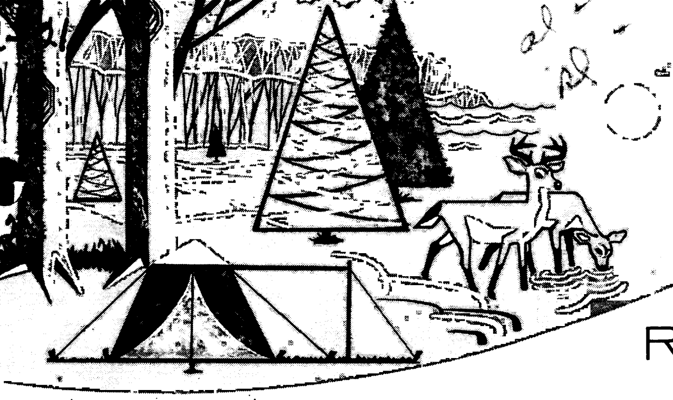

U. S. FOREST SERVICE

RESEARCH NOTE NC-21

NORTH CENTRAL FOREST EXPERIMENT STATION, FOREST SERVICE—U.S. DEPARTMENT OF AGRICULTURE
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Distribution Methods and End-Uses For Hardwood Face Veneer and Plywood Manufactured In Michigan and Wisconsin In 1964

A number of distribution methods are currently used to market a wide variety of products manufactured by the hardwood face veneer and plywood industry in Michigan and Wisconsin. Wall paneling, door skins, and kitchen cabinet stock are major products, but specialty lines such as curved and molded plywood components for furniture, shoe heels, and golf club heads are growing in importance.

In 1964, there were 24 hardwood face veneer and plywood firms in Wisconsin and 8 in Michigan. As part of a general survey of the industry, each firm was visited to obtain information in a number of subject areas. Mills were classified according to the general type of product being made at the time of the visit: There were 11 veneer mills, 11 veneer and plywood mills, 7 plywood mills, and 3 specialty mills.

Location of Mills

Geographically, the industry in Michigan and Wisconsin tends to be located within the central to northern portions of each state. In the early days, many mills were situated within heavily forested areas to take advantage of abundant natural resources. Although the forest resource near the mills decreased over the years, truck and rail transportation played an important part in allowing these mills to continue operating profitably within the regions of their initial establishment. Gradually a small nucleus of mills evolved and a skilled labor force was formed. Today, much of the veneer and plywood manufactured in the North Central States comes from an area in Wisconsin within a 100-mile radius of Green Bay, Wisconsin (fig. 1).

Distribution Methods

Regional veneer and/or plywood mills use five basic distribution methods: The agent or broker, the parent-firm, company salesmen, the house account, and the wholesaler.

The agent or broker serves the smaller mills and charges a fee for his services, usually about 5 percent of the invoice valuation of the goods.

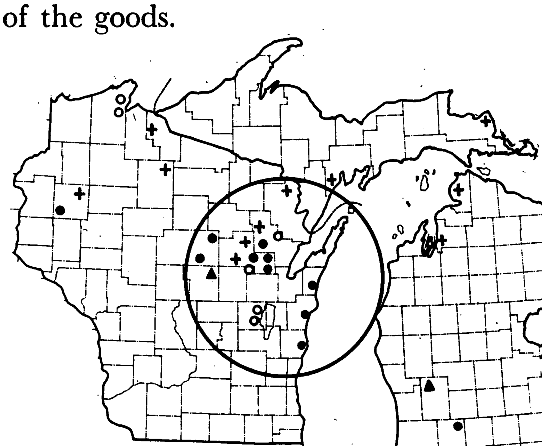

Figure 1.—Location of hardwood face veneer and/or plywood mills in Michigan and Wisconsin in 1964.

The parent-firm is a company that usually has a controlling interest in the veneer and/or plywood firm and takes all its production. The producing mill is frequently referred to as a "captive" operation under these conditions.

Company salesmen are employed by the producing firm to sell veneer and plywood.

In the house account method, no soliciting actually takes place. As a producing firm becomes well established in the business, it often finds that certain buyers become loyal to the firm. No salesmen need contact this type of customer to secure the order unless technical services are requested by the buyer.

The wholesaler buys plywood from the regional mills and redistributes it on a cost-plus basis. His markets are usually retail lumberyards or other market channels that sell directly to the ultimate plywood consumer.

Data on distribution methods for veneer mills show that company salesmen marketed nearly 40 percent of the total veneer produced in 1964 (table 1), and agents or brokers handled about 18 percent. The smaller veneer mills[1] frequently utilize brokers or agents because they provide a means of distributing veneer at a lower cost than is possible by other methods. Maintaining a sales staff can be a costly venture if the product volume is low.

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[1] *For the purposes of this study, mills are classified by size (annual production in million square feet, surface measure) as follows: Veneer mills (veneer production)—small, up to 15; medium, 16-50; large, more than 50. Veneer and plywood mills (plywood production)—small, up to 1; medium 1-9; large, more than 9. Plywood mills—small, up to 3; medium 3-35; large, more than 35.*

Table 1.—*Distribution methods used in marketing veneer and/or plywood manufactured by mills in Michigan and Wisconsin, by industry grouping, 1964*

Distribution method	Percent of total production by:			
	Veneer mills	Veneer and plywood mills	Plywood mills	Specialty plywood mills
Agent or broker	18.4	6.1	17.7	8.3
Parent-firm	26.5	45.9	23.6	0
Company salesman	37.9	.2	42.1	62.5
House account	17.2	39.3	15.5	29.2
Wholesalers	0	8.5	1.1	0
No. of mills reporting	11	8	7	3
Estimated total production, million square feet, surface measure	431.5 1/	52.7 2/	169.8	6.0

1/ Veneer only. 2/ Plywood only.

For the veneer and plywood industry grouping, most of the plywood is handled through the house account (39 percent) and parent-firm (46 percent) arrangements. These data are substantially weighted by the output of 2 large mills that market through the parent-firm—that is, send their plywood directly to company-owned warehouses for further distribution. Because many of the regional veneer and plywood mills are large and well established, they also utilize the house account arrangement rather extensively.

Company salesmen market a considerable amount of the production of the firms making up the industry grouping for plywood mills. For the most part, these mills lack the marketing network that some of the large veneer and plywood mills seem to have. Also, they are less likely to be part of a large integrated forest products company, although their plywood production may equal or surpass that of the veneer and plywood mills. Consequently, they rely heavily upon company salesmen to market their products. The smaller plywood mills, like the small veneer mills, lean toward the use of agents or brokers.

Specialty plywood mills in the region produce a variety of items that go into the construction of both residential and non-residential furniture. Most of this is in the form of curved or molded plywood for chairs and sofas. Among other products, they also manufacture church pews and curved wall paneling. These specialty mills account for only a small part of the total plywood manufactured in Michigan and Wisconsin. Company salesmen market most of the material. House accounts are also an important marketing method.

End-Uses for the Products

Hardwood veneer manufactured in the region is incorporated into many kinds of plywood. Wall paneling, doors, and kitchen cabinets are the more common uses (table 2).

Table 2.—*End-uses for products of veneer and/or plywood mills in Michigan and Wisconsin, by industry groupings, 1964*

Product	Percent of total production by:		
	Veneer mills	Veneer and plywood mills	Plywood mills
Wall paneling	35.0	38.7	65.6
Doors	24.7	10.1	28.2
Kitchen cabinets	19.6	3.6	.8
Furniture	10.3	7.4	3.7
Die boards	0	4.6	1.2
Crossbands and cores	10.4	0	0
Specialty	0	35.6	.5
No. of mills reporting	10	8	7
Estimated total production, million square feet, surface measure	401.6[1]	52.7[2]	169.8

[1]Veneer only. [2]Plywood only.

This veneer is consumed, to a large extent, by plywood operations in Michigan and Wisconsin, but some is shipped to firms outside the region.

Veneer and plywood mills have faced increasing competition from abroad in the form of low-cost plywood imports. In an attempt to minimize the effect of these imports, regional plywood mills have either customized some of their traditional products or have included many specialty items in their product lines. Wall paneling and door skins are being imported into the United States in considerable quantities and account for roughly 50 percent of all domestic hardwood plywood consumption. Whereas stock paneling, doors, and kitchen cabinets were once the mainstay of the regional veneer and plywood industry, they are now being replaced by specialty items or being modified to some extent. For example, some firms are currently manufacturing doors which are specially machined to allow direct placement into the opening for which they were intended. Prefinished-plywood manufacturers are using new coating techniques and materials on wall paneling and doors. The net effect is the creation and expansion of markets not served by the imports. Specialty products, such as shoe heels, golf club heads, and die boards (a form of plywood used by the printing industry), are also growing in popularity among the regional mills. Altogether, these specialty products accounted for nearly 25 million square feet (surface measure) of plywood in 1964.

Over 65 percent of the nearly 170 million square feet of plywood produced by plywood mills was in the form of wall paneling (table 2). The product-mix, however, is heavily weighted toward this particular product by one mill which manufactured only wall paneling and accounted for a large percentage of the total production of the seven mills in this industry grouping. Significantly, it was the only plywood mill exclusively engaged in the manufacture of wall paneling, one area in which low-cost imports have been most competitive and have accounted for large volumes of plywood. This same firm operates its own core and crossbanding mill in Africa and is geared to high-speed production techniques, both here and abroad. The face veneer used in this mill is mostly domestic, but some quantities are imported.

In future years, specialty items may comprise a greater percentage of the total plywood volume manufactured in the region. Kitchen cabinets will probably also grow in importance in the product-mix, largely because wood is again becoming the preferred material for this popular consumer item. The enactment of a proposed reduction in the tariff on hardwood plywood will place increased pressure on regional mills manufacturing wall paneling and doors. Technological innovation and production efficiency will be needed to offset rising log and labor resource costs.

The region is also currently going through a phase of "expansion by acquisition" in which some veneer and/or plywood mills have been purchased by large national wood products firms. The net effect on the distribution methods is that more veneer and plywood will probably be marketed under the parent-firm arrangement in future years. Undoubtedly, distribution methods and end-uses for hardwood face veneer and plywood will continue to shift.

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