



Eastern Seaboards

Demand for lumber-based building materials is keeping the U.S. East Coast's wood products industry buzzing.

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Swedwood's facility in Danville, Va., is its first outside of Eastern Europe, and is supplying all IKEA stores east of Chicago. Proximity to raw material and refined industry talent helped the community win the project, as did a prepared site and a healthy dose of up-front incentives.

Exports of U.S. paper and paperboard have increased briskly during the past year, even though U.S. paper and paperboard capacity declined marginally in 2007, by 0.6 percent to 97 million tons. The export part is good news for wood-industry players looking to grow their businesses. U.S. capacity will remain about the same through 2010, according to the American Forest & Paper Association's recently released annual capacity survey. Capacity contracted at an average annual rate of 0.7 percent from 2000 to 2007, reflecting weak demand for some paper and paperboard grades. In fact, paper and paperboard capacity will decline in 2008 by 0.7 percent. But it will rebound 0.2 percent in 2009 and 0.3 percent in 2010, according to the survey.

So even as domestic demand contracts temporarily, and only slightly at that, non-U.S. demand is keeping production facilities busy. That is what is behind several recent paper and wood products industry expansions in the U.S., particularly along the eastern seaboard. Virginia has several projects under way or recently completed in the sector, the most significant being Swedwood's new, 810,000-sq.-ft. (75,250-sq.-m.) manufacturing facility in Danville that was



first covered in these pages in the December 2006 issue's Virginia Spotlight. Swedwood, with approximately US\$2 billion in sales, is the primary supplier of so-called ball-and-frame-built furniture to global retailer IKEA and also serves in a supply-chain teaching role with respect to other suppliers, making them more competitive.

Balance of Labor and Supplies

The Danville facility is the company's first outside Eastern Europe and is being built to supply IKEA stores east of Chicago. The geographic center of IKEA's eastern U.S. presence is south of Philadelphia.

"With that in mind, we had to determine where to find a sustainable supply of raw materials and an attractively priced and available labor pool," says Jorgen Lindquist, vice president of Swedwood Danville. "We had to look either north of that geographic center or south. So we looked at New York State, but there is a better supply of particle board and other key supplies coming from the south, where you have the fast-growing pine trees in abundance. Quite a number of laminate floor producers are in this area."

The search then focused on Georgia, the Carolinas and Virginia, says Lindquist. "We ended up with proposals from North Carolina and Virginia that were of the same caliber, as Georgia and

South Carolina were at greater distances. But we also wanted to be within commuting distance of a metropolitan area or a sizable community as we had some people coming in from Europe and we wanted to be able to attract the right management in the long run."

Proximity to High Point, N.C., home to a furniture industry cluster, was another plus to the Greensboro-area sites under consideration. Machine servicing companies and raw materials providers are commonplace.

"What gave Virginia the edge is that the site we were offered in Danville was more prepared," says Lindquist. "That helps a project get moving as fast as possible. We deemed it more feasible to go with that site given the tight time schedule we were on."

"North Carolina had offered an excellent site in Davidson County," he adds, "but the team in Virginia did an excellent job moving the process along" at the site, which is a joint development of Danville and Pittsylvania County. "Both Virginia and North Carolina showed tremendous interest in this project."

"What was more advantageous for us," adds Lindquist, "was that Virginia offered more upfront cash incentives, whereas North Carolina offered quite significant tax incentives, but the timing was such that we would not benefit from them until into the future."

Swedwood's Danville operation is in

the first of four phases, with a 1-million-sq.-ft. (93,000-sq.-m.) building now in place that required an investment of \$85.5 million. The project has created 271 jobs so far, and future phases will bring total employment to more than 700.

Future labor requirements should not be difficult to meet. A local community college is now offering an operator's certificate program; Swedwood's work processes are highly automated, requiring automation-savvy workers.

"We have already hired the first class of 18 graduates from that program," says Lindquist. Swedwood and other companies are helping to tailor program curricula to better meet their skill requirements. "With this extra training, people in the community can get a better-paying job."

Elsewhere in Virginia, **Turman Group**, a maker of log cabin homes and other products, has recently expanded in the southwest part of the state, and cabinet maker **Merillat** operates three of its eight facilities in Virginia — in Mt. Jackson, Atkins and Culpeper.

Elsewhere on the eastern seaboard, **Manhattan Holdings LLC** announced in March that it would expand its wood-molding operations in Clarendon County, S.C. The \$2.5-million investment in an operation to be known as JW Southwoods will result in 65 new jobs in Manning, S.C. SITE

