

Plywood Company Officials Discuss Recent Price Cuts

By JOHN GUERNSEY

Discussion with Klamath Corporation officials and other authorities in the field of timber products indicates that last week's shut down at the Klamath plant in Klamath Falls was the result of a composite of currently adverse conditions facing the plywood industry on a nationwide basis. So complex is the chain of events affecting the lumber industry that it's a little difficult to understand how any timber operator or processor retains his sanity through a normal tour of duty.

With reference to the temporary suspension of activities at Klamath, the wood product authorities contacted had this to offer: The stumpage price paid by Klamath is such that it cannot successfully operate at this time in face of the drastically reduced market value of the plywood product. Some plywood producers are continuing their operations on a profit making basis, with the reason in a large number of cases being that they bought their stands of stumpage at greatly reduced prices several years ago.

In other instances such as the cooperatives, the timbermen explain, they are continuing to operate by virtue of the fact that they can reduce their operational costs through wage cuts and thereby realize some production profit even with the marketable value of the product at low ebb.

It is also true that some of the plywood producers are continuing to operate successfully by virtue of the type of plywood manufactured. In some cases the plants are manufacturing sheeting and non decorative plywood, with the result being that the type of raw material they require can be had at a lesser stumpage rate than is the case when buying stumpage for the production of inside ply or other more demanding forms of the product.

Other plants are managing to hold the line by operating on reduced hour work weeks, working with two instead of three shifts, or operating at a slight loss which is less than the idle overhead cost would be if the plant were closed down.

TEMPORARY SLUMP

Other timber authorities and officials at the Klamath plant optimistically feel that the present plywood market slump is only temporary, with the possibility that the stimulated production may be geared to an increased demand after the first of the year or by early spring.

The present slump in the plywood business is generally attributed to the following sources:

1. In the fall and winter months of 1954 the major plywood warehouses throughout the country were low on stock, the realtors and builders anticipated a record home building boom during the spring and summer of 1955, and as a consequence the warehouses were without sufficient stock to accommodate the building needs of the 1955 construction season. A similar building boom was predicted for the spring and summer of 1956. With that in mind and not wishing to again be caught short-handed, the major warehouses bought up all the plywood they could during the winter of 1955. The extent of building this year was less than had been anticipated, the warehouses were caught with large stocks on hand, and the market price of the product continued to spiral downward. The warehouses and major builders suffered the loss and, despite the fact that their stocks are low at this time, they are hesitant to buy and are placing orders on a day-to-day basis.
2. Despite the fact that the demand for plywood products has steadily increased during recent years, the increased production of the product has so outdistanced the stimulated demand that the market is to some extent flooded with the resulting lower market price.

Reasoning behind the contention is that the volume of sales this year is running seven per cent ahead of 1955, or an approximate increase of six million board feet per year over last year. The timbermen point out that in 1952 the volume of fir plywood sales amounted to three billion feet. This year the sales are running at an annual rate of five billion feet, or an increase of 66 per cent over the past four years.

NEW PLANTS

"At the same time," they explain, "the same four years has seen the birth of a large number of new plywood plants, along with the addition of plywood divisions to already existing timber manufacturing units. The net result is that the demand, although having greatly increased, has been altogether surpassed by the surging production increase." For example, during recent years six new plants have been installed in the Medford area, and three new plywood producers are at Grants Pass.

With reference to the price element, the plywood manufacturers point out that the combination of adverse conditions has resulted in the price for ADX-inch ply now being \$67 per thousand, as compared with \$88 per thousand during January of this year.

Despite the fact that home construction of today is using more glass, more steel, more aluminum and more assorted building materials such as fiber board, the plywood manufacturers maintain that the trend is not a pertinent factor to the present plywood slump.

"New uses for plywood are being designed and employed," they explain, "and the demand for plywood materials has been consistently on the upswing during recent years."

THE FUTURE

Concerning prospects for the immediate future, the wood product veterans and plywood manufacturers feel that the picture will take on a more rosy hue shortly after the first of the year or during early spring.

Their anticipated improvement relative to the market value and production of plywood is founded on the theory that home building of 1957 will outdistance that of 1956, along with the fact that the nation's anticipated highway construction program will add a spark of life to the plywood market. They point out that vast quantities of plywood are used in bridge and culvert cement form work.

It was predicted that 1,300,000 new homes would be built in the United States during 1956. With the end of the year approaching it is more likely that the homes built during the year will number slightly more than one million.

Yes, even the political circus now on stage is believed to have its effect on the plywood situation. Although the lumbermen feel that the pre-election caution in buying and speculation is without foundation, it is their

unanimous contention that many of the big builders and warehousemen are currently curtailing their buying until some period immediately following the November elections.

Although being unable to make any definite commitments at this time, Klamath officials are optimistic that the market will be such that they can resume operations early next year.

TO MY DOCTOR (A Call for Help)

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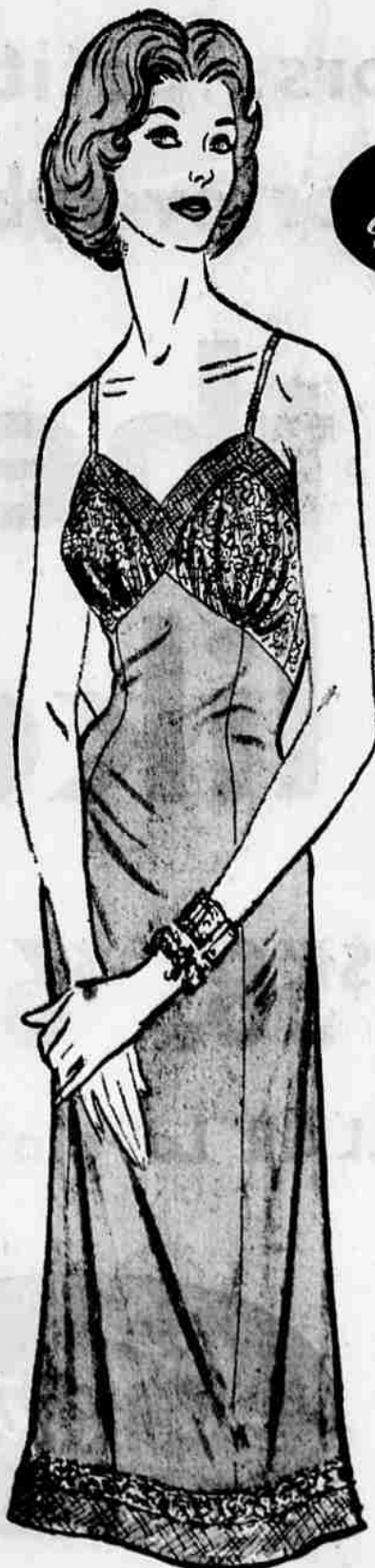
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DUNSMUIR—Lawrence Wherry, one of the few Americans attending an international Christian youth camp held last year in Brazil, will report on his experiences at the Family Night Supper and program at the First Methodist Church in Dunsmuir on Sunday evening.

Wherry, who will illustrate his talk with colored slides, is now a federal government engineer working on the Mt. Shasta Highway. A potluck dinner will be served at 6, followed by the program. This is a community affair, open to the public, Rev. Robert DeWolf states.

LIBRARIAN DIES

LAKE ZURICH, Ill. (AP)—Carl B. Roden, 86, who retired in 1950 after 32 years as chief librarian of the Chicago Public Library and an employee of the library for 64 years, died yesterday.

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