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PRS Continues Product Line Expansion, Accelerates Focus on Material Handling

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PALLET REPAIR SYSTEMS, INC.



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PRS Advances While the Industry Matures

20th Anniversary Is Really Closer to 40 Years

By Dr. Ed Brindley, Publisher
Pallet Enterprise Magazine



Pallet dispenser under construction. Pallet dispensing is a growing trend in the materials handling function.

Jacksonville, Illinois— Early Days of Recycling

Jeff Williams, vice president of sales for Pallet Repair Systems, Inc. (PRS), and I talked about the evolution of pallet recycling and the many changes that have taken place. The 20th anniversary of PRS, coming up in February of 2009, marked the occasion that made Jeff start thinking about all the changes he and his father, Lonnie Williams, have experienced. This milestone helped Jeff take perspective of the changes that his company is going through and how much it parallels those that have impacted the overall pallet recycling industry.

When I started working with the pallet industry in 1977, very few people had heard of pallet recycling. There were not many companies involved in recycling

pallets thirty years ago, but there were a few. Lonnie Williams owned Williams Panel Board, one of a limited number of recyclers functioning in Chicago area, an area that is sometimes considered to be the center of pallet recycling in North America. When the Williams family transitioned exclusively into machinery in the late 1990s, the recycling division was known as Pallet Repair Service.

Names such as Eddie Pawlac and John Soper were others of note in Chicago. Jeff said, “In the early days, they were used pallet companies that did some repair. You could pick up pallets from company A, drive them down the road and sell them to company B. Margins were unbelievable. It was crazy – easy money. Now you can’t find anybody to pay you to remove pallets. In most places

you have to pay for used pallet cores. Now you have to be efficient to make any money. You can still be profitable, but you have to have the correct machinery and use it wisely.”

Thirty years ago there were a few recyclers scattered around the country in places like the Los Angeles basin and northern New Jersey; there was literally no machinery designed and manufactured for pallet recycling. People handled pallets onto and off of repair tables, used crow bars or other manual methods to remove any broken boards, and repaired pallets as best they could.

In the 80s, new machinery developments for pallet repairing and recycling were common, and the number of companies involved as machinery manufacturers multiplied. Pallet recycling com-



This press brake is an example of the kind of manufacturing machinery needed in an efficient manufacturing company.

panies were still small, but the industry was growing rapidly. During the 90s, Industrial Reporting, Inc. conducted a number of recycling surveys during the hay-day of recycling growth. Five or six surveys spread throughout the decade consistently documented an exponential growth that was typically around 20% a year.

During the early days, most pallet repairing was back breaking work. Some companies used conveyors, and more used stackers as their automation progressed.

Jeff said, "It has been a really interesting ride. In the 70s and early 80s, our industry was mostly pallet repair shops. People wanted to learn. They were anxious to visit each other's plants. People wanted somebody to take the initiative to organize them.

"Recycling was a small segment of the pallet industry. The International Association of Pallet Recyclers (IAPR) held its first meeting in Cleveland in 1989. The largest players in the room would be considered small by today's standards. Throughout the early 90s, the IAPR grew and held some exciting meetings. There was electricity in the air because recyclers were anxious to learn

from each other and to change along with the industry." Your author attended every IAPR meeting. I can honestly say that with the possible exception of the now famous Memphis meeting of the NWPCA, when CHEP was just entering the U.S. pallet market, the IAPR meetings were the most exciting pallet meetings I have had the pleasure of attending.

In the late 90s, the NWPCA took over management of the IAPR and its meetings. Opportunity seemed to be on every corner. While the industry was smaller in terms of units, the profit margins had been huge by pallet standards during the 70s and 80s. Progressive recyclers could see the inevitable. Changes were taking place, the industry was growing, and margins were tightening. Increased efficiencies in repairing and handling pallets were starting to take place. To be competitive at some point, indeed to still be a major recycler in a market, the list of changes the industry would have to embrace was long – including but not limited to becoming more efficient, automating sortation and repairs, securing consistent core supplies, and providing better management services for customers.

Changes Taking Place

Since the 80s, recycling's growth, eventual maturity, and increased competition have moved progressive companies to make changes on virtually every front. Go into one of the more modern pallet recycling factories today and you do not see the same old drab inefficient shops that once were common. They have evolved into more sophisticated factories that can process thousands of pallets a week, probably several thousand a day. Recycling still requires a lot of manual effort, but pallet tipplers, bandsaw dismantlers, multi-tiered conveyor systems, a bank of pallet stackers to handle different pallet sizes and grades, and scanners to handle repair data and details are now a common occurrence. The focus has shifted to efficiency in sortation and repairing and doing a better job of collecting and managing pallet repair data – all solutions that PRS specializes in providing.

During the 80s and 90s a number of machinery suppliers entered the recycling market. New machines were common. Every machinery show and every IAPR meeting usually offered new opportunities. It was truly exciting to be involved in the infancy and development



Front view of new 30,000 sq.ft. plant built in 2003. A 12,000 sq.ft. expansion is scheduled.

stages of the industry.

Pallet Repair Service was growing as a pallet recycling company along with the industry. In addition to its own recycling business, the company was manufacturing some recycling machinery and products for other recyclers. Jeff said, "We started the machinery part of our company by making pallet plates and plating machines. We had already been splicing stringers together in our own pallet company when Clary came out with the first stringer repair plates. Our company had been splicing stringers with plates as far

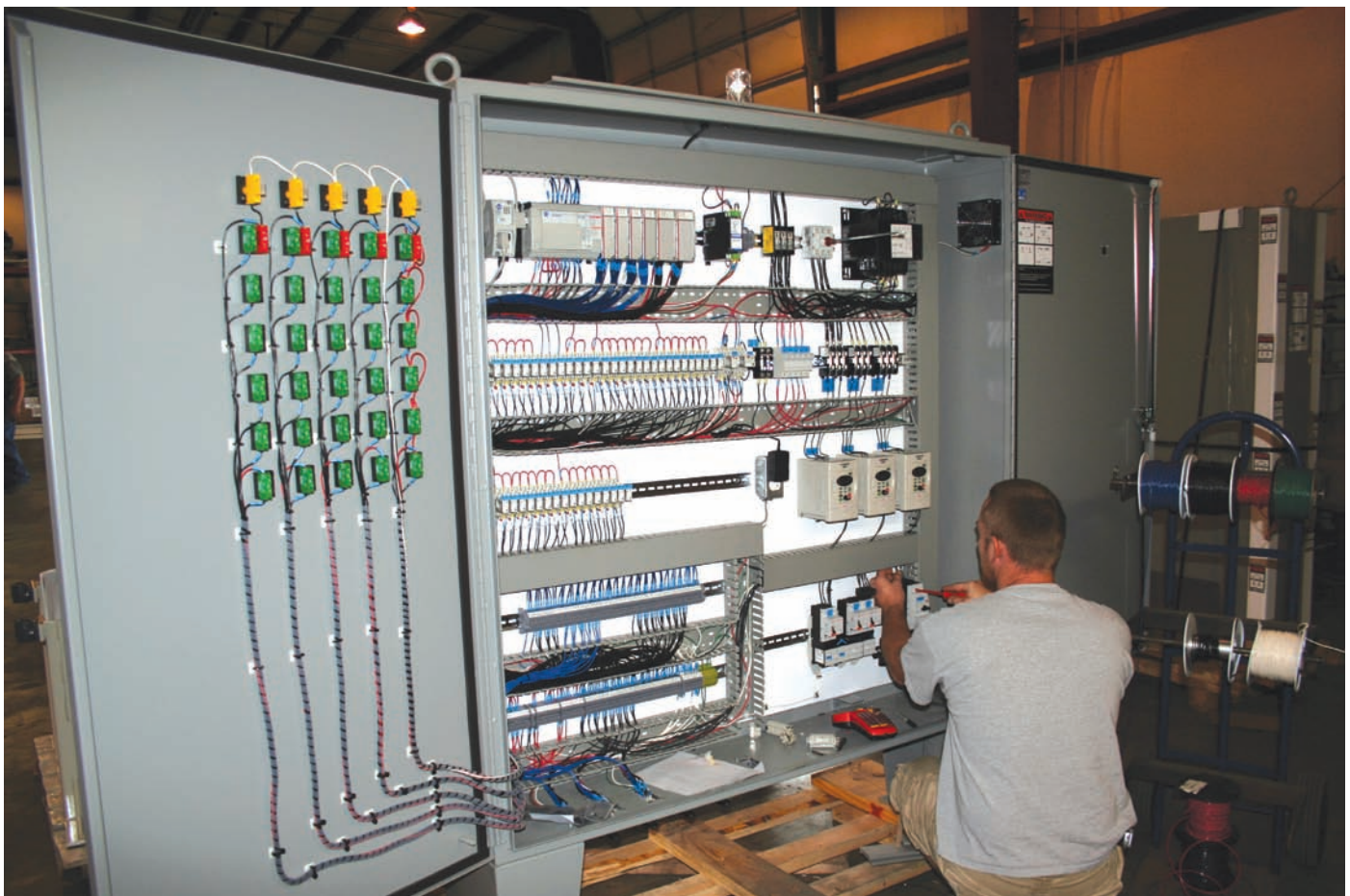
back as the 70s."

In 1989, PRS incorporated as a machinery company. Like several other machinery companies in our industry, in its early days PRS combined its machinery business with its pallet plant. Having a working company as a testing ground can be a valuable tool, particularly when developing new products. At that time, things were happening furiously. In the late 1990s, PRS got out of the recycling business to concentrate on machinery.

One of the changes taking place is the growth taking place in pallet recycling

internationally. About ten years ago, I made a trip to Mexico City to address a materials handling meeting. Pallet manufacturing was still a rapidly developing industry in Mexico, but virtually no pallets were being recycled. Pallets did not go to the landfills; instead people would burn them for fuel or dismantle them for the lumber. Now the economics of recycling instead of buying new pallets is making its mark in many countries, including Mexico.

The United States and Canada are more advanced in pallet recycling than



Electrical panels are an important part of any well designed machine.

other parts of the world. Being green has become more universally accepted; indeed it is sometimes being required. But pallet recycling in other parts of the world is still trailing that in the U.S. and Canada where the market is probably ten to 15 years ahead. The same is true with machinery companies. U.S. suppliers are setting the tone for advancements in pallet recycling mechanization. Sortation systems, advances in pallet stacker design, pallet disassembly systems – all are examples of advances being made by PRS.

Jeff said, “PRS has seen our international business continue to expand. Many markets are just starting to open up to recycling concepts, particularly expanded mechanization and efficiency. Worldwide, countries are very alert and keen to recycling and being green. The international markets are just starting to open up to mechanization. U.S. machinery companies are getting more and more international interest.”

Jeff recently shared with us an e-mail he received from a Brazilian customer. “Ed, I want to share the note below from our customer in Brazil. This is a perfect

example of why we do what we do.”

The customer wrote, “I’m really happy for having done business with you. The equipment arrived in excellent condition...It was a pleasure and great satisfaction to do business with you. God bless you always and the great country that is America – an example of freedom and democracy for the whole world.”

Certainly one of the most significant changes is coming in the practice of materials handling as connected to pallet recycling. Our industry has matured from pallet disassembling machinery and used lumber processing more towards pallet sortation and stacking for efficiency, pallet dispensers, and newer automated pallet repair processes. These are greatly reducing the manual tasks from which we are evolving. Jeff stated, “Maybe we are half way to adapting automation stages. Economy and return on investment are validating our movement toward automation. A growing number of people are accepting the premise that today’s cost is not as much of a limiting factor if an automation concept works. Machinery manufacturers are asking at what point can a machine user embrace

changes in technology. Machine operators and staff have to be able to operate new machinery efficiently; they need to buy into the changes for them to be successful.

“As a machinery manufacturer, I have to ask how many units we will sell. What is the cost of the R&D going to be? In many cases the market may not support it. The market place has to be paid back for investing in machinery.”

Certainly the availability of low cost labor has been a significant factor behind making pallet recycling successful. If you do not have a plentiful, low cost work force, you need some equipment. It is becoming harder and harder all the time to keep labor functioning. More expensive labor is helping to drive machinery investments.

A second major factor has been the increasing competition in pallet recycling. In the early days, a recycler could be very inefficient and still make money. The margins were much, much higher. Today, recyclers have to be efficient to make money. Increasingly this requires the correct investment in machinery for an efficient flow of pallets through the

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factory. Employees need to buy into the system that a recycler chooses.

Jeff mentioned that more data collection and processing products are being introduced successfully from the shop floor. Five or six years ago, PRS introduced a product that would wirelessly send data coming off the end of a trim saw; instead of estimates they could have more precise board counts in a bin. It seemed like a good idea to PRS, but the industry was not ready to pay for this kind of technology. Jeff said, "Many people did not see the value in knowing some kinds of production number details, but that is changing. Our industry is becoming more and more sophisticated." There is no doubt that management sophistication has improved. Recycling companies have grown in size, allowing them to tackle information technology that possibly did not make much sense at one time.

Higher core costs, more competitive markets, and reduced operating margins per unit have changed management philosophies. We have always believed that it takes a smart person to run a good recycling operation. You have to be able

to deal with every kind of issue, from providing services to sophisticated businesses to working with the personal problems of an unskilled employee. It is not a profession for the faint of heart. The management sophistication and decision shown by a growing number of company owners and managers is driving changes in technology. Quite a few sophisticated recyclers now have sales in the \$5 million to \$25 million range. There are still hundreds, even thousands, of small recyclers, so the spread in business volumes is greater than it ever was in the past. This trend seems destined to continue. For the foreseeable future there will be a low-end entry business volume and level of sophistication, and the top end will continue to grow and mature. Jeff said, "It is not that tough to get into the business but it is tough to stay in and be profitable. It is not an easy business. The low barrier to entry will be a fact for the foreseeable future."

Pallet recyclers find themselves in the middle of another change - pallet management. The nature of recycling means that they are handling pallets. Recyclers

increasingly understand that their customers are looking above and beyond just having pallets. They need somebody to help manage pallet assets. Pallet management gets more into the service side of using pallets and containers in the materials handling function. Value added services include such things as transportation and reverse logistics. Progressive pallet companies around the country are entering into cooperative relationships, expanding into regional suppliers, developing nationwide networks, and handling dock sweeps for huge retailers and warehousing operations. Since its beginning, pallet recycling has grown from just small individual companies that pickup and resell pallets to expanding networks to help manage pallet flows, pallet retrieval, and pallet repairs. More and more emphasis is being placed on pallet management.

PRS has been plowing its retained earnings back into the company to make it an industry leader. Each year it tries to reinvest and become a better company. Jeff said, "We want to be a state-of-the-art manufacturer of machines. This makes us better at doing job shop prod-



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"The true measure of a good equipment purchase is time. After 7 years of production using PRS equipment, the advantages of PRS have proven immeasurable. I have been asked many times for my recommendation on equipment and I always recommend PRS."

Greg Bowen,
President of Bo's Pallets,
Inc. Adairsville, GA

ucts; it is good for our business. Still 90% of our sales are pallet related, but PRS's versatility is helping it branch out into providing design and manufacturing services for other companies and industries as well."

Jeff stated, "The future promises better mousetraps for production related machinery. The goal will continue – take out more of the labor. Improve ergonomics, data collection and interpretation, and automation for efficiency."

PRS – Company and Products

PRS provides services and machinery to the pallet industry, mostly for recyclers, but it also serves pallet manufacturers and sawmills with machinery and services. Jeff indicated that he believes PRS has the most complete and comprehensive line of pallet recycling machinery on the market. Its scope is wide, from crow bars to half a million dollar automated systems.

PRS also supplies a wide variety of supply items from Fivestar repair plates to Razorback saw blades, reciprocating blades, dismantling bars, and repair tables. A complete 36 page four-color catalogue provides basic information on PRS's products. Its machinery lineup includes pallet platers, lead board removers, stringer splicers, integrated systems for inspection, repair, sortation, and recycling. Others include rotary dismantlers, bandsaw dismantlers, stringer unstubbers, stringer sizers, trim saws, stack tipplers, pallet stackers, material handling equipment, pallet dispensers, pallet plates, blades, conveyors, and more.

The PRS Group includes four companies that specialize in different areas: Pallet Repair Systems (PRS), Progressive Recycling Systems, PRS Conveyor Tech, and PRS Metalworks. PRS Metalworks fabricates and machines products to fit customer specifications using AutoCAD 2002 and Autodesk INVENTOR solid modeling software. This PRS division specializes in customized requirements to fit any kind of customer.

Progressive Recycling Systems manufactures specialty paper recycling machines. Its standard product line includes small roll or butt roll cutter machines and book recycling machines to remove bindings from books.

PRS Conveyor Tech specializes in



New BUILT-WELL single-head notcher, an example of a new product offering by PRS.

heavy-duty conveyor systems in both belt conveyor and roller conveyor types. Its product line includes unit load handling conveyors, pallet transfers, and specialty materials handling conveyors.

PRS employs about 20 people, including three engineers. Lonnie Williams owns the company and continues to contribute to engineering ideas although he is less involved day-to-day than he once was. Jeff Williams, vice president of sales, said, "Lonnie is the mad genius that is the reason the rest of us are here. It was his ingenuity that drove PRS. This industry is such a colorful industry."

Key employees include: Jeff Williams, vice president; Andrea Martin, controller; Greg Williams, engineer and head of R&D; Bob Coplea, sales and service; Kathy Brickey, customer service and inside supply sales.

PRS has a 30,000 sq.ft. office/manufacturing building and a 12,000 sq.ft. expansion planned. It moved into this new facility five years ago. PRS has invested much of its retained earnings into its own manufacturing facility. Jeff said, "PRS desires to be the best state-of-the-

art machinery manufacturer in our industry. Solid modeling software is one example of our moves to achieve this goal. A consulting service directed PRS to solid modeling about seven years ago. Solid modeling allows us to design and develop machines and get them to market much more quickly than we used to. We can prove a design concept digitally. We now design the machines down to the bolts and washers. It makes R&D so much more accurate and so much faster."

Jeff admits, "PRS is often a little more expensive than many other suppliers, but you only cry once when you buy quality. We put in better bearings, extra steel, etc. We use American made motors. As a company, we strive to be the best quality for the best price. We give you a quality product from a leading manufacturer. We provide the best warranty with the technical support of knowledgeable people. From a design and manufacturing perspective, we strive to make the best possible products at a reasonable price. As a company, we strive to continuously improve – for both ourselves and our customers." 