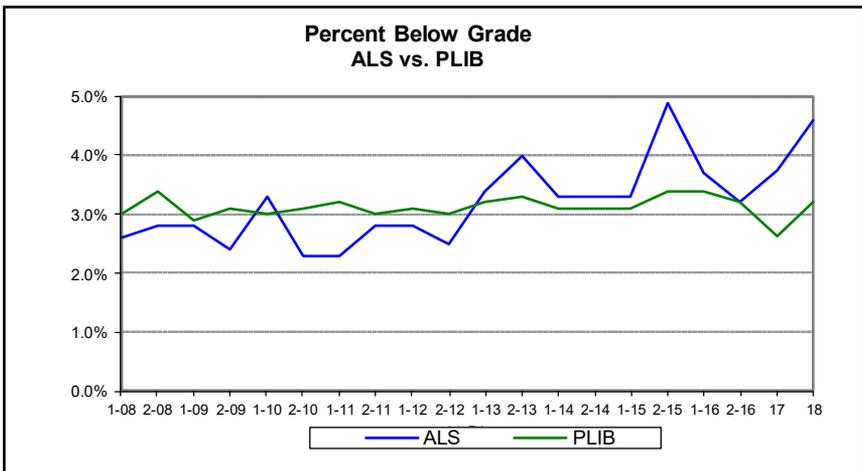
## QUALITY CONTROL

The maintenance of high quality control standards by highly skilled field inspectors continued to be the primary focus of PLIB activity in 2018. One measure of the Bureau's success is the amount of below grade lumber found during the regular mill inspections. Inspections were carried out at a frequency of at least once each month at each mill.

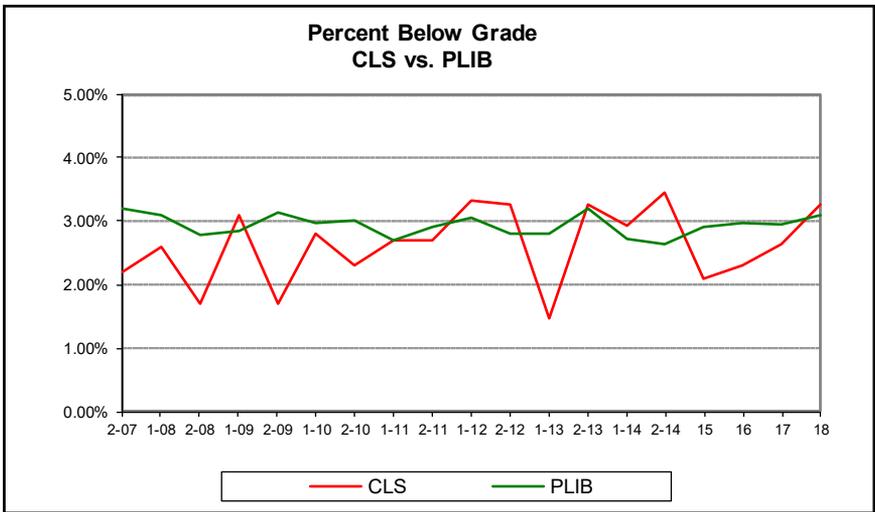
Over the course of 2018, 4.3 million board feet of grade stamped lumber was inspected by PLIB field Supervisors at mills authorized to use the PLIB grade stamp. This represents a 30% increase in the volume of lumber that was inspected in 2018 and is largely a result of the new member mills that were added. A total of 515 grade survey inspections were carried out in the U.S. and nearly 1,700 items were reviewed. PLIB surveys at U.S. and B.C. member mills showed an average below grade of 3.2% and 3.1% respectively. PLIB supervisors requested lumber to be held and regraded on eight occasions throughout the year, putting a total of 12 items on hold representing just under 600 thousand board feet (compared to 10 occasions and 1 million board feet last year). Reasons for holding lumber were excessive below grade and off-species. There were no reinspections requested by wholesalers or consumers on PLIB grade stamped lumber during 2018.

PLIB grade stamping services are also offered to parties who are not members of PLIB on a transient basis. These "on site" inspections often require lumber to be grade stamped or certificated by the PLIB inspector.

The overall satisfactory grading results disclosed by the Bureau's surveys were verified by statistical spot-checking programs conducted in both the U.S. and BC by ALSC and CLSAB. In 2018, ALSC made surveys on PLIB grade stamped lumber at 10 member mills in the U.S. and Canada. 207,741 board feet of lumber was inspected during these visits. A total of 120 items were surveyed with an average below grade of 4.59% overall and 0.28% in excess of moisture content requirements.



A similar statistical survey procedure was conducted by CLSAB inspectors. In 2018, seven mills were audited. CLSAB inspectors checked 83,249 board feet and found an average below grade of 3.27% and an average of 0.31% in excess of moisture content requirements.



An additional monitoring step taken by both the ALSC and CLSAB programs is an annual audit of the agency’s inspection records to confirm that ALSC and CLSAB requirements are being met. Both agencies confirmed that PLIB was operating within their respective guidelines.

### CERTIFICATES

There are four types of certificates that can be issued by PLIB - Certificate of Inspection, Heat Treatment Certification using a Kiln Facility, Documentation of Kiln Drying and Certificates of Debarck and Grub Hole Control. Certificates of Inspection are used for grade verification purposes, while the other three types are used to satisfy phytosanitary requirements of some foreign countries. PLIB and the U.S. Department of Agriculture APHIS continued their Memorandum of Understanding allowing PLIB to act as an agent of APHIS for the KD, HT and Debarck/Grub programs. In Canada, PLIB operates its phytosanitary programs through CLSAB and the Canadian Food Inspection Agency programs.

The use of the PLIB Certificate of Grade Inspection, commonly referred to as grading certificates, historically has been one of the mainstays of the Bureau’s operation. The number of these certificates issued nearly doubled in 2018 with 180 Certificates of Grade Inspection issued on a total of 1,324,757 board feet.

The number of Heat Treatment Certification Using a Kiln Facility certificates (known as KD or HT certificates) issued by PLIB for the U.S. mills remained strong with most certificates being issued for lumber destined for Mexico. In the U.S. 519 HT certificates were issued in 2018 representing nearly 26 million feet of lumber. In Canada, the HT certificate program is under the authority of the CFIA with oversight by CLSAB. PLIB mills participate in this HT certificate program but, unlike the U.S. program, certificates of heat treating are issued by the mills rather than PLIB, who audits the records on a regular basis. The Canadian program also includes a separate program for shippers and brokers that consolidate heat treated lumber and need to issue certificates.

Certificates of Debarking and Grub Hole Control have become nearly obsolete, but they are still required on rare occasions by some importers typically for European destinations.

Certificates					
	2017	2016	2015	2014	2013
<b>Grade</b>					
Number	180	99	146	203	159
Volume	1,324,757	675,453	869,298	437,685	1,122,696
<b>Debark/Grub</b>					
Number	1	0	1	2	4
Volume	923	0	1,085	16,726	33,875
<b>HT</b>					
Number	519	441	405	414	387
Volume (million bf)	26.07	16.93	16.68	33.88	33.97

### WPM PROGRAM

In September of 2001, PLIB began offering certification and labeling service to U.S. manufacturers of wood pallets, boxes and crating, known as wood packaging material (WPM). The program, developed jointly by ALSC and USDA Animal Plant Health Inspection Service (APHIS), allows participants to stamp approved WPM with an internationally recognized label that shows it has been treated according to international plant health standards. The program involves monitoring the purchasing and use of heat treated (HT) lumber at packaging facilities, as well as the marking of wood packaging destined for overseas markets. Similar to sawmill surveys, PLIB supervisors make monthly visits to WPM facilities to check their purchase records, lumber inventory and final product in order to verify that heat treated lumber has been used and that the packaging bears the proper international label.

In Canada, a similar monitoring program has been established; however, it is administered by the Canadian Food Inspection Agency (CFIA) through an agreement with the CLSAB and their accredited lumber grading agencies. Canadian members of PLIB participate in the program in order to mark dunnage and PLIB has wood packaging facilities that subscribe for marking of crates and pallets.

### WPM Subscribers

In 2018, five new wood packaging facilities subscribed to PLIB’s WPM program. In total, 79 facilities subscribed to the WPM program.

#### *New WPM Subscribers*

- Del Fuerte Transportation, Inc.
- Gel Golden
- AZZ Manufacturing
- Steelcase
- Cornell Pump

### HT PROGRAM

The WPM program depends on a stable supply of heat treated lumber that is labeled “HT”. PLIB audits those facilities that have kilns or heating chambers and produce and stamp HT lumber that meets the heat treating standards of importing countries. Currently, international standards consider wood to be heat treated if the core temperature has achieved a minimum temperature of 56 degrees C (133 degrees F) for a minimum of 30 minutes.

### HT Subscribers

PLIB’s HT program did not gain any new members in 2018.

#### *HT Program Participants*

HT Facilities with Heat Chambers	27
HT Cut-stock or Remanufacture facilities	7
Total HT Program Subscribers	34

### DENSIFIED FUEL (WOOD PELLET) PROGRAM

As of December 31, 2018 there were no subscribers in the Densified Fuel program. Due to inactivity in this program for many years, the Board of Directors agreed to discontinue PLIB’s certification in this ALS program as of January 2019.

## OTHER ACTIVITIES

In addition to conducting on-going administrative and quality control functions, the Bureau's activities in 2018 also included the following:

- Co-sponsored the 50th Annual BC Interior Lumber Grading Championships in Kelowna, B.C.
- Continued to upgrade the mobile grade survey program and database.
- Conducted two grading classes for Canadian mills.
- Continued activity in the operations of the ALSC, CLSAB and NLGA, as well as the National Grading Rules Committee (NGRC). This includes active participation on NLGA Grading and Standards committees and various ALSC committees.
- Chaired the ALSC NO. 1 & BTR task group.
- Participated on the American Wood Council technical committees.
- Cooperated with other Western agencies in a testing program for NO. 1 & Better Douglas fir and a monitoring program for NO. 2 Douglas fir.
- Served on the Board of Directors for the Softwood Export Council.
- Worked with a nail-laminated panel manufacturer to develop a quality control program and began providing quality control inspections for them.
- Participated on the Building Experts Committee for Japan.
- Continued administration of the medical plan for B.C. retirees.
- Provided support and financial reimbursement for PLIB members to attend the Japan Lumber Importers Association meeting in Tokyo through membership in the Softwood Export Council.
- Provided transient inspection and consulting service to non-member mills and consumers on 25 occasions generating over \$33,000 of income.
- Distributed 137 copies of the Export 'R' list Grading Rules and 86 copies of the Canadian and U.S. regional domestic grading rules.

## ACKNOWLEDGMENTS

The ongoing success of the Bureau is the fruit of the labor of a dedicated staff and Board of Directors. I extend my sincere appreciation to the PLIB employees who give their best to our Members and to the Board of Directors who volunteer their time in the interest of all involved with this fine organization.

Jeffrey A. Fantozzi  
President

ACTIVE MEMBERSHIP LIST *as of December 31, 2017*

UNITED STATES DIVISION

Belco Forest Products <i>Shelton, WA</i>	RFP Manufacturing, Inc. <i>Spanaway, WA</i>
Dahlstrom Lumber <i>Banks, OR</i>	RSG Forest Products (headquarters) <i>Kalama, WA</i> Kalama Mill <i>Kalama, OR</i>
Douglas County Forest Products <i>Winchester, OR</i>	Band Quad Division <i>Molalla, OR</i>
Fred Tebb & Sons <i>Tacoma, WA</i>	Olympic Division <i>Mist, OR</i>
Fritch Forest Products, Inc. <i>Snohomish, WA</i>	Shasta Green Incorporated <i>Burney, CA</i>
Great Western Lumber Company <i>Everson, WA</i>	South Coast Lumber Company <i>Brookings, OR</i>
Hy Mark Wood Manufacturing <i>Spangle, WA</i>	Weyerhaeuser Co. (headquarters) <i>Seattle, WA</i> Cottage Grove Division <i>Cottage Grove, OR</i>
Little River, Inc. <i>Hoquiam, WA</i>	Kalispell Division <i>Kalispell, MT</i>
Manke Lumber Company <i>Tacoma, WA</i>	Longview Division <i>Longview, WA</i>
Oregon Overseas Company <i>Bandon, OR</i>	Raymond Division <i>Raymond, WA</i>
Pennington Crossarm Company <i>Eugene, OR</i>	Santiam Division <i>Lebanon, OR</i>
Rainier Custom Remanufacturing, Inc. <i>Sweet Home, OR</i>	Whiteman Lumber <i>Cataldo, ID</i>
Roseburg Forest Products <i>Roseburg, OR</i>	Zip-o Lumber Company <i>Eugene, OR</i> Zip-o Goshen Division <i>Eugene, OR</i>

## CANADIAN DIVISION

Cowichan Lake Timber  
*Lake Cowichan, BC*

Gilbert Smith Forest Products  
*Barriere, BC*

North Enderby Timber Ltd.  
*Enderby, BC*

Paulcan Enterprises Ltd.  
*Duncan, BC*

Tolko Industries  
*Vernon, BC*

Armstrong Division  
*Armstrong, BC*

High Level Division  
*High Level, AB*

Kelowna Division  
*Kelowna, BC*

Lakeview Division  
*Williams Lake, BC*

Lavington Planer Mill  
*Vernon, BC*

Quest Division  
*Quesnel, BC*

Soda Creek Division  
*Williams Lake, BC*

Woodco Industries, LTD  
*Salmon Arm, BC*



*Serving the Lumber Industry Since 1903*

## **PACIFIC LUMBER INSPECTION BUREAU**

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