



# Recycle Record

The Pallet Profile's monthly answer to the recycling industry.

## Missouri to Host Pallet Trade Show

The Midwest Forest Industry Show will be the leading trade show of the pallet industry in 2005. The biennial trade show, which is sponsored by the Missouri Forest Products Association, will be held Sept. 23-24 in St. Charles, Missouri.

The Midwest Forest Industry Show is one of the nation's largest showcases of sawmill, logging, pallet and related manufacturing equipment, supplies and services.

This year's trade show will have an expanded educational program and increased public relations campaign and also will offer a national loggers competition.

For information about the show, including visitor registration and exhibitor services, contact the Missouri Forest Products Association at (573) 634-3252 or visit the Web site at [www.moforest.org/mfis/index.html](http://www.moforest.org/mfis/index.html).

Contact Jeff McBee  
[jeff@palletprofile.com](mailto:jeff@palletprofile.com)  
804/550-0323  
Fax: 804/550-2181  
[www.palletprofile.com](http://www.palletprofile.com)

## FIRST SORT

### Emerging Phytosanitary Issues: Mark Removal Raises Concern for Some Recyclers

By Chaille Brindley

Some pallet recyclers are discovering that there may be **unexpected costs** and even a **disadvantage** in the market by being **certified to heat treat wood pallets**. Beyond just the treating itself, recyclers in the U.S. that are part of the **official treatment program** must also **remove marks** from **repaired and re-assembled pallets** regardless the destination. Companies outside of the program are free to do whatever they want to do, which has some

**recyclers questioning** the **effectiveness** and **fairness** of the current requirements.

"Mark removal **is not a popular regulation** among recyclers," said Jason Robison of Timber Products Inspection (TPI), Conyers, Ga. TPI and Package Research Laboratory (PRL) of Rockaway, N.J. are the two largest certification agencies for the pallet heat treatment and fumigation programs.

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## IN THE MARKET

### Recycled Pallet Market

**Supplies of cores** have been **steadily tightening** the past 18 months. The trend seems to have **no end**. Core supplies are so tight it seems **impossible** they could get any worse. Contacts made the same observation a month ago, and the supply **has gotten worse**.

In markets where seasonal demand is at its peak, recyclers have been forced to reach **farther away than ever before** just to meet the demands of their primary customers.

**Core supplies** are **extremely tight** in all regions **east** of the

Rockies. Recyclers report core availability ranging from **tight to critical** in virtually all Eastern markets. The fact that supplies continue to tighten is **disheartening** to many.

Some areas are reporting core shortages are so severe that even **#2 GMAs** are beginning to reach critical levels.

The percentage of **#1 GMAs** in the **inbound** core supply is in **steady decline** as the size and quality of the available pool of recyclable pallets continues to decline. The lower per-

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## Emerging Phytosanitary Issues: Mark Removal Raises Concern...

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Jason said that many recyclers point to operations down the street that are **repairing certified pallets** and **not removing the marks**. Sometimes these pallets are being **sold as certified for export**. Sometimes these pallets are just sold as regular used pallets. But if a recycler is **not** part of the official heat treatment or fumigation programs, there is **little the inspection agency can do** to force them to remove the mark.

The heat treatment certification program falls under the oversight of the **American Lumber Standard Committee (ALSC)**. Tom Searles, president of the ALSC said, "We can only control what we can control. And we **can't control** anyone **outside of the program**." Searles indicated that it would require the **federal government** to take action in or order to create a mechanism for those **outside** of the program to be **regulated**.

While some recyclers feel that the current regulations put undo burden on those within the program, Dr. Edgar Deomano, the technical director of the NWPCA, agreed that it was **necessary** even though it **isn't perfect** yet. Edgar said, "We're still **looking** for a **better workable system**. The ALSC just wants to maintain the **integrity** of the program."

The mark removal issue hasn't become a major factor for fumigation certification yet according to Dave Dixon, president of PRL. It could become an issue in the future depending on how it all shakes out.

Dave agreed that it may not be **fair** that recyclers **outside of the program** do not have to live up to

the **same standard**. But he said that **mark removal** for repaired and re-assembled pallets is just **part of doing business** if you are going to be **officially licensed**. Dave explained that the inspectors do not want somebody to take a mark and put it on a possibly infested pallet because the investigation will come back on the entity with the mark, not the real culprit. This **makes enforcement difficult** and could jeopardize those acting in good faith although they might be cleared in the end.

Removing marks may seem like a little thing to some, but it requires **manpower** and can cause **other problems**. For example, the most common way to deal with the problem is to **paint** over the mark. However, some pallet recyclers supply customers that require **unpainted pallets**.

In addition, recyclers note that the requirement to remove marks is **vague** and **not clearly spelled** out in the ISPM-15 standard or ALSC enforcement regulations. They suggest the lack of clarity could lead to **problems in enforcement**.

ALSC seems to agree that more **detailed mark removal requirements** should be **added** to the **official policies** and not just the inspector guidelines. Tom indicated that the issue would be dealt with in the ALSC Enforcement Subcommittee meeting in August. He explained that the process has to be somewhat **evolutionary** because those behind the enforcement regulations cannot foresee every possible issue **in advance**. Tom indicated that more **detailed mark removal procedures** will be written into the regulations in the

**near future**.

Jason of TPI said that pallets repaired by **adding a nail** or hammering **nails back into place do not need to be re-certified** or have the **marks removed**. This also goes for pallets that simply flow through a repair facility and are **not repaired** at all. But the opposite is true if the pallet has any **lumber added** to it, such as a broken deck board is replaced or companion stringer is added. Even if you replace with a heat treated board, the **mark must be removed**. And if you want to sell the pallet as export certified, it must be **completely re-treated and re-marked**, even if you use only heat treated lumber in the process.

Dave of PRL said that if you **disassemble the pallet** and intend to use the lumber for packaging or other uses outside of your company, then you would need to **remove the mark** first. Recyclers would not have to remove the mark though if the lumber is going to be thrown in the grinder. Dave said that mark removal is important because you **can't guarantee** what the **next person** who gets the pallet is going to **do with it**. The recycler that repairs the pallet may not intend on shipping it to a foreign country. But what happens down the supply chain is anybody's guess.

In the end, it seems like all those within the certification system just want everyone to play by the same rules. Now the big question is: **how** can we get that accomplished? Given the **large number of recyclers outside** of the program, many of whom are not aware of the regulations, this

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## Recycle Record — United States Hardwood Recycled Pallets

The following information describes the conditions and prices prevalent in the hardwood recycling industry. Information is reported for states and statistical reporting regions where we have enough data and input to feel comfortable with our analysis. Statistical reporting regions will be added and deleted when there is a change in available dependable data.

Our #1 and #2 pallet prices are the typical delivered 48x40 hardwood GMA prices in each region. Our definitions for #1 and #2 coincide with the National Wooden Pallet and Container Association's Uniform Standards for wooden pallets.

Our core prices represent typical prices paid for a used 48x40 hardwood GMA core delivered to the recycler.

Our prices are what we interpret as typical prices reported by our

information network. Even within small reporting regions, price variations sometimes dictate that we publish a middle price within the reported range. We seek to report a middle ground price, not necessarily one of the extreme prices on the spectrum.

Descriptions of inventory conditions help provide an overview of the market in a tabular form.

Percentage of plant capacity utilization represents a measure of pallet activity. Verbal descriptions appear in the Market Report.

Plus and minus signs after pallet and core prices indicate the direction of price changes when compared to the previous month's *Recycle Record* prices. Prices are moved in increments which make comparison meaningful.

No attempt is made to forecast future prices.

Region	#1 48 x 40 Hardwood GMA Pallet Prices	#2 48 x 40 Hardwood GMA Pallet Prices	Typical Core Prices Delivered to the Recycler	Core Availability	% Plant Capacity Used
So. N. Eng.	\$5.40	\$4.00	\$1.25	Tight	95%
Mid-Atlantic	\$6.05	\$4.10	\$2.15	Critical to Very Tight	95%
Virginia	\$5.60	\$3.90	\$1.50	----	----
N. Carolina	\$5.70	\$4.30	\$1.75	Tight	100%
S. Carolina	----	----	----	----	----
Georgia	\$5.40	\$3.80	\$1.50	Tight	90%
North Florida	\$5.30	\$3.40(+)	\$1.70(+)	Tight to Average	95%
Alabama	----	----	----	----	----
Mississippi	----	----	----	Tight	90%
Tennessee	\$6.00	\$4.25	\$2.00	Tight	90%
Kentucky	\$5.70	\$4.00	\$1.25	Tight	95%
W. Virginia	----	----	\$1.90	----	85%
Western PA	\$5.50	\$3.85	\$1.75	Tight to Average	95%
Western NY	\$5.80	\$3.70	\$1.60	Tight to Average	95%
Ohio	\$5.45	\$3.90	\$2.20	Critical to Tight	95%
Michigan	\$5.85	\$4.00	\$1.90	Tight to Average	95%
Indiana	\$5.95	\$4.35	\$2.65	Critical to Tight	95%
Illinois	\$6.35	\$4.70	\$2.25	Tight	100%
Wisconsin	\$5.90	\$4.00	\$1.50	Very Tight	95%
Minnesota	\$6.45	\$5.25	\$2.00	Tight to Average	95%
Iowa	\$6.00	\$4.15	\$2.40	Very Tight	95%
Missouri	\$5.25	\$3.60	\$1.90	Tight to Average	90%
Arkansas	\$5.80	\$3.80	\$1.90	Very Tight to Average	100%
Louisiana	----	----	\$1.85	Tight to Average	90%
East Texas	\$5.45	\$3.50	\$1.90	Tight to Average	95%
Kansas/OK	\$6.15	\$4.50	\$2.25	Tight to Average	85%
Arizona	\$6.20	\$4.25	\$1.75	Very Tight to Critical	95%
No. California	\$6.05	\$4.00	\$1.90	Tight to Average	90%
Pac. Northwest	\$5.80	\$3.95	\$1.85	Very Tight to Critical	95%

## Market Report

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centage of #1s available in the shrinking pool of available pallets makes the **hand-to-mouth** nature of supplying the current market more difficult than ever.

While core supplies are declining, **recycled pallet demand** east of the Rockies is **unusually robust**. **Activity** is **surprisingly strong** even in view of seasonal expectations. Activity is strong in **construction** related business and other **heavy industrial** business. **Agribusiness** markets are also fueling demand.

Demand is strong enough that many recyclers report **record months**. Even the **softest** markets report **solid** activity levels.

In the **West**, market conditions are **similar**. **Recycled pallet demand** is **strong** and **supplies** are **thin**. Many Western recyclers report that core supplies are so low that they are working with **hand-to-mouth supplies**.

Supplies of **#1 GMAs** are in particularly **short supply** in the West. **Core inventories** in the West have been at **critical** levels for nearly two months, and **agribusiness** markets that lean heavily on recycled pallets are a **large factor**.

**Inbound** supplies of **#2 GMAs** are **more mixed** than usual. The **best** reported inbound #2 supplies are **below expectations**; in some areas where #2s are always in high demand, supplies are nearly **nonexistent**.

The combination of strong demand and low supplies has **strengthened pricing** throughout the industry for both **cores** and **ready pallets**. Prices for cores and ready pallets are

**steadier** than a month ago continue to **press higher**.

The combination of higher demand levels and incredibly short core supplies forces recyclers to **turn pallets faster than ever**. Current conditions require **faster circulation** of the limited number of available pallets. This **further intensifies** the hand-to-mouth turnaround cycle that pallet recyclers are forced to perform.

**Customer service demands** only make matters **worse** in this hectic climate. Additional services that used to be considered **gravy** money for the recycler are now done at **no charge** in order to keep key customers **happy** and little more. The circumstances have changed so much

that the customer takes these services for **granted** – a given — in today's recycled market.

**Last-minute orders** are a **growing problem** under the pressures of the current market. Although commonplace in today's market, this is one of the many services that customers now view as a given regardless of how complicated accommodating them becomes.

**Premium quality recycled pallets** remain in **very high demand**. These premium pallets are higher priced and usually go to the recycler's best customer. So it is no surprise that warehouse or club pallets often are at the heart of the **last-minute orders**. [R]

## Recycle Record Quotes:

**"If you're looking for sympathy, it's in the dictionary between s\*&\$% and syphilis."**

(The Pallet Cynic)

## Emerging Phytosanitary Issues: Mark Removal Raises Concern...

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seems like an **impossible** task. The other thing to consider is that as margins continue to be pressed by customers, even some within the program are **tempted to cheat**. Given the industry's reputation for cutting corners, will this same attitude transfer to treatment? **Inspectors can't catch everyone**. But if you're part of the official program, and they **catch you** trying to get around the system, it could **cost you big time**.

Since those outside of the offi-

cial program do not have to supply compliant packaging, remove marks after repairs or keep records on treatment, it **makes sense for users** to only buy from **licensed companies** even when purchasing **used pallets for export** shipments. Pallet recyclers involved in either the heat treatment or fumigation program should **educate customers** about the dangers of just being from anybody off the street. Your customers need to know to look for **officially certified pallet suppliers**. [R]