



InSIGHT

Keeping you informed of the latest Koppers Performance Chemicals and Industry News.



Issue 5 - October 2018

Welcome to the latest edition of our newsletter. We hope you find it interesting to read and informative.

We are rapidly approaching the end to what has been an interesting year for the industry and one which will be remembered for the changes that we have seen.

One of the more significant changes we have seen this year is the continued sale of CHH sawmill assets.

As many of you know, by the end of the year AKD will complete the purchase of the CHH Tumut Sawmill and Gilmore Treatment plant and will also acquire the CHH share of Highland Pine. This is in addition to the AKD acquisition of the CHH Caboolture and Yarram mills earlier this year. CHH had also previously sold its Mt Gambier Sawmill to OneFortyOne and its Oberon Particleboard Mill to Borg.

The feedback we are hearing from the market is that while activity remains strong, there appears to be a slight softening in the market.

What is unclear is whether this is reflective of a drop in overall demand or a result of increased supply due mainly to increased imports of sawn timber. In any event, the industry is still anticipating a strong finish to the year.

As we go to press, Koppers PC is very proud to have received another environmental certification for our MicroPro treatment technology, please read the story in our News flash.

Elias



NEWS FLASH!

SYDNEY, AUSTRALIA, September 21, 2018

MicroPro® Wood Treatment Technology has received a **Global GreenTag GreenRate™ Level A** award under Version 4.0 of the **Global GreenTag International Product Certification Standard**. It is the highest-level achievement for a product under **Global GreenTag's GreenRate™ product rating system** – declared by the certification body as 'Fit-for-Purpose' and confirmed for **Green Building compliance**.

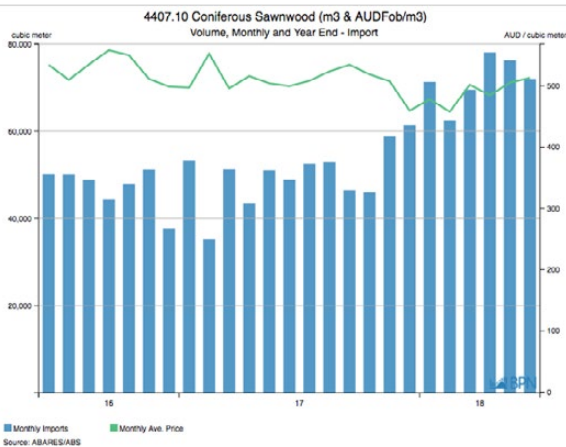
GreenRate™ Level A equals to a Sustainability Factor of 100 percent under the Australian and New Zealand Green Building Councils' Green Star™ 'Design and As Built v1.2' and 'Interiors v1.2' Rating Tools Credits. "It is a very good result," says David Baggs, CEO and Program Director of Global GreenTag International. "Koppers Performance Chemicals are to be congratulated as they have designed a very effective and sustainable GreenRate Level A technology." Elias Akle, General Manager Australian Operations said, "We are very pleased to have achieved Green Tag Certification for MicroPro and it is a further confirmation of Koppers commitment to the production of responsible products for the timber and wider building industries."

The program is also recognised by the Green Building Councils of New Zealand and South Africa. In Australia, the GreenRate™ program is also relevant to Infrastructure professionals working with the 'IS' rating tool from the Infrastructure Sustainability Council of Australia.

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Softwood Imports

Imports of sawn softwood rose to a new peak over the year-ended June 2018, totalling 747,645 m³, up a massive 32.7% on the prior year, despite strong rises in average import prices. In June itself, imports totalled 72,001 m³, below the monthly peak but still a whopping 47.2% higher than in June 2017.



This is an excerpt from an article written by Jim Houghton for FWPA's latest Statistics Count

Market Outlook

At the end of August 2018 the economic outlook for Australia appears generally positive with generally low inflation, low unemployment and low interest rates although banks have started to raise interest rates in response to higher world borrowing costs.

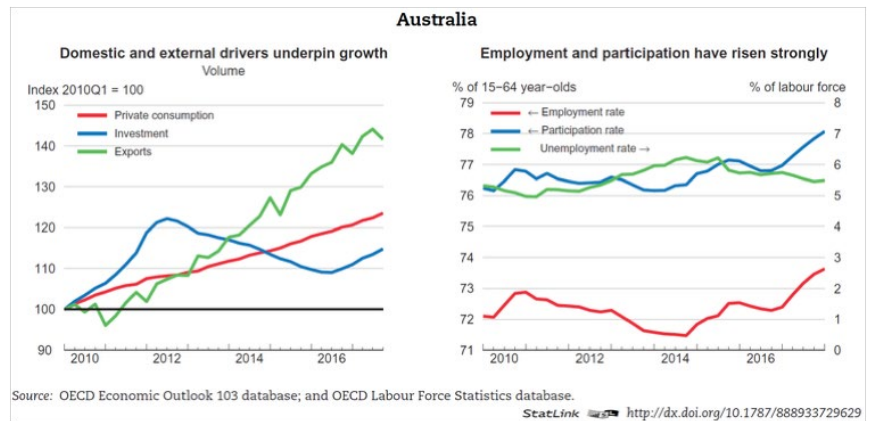
The Reserve Bank has again kept rates at a historically low level apparently fearful of the fragile housing market and economic growth. Threats from the world economy remain, including the possibility of a Chinese slowdown and weakness in Euro economies. In this edition read an external view of the Australian economy from the OECD and the 31 August Australian Industry Group view of residential construction.

OECD Australian Forecast May 2018

The economy will continue growing at a robust pace, around 3%. Business investment will pick up, with exports boosted as new resource sector capacity comes on stream. Public infrastructure investment will also support growth. A stronger labour market and rising household incomes will sustain private consumption. Inflation and wages will pick up gradually.

Monetary policy is appropriately supportive, with the central bank projected to start gradually tightening towards the end of 2018, when the pick-up in wages and prices gathers pace.

Risks from the housing market and high household indebtedness warrant continued vigilance. The fiscal position is sound. In the event of a downturn, fiscal policy should be used to support activity and protect the incomes of the most vulnerable.

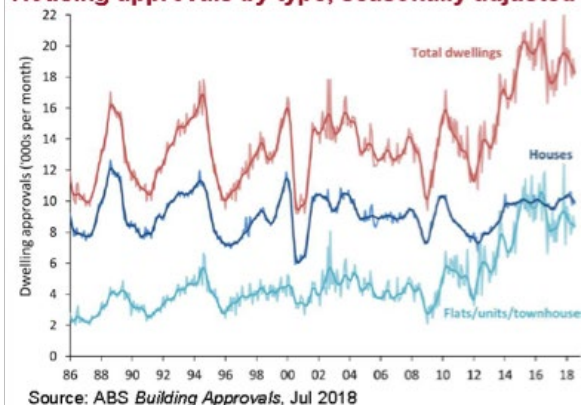


Australian Industry Group 31 August Economics Weekly

The trend in slowing residential building approvals reflects local regulatory constraints on investor finance, (modest) falls in house prices and building industry cycles.

Building approvals typically 'lead' building activity by 6 to 12 months, so these recent trends suggest that, although the residential construction cycle may have peaked, residential construction activity will remain at a high level in 2018-19, supported by record low interest rates (notwithstanding recent increases by some major banks) and strong population growth.

Housing approvals by type, seasonally adjusted and trend



Service Central for Koppers PC



Interaction with our customers, suppliers and the public is critical to our business and it is with pleasure that we welcome Helen Ferguson to the Koppers PC team. Helen joined our Australian Operation Team in January this year upon Diane Hanel's retirement as Customer Service Co-ordinator and with handover from Diane, she has settled in seamlessly and is continuing to get to know our team, customers, suppliers and processes.

With her experience in production and finance and extensive administrative experience relating to efficiencies, safety, compliance and process, Helen is keen to introduce further system improvements to benefit the KPC team and its customers.

Helen says "My experience since joining is that the KPC team provide exceptional cross function product and service across all business aspects with a small and super dedicated team and I am excited to have joined Koppers PC. My contribution to the Mount Gambier daily quiz is minimal at this stage however I much prefer delivering the questions!!"

With a husband and 2 children we don't know how Helen finds the time to be training for her first marathon in October.

KPC Geelong Plant Upgrades



The Koppers PC Geelong facility produces a number of bulk preservative products as well as consumer products and has just completed a significant upgrade of the LOSP production facility. The Geelong facility is complemented by the Mt Gambier plant which produces a different range of products and incorporates office and laboratory facilities. Being in regional and semi-regional areas employing local staff and involvement in local communities is a Koppers PC privilege.

Reece Pitkowczyk, Site Manager Geelong said "Safety is a Koppers priority and this has been a major focus of improvements" The improvements to the Geelong facility have resulted in substantially increased production capacity enabling Koppers PC to cater for the growth in demand from our LOSP customers including additional storage, shorter mixing times and electronic stock control and tank monitoring. Said Reece, "Our commitment is to be able to meet our customers' needs and do so safely and promptly and by supplying a high-quality product".

This includes supplying a fully mixed and quality-controlled product ready to use direct from the Geelong facility. More upgrades and improvements are scheduled for later this year. Reece has Managed the Geelong site for some three and a half years and his 20 years in industrial engineering and in the petrochemical industry was the perfect background to design and manage all the upgrades at the Geelong Plant. Our customers will be seeing more of Reece as he trains to offer additional support to Regional Managers and the Engineering Manager.

NSW Steel Framing Share Increases

Sydney siders have grown used to the sight of Blue house frames popping up in their area, first introduced by the timber industry, Blue has come to mean termite resistant framing.

Soon after this timber industry initiative, Bluescope introduced their "Truecore" steel framing product, aluminium zinc coated and with a Blue coloured resin film. In recent times other imported steel framing products with other colours have been used. Sydney (and to a lesser extent NSW generally) has been experiencing an unprecedented level of residential construction and no timber industry observer could fail to notice the large proportion of steel frames.



How big?

Well recent strong profit announcements by Bluescope specifically mention domestic construction including framing products and underline how important this sector is becoming to the steel industry. Estimates put the percentage of steel framing in the NSW market at least 15% up from a recent historical level of 5-8%. While timber supply and prefabrication capacity along with changes in steel costs may be at the core of this change, there are likely many other reasons.

When the market pulls back will this higher steel share become the new norm? Are there things the timber industry could be doing. What do you think??

Any and all feedback to the editor appreciated

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SE Pine Steps Up!



The SE Pine story begins in the Pine forests of Mt Gambier in the mid 1980's where Mark and Andy Forster started with mobile "spot" mills processing break trees for landscaping products. In the mid 90's Mark and wife Karen bought a block of land just outside of Mt Gambier and built a mill. The mill started producing palings, sleepers and premium boards and over the years they have expanded and invested in the mill with a supply of high quality large diameter Mt Gambier pine. Around 2 years ago, a new up to date and more efficient mill was built next door to the old mill with 2 sets of twin band break down saws leading into a multi-rip which all have scanning capabilities. The mill produces a high quality board and post which makes the perfect feed stock for the Dandenong South site which Mark and Andy had bought in 2006. The Dandenong site started as a fencing supply yard with its own CCA pressure plant which they also used for custom treating.

What is impressive about SE Pine is not that they are the biggest pine producer in Australia, they are not: no, its the way they have progressed step by step improving their processing capability, distribution and treated timber operations while keeping a quality product as a priority. Their latest investment in a new LOSP treatment plant at their South Dandenong site is typical: latest technology, efficient treatment and a great final product.

Planning for the LOSP plant started when it became clear that the company needed to produce LOSP treated products in house rather than externally treated. The plant was chosen using their own research as well as guidance from their chemical supplier, Koppers Performance Chemicals and supplied by IWT in late 2017. "Koppers have been supportive through the whole process, whether in design, installing their terrific automation system and assisting with sorting the new plant, Koppers have been there", said Andy.

The plant was made in Italy to a compact design with the 1.8m diameter and 8m long steel cylinder nestled below the Operating Storage Vessel or OSV with the bulk storage vessel situated outside the main factory. This arrangement results in a small footprint which was an essential requirement in the restricted factory area and the infeed is also compact meaning that the plant is loaded from one side and one end. Nevertheless, because of the speed of the plant, output is still high and a second shift can always meet any future demands. Plant automation was naturally supplied by Koppers PC and the opportunity was taken to update automation in the existing CCA plant as well.

Demand for H3 LOSP has exceeded expectations with around 80% of production and the remainder CCA. Not surprisingly, the current buoyant market conditions mean that its difficult keeping up with demand and even though the treatment plant has extra capacity, the Forsters are confident that the future will bring further expansion.

Naturally, the family is strongly guiding the business with Mark, wife Karen and son John managing the Mt Gambier sawmill and Andy managing the Dandenong South operation. Andy is ably supported by Felicity Mason, Office Manager and Steve Jenkins the Site Manager who also operates the 2 treatment plants. In the critical Sales and Marketing role is Goran Runje well known and well-respected industry stalwart who has been with SE Pine for 18 months.

The SE Pine story is one that began with relatively humble beginnings in the forests of Mt Gambier and step by step has progressed to their current position as a significant supplier of timber and preservative treated timber products. Andy Forster explains, "We have always strived to supply a great quality product and that has been one of the secrets to our success, that along with hard work and great staff"

sepine 
quality timber for life

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