

L U M B E R M E R C H A N D I S I N G

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B & S

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LUMBER MERCHANDISING

Introduction

Nearly half of the United States, 822 million acres was originally forested, and from the day the Pilgrims landed on Plymouth Rock we have been cutting down trees and hewing or sawing logs into lumber. At first these lumbering operations were very crude and were undertaken to provide shelter and fuel, the earliest of human needs. Our first forests were also attacked as a barrier which had to be overcome before a new civilization could be established and lands cleared for the planting of crops and pasturage. Thus early the lumber habit was firmly established and we have been a lumber-using people every since.

But it was not until about 1840 that lumber became established as an industry, conducted on a real commercial basis, and attained the dignity of a large place in our business and financial world. The story of lumber selling is quite brief and has been told many times. The manufacturing had to come first; and manufacturing, because it is a more definite and concrete process in which the costs may be very definitely traced, was developed and analyzed in a more positive and satisfactory manner than has the selling of the product. Not only this, but the type of man attracted to the logging and sawing of lumber was not the type that was by nature interested in the scientific development of his selling; so the economics

of distribution have waited for later times and a different class of talent, and were until later times comparatively undeveloped.

Magnitude of the Industry

We are handling a basic and fundamental commodity. I. N. Tate, Vice-President of Weyerhaeuser Sales Company, is quoted saying, "it represents an investment of twelve billion dollars and employs approximately one hundred and seventy million men," and that "among the nation's industries lumber ranks first in number of employees and second in invested capital and in the value of annual production." There is required for building construction in this country twenty-eight billion board feet of lumber annually for furniture and veneer products, airplanes, and farm implements over one and a half billion board feet; for boxes and crates four and a quarter billion board feet; for car construction one and a quarter billion board feet; and the railroads require three billion seven hundred and fifty million board feet for ties; the requirements of our pulp and fibre industries are nearly two billion board feet. Our country produces over one-half of the entire lumber cut in the world and for domestic purposes uses 95 per cent of its production. The per capita use of wood sixty years ago was two hundred and sixteen board feet, while now it is three hundred and eighteen board feet.

The annual production of lumber in the United States is now between thirty and thirty-five billion feet. A quarter century ago it was 40 per cent greater. There are now about

20,000 sawmills. Twenty years ago there were over 40 thousand. About 1,000 mills, or 5 per cent in number, produce 22 billion feet or over 60 per cent of the total production of lumber. About 19,000 mills produce the remaining 40 per cent. The western states now produce nearly 50 per cent of the lumber supply of the United States, and the proportion is increasing. A half century ago they produced less than 5 per cent. Three-quarters a century ago the northeastern states produced 60 per cent of the lumber supply. They now produce less than 4 per cent. The southern states now supply over 40 per cent. Such have been the distinctive geographical shifts in the sources of lumber supply.

These facts are mentioned because they justify and emphasize our need of a more dignified and consistent sales policy than lumber has yet attained. We go into a store to buy sugar or coffee and we find a very definite price assessed on these commodities. We no longer question the price; we take what we want or leave it; and yet, even in this day of more enlightened merchandising, lumber is not entirely past the stage of barter and trade where each transaction is a battle of wits and where price is too often based on the urgent need of some mill to raise money to meet some past due obligation.

There are many reasons for this condition, and at only one time in the lumber industry, during the inflation that followed the close of the world war, was the price of lumber more than the traffic should have borne. But that fact only emphasizes the need for more progressive and sound selling policies, where an annual sales total of about thirty-five billion board feet of lumber is

involved.

It is customary on manufactured articles of all kinds to figure the cost of the raw material, to add to this the cost of the various manufacturing processes, to add a definite margin of profit, and the total is set as the selling price. This is not so in lumber, which has been sold just as the farmer sells his crop, taking what he can get for it. The lumber manufacturer therefore has no real assurance that his operation for any given time will be profitable or that a reasonable selling price may be maintained. And it would seem that the lumber manufacturer should be particularly sure of a profit, because he must provide in advance his raw material--the trees from which the logs are cut--usually for the entire life of the operation. We do not know any other industry which requires in its initial outlay of capital all its raw material if its operation is to be assured. And once the raw material is provided it must be protected throughout its life against fire and insects and the multiplicity of laws passed by state and national legislatures, which latter in itself is no small task.

A Wide Open Industry

To understand properly the selling of lumber we must realize at the start that lumber is not a copyrighted or patented article; that every one who owns a tree and a saw may become a lumber manufacturer, and that his product is immediately in competition with the world. It should be further realized that there is little or no chance for even the largest or best mills to put into their product any considerable degree of individuality or personality.

The lumber in each district is sawn in general to the standard sizes and graded according to the rules of the association of the district in which it is produced. Aside from minor perfections or imperfections in manufacture, lumber is always lumber.

The man who takes the lumber and makes from that lumber a house or a desk or a boat, puts into his product a lot of individuality, and that individuality, if artistic and satisfying, supplies an added increment of value that may make his business very successful. But in the bare manufacture of lumber the processes are not carried far enough so that this element of individuality and of resulting added value may be introduced. The most a millman can do is honestly to manufacture and grade his product. The selling of competitive stocks is therefore reduced at once to one of the three arguments of price or service or quality, or a combination of the three.

Largely a Luxury

We shall better understand the merchandising of lumber if we acquire an entirely new and rather startling idea of it. Because lumber is such a basic and fundamental thing we naturally regard it as one of the necessities of life, and to a degree it is necessity, for we surely must have shelter, fuel, crating and innumerable other things which come from lumber. We do not need quite all of the lumber that is being produced except as we want larger and better houses or stores or factories or other things made from lumber. There are enough buildings standing today to take care of

our population for a time in reasonable comfort, and in a period of adversity we would use the older houses and the apartments with less of modern equipment instead of paying the price to build new and better ones. Therefore from a merchandising standpoint it is fair to look upon lumber as a luxury, because its price is not determined by the 60 or 80 or possibly 90 per cent that may be used for necessity purposes. It is decided rather by that small proportion, the last 10 per cent perhaps, which is to determine whether the output of our mills can be shipped out each year. that proportion is as definitely in the luxury class as our diamonds or theaters or radios, and we shall better understand why the lumber market is subject to such unreasonable fluctuation and such large reactions from small causes if we regard it as a luxury and expect it to respond very sensitively as our country or the world may be passing through prosperous or adverse conditions. We would emphasize this as one of the real reasons for our temperamental lumber market. However, the primary factor in our unstable lumber markets are the result of under-capitalization of the industry and forced liquidation.

We need no figures behind the statement always potentially, and too often in realization, our industry is in a chronic state of overproduction. Lumber is not alone in the doubtful enjoyment of this condition; but there are other reasons for it than the actual crowding into an industry, which was in times past been profitable, of men and capital in the hope of wresting further profits from it. One of the principal causes of overproduction is that timber holding in the in the main has been profitable--encouraging the purchase

of stumpage. But gradually the cost of protecting timber (and particularly the taxes on the timber) has increased to the point where the timber can no longer be profitably held, but must be turned into money. The only way that it can be turned into money usually is by the building of more sawmills and the production of more lumber, because that is the way that our forests are naturally liquidated.

Forced Into Overproduction

And so it comes about that those men who are best posted on the overproduction of our industry and know the surplus capacity of the mills already in existence, must continue to build large mills and further overproduce our commodity in order to realize on their investments.

Perhaps just one set of facts, because they are so startling, will serve to illustrate the increase of modern taxes and the necessity under which some of these timber-holding companies are forced to build mills. One company in the northwest in 1912 bought a tract of 342,000 acres of forest land and during the first year the taxes assessed against it were \$25,128. In 1930 the taxes on the same property amounted to \$583,000. an increase during the period of twenty-three years of 2,220 per cent. We have the startling and paradoxical condition that the men whose interest in the conservation of timber is largest and who are anxious, for the perpetuation of their own industry as well as for the public good, to do what they can toward the conservation of what is

generally called our last stand of timber, are forced by stern necessity to build new mills and develop larger sales organizations to make and to force on an adequately supplied market lumber that should be saved for future generations.

The Freight Burden

The unrest of the lumber industry caused by its constant migration from one district to another as the remaining timer is cut down is a familiar issue. This constant shifting of production brings with each change new factors into the distribution of lumber, because with each move the production of lumber is farther away from the center of population and from the largest consuming centers. The annual freight bill for the distribution of lumber, which ultimately the consumer must pay, is enormous. The average freight per thousand feet in 1905, to make the statement more definite, was \$3.25 per thousand board feet. By the year 1932 this had increased to \$18.12 per thousand board feet. Now on many items of fairly good grades of west coast lumber the transportation charge paid to the railroads is more than the remainder that the mill receives for the lumber. The annual railroad bill of freight is approximately one hundred and seventy million dollars for transporting over 10 per cent of the total tonnage of the railroads.

When over 60 per cent of the revenue shipments from the northwest eastward over the mountains consist of lumber, we wonder what

those roads will substitute if the lumber is permitted to be cut out; and when 65 per cent of the population of an entire state is dependent upon the lumber, we wonder what occupation will be found for those men and what support for their families, if lumber is not made a permanent asset. And when as much as 85 per cent of certain large districts in the west are unsuited for agricultural purposes, we must surely advocate reforestation of those districts by our government; because even if private capita were available in sufficient quantity, private investments are entitled to more assurance of an adequate return than can now be promised for this investment, and it cannot wait fifty years or more for that return.

Competitive Ebb and Flow

However, our particular interest today in the freight problem is the knowledge that the producing district which pays the smallest freight rate to its market can, because of the consequent higher mill realization, control that market and take such portion of that market's lumber orders as it can handle to advantage. There is constant rivalry for orders from the various producing district to compete for business. When a large amount of lumber is being consumed the near-by mills will surrender this intermediate territory because they can sell their product more profitably nearer home, and therefore with a smaller freight charge against it. As consumption decreases they will reach back into this intermediate territory, drive out the competition that is handicapped by the longer freight rates, and re-establish their

product in that territory, making it necessary for the retail lumberman in such territory often to carry duplicate stocks of different species, and constantly to be shifting his source of supply from one producing district to another.

The tendency in each producing district as its industry prospers and it reaches the point where it can profitably market its output against those district that have preceded it--because they were closer to their markets or because their logging conditions were more favorable, or the quality of their lumber permitted its being cut at an earlier time--is to get into stronger hands and more definitely establish itself. This makes for more intelligent selling, because the stronger mills do not have to realize each week on their product to meet their payrolls and other expenses, and they can carry a more adequate stock and thus ship lumber that is properly dried and prepared for immediate use.

When the Small Mill Comes In

But there is an interesting sequel to this story. As each district cuts out its supply of timber and the large mills are dismantled, there still remain small tracts of timber, usually second- growth stands, which could not be profitably marketed at the time the large mills were ready for them, and there follows a period when again small mills appear and the small operator has another inning, and lumber merchandising from the district takes a step backward, because the small operator of necessity cannot maintain as efficient a selling organization.

The distribution of lumber is complicated and the problem is made very much harder by a number of self-evident facts with which we are familiar but that it may be well to mention, so that it may be well to have them in mind in considering our selling problems.

It has often been said that if lumber could be produced like iron or steel in a foundry so that each piece would come out of the process exactly like every other piece, or even so that each piece of finish might come out like every other piece of finish, and so that every every piece of dimension or shiplap or sheathing would be like every other piece, this would be an ideal condition, because we would then have a very definite basis of values; the stocks would all be absolutely interchangeable; we could produce exactly the sizes and lengths and grades needed and the whole process would be very much simplified. That would be an ideal condition, but we shall hardly live to see it realized.

Sometimes the sellers of lumber envy the simplified processes that are possible in selling a commodity that has not the infinite variety of sizes and quality and of structure that our lumber has. Take cement, for instance. In theory, at least, there is just one grade of Portland cement, there is just one price to assess and to watch.

Variety of Product

How very different is our problem with over 600 species, with variations even in the same species, depending on climatic conditions and soil conditions and the size of the stand in which

the tree grows, and even depending on whether it grows on a north slope or a south slope; depending sometimes on whether the board is cut from the sheltered or exposed side of the tree! Take yellow pine as an example--we know how different the southern yellow pine is from that growing farther west. We know what a difference there is between the shortleaf of Arkansas and the longleaf of Texas, to say nothing of loblolly and oldfield yellow pine. Follow the same species into Arizona and we still have yellow pine but a different wood. Moving on to California and western Oregon, under the climatic and soil conditions of the west coast it is sold under different names--California white pine, Pondosa pine, etc., although it is still yellow pine. Farther north in Oregon and in Idaho and in Montana we get for each state and almost for each locality as many variations of the same yellow pine species as we have variations in the names by which it has been called. Fortunately, in the northwest it is now marketed very largely under the trade name of Pondosa pine. Ultimately this valuable species will have a definite name and place in the market without confusion with genuine white pine. But the point that we are bringing out is that it is such a different wood, because of the varying conditions under which it grows, that it does not even carry the same trade name now.

No matter how closely the stock is graded or what the species, we shall never find two boards alike, because Nature abhors exact duplications, and it is easy to see how complicated this one fact makes the selling of lumber. And because these variations are produced from entirely natural causes it is impossible to harmonize

entirely the different districts or to standardize the products beyond a certain definite limit. We are making large strides in standardization--the names and the grades are being harmonized as nearly as these natural conditions will permit. Fortunately, a large part of the program is being worked out within the industry itself, and this is made possible only because there are in the industry men of broad vision who are able to look beyond their smaller interests for the advancement of the general cause. If any industry needs a simplification of grades and sizes and a more absolute basis of standards--that industry is lumber. And while this must result in a saving in the cost of manufacture and a better understanding between manufacturer and builder, the large result, we believe, is and must be the possibility that it affords for simpler and more scientific distribution and more intelligent use of lumber that must follow the simpler processes. This is very practical conservation.

Old Buying Seasons Breaking Down

One of the recent changes that has at the same time solved old difficulties and brought new problems, is the breaking down of the old buying cycles. The greater part of the lumber production is sold through retail yards take their annual inventory at the end of the building season, and about the first of December or possibly after the first of January they formerly placed very considerable stock orders covering their requirements for at least the first half of the next year. They would then be out of the market, except for emergency requirements,

until late in the spring, and sales organizations were largely marking time while the mills were shipping out these stocking-up orders. During the latter part of the spring buying would again be resumed, only to drop off again in the early summer, on the theory that the farmer was busy with his crops and there could be no building during the hot weather. In September there would be a flurry of buying to take care of the fall repair work and the new houses that would be enclosed ahead of the cold weather. There were developed very definite buying cycles which the mills could count on, but which prevented a steady flow of orders and to a lesser degree a steady flow of shipments from the mills; but at least both seller and buyer knew rather definitely when to expect active periods, and the only question was what the total volume of buying would be.

Largely during the past five years these cycles have been breaking down. The after-inventory orders are no longer expected to run the mills through the spring; there is less cessation of building during the cold weather or during the hot weather; the dealer is in closer touch with market conditions and he buys when he thinks it is to his advantage to buy, and particularly he does not try to anticipate them, because he knows he can at any time go out after he has sold a bill of lumber and get quick shipment and quicker deliveries from the railroads than has ever before been possible. The result is that the mills are carrying the stocks which formerly the retailer carried. The majority of the orders going to the mills in these days contain lumber wanted quickly for some particular sale rather than

being filled entirely with stock items, which may be forwarded at the convenience of the shipper and are then held by the retailer against the day when they shall be sold at retail.

This arrangement has the effect of increasing the investment of the mill and correspondingly decreasing the investment of the retailer. It keeps the shipping departments at the mills on their toes because of the quicker service that is necessary, and it keeps the sales manager and salesmen always alert because they do not know when buying will be active and they must be ever ready to take it when and as it comes. So it is probable that the new order is a step ahead in the intelligent merchandising of lumber, and makes for more scientific distribution.

Human Nature's Recurrent Surges

Buying is always delayed on a declining market. Experience seems to prove that the average buyer will more cheerfully pay a little larger price on a rising market, than buy more cheaply on a stationary or declining market. We all depend somewhat on the judgment of our neighbors. When we find they are buying we are tempted to rush in with our orders, and as the word is passed along from dealer to dealer the volume of orders going to the mills will increase very rapidly. If the buying period continues mill stocks become depleted and prices may advance beyond the level that is justified by actual conditions. When the yards are stocked and buying is not so active the market must again find its proper level. As it declines the buyers will refuse to place

their orders waiting for still lower levels; and ultimately before the decline is checked and steadied, the price is again below the level on which it should stand, and we thus have an endless cycle which is very harmful in its results but which is inevitable and which must continue as long as human nature is what it is, and as long as there is no way of determining the actual value of our product.

In nearly every cycle there are one or more periods when buying is delayed and when the market is depressed below its proper level; and just as surely as we have these periods of depression there are produced by similar causes corresponding periods of active buying and somewhat inflated values. Operating costs do not justify these erratic changes.

Transportation Efficiency

We have said that the railroads have never been as efficient as today, and most of the lumber still moves by rail. It has been estimated that because the average time of delivery has been reduced thirty days there has been thereby released almost four billion board feet of lumber which was previously in transit during that period of time. The market influence of this condition is very large.

In addition to the release of sixty million dollars of real money previously invested in this lumber while it was in transit and, therefore earning no returns, the dealer or the lumber-using manufacturer who formerly placed large orders and had this lumber in transit had to anticipate his requirements so far that he could not quickly take advantage of changes in the market. If the prices

declined he still had these shipments in transit which he was obligated to accept at the old price. If the price advanced he had no interest in the advance until he had used up the lumber in transit and again came into the market.

It is easy to see, with the quicker deliveries that are now possible, how much more responsive both buyer and seller may be to market changes; how much more definitely available mill stocks may be gauged; and how much closer track the retailer may keep of his replacement costs. All of these things make for better and more scientific distribution, and the railroad officials and their employees are to be commended for the better transportation conditions and for their efficiency not only in releasing such a large proportion of their equipment but, what is more important, in releasing the contents of that equipment, frozen capital during the time that it was in transit.

Transit Shipments

This brings us to a brief review of what has been often termed the transit evil. It was formerly the custom, even for very responsible mills, to put stock assortments of lumber in transit and move them toward the central markets without having that lumber definitely sold. There was some advantage in this. It enabled them to take the papers to their banks and secure advances on them, thus realizing immediate money to apply against their payrolls and other expenses. The advantage to the retailer and to the user of lumber was that this stock was closer to the

market and could be delivered in less time than if it waited for mill loading and shipment for the entire distance. The principal market effect of the transit shipment was that the closer these cars got to the points of reconsignment, the more anxious the owner became to dispose of them without having to unload and store them, or to pay demurrage charges on the cars if they were not sold promptly. These cars then, in the parlance of the trade, became "distress" shipments which had to be sacrificed at any price that happened to be procurable, and if that particular market was overstocked some very cheap prices resulted, bringing a serious loss to the manufacturer; forcing on the buyer an assortment which probably did not adequately cover his requirements, and establishing a new low level of values which the buyer naturally did not hesitate to report to the next salesman, because it was the price he had just paid. There were advantages in this system, but they were far outweighed by the disadvantages; and the system has largely been discontinued because of the fast deliveries the railroads are now making; because the mills do not now find it necessary to realize so quickly on their shipments, but can wait until the lumber is actually sold; because of the very unfortunate experiences when the lumber had to be sacrificed; and because of the cancellation of stop-over privileges and the addition of charges for reconsignment and increases in the demurrage schedules. With present fast railroad deliveries the shipper no longer had time to negotiate a sale before delivery of the car.

It is interesting that while this phase of rail shipment seems to be gradually passing, the same cycle is being repeated in water shipments, particularly to the Atlantic coast. Unsold stock items of lumber are loaded on boats and taken through the Panama Canal to the eastern markets in the belief that they can be disposed of at a profit on arrival at the Atlantic ports. Because of the length of time consumed by the voyage it is not possible to know at the time of shipment what market conditions will be when the boats arrive at their destination, and while many of these mixed cargoes have been sold to advantage and represent a real service to the retailer in supplying lumber for his immediate needs, many of them have also become "distress" shipments and have been sacrificed at a severe loss.

Terminal Warehousing

Another interesting factor deserves our attention because it also renders a real service in getting lumber quickly to the dealer and so to the consumer. That is the building up at strategic points, such as Minnesota Transfer and Chicago and later in eastern ports like Baltimore, Philadelphia, Poughkeepsie, Providence and Portsmouth, of distributing depots at which lumber from the various districts is assembled close to the consuming trade, so that any assortment needed may be shipped out on short notice, and sometimes in badly mixed cars. This includes lumber from the south, the west and the north, putting many species into the same shipment and rushing to destination more quickly than would be possible for direct mill shipment.

The orders handled by these distributing warehouses are largely emergency stock needed for some particular sale, but many retailers take advantage of these near-by sources of supply, and by paying a little extra charge, when necessary, more than offset their additional cost by greatly reducing the stocks of lumber that it is necessary for them to carry regularly, and depending on these quick deliveries for replenishment.

These distributing yards have been in centers like Chicago for a great many years, and are a permanent agency in the distribution of lumber that should be recognized as a definite asset in promoting scientific distribution.

Mail-Order Selling Is Unnatural

Another interesting development that we may just mention in chronicling the trends of lumber selling is the entrance into the lumber industry during the first few years of the century of the mail-order houses. Perhaps the largest reason why this movement did not attain more permanent success is that lumber is not bought regularly and in small quantities by the general public like clothing and food or similar items. The average family will build a house only once in a lifetime, and to continue to circularize the public in an attempt to sell lumber to customers who may be in the market only once, is evidently a much more difficult problem than it would to sell this same public the items of clothing or house furnishings which they are buying perhaps every month of the year. Lumber does not readily lend itself to this kind of distribution.

The Three Viewpoints

Lumber distribution is usually from the manufacturer, through the wholesaler and the retail dealer. Their interests of necessity are sometimes divergent and we may with profit consider for a moment the viewpoint of each.

The manufacturer's interest is in getting a margin of profit over the cost of production, and to that end a stable market and an even demand are always desired by the mill. The average return is probably better on a steady market and he can load his lumber out more cheaply and finance his operation more easily if he may ship during each month of the year the steady volume that will more naturally come to him on a stable market.

The manufacturer who is not large enough to maintain his own selling organization direct to the retailer must of necessity depend on the wholesaler or broker, and the wholesaler thus performs a necessary and very valuable service, and the larger part of the lumber production of the country is distributed through him. In the main the wholesaler has performed his service well, in disseminating stock and price information and bringing to the retailer a definite knowledge of how his orders may be placed to best advantage. But there is a class of broker having no investment in lumber and not realizing his interest in the ultimate return to the mill, who has been very much under discussion by the industry, and whose interest is not the same as that of the manufacturer or yard wholesaler. He naturally wants to buy as cheaply as he possibly can without regard to what the manufacturers' costs may be. His interest is in his own profit. He prefers

an erratic or fluctuating market because on its constant changes he has the opportunity to work on a larger margin, since the buyer cannot be as well posted as he would be on a steady market. This class of man, because he is constantly depressing the market, has become very unpopular with the more responsible manufacturer and yard dealer. His influence is out of proportion to the amount of business he does through his custom of broadcasting, in circular letters and telegrams, the kind of information that best serves his purpose, thus giving false impression not only of the prices but of the volume of business that he may transact. Fortunately this description applies to but a small percentage of irresponsible wholesalers.

The retailer, as the final step in distribution, I believe favors a steady market, because on such a market he can better distribute his buying and can handle his arriving cars at a minimum expense. It also enables him to know his replacement costs and at the end of the year he can get from his inventory his actual operating profit rather than fictitious profit or a loss which he is not sure is real. He can place his orders with some more assurance; he needs to study the market less; and he is not tempted to gamble as much in his buying because there is not the opportunity to do so that would be afforded by a rapidly changing market.

Too Many Retailers

While the retail dealer is being discussed it is interesting

to note that fifteen or twenty years ago the prediction was made that the country was pretty well built up, that there were more yards than were actually needed for the most economical distribution of lumber. It was predicted that of necessity the number of yards would be very much decreased within the next few years; that those remaining would be located only at strategic points where they could assemble larger stocks, and as the roads improved and the automobile trucks became more efficient deliveries would be made over wider areas and the small yards eliminated. Distribution is being made over a wider area; many small yards have been eliminated, but the total has continued to increase and in the main the small town that formerly had two yards, but that could have been adequately served by one, still has its two yards, and sometimes three. The condition of having too many retail distributors is not peculiar to the lumber business; we would have cheaper groceries and shoes if we did not have so many retailers to support; but their number can only be regulated by government control, and we are not ready for that. We shall continue to have a new yard started in a college town because some lumberman wants to live in that town to educate his family, whether the yard is needed or not. We shall have new yards in other towns because the lumberman's wife wants to get back to her mother who is growing old and needs her. The number of yards is determined too largely by such reasons and too little on any economic survey of the amount of business that can be done or of the needs of the community.

In the early days of lumber distribution each mill served a fairly definite clientele of retailers, usually located not far away and with whom very definite personal contact could be maintained. Once established these relationships were apt to continue, if for no other reason than because each mill had largely its own idea of grades. The retailer knew after he had learned the grades of one mill just what he was going to receive for his money, and he did not know what another mill would ship him when he ordered the corresponding grades elsewhere.

But Times Have Changed

But times have changed, and the mills are no longer located close to the consuming markets; the grades and the sizes have become constantly more uniform; the retailer is better posted through price circulars and association information and trade papers; he is a more frequent traveler to the producing centers, having thus a wider acquaintance and a better knowledge of what he wants and where to get it. There is therefore keener competition for his orders. Lumber credits have been more definitely established also, and once the retailer's standing is established with the commercial agencies he may go anywhere he likes with his orders, in the knowledge that he can get the same credit accommodations from strangers as from friends.

As a rule therefore the mills no longer have regular customers in the old sense; but the wise retailer still sticks to the responsible mills and concentrates his buying sufficiently so that

his account is worth while. There is still sentiment in business. The mills know the old customers and the best customers, and when needed the steady customers will get credit extensions from the responsible mills and in the places where they are known that they would not get if they distributed their buying more widely and changed their source of supply every time there was a price inducement to do so.

Two Types of Orders

There are two very definite ways in which lumber is bought. The usual order is for a single carload of lumber, placed for reasonably prompt shipment because the stock is needed at that definite time, and no more lumber is bought until there is again a definite need for the replacement of lumber that has gone into consumption. This is the most satisfactory type of order for the vendor and for the buyer; prices are definitely agreed on the current market; the mill knows exactly that it has the lumber in stock at the time; the terms are regular and there are no further questions to be adjusted.

There is also the contract for future delivery, which is not so prevalent and not so satisfactory. It may consist of a single car, but usually it covers a large amount of lumber and there is always a question as to whether such orders are justified. Certainly the industrial plant which uses lumber in its manufacturing process or for crating purposes; that knows very definitely what its requirements will be over a period of three months or perhaps six months; that may have very limited piling

space for lumber, is justified in making quarterly or possibly even semi-annual contracts for the purchase of that lumber.

It is customary, although the custom is declining as buying is better distributed through the year, for line yard operators to place large orders following inventory, the specifications to follow as they are received from the yards, and shipment is made over a fairly definite period of time. The principal disadvantage of this kind of a sale is that the amount of lumber bought may not be entirely definite, and certainly the exact items are not definite, so that the mill is obligating itself to furnish a very indefinite schedule which it may or may not have in stock as the shipping instructions develop. The mill is tying up always the maximum amount specified of each item and it may have the privilege of shipping only the minimum amount.

Often long-time contracts are made on a price basis that is subject to adjustment each month or at an interval through the life of the contract. Such an order is not really a sale at all unless the successive price adjustments are mutually satisfactory and these contracts have not worked out very well. If we were sure of a steady market, orders for future delivery would be very desirable, because the mill would then know just what to count on and could adapt its sawing program to the needs of the contract. Unfortunately, there is in lumber no such thing as a definitely assured market price, even a day ahead, and the market is pretty sure either to decline or to advance. If it declines the purchaser is offered better prices and there is always

the temptation to take only the minimum amount necessary or to find seemingly good and sufficient reasons why the shipment cannot be ordered out. Usually it is cheaper and more politic for the mill to cancel the unshipped portion of the order and retain the good will of the customer against the day when he shall again be buying lumber, than it is to go to court and compel the completion of the contract. Or if the market advances the manufacturer could have sold his lumber for more money and he is dissatisfied with the contract, and he may be just as willing to find a reason why the lumber should not be shipped. These blanket orders, therefore, are not generally satisfactory, and except in the case which we have mentioned of the industry that needs to provide its requirements in advance, and that can pile only a limited quantity of lumber, they are not justified. The sanctity of contracts between buyer and seller should be absolute.

The best sale is always one that calls for stock that is needed for actual consumption or "stocking up," that is definite in amount and grade and price and can be shipped with reasonable expedition. The industry, individually and collectively, should keep these very pertinent facts and this experience in mind in selling its lumber.

The Sanctity of a Contract

We have mentioned the sanctity of a contract in a manner that perhaps requires some explanation. The pioneer lumberman was of a type whose word was as good as his bond, and he prided

himself on needing no written contract to make his word good. Perhaps from this very fact there still persists an informality in lumber selling that speaks well for the integrity and honesty of the lumber fraternity. In most commodities the signature on the dotted line is a reality and a necessity before the order is accepted. In lumber, the salesman usually writes up the order on his blanks, gives a copy to the customer as a memorandum of the items and prices, and that is accepted by the mill and the lumber shipped without further formality and it has never seemed necessary that the contract should be more formal. We do not remember a case in which such an order has been repudiated when the shipment called for a single car or for an amount of lumber that may be shipped with reasonable promptness. But we wonder sometimes on the old-time integrity when we hear of cases where a mill finds reasons on an advancing market for not completing a contract, or when a buyer or a declining market uses business conditions or a change in his plans for failing to order out the balance of the lumber for which he has contracted, or sometimes complacently cancels for no expressed reason.

In such a case the shipper has the choice of accepting the cancellation and hoping by doing so to retain the good-will of the buyer, and to recoup his losses in a future sale or of endeavoring to recover his loss in the slow moving courts. But the courts have been resorted to so seldom the cancellations have been accepted so often that there is a tendency on the part of the buyer

to cancel at will, and on the part of the mill to accept cancellation, which is surely an unwholesome condition and one that does not reflect credit on our system.

Bunyan's Blue Ox

Much has been said about Paul Bunyan's Blue Ox and the Lumber Trust. Neither exist. For purely physical reasons there is no danger or possibility of lumber price control. In the first place there is no central exchange to act as a clearing house for lumber where values may be established. Wheat, to take one outstanding example, has always a very definite market value, established through its central exchanges, or trading floors, But not only has lumber no central exchanges, or trading floors, but no accurate comparison is possible between the lumber produced in any two districts, or even among the mills in the same district. There are so many thousands of mills operating in the United States (probably in every state except one, Nevada), sawing so many species to so many different sizes and patterns and in so many different grades, that although we work for uniformity there are still such variations in values that it does not seem possible that any definite control can ever be exerted over the price of lumber, even if there were no legal barriers to interfere with such an undertaking. But there is no possibility of price control; there still remains for each manufacturer and each wholesaler and each retailer of lumber the responsibility of getting our commodity to the ultimate consumer not only in the forms and grades best adapted to his use, but at the lowest rea-

sonable price. Lumber selling has not been so aggressive as the selling of wood substitutes, and much ground has been lost to them. The responsibility is only secondary to pricing lumber so that it will compete with these substitutes. Primarily our responsibility is on a still broader basis. This country largely lives in wooden houses; the lower our cost to the consumers the better houses they may build and the higher our national standard of living will be and the better the health and morals of our people.

Inspection and Claims

The record of progress toward scientific selling would not be complete without a brief reference to the modern handling of claims and to the progress made in the adjustment of shipments which the customer considers below grade or not accurately tallied. The establishment of disinterested bodies to which claims may be taken for adjustment is certainly a definite step ahead; the harmonizing of the grades through the use of each association of check graders or supervisors who constantly travel from one mill to another to see that grades are always uniform, is the largest factor toward a better understanding between buyer and seller of what the lumber should be in any shipment, and gradually reduces the number of misunderstandings or actual errors.

The association inspection is now accepted by a large part of the trade as being final and binding in case of argument. It goes without saying that the more the grades can be harmonized between the mills of the same districts, the easier it will be

to establish the interchange of the product and the more scientific the selling may be. An even grade of lumber, exactly on grade, is always more satisfactory than an uneven grade which may contain considerable lumber belonging in a higher grade. The even grade may not represent the value that the higher grade represents, but it is what the customer has bought. It does not lead to misunderstanding and disappointments on following shipments which may be correctly graded and which may still be unsatisfactory to retailer and consumer alike, because the previous shipment has established in their minds a false idea of what the grade is.

Established Terms of Sale

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The industry has now pretty definitely adopted uniform terms of sale. Giving additional time in which an invoice may be paid is just another way of reducing the price. Terms of sale which permit payment to be delayed for long, make a manufacturer not a merchant but a banker, because he is at once entering the field of financing his customers. There are plenty of institutions organized for that purpose, and any one who is entitled to accommodations of this nature can get them through the regular channels; hence it is a step ahead in lumber merchandising when the industry agrees to a basis of reasonably prompt and uniform payments.

The present terms recognize the right of the purchaser to unload and see his lumber before he buys it, and he is entitled to this. Terms must be somewhat arbitrary, and the main thing is to get the lumber to the buyer, have him see and check up the load

and then pay for it with reasonable promptness. This is accomplished by the present terms, which are fair alike to seller and buyer.

Other Signs of the Times

In addition to all of the notes of progress that have been sounded in this very hurried review of lumber selling, there are certain other encouraging signs of the times without the mention of which would be incomplete; and they are perhaps the most progressive and the most encouraging things that we may say regarding the industry which we are so anxious to establish on at least as high a basis as any other.

Modern selling service, as we have said, is harmonizing the grades and processes and providing machinery for adjusting claims and insuring satisfactory shipments; it is carrying stocks closer to the consumer and it is doing many things that it should do with the improved facilities that are available and that come in the nature of an evolution in any industry. It is also undertaking certain new things.

It has begun in a comprehensive way through the associations and through the larger individual companies the national advertising of lumber. We do not believe that there is any longer any serious mystery about lumber in the mind of the layman; we do not believe that there is in his mind any longer a mysterious Lumber Trust, an octopus whose interest is to make it harder for the average man to own his home, and to get a larger return for itself on one of the necessities of life. It is surprising that

only through this recent publicity is the nation, which through all its life has used more lumber than any other, really becoming lumber-conscious.

A more recent development is a cooperative market organized by the manufacturers. This market eliminates the wholesaler by marketing their product directly to the retailers.

There are collateral agencies of great importance to industry known as trade associations. Their functions are educational. The subjects dealt with are terms of sale, credits, accounting, cost systems, arbitration, trade statistics, efficiency in management, advertising methods, transportation collection of freight claims, grading, and kindred subjects.

The trade newspapers and trade magazines furnish an excellent medium for the dissemination of information. The government also aids through the function of the Lumber Division in the Dept. of Commerce which assembles and disseminates to the manufacturers and shippers complete and up-to-date information as to the uses and needs of our product in foreign countries. The principal advertising is carried on by featuring the finished product in such magazines as "House and Garden", "Saturday Evening Post", "Time", "Sunset", etc. Potential home-builders are also reached through Home Owners' Catalogs, and architects and contractors through Sweet's Architectural Catalog Files.

National Lumber Manufacturers Association is making available for public use sound-on-film motion pictures of the logging, manufacturing, etc., of the raw product in different regions of

the United States. Thousands of people are acquainted in this way with the different forest regions.

The association also maintains a research laboratory with a staff of technically trained men to assist their member mills in providing a product of high quality and to help solve some of the manufacturing problems confronting the industry.

The national association cooperates with 21 sub-associations in their program dealing with the problems involving specific species.

Right Wood in the Right Place

Another work undertaken by the industry in comparatively recent times, is the promotion campaign undertaken to find new uses for lumber, and to find those uses which lumber will serve better than any of the lumber substitutes. There is material for an interesting story in this one subject. As on an even higher plane is the campaign which reflects the new spirit of lumber, that undertakes to put always "the right wood in the right place". Very much of the discredit that has fallen on lumber from time to time is because a species or grade of lumber has been used for a purpose for which it was inevitable that it must fail. Certain species have the strength for studding or sheathing and will give permanent and satisfactory service in those uses, that will stand alternate exposure to sun and rain. They should never be used and do not endure, the entire use of the wood is discredited.

Sentimental structure

Very often the discrimination that should be made is from a

price standpoint. A more expensive wood is frequently used where a cheaper substitute might serve if some one of a definite knowledge were near to suggest the substitute. The "right wood in the right place" is a slogan that the retailer particularly should keep ever before him.

Another interesting development of modern lumber merchandising is the building of a crating service for the large industrial users of lumber, in which crating engineers are welcomed into the factories and may work out with the shipping departments better and stronger and lighter crates. This country uses 2,700 million board feet of lumber each year for crating. This figure indicates the saving that is possible in proper crating, and the shipping losses that are inevitable from improper crating of the world's manufactured articles.

An interesting feature of this development is the fact that the new crates almost invariably require less lumber than the old ones. The lumber industry in advocating this service actually reduces the footage of lumber that is sold for the purpose, but works along the higher lines of greater efficiency for its product and cheaper shipping weights for the manufacturer, which in turn will mean a lower price for the consumer. The saving in the board feet of lumber in the cases of some manufacturers has run as high as 50 per cent, and yet this is a service that should have the support of every lumberman, because it spells conservation and efficiency and a higher respect for our product.

Much work has been done along the lines of education in

construction methods. Cheaper plans for better houses are available as the equipment of almost every line retailer. Not only are the plans cheaper but they are more intelligent plans which will build more beautiful homes and more efficient barns. This service also makes for efficiency and conservation, and the dissemination of better building knowledge and the erection of more sightly and lasting wooden buildings is a necessary part of modern lumber selling. Very large advances have been made in the promotion of the so-called mill construction buildings. Where the span is not too great, factories of full wooden construction are much cheaper than those of iron and concrete, and because of their slow burning qualities and great strength, are coming rapidly into favor. The surprising thing to one not acquainted with such buildings is the spacious and roomy character of this kind of construction and the speed with which it may be erected. It is also surprising to know that the insurance rate of the wooden building, when protected with a sprinkler system, may be much lower than on the building of corresponding size and location constructed of steel and cement.

The Branding of Lumber

And just one other trend of the times we would mention as showing the forward looking attitude of our industry; and this is the recent undertaking to trademark and even to speciesmark and to grademark lumber. Because it is a commodity that is capable of much manipulation and because the public has not in the past known lumber grades or values, it has been extremely hard for the manufacturer to insure in any way service on his com-

modity through the consumer. Now, definitely assuming responsibility for his lumber, putting on it his own trademark, he establishes a guaranty so that anyone interested may trace the lumber back to its source; and particularly, when he undertakes to guarantee the species and the grade of the product, he is undertaking something that has been talked for years as a visionary hope for the future. I think we are all a little startled to realize that almost over night the vision is becoming a reality.

Modern machinery, coupled with ample finances and the experience of many years in building sawmills and planing mills, has advanced the actual sawing of lumber until those processes are pretty nearly perfect. We can look for few further and no very startling advances in the actual making of the lumber. The development of the future lies rather along the lines of more intelligent merchandising; and a higher type of man is being attracted to the lumber selling game for this reason. It is easy to understand that our selling program is on a higher plane than it has been in the past, and it is easy to those of us who are selling lumber to see that we have made a stimulating beginning toward the scientific distribution of our products. But there still lie ahead of us possibilities almost untouched in the development of "The Right Wood in the Right Place;" in the further utilization of short lengths and low grades, and in the building of sales forces that will insure that every user of lumber shall have available in his immediate territory the kind of wood that he should use, delivered to him at a price that

will enable him to use it. When that time comes we shall be rendering a real service, not only to our commodity but to the users of lumber as well, and we should not be content with anything short of the realization of that ideal.

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