



## It's all about value

**B.C.'s Errington Cedar Products takes a different sawmilling approach, in that they're all about value, value, value, rather than production, production, production.**

*By Paul MacDonald*

Errington Cedar Products Ltd., now a medium-sized business on Vancouver Island, has been a specialty sawmill from its very first day of operation as a small mill, more than 20 years ago.

“The first board we produced using a Wood-Mizer portable sawmill was a high grade yellow cedar product for the Japanese market,” explains Al Orcutt, co-owner of Errington Cedar Products.

The Wood-Mizer mill has long been replaced by larger sawmilling equipment that now allows Errington Cedar to produce upwards of 60,000 board feet of lumber a day, most of it high value western red cedar and yellow cedar, and most of that lumber is specialty market stock cut on a contract basis for customers.

Errington Cedar is about as far away as you can get from the commodity lumber producers that dominate the B.C and Canadian forest industries, and that's just the way Orcutt and partner Brad Meeker like it.

While the larger mills, the mainstay of the industry, are focused on volume, Meeker says Errington Cedar is “all about value, value, value”.

They are strong believers in market diversification. While they do a lot of sales to the U.S., they have always had a strong focus on the high end Japanese market.

That focus actually comes naturally to both Orcutt and Meeker.

Before they set up business back in 1988, Orcutt worked as a commercial fisherman, supplying the Japanese market with high-end fish products. Meeker comes from the well-known Meeker family of B.C., which is very involved in the western red cedar/yellow cedar distribution business, and he's well acquainted with the Japanese market. Both men have toured Japanese sawmills extensively, to get a good sense of where the Japanese are coming from, and what they want.

“A Japanese sawmill will spend the whole day cutting up one log, but at the end of that day, they will have some serious dollars in their wood because they have exactly the pieces they need,” says Orcutt, explaining the value philosophy behind the mills, which they seek to emulate at Errington Cedar.

Orcutt talks about one of the biggest yellow cedar buyers in Japan, whom they've been dealing with for about 20 years. “He comes to us with his cut list, and he needs certain pieces, and the values of those pieces are through the roof. There is a niche market that commodity-type mills can't really get at.”

To produce “Meeker” brand lumber for their niche markets in Japan, Australia, New Zealand, the U.K, Europe and the U.S., the company starts the breakdown process with a 7-foot Kockums double cut headrig, followed by a six-inch Ukiah



edger, which has been completely rebuilt and customized, and a Turner twin band resaw. All set controls employ computerized linear positioning.

They completed a \$500,000 project to automate their trim line last year, adding Shark Fin turners, PLC and computer controls. Errington employees handled the mechanical side of the project, while WL Solutions of Port Alberni, B.C., did the PLCs and computer networks. Their most recent upgrade was an automated packaging line.

“We still have a wish list of other things we’d like to do at the mill,” explains Orcutt. “The last couple of years have been pretty lean, but our general approach is to continually upgrade, one project at a time.”

The mill has been designed so they can easily handle chunks and oversize logs, an especially appropriate approach since they are often dealing with slabs and large misshapen pieces of cedar, rather than tree length round logs.

Errington is different in that they saw the log from the inside out, essentially sawing it from the heart to the sapwood. They cut for grain, and for color, doing separate log sorts for light and dark coloured logs. “We’ve always been able to get a really good premium doing sorting, notably for the lighter coloured wood.”

As mentioned, they will take the time to cut each log individually. “We’ll saw a log in half at the head rig,” explains Orcutt. “That would be the first pass, and not even a slab will come off it. We’ll cut it open and get at the guts of the log, to see what is in there, and what we can do to deliver the best value. We can see from the inside of the log what is there, rather than trying to guess from the outside.”

And they are using as much out of each and every log as they can. While some hog fuel and sawdust goes to local pulp mills, they produce wood pieces down to an eight-inch fingerjoint product, with the knots taken out on the chop saw line, and right up to 26 foot beams and timbers.

Even though Errington cuts for the specialty market, it is still being hurt by the general economic downturn, with sales down in the major markets of Japan, the U.S., Australia, New Zealand, U.K and Europe.

How do they manage through a downturn? “Well, we’ve always ran a pretty tight ship,” says Orcutt. “We’ve never gone out and borrowed huge amounts of money to do improvements at the mill. When times are good, we’ll spend some money on the mill and when times are not so good, we won’t spend that money. We’re small enough that we can control that.”

When they do improvements, such as to the trim line last year, they make sure they are well thought out and that they deliver to the bottom line.

The trim line improvements are part of a three-step process that will move their overall production up another 25 per cent, says Orcutt.

They may not be able to up their production of western red cedar by the 25 per cent. Wood supply can be a problem since they don’t have tenure, but it could open up the line for cutting another species. In the past, they’ve done some cutting of spruce, fir and hemlock, depending on the market demand.



“The additional two steps will cost us about \$1 million, but we’ll get there,” says Orcutt.

The changes will add flexibility to an already nimble mill operation. They are always looking to meet the changing needs of existing and new customers.

Errington Cedar is truly driven by the opportunities in the market, sometimes on a daily basis, says Meeker.

“The bigger mills might cut 7/4” for months on end,” he says. “But we’ll cut 7/4” until the orders fall, and then we’ll change to two inch if the next order is two inch, or to inch-and-a-half. We’re pretty flexible on what size we cut.”

The partnership between Orcutt and Meeker is a good fit, with each partner specializing in a particular area. Orcutt is the hands-on, mill guy, while Meeker is the marketing guy.

Both men note that with mill operations, a single owner can often try to do everything--buying logs, production, selling, and maintenance. Attention can get spread pretty thin, and one of those work areas is inevitably going to suffer.

“With the way we have it set up, it’s been a good combination from the start,” says Meeker. “I went out and found the markets, and came back and looked at how we could build the right mill to produce those products. Al is the real nuts and bolts guy for the mill.”

If there has been any kind of key ingredient to their success with Errington Cedar, both Meeker and Orcutt say it has been working at developing solid, long term relationships, and consistently delivering a high quality product.

“Our focus has always been on quality. We call it being a cut above. We’re value driven, not commodity driven.” Meeker notes their first cut of the day, and subsequent cuts at the mill, are always for dollars, not production.

“Production suffers because of that. Our unit production costs may be higher, but our revenue is also higher to allow for that.”

They’re working to continue to meet the needs of customers as they evolve. One example of that is Errington has their own species designation for yellow cedar products for the Japanese market, called “Canada Hinoki”. They are the only mill that produces this product. Hinoki is the indigenous yellow cedar species in Japan.

They also have achieved FSC certification, and this year they received the more globally known Programme for the Endorsement of Forest Certification (PEFC) chain of custody certification. “That is becoming a big deal around the world. A lot of our customers are requesting that,” says Meeker. “In places like the UK, if it’s not certified wood, you can’t do a government job.”

One way they are different in this regard, Meeker notes, is that they keep their certified wood separate, unlike some other mills that have a conglomeration of certified and non-certified, calling it mixed certified wood.

Even though they are currently running at about 65 per cent capacity due to the downturn, Meeker and Orcutt see Errington Cedar increasing production in the future. “If you’re not going forward, you’re going backwards,” says Meeker.



“That may not mean more volume, though; it might mean producing higher value pieces, and more of them.”

That said, they could increase daily production up to the 100,000 board feet a day level in the future.

“But things have to happen along the way to do that,” says Meeker. “We have to get more timber, we have to get more market share, and we have to turn more customers into buying more specialty products. Doing that is a daily, weekly, monthly, yearly proposition.”

They always, and Meeker emphasizes this, want to be cutting for the market, not just cutting.

“It’s not just cut and they will come--it’s cut for the market.”