

# PALLET ENTERPRISE

## Company Moves to Sterilization Kilns for Treating Pallets for Export

*Kiln-direct.com Units Reduce Cycle Time for Industrial Pallet*



*Kiln-direct.com supplied these sterilization kilns to Industrial Pallet, which changed over from treating pallets with a fumigation process. Each unit can heat treat an entire truck-load of pallets in 3-4 hours.*

By Jack Petree  
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How do the owners and managers of a start-up pallet manufacturing business reach \$11 million in annual sales in 12 years, then double the size of the company in five more?

The question has several answers, according to Rob Meister, president and CEO of American Fibertech Corp., the parent company of Industrial Pallet Corp. in central Indiana. Rob integrated the company to control costs, offered service that customers could not get from other suppliers, stayed ahead of the curve in terms of new products and business opportunities, and hired and retained employees who are committed to success.

"We've tried to be industry leaders when it comes to new technologies, processes, and equipment," Rob said. "We've also been fortunate in having a workforce second to none. That's allowed us to become a one-stop shop able to fully service even the most sophisti-

cated clients with the most advanced products at a competitive price."

As an example of how Industrial Pallet has kept up with leading industry trends in order to supply products required by its customers, Rob pointed to Kiln-direct.com sterilization kilns his company recently installed to replace fumigation capacity. Industrial Pallet's fumigation technology was efficient and cost-effective, but heat treated pallets will be required of most exporters in the near future, according to Rob.

"Fumigation is very effective, and we feel we did it better than anyone," he said. "So we could have continued using the technology for some time. However, heat sterilization is clearly the future, so we decided to install the kilns last year. That means we've allowed our customers to meet regulatory guidelines for pallets today that their own customers will be demanding of them tomorrow. We think that gives our customers a competitive edge. Our extraordinary service, in turn, gives us an edge in our own business."



*9' 4" clearance allows for easy loading of full stacks of pallets.*

American Fibertech's operations are fully integrated; the company starts at the stump and takes the wood to the finished pallet. It operates a sawmill and resaw operations, two pallet plants, a pallet recycling facility, a wood waste recovery center that produces colored mulch, and its own transportation fleet, AFC Logistics.

"We've tried to control the entire process from harvesting the wood through delivery of product to the customer," Rob said. "By doing that we can assure stability and quality at every step of the way as well as control costs where possible." Controlling costs, especially when supplying value-added products like heat-treated pallets, is critical to remaining competitive, he noted.

Industrial Pallet was founded in Remington, Ind. in 1986 by Jon Schwab, a farmer who developed the company

into a major supplier with more than \$11 million in annual sales by 1998. Jon brought Rob aboard that year, then began to curtail his direct involvement in the day-to-day operations of the business. Rob was named president and CEO in 1999 and manages the company along with chief financial officer Jay Wiegand. Jon remains chairman of the board of directors, and the three men own the business jointly. Industrial Pallet has continued to grow and now has annual sales in excess of \$22 million. Plans for additional growth are on the drawing board.

Change is implicit in the kind of growth that Industrial Pallet has experienced. In fact, change is institutionalized in the company's business processes, according to Rob. "If you visited our facility this time last year and then came back today, you'd see we're a lot different than we were then," he said. "We'll be different next year as well. It's part of our philosophy. We think to fully service our customers, we have to continually upgrade processes and plants to meet their new needs and expectations. If you're not changing, you're probably falling behind."

Industrial Pallet does not make changes in its operations simply for the sake of change. However, the company is quick to embrace advances that have the potential to improve its ability to service customers with the products they require. The philosophy of constant improvement has always been in place at Industrial Pallet, according to Rob.

One step that Industrial Pallet took to improve customer service in recent years was the addition of a sawmill to manufacture its own pallet stock. The company's scragg mill in Mitchell, Ind. came on line in 1997, located centrally in the rich hardwood forests of southern Indiana. The mill produces about 10 million board feet of pallet stock annually. The scragg mill is largely equipped with shop-built machinery although a Baker Products Bangsaw, a Fastline slab edger and a Pendu board de-scrambler system were recently added. Pallet stock from the scragg mill is shipped to one of Industrial Pallet's two major manufacturing centers, Remington, in the northwest part of the state, or Clarks Hill, which is just north of Indianapolis.

At Remington, which also houses Industrial Pallet's administrative offices, a Pendu cut-up system and a Baker band saw process cants and other raw material into finished pallet stock. About 20 truckloads of material a week are processed through Remington's resaw lines. The plant accounts for about \$5 million in annual sales. It manufactures mainly custom pallets — as many as 300 different pallet sizes for a broad variety of industries. The plant is equipped with a Viking Champion nailing machine that is used for assembling large runs. Other unusually large or small custom pallets, crates and block pallets and small orders are assembled by hand at a half-dozen work stations.

The Clarks Hill plant is devoted pri-

marily to manufacturing GMA pallets. Using pallet stock produced at its own sawmill as well as material purchased from sawmills throughout the Mid-West and South, Clarks Hill produces in excess of \$10 million worth of pallets annually. The workhorse of the plant is a Viking Turbo 505 pallet assembly system. Stringer stock is remanufactured into four-way stringers with the aid of a Bob Hanna notcher.

A third major initiative that Industrial Pallet undertook in recent years was the establishment of a pallet repair and recycling facility. "Full service to the typical manufacturing customer these days requires recycling and repair capacities," said Rob. "Recycling is not only a social concern for these people. It has economic impacts as well."

Industrial Pallet offers custom services for pallet repair and recycling. The company will retrieve used pallets from customer sites and repair them. It also offers replacement programs and supplies recycled pallets and other options, including computerized pallet tracking.

Pallets arriving at Industrial Pallet's recycle and repair facility are inspected and sorted into two categories: pallets to be repaired and those that will be disassembled to reclaim and recycle used lumber. Repairable pallets are further sorted by seven grades, then moved by a 'skyhook' to repair teams. Most pallets are repaired individually at benches or tables. For recycling used lumber, pallets are disassembled with an Industrial Resources Pass One machine and a Smart Products band saw dismantler, and reclaimed components are cut to length on a Trace Equipment Trim-Trac saw. Rob is currently evaluating machinery and equipment options to improve efficiency in the recycling operations.

Adding value to products is a key to the success his company has seen in recent years, said Rob. The managers of customer businesses are professionals, he observed, and, "They want to deal with professionals."

"In offering heat sterilization, mold control, custom pallet design, new and recycled pallets, pallet tracking and other services, we demonstrate that we are forward-looking professionals offering our clients a range of products capable of allowing them to do their job better. The professionals we deal with



*Pallet lumber manufacturing operations at Industrial Pallet's plant in Remington are equipped with this Pendu cut-up system.*



have come to expect that level of service. Because we do it as well if not better than anyone we know of, we don't lose customers very often."

Industrial Pallet's sterilization kilns illustrate how the company's approach benefits customers. The sterilization kilns represented a big step because initially the cost per pallet to heat-sterilize was greater than the company's successful fumigation program. "We could have waited," said Rob, "but that might have impacted our ability to give our customers exactly what they need from us in a timely manner."

New regulations, especially in Europe, are going to have a dramatic impact on companies that ship pallets overseas, Rob continued, and it could be felt as early as this summer. "We were fumigating about 80 percent of our pallets already," said Rob, "so we knew the demand would be there. Rather than wait until the last minute, we decided to install heat sterilization capacity now so there would be no question we could provide this vital service to our customers when they needed it — not when we could get around to providing it."

**Industrial selected Kiln-direct.com as its supplier of choice, in part due to the experience the company already had in sterilizing pallets. Industrial Pallet and Kiln-direct "spent a lot of time working in coordination with one another to plan our system," said Rob.** The sterilization kilns were installed in the fall of 2002 and have performed as expected.

The Kiln-direct units provide several important benefits, Rob noted. Each unit can hold an entire truck-load of pallets, so an order destined for a customer can be treated as a unit. Also, the cycle time for heat sterilization — about 3-4 hours, plus a 2 hour cool-down — is significantly shorter than the fumigation process.

The shorter cycle time is an important benefit because it allows Industrial Pallet to fill emergency orders from customers. "With fumigation," Rob explained, "a call might come in for a rush job. While we could handle building the pallets with no problem, we were still stuck with the long cycle time fumigation requires. It might take two or three days to fill the order. With our kilns, it is conceivable that an emergency shipment can be constructed, sterilized, and go out the same day — or at worst, the next day."



*Industrial Pallet scragg mill in Mitchell is equipped with this shop built four-head cant saw; the mill also has equipment supplied by Pendu, Fastline and Baker Products.*

Heat sterilization of recycled pallets is going to become increasingly important to manufacturing customers that ship goods overseas, according to Rob. "We see a big upsurge in this end of the business coming," he said. "Many export companies, for both environmental and practical reasons, want to use recycled pallets. They can only do that if the pallets have been certified as treated, so we now offer that service as well as sterilization of new pallets."

Any company operating a sawmill, two pallet plants, and a pallet recycling operation produces residuals, and Industrial Pallet has paid the same attention to value-added processes for its residuals. Using a Rotochopper grinder and a Becker-Underwood coloring machine and colorants, the company produces and sells more than 50,000 cubic yards of mulch annually in addition to 18,000 tons of wood chips, 200 trailer-loads of sawdust, 70,000 cubic yards of bark, and 30,000 cubic yards of wood fiber material processed from log ends.

"We're one of the biggest suppliers of this kind of material in the region," Rob said. Residuals have become an important aspect of the company's overall profitability, especially when the company factors in savings from eliminating tipping fees at landfills and other waste disposal costs. Residual products generate annual revenues of about \$1.5 million,

according to Rob.

Even though Industrial Pallet puts a strong emphasis on new, emerging technology, the heart of the company's success is in its employees, said Rob. "You can have the best equipment, the best facility, and the best intentions, and they mean nothing without a bunch of quality people operating them," he said. "What really makes this firm go is our people. At the end of the day it is our plant managers, our sales team, our fleet managers, our office people, and all the individuals they work with, who make this all go. We owe a lot to the dedication of the people on our team."

By any measure in any business sector, Industrial Pallet has enjoyed extraordinary growth since its start less than two decades ago. That growth is likely to continue, Rob believes, because the firm has built its business on concepts of vertical integration, a broad range of products offered on a professional basis to professional firms, a willingness to embrace new technologies and product lines, and a first rate workforce.

"We think we've built something special here at Industrial Pallet," Rob said. "Our customers have shown they believe that as well, so we plan to continue to aggressively pursue new opportunities to expand our service to them and depend on that service philosophy to fuel future success."

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