

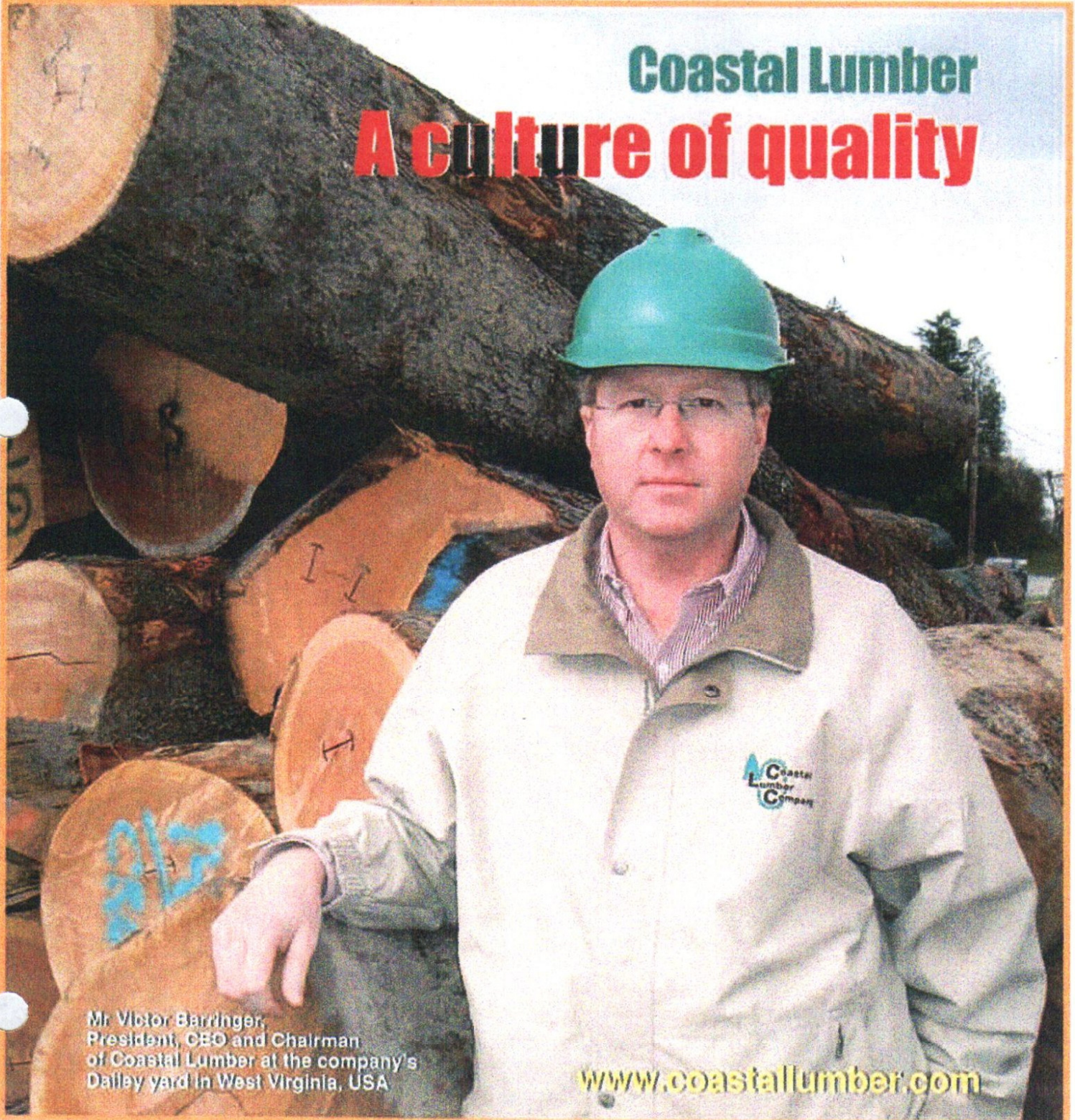
# PANELS & FURNITURE

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## Coastal Lumber A culture of quality



Mr Victor Barringer,  
President, CEO and Chairman  
of Coastal Lumber at the company's  
Dalley yard in West Virginia, USA

[www.coastallumber.com](http://www.coastallumber.com)

## Coastal Lumber

# A culture of quality

by IRENA JOSOEB in the United States

In the year 2007, Coastal Lumber celebrates 70 years in the business with a focus on providing its customers all over the world not only with consistent quality, but also a reliable supply of hardwood lumber. The US-based company's President, CEO and Chairman, Mr Victor C Barringer II, tells *Panels & Furniture Asia* why it's so committed to maintaining its high standards and reputation, and how it plans to expand its good name in Asia.

**Q: Please give us a brief rundown on how Coastal Lumber came about.**

**A** (by Mr Victor C Barringer II): My grandfather Victor Barringer founded Coastal Lumber in 1937 in the US; he was financed by Harry F Guggenheim, who had done several previous business transactions with him. The partnership lasted till 1959, when my father Paul B Barringer II and his two partners Steve H Conger Sr and RG Bell purchased the business. In 2002, I became President and Chief Executive Officer, and acquired the hardwood lumber business from family members in 2004. We have grown significantly since then.

When my father and his two partners took over Coastal, there was only one mill in North Carolina. But that grew to several mills spread across six states, and at one time they

even had up to 36 operations obtained through opportunistic buys and acquisitions. We also have a sister company that has timberland and today, we are the largest manufacturer of hardwood lumber in the US.

**Q: It's been 70 years since the company was founded. Why do you think the company has been able to grow continuously?**

**A:** Because of our reputation, and our commitment to the export business.

**Q: What are Coastal's current long-term goals and how will these be achieved?**

**A:** Our long-term plan is to be the dominant supplier of hardwood lumber for the entire Asian region.

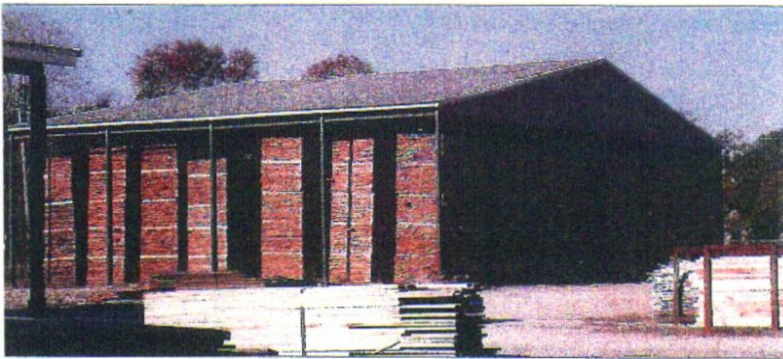
We understand that the customers' needs are ever changing, and so if they have a new product they are developing and need our help to provide lumber of a certain width, colour or length, we could adapt our production to meet their needs. This allows us to have a partnership and grow with them.

To help us help our customers, we have invested about US\$21 million to improve the efficiency of our operations. Our most significant investment in the last few years would have been into the Dailey (West Virginia) yard, by installing a PHL System there so that we can produce what the market demands.

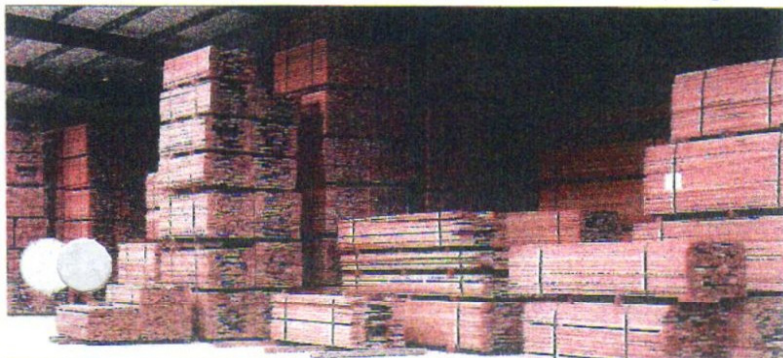
We also recognise that yield and waste minimisation is critical for our customers. To accommodate this need, Coastal has added sorting and gang ripping capabilities. We are close to the major East Coast ports with our facilities, which are located along the Northern Appalachian region, and we have an in-house transportation staff for export documentation and shipment coordination.

**Q: How did Coastal Lumber start its foray into exporting lumber and what does it see in Asia?**

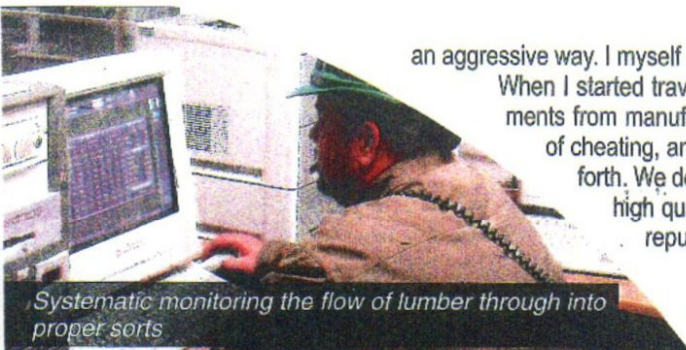
**A:** Coastal got into the export business in the mid-70s when my uncle, who was a tobacco merchant then, would travel around the world and see lumber in demand everywhere; he was the one who encouraged us to export our lumber. We started with Europe and then transferred that base of knowledge into Asia. In 1979, we entered the Taiwanese market and then China in



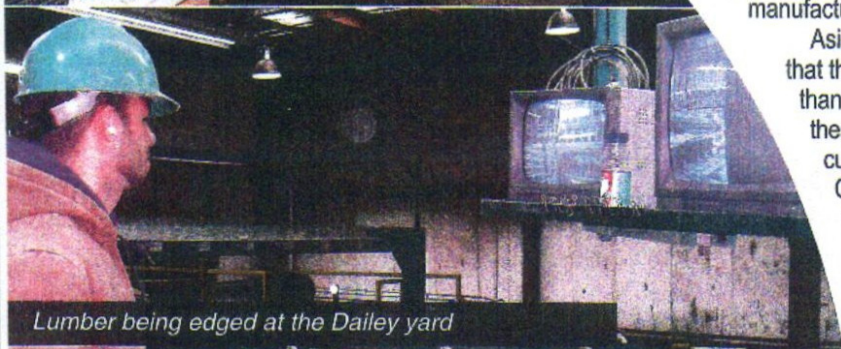
A typical air drying yard in the Dailey yard, located in West Virginia



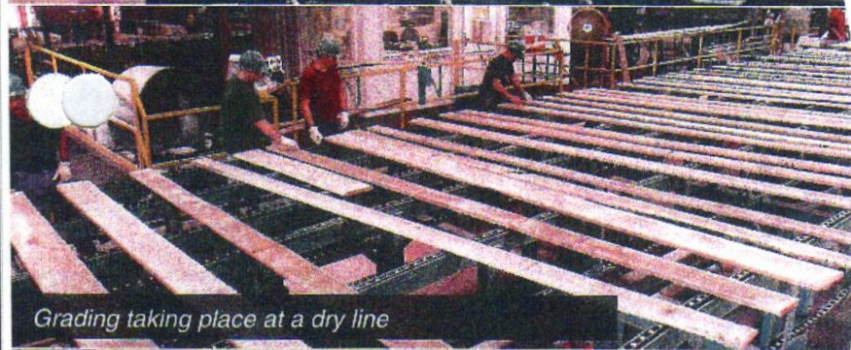
The Dailey yard's warehouse where lumber is being staged for export preparation



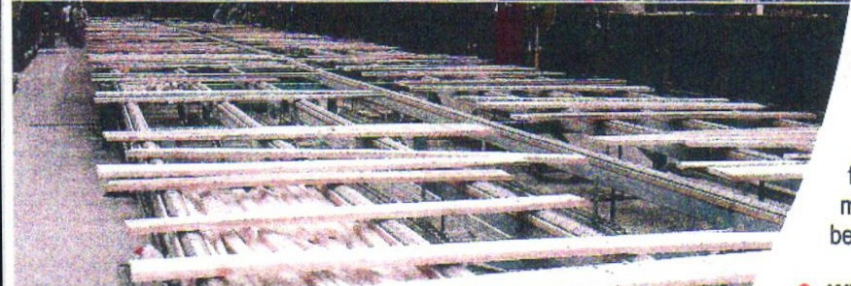
Systematic monitoring the flow of lumber through into proper sorts



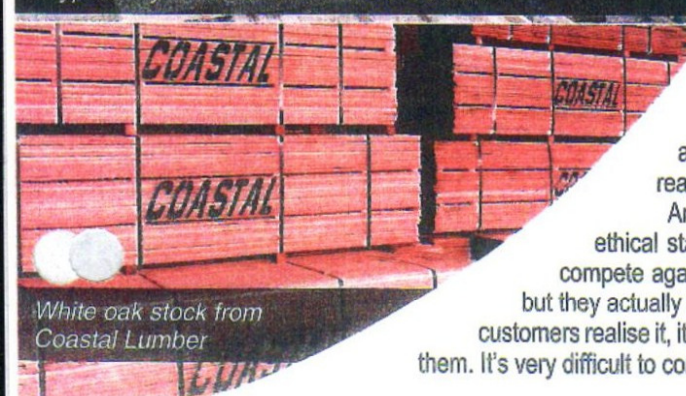
Lumber being edged at the Dailey yard



Grading taking place at a dry line



A typical dry line seen at a Coastal sawmill



White oak stock from Coastal Lumber

an aggressive way. I myself have been to Asia about 25 times.

When I started traveling to Asia in the early '90s, we recognised the need for direct shipments from manufacturers of lumber in the US. I saw a lot of games being played, a lot of cheating, and a lot of dishonest behavior, such as cheating on grades, tally and so forth. We decided at that point that there was a role in Asia for a credible supplier of high quality hardwood lumber, and especially for a manufacturer with a strong reputation.

Historically, the export market has been driven by wholesalers and not manufacturers, but what the market needs is actually for a consistent supply of high quality lumber directly delivered from the manufacturers.

Asia is now our most important market and we're convinced that the manufacturing base in this region will be much larger than the US in ten years. That's why we are so committed to these markets by having 14 employees on the ground in our customer's markets, to handle sales and documentation. On top of that, we have a sales manager who lives in Asia. We are not aware of anyone in our industry that has this kind of commitment on the ground like we do.

**Q: What would you say are Coastal's competitive advantages?**

**A:** People have always wanted to know what we do differently, what separates us from the rest. As a manufacturer, our big advantage is in our ability to control the whole process – from our forestland to the customers' warehouses, hence there is always somebody accountable throughout. We are not a profit-driven middleman who buys from ten different sawmills from ten different geographic regions; we are able to supply both logs and lumber as we have direct access to our timber base. About 99% of our lumber comes from our own production facilities where quality control is managed by our employees and that guarantees the most consistent quality possible.

Hence the real difference is that with Coastal, what you see is what you get. The second load of lumber you purchase will be just as consistent as the first load of lumber, and that is an advantage that only manufacturers have. We also believe that we have the best people in the industry.

**Q: What are some challenges that Coastal now faces?**

**A:** The biggest challenge facing Coastal today is adapting to increased competition from alternative products. With markets being truly global, access to many alternatives to hardwood lumber has affected the business as well as the hardwood industry globally. We view this as an opportunity to combat the encroachment of such alternative products by distinguishing the value of hardwood lumber and reacting to customers' needs quickly and efficiently.

Another big challenge we face is from companies who do not have same ethical standards as we do. That's being perfectly blunt but it is the truth. We compete against people who promise customers Northern Appalachian production, but they actually buy it from Louisiana and ship such to their customers. By the time the customers realise it, it's too late and the companies in turn just blame it on the mills who supply them. It's very difficult to compete with that type of behaviour.



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**Q: How do you meet these challenges then?**

**A:** For us, we first let our lumber speak for itself. We also treat our customers like our partners; we teach them the grading rules and try to help them understand how they can get a better yield from our lumber. The bottomline is that if the yield is better, the customer wins.

In fact, our best customers – the ones we have the greatest success with – are those that analyse our lumber for yields and checks the grades and tally. It is no accident that we have been doing business in Asia with the same people for twenty years.

**Q: How do you view the current issues in the US – its sub-prime mortgage situation, and the falling value of its currency, for example?**

**A:** My opinion on the sub-prime issue will be different from what you read. Though the sub-prime loans issue is not a good situation, most of what have been reported are overblown by the press. The sub-prime mess is just a fever - it's something we will get over. Presently only 1% of existing sub-prime loan owners are not paying their mortgages, and the underlying strength of the US economy is much stronger than what you read. The press does not give due credit to the strength of the US economy as we have a very strong economy right now, stronger than most people realise. The housing market will come back by 2009.

I do not believe the US Dollar will get much stronger vs. Asian currencies, because of the trade deficits we run.

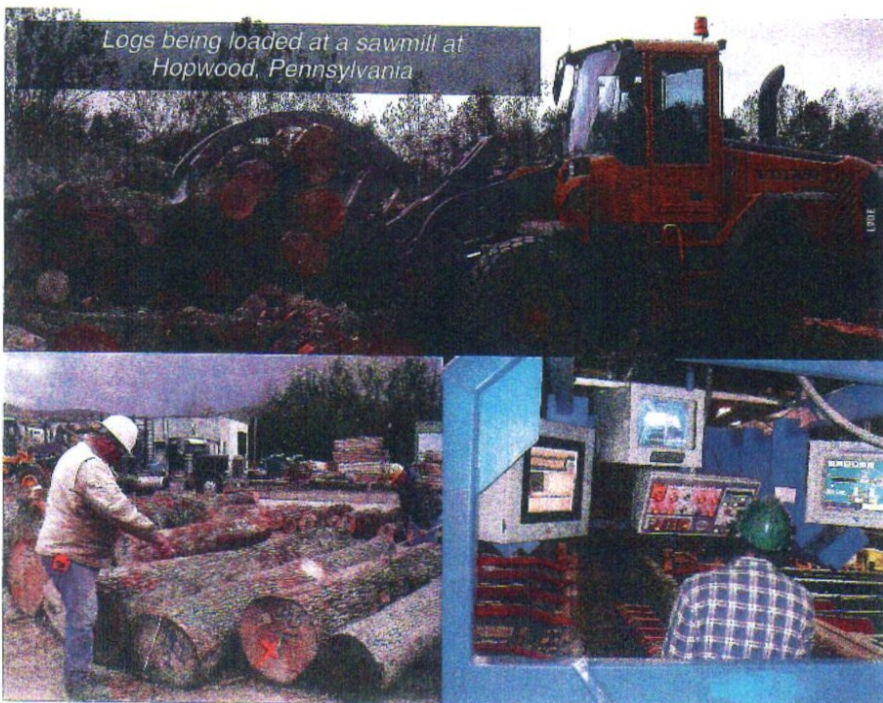
**Q: What do you see coming up for Coastal in the next few years?**

**A:** Over the next three years we'd like to increase our shipments into Asia by 50% above our existing levels. We believe we can achieve this as we see a need for consistent quality producer of hardwood lumber in that region.

Also, despite very difficult times for our industry in the US, we are financially strong and will be here in the future. We have attempted in the last two years to acquire more manufacturing facilities. However, while the price for this additional capacity does not reflect current market conditions, we are still actively looking at new mills and opportunities to grow.

As Warren Buffet (American billionaire and philanthropist) once said, "When the tide goes out, you can find out who's been swimming naked." This applies to our industry – when the US hardwood lumber market comes back, Asia will see who is committed to exports to their region and who is not.

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Logs being loaded at a sawmill at Hopwood, Pennsylvania

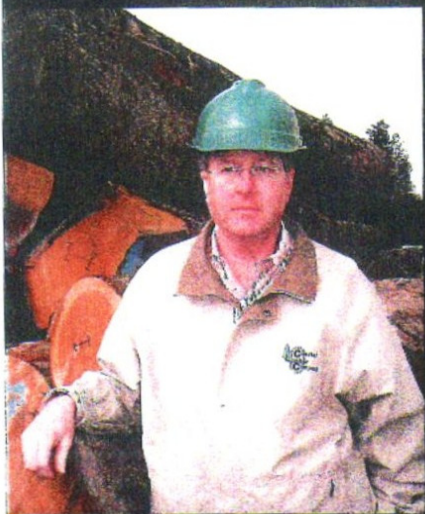
Log scalars scale both sides of the log to ensure consistent measurements

Lumber being edged at Hopwood with an optimised edger

	<p><b>Frame Saw For Wet Solid Wood</b></p> <ul style="list-style-type: none"> <li>● Kerf from 1.25mm-1.60mm</li> <li>● can reduce 70% cutting time</li> <li>● use for Teak</li> </ul>
	<p><b>Frame Saw With Special Coating</b></p> <ul style="list-style-type: none"> <li>● longer life time</li> </ul>
	<p><b>Frame Saw Special for Teak</b></p> <ul style="list-style-type: none"> <li>● Kerf from 1.0mm-1.4mm</li> <li>● 3 Times Life time than the normal Stellite Band Saw</li> </ul>
	<p><b>Band Saw</b></p> <ul style="list-style-type: none"> <li>● Kerf from 1.4mm-1.8mm</li> <li>● Teeth type: T.C:T or Stellite</li> </ul>

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## Mr Victor C Barringer II, President, CEO and Chairman of Coastal Lumber



**M**r Victor C Barringer II graduated from the University of North Carolina (Chapel Hill) with a degree in Political Science in 1984. Married 18 years to Turner James, they have two children, 15-year-old Paul Brandon Barringer III and 13-year-old Sarah Merrill Barringer.

Now a Director with the American Hardwood Export Council, he is also on the local advisory board with Branch Banking & Trust Company and is also past directors of the Hardwood Manufacturers Association, North Carolina World Trade Center, Boys & Girls Club of Nash County and Boy Scouts of Eastern North Carolina. He is an active member of the Young Presidents' Organization.

Mr Barringer is a member of the Christ Episcopal Church, Charlottesville, Virginia, and names tennis, fly fishing and duck hunting as some of his pastimes.

On being part of the lumber industry, Mr Barringer says:

"I grew up in industry, starting out as a lumber inspector for a competitor in Alabama, right after college. I have worked in every aspect of this business since 1986, and in fact spent most of my career developing the Asia business, hence I have a unique understanding of what customers need in Asia.

What I enjoy most about this industry is the interactions I get with my customers. I find it satisfying to be able to meet their demands, and to work with a company that has a great reputation."

## Ya Lian Machinery Co Ltd: Supply thin board production lines in China

Dunhua City Yalian Machinery Co Ltd was built in Dunhua City in 2003, and is one of the most important enterprises with top technology in Jilin province. Ya Lian Co has been certified with ISO9001 Quality Control System and ISO14001 Environmental Protection System since 2005. In order to fully use wood resources which are increasingly of a shortage in China, Ya Lian Co is devoted to the developing technology of thin boards and manufacture of related equipments.

For China's man-made panel industry, Ya Lian Co has developed a series of GY40 continuous roll hot presses which can be used to produce **MDF** and particleboards with a thickness range of **1.6mm - 8.0mm** and width from 1220mm - 2440mm, and production capacity can be designed from 50,000m<sup>3</sup> to 10,000 m<sup>3</sup> annually according to customers' demands. These hot presses are of top quality and have high return rates of investment, suitable for medium and small-scale enterprises to purchase or rebuild with limited capital.

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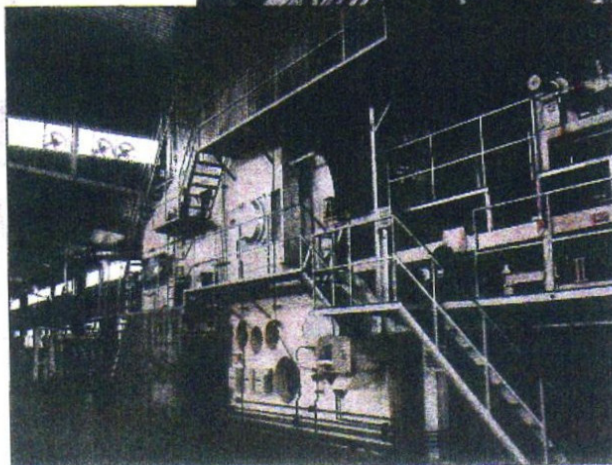
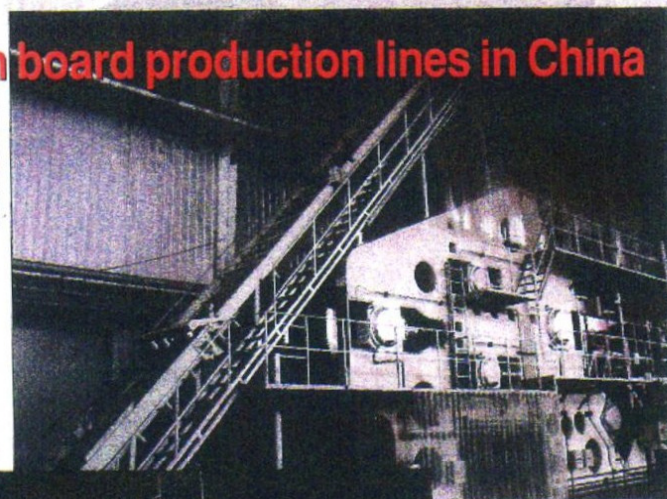
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## About Coastal Lumber

Coastal Lumber is a privately held family-owned business in its third generation of ownership, now under by the Barringer and Conger families. In its history of 70 years, Coastal has been involved in many aspects of lumber operations; it produces all eastern hardwood species – red oak, popular, hard maple, cherry, soft maple, white oak, ash, basswood, hickory, and walnut – in 4/8-4" thickness.

Additionally, Coastal produces southern yellow pine and cypress, in all NHLA (National Hardwood Lumber Association) grades and can sort and grade proprietary products to match customers' needs. It also exports sawn logs for engineered flooring, on top of three different grades for veneer production, mainly to China, Vietnam and Indonesia.

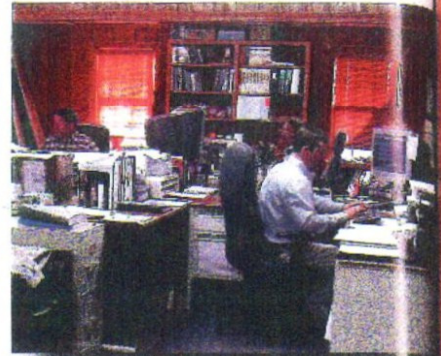
Coastal has expanded over time from one sawmill in Weldon, North Carolina, USA, to the current composition of 18 sawmill and concentration yards, and producing approximately 230 million board feet of lumber annually.

In Asia, the company has three offices, two in China (Shanghai and Shenzhen) and another in Vietnam, employ-

ing fulltime staff and not agents in these locations. "Having offices in Asia fits our strategy of going to our customers directly and providing the best customer service possible," Mr Barringer shared. To ensure fast delivery, there are documentation personnel in these offices.

Expected lumber production for 2008 will be 230 million board feet, 99% from its own mills. Export shipments will approximately make up about 18% (or 42 million board feet). Of this, about 65% (27.3 million board feet) would go into Asia – mainly China – with the rest going into Europe.

Its gross revenue in 2007 was US\$310 million.



## Historical Milestones

