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Adding Value to a Florida Timber Mill

Michael Ranson, Blue Wolf Capital Partners:

Complexity repels other buyers and so, our legacy of engaging with labor unions and solving environmental problems, partnering with government agencies, multi-constituent negotiations. We've been doing this sort of work for years. We have found that when those forces come together, often the competition to buy those companies is thin to non-existent.

Suwannee has a number of structural advantages. It's the southernmost sawmill in the United States and it's the mill that is closest to large metropolitan areas like Orlando and Tampa. There's a lot of timber land though that's south of the company. So Suwannee will have a structural advantage harvesting that timber. Then in addition to sell lumber into those large metropolitan markets. Suwannee also has a freight advantage.

Robert McKagen, Caddo River Forest Products:

The did face some environmental issues and they faced where they needed to modernize the mill, upgrade the mill for the future. That's where Blue Wolf came involved. It's been a great story. I mean, 2005, they were running about 80 million feet and just holding on. And last year, we ran 143 million feet with pretty much the same equipment.

Ranson:

When we dug into the environmental issues, we felt that they were containable, they were addressable. We were able to develop a multi-step plan for how we would both contain the liability from an investment point of view, but also, undertake a remediation plan, that would finally resolve it.

McKagen:

Blue Wolf put a plan in place that everybody agrees on, worked with the state officials and come up with a plan that everybody can live with and just check the boxes as you're going along and that's what we've done over the last four years.

Ranson:

Whenever it would rain, the contamination that was in the ground would further leach into this creek and leave the property and further contaminate the area around the mill. At least that was the fear. It was cutting right through the facility and moved it to the perimeter. We had to work with the Department of Highways, the Florida Department of Environmental Protection, Dixie County, multiple governmental agencies.

Where other people see problems, we see opportunities. We could harvest the clean areas of that pile and turn that into soils that would feed the ground cover part of the business and we're quite proud of having turned that liability into an asset.


One of the first places that we invested was in the finance team. We hired a CFO. We also deployed a new ERP system. We developed a timber management business that procures wood not only for the sawmill but also for the mulch and ground cover division. But also for third parties, so we transformed what had been an internal function, into a profit center. In the latter part of 2017, we embarked on what we call the modernization project.

McKagen:

We ran 143 million feet last year. We've squeezed that orange as much you can. And we went in this past year and invested 14 to 17 million dollars in a modernization project, where three major machines centers were replaced in the sawmill, where we peeled off the roof, took out the old equipment, reinvested in new equipment.

Ranson:

The next owner will have a great degree of comfort stepping into our shoes, knowing that whatever problems there were in the past had been well documented, had been remediated and they can just own a clean and healthy sawmill.



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