



FROM PENPLY TO K PLY

The History of Peninsula Plywood Corporation and its Successors

№. 23

in a series of monographs on the history of plywood manufacturing



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Plywood in Retrospect

The man who will use his skill and constructive imagination to see how much he can give for a dollar, instead of how little he can give for a dollar, is bound to succeed.

– Henry Ford

This monograph is the 23rd in the series published by the Plywood Pioneers Association on the history of plywood mills. The PPA gratefully acknowledges the assistance it has received from many individuals and organizations in researching and writing this remarkable story recording the unique history of Peninsula Plywood Corporation and its successor companies. Among those who rendered invaluable help, in addition to the retirees of PenPly, were Ernie Van Ogle, president of K Ply, Inc., and his staff; Kathryn M. Monds, executive secretary of the Clallam County Historical Society; Derek Valley, director of the Washington State Capital Museum in Olympia; Billie Larson, secretary of the PPA; Barbara Embrey, Jack Merry, George Sleet, and Dick Carlson of APA – The Engineered Wood Association; PPA members Fred W. Fields, Bruce Lyons and Bill Robison; and June N. Thomson (Mrs. F. MacRae Thomson).

Special thanks are due to publisher John Brewer of the Peninsula Daily News for permission to reproduce portions of the December 10, 1941 PenPly Edition of its predecessor publication, the Port Angeles Evening News. This issue, with its great photographs by Fehly, effectively recaptures the pride felt in the community upon the opening of the new PenPly mill.

This monograph was written by PPA member Hugh Love with research assistance from Laura Adams Dudley. The PPA also acknowledges the valuable professional help it has received from Marilyn LeMoine, Mike Martin and Mary Trodden of APA – The Engineered Wood Association, in the design and production of this and other monographs.

*Conscious that no history can ever be totally complete, the PPA would like to repeat the cautionary words of Douglas Fir Plywood Association managing director W. E. Difford, in his introduction to *The Plywood Age*, written by Robert M. Cour and published in 1955: “There may be some errors of omission, some incidents that have not been thoroughly covered. There may be lack of proper emphasis or names and records overlooked. If so, they are omissions of circumstance and not the heart.”*



Page one of the December 10, 1941 PenPly edition of the Port Angeles Evening News. Courtesy, Peninsula Daily News

They came from mill towns across western Washington and Oregon – the seasoned plywood production men who founded Peninsula Plywood Corporation in 1941. A proud handful of these veterans remains in 2001, living symbols of the Port Angeles, Washington mill which became one of the most successful among the once numerous Pacific Northwest worker-owned (co-op) plywood operations.

There have been three distinct chapters in the eventful 60-year history of plywood manufacturing in Port Angeles – nearly 30 years under the PenPly banner from 1941 to 1971; 18 years as Peninsula Plywood Corporation, an affiliate company of ITT Rayonier from 1971 to 1989; and 12 years of operation, continuing confidently today, as K Ply, Inc., a subsidiary of Klukwan, Inc., an Alaskan Native-owned village corporation with headquarters in Juneau.

PenPly began as an idea in the minds of two Hoquiam, Washington, men, Oscar Groth and Carl Stromberg. Working together in the machine shop of the Polson Logging Company near Hoquiam, they discussed the success of worker-owned plywood mills such as Olympia Veneer, the pioneer operation, and agreed the time was ripe for a new venture along the same lines. Like many others attracted by

the co-op movement, their first objective was job security and the chance to control their own destinies as worker owners.

Both had been stockholders in the Anacortes Plywood Corporation, but disposed of their interests before that mill started operating. They looked throughout western Washington and western Oregon for a suitable manufacturing site “near a supply of peeler logs.” Port Angeles was one of the first locations considered, but the initial community response was not encouraging.

Contact was made with others interested in the project. Early in 1941, a team drawn from potential shareholders made a 3-week tour of Northwest communities to promote the idea of a new mill. The team included Emory E. Moore, a born salesman who agreed to serve as PenPly’s president during the construction phase and who later was to rise to national leadership in the plywood industry; Loren Haugen, who was to become the corporation’s chief engineer, and who in later years was to head up his own mills in Roseburg and Medford, Oregon; Carl Jacobson, who was to serve as vice president, then production superintendent, and in later years become a principal of Southern Oregon Plywood, Grants Pass, Oregon; and Herman Halvarson, who was to be the first treasurer.



Surrounded by fellow shareholders, PenPly president Emory E. Moore broke the first shovel of dirt at the proposed new plywood plant on May 20, 1941.

Response to the mill promotion effort exceeded all expectations. Within 20 days, all shares of common stock were sold. Further investigation now confirmed that Port Angeles would be the best location, with assurance of strong local support and verification of log supply in the area. A lease for a 7-1/2 acre site was signed with the Port of Port Angeles; this was later extended to cover a total of 12 acres, enabling construction of the mill to start on May 20, 1941. A further incentive was the port's undertaking to construct a log basin which would be leased to PenPly and shared with a local sawmill.

Just one month previously, on April 13, 1941, Peninsula Plywood Corporation had been formally organized at a shareholder meeting in the Moose Hall, Longview, Washington. The corporation was registered with the state of Washington in papers showing \$500,000 capital on the basis of 350 shares of common stock at \$1,000 per share and 1,500 shares of preferred stock at \$100 par value per share. Each of the common shareholders was to have one vote in the organization, work at an equal wage, and receive income from a wage scale that could fluctuate according to market ups and downs.

The first shareholder of record was Ted Kirkpatrick, whose daughter, Lee O. Kirkpatrick-Springfield, is the wife of retired 39-year plant veteran Robert L. Springfield and the niece of the late Emory Moore.

From the beginning, PenPly called itself a "semi-cooperative." Although 350 shares of common stock were authorized, only 285 shares were issued as there were to be only 285 jobs available at startup. The initial wage was \$1.25 per hour, of which 25 cents was withheld and applied to mill capital.

The founding shareholders also decided to offer employment to at least 50 non-stockholders drawn from the Port Angeles area. While control of the corporation remained in the hands of the stockholding majority, non-stockholding workers were to be an important source of additional labor in the years ahead. One of the "founding fathers" of PenPly, 90-year-old Edwin Ranta, recalls that the original

working stockholders trained many workers from the community whose previous experience was in other occupations. "We taught them how to make plywood," he said.

The Port Angeles Evening News estimated that 75 percent of PenPly's original stockholders were Scandinavian born or of Scandinavian descent. Some born in countries like Sweden and Finland had been experienced wood industry workers in their homelands, where worker ownership was common. The majority of the worker owners at PenPly had extensive previous plywood manufacturing experience in Washington and Oregon.

The late Clarence E. Flatau recalled the huge challenge faced by the ordinary working man in raising the \$1,000 needed to buy a share in 1941. Interviewed by the Seattle Times in 1971, Flatau described making an initial deposit of just \$5 to treasurer Herman Halvarson. Herman accepted it with obvious confidence that Clarence would soon come up with the rest of the money. He did this by selling his car and borrowing the rest.

For Clarence Flatau and many others, that hard-won investment would eventually prove to be worth far more than any of the pioneer shareholders could have imagined. A PenPly working share of \$1,000 in 1941 grew to be worth \$300,000 in 1971, counting job income and appreciation in share value. Flatau served on the PenPly board for terms totaling 18 years and was president at different times for a total of 10 years.

Where There's a Will There's a Way

The men who pooled their finances and practical know-how to bring PenPly into being could not afford to rely on outside contracts for all of the construction work. Shareholders pitched in to clear the land and build many of the structures themselves. By early July of 1941, less than two months after sod turning, the machine shop was finished. Assembly of the 404x256-foot main building quickly followed. The local newspaper commented: "There was a temporary shortage of lumber to complete

PORT ANGELES EVENING NEWS, PORT ANGELES, WASHINGTON

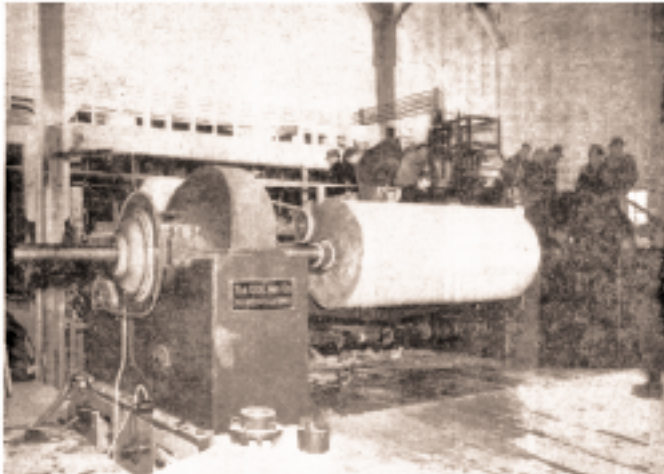
Ships Come to Doors of Plywood Plant



...Photo by Felix
The above picture very vividly illustrates the location of the new plant of the Peninsula Plywood Corporation in water transportation. The big freighter is unloading cargo at the Port of Port Angeles terminal. Taken this summer, the photograph shows the completed machine shop in the foreground and the flooring of the big main building about two-thirds done.

This photograph taken during the summer of 1941 shows the mill under construction. As a freighter unloads cargo at the Port of Port Angeles terminal, work is in progress on the flooring of the main plant building. The completed machine shop is in the foreground.

Lathe Peeling Huge Fir Log



Shown here in the fall of 1941 is the Coe lathe in the new PenPly plant. A Douglas-fir log is being peeled into veneer.



Officers and board members elected by Peninsula Plywood Corporation in the early days of World War II included: bottom row, from left, Robert Sand, manager; Ed Sund, secretary; Victor Kulla, director; Otto From, director. Second row, from left, Carl Stromberg, vice president; Walter Gragg, director; Loren Haugen, director. Top row, John Roberts, president, and Wilbert Brewer, treasurer.

the main plant floor, upon which every person in Port Angeles could have danced and had ten square feet each in which to do the steps!”

Now 88 years old, Harold Ranta and his older brother, Edwin, are among the surviving original shareholders. Before Harold ever went to the dryers, where his previous experience as a qualified grader would prove valuable, there was construction work to be done. He explained: “When I arrived in the fall of 1941, they were still erecting the boiler room. My first job was mortar mixer for the bricklayer. In a short time I learned a lot about bricklaying, and we finished the boiler room. At the same time, the 175-foot stack was being built. We poured the concrete for the stack in six-foot sections and hauled everything up with a crane. I had to mix the mortar. Then the Coe dryers came in. It was another do-it-yourself effort. They gave me a crescent wrench and a screw driver. In a couple of weeks, the two dryers were up and running.”

Coe’s Innovative Financing

The mill’s initial capitalization could not come close to supporting purchase of manufacturing equipment. Innovative financing of startup machinery was provided at this time by the Coe Manufacturing Company. To get PenPly (and many others) into operation, Coe purchased machines from other manufacturers and sold these as well as its own equipment to plywood producers on terms advantageous to the mills.

The arrangement reflected Coe’s trust in mill principals who had already established their reputations in other successful plants. Commented Fred W. Fields, who recently retired as Coe president: “Our agreements with PenPly and many other plants were honored, new businesses were able to get started, and all became good Coe customers.”

A Coe team worked closely with PenPly to get the equipment installed and running. One of the key PenPly players at this period was master mechanic Otto From. With much previous experience as a machinist in his native Finland and in Olympia and

Aberdeen plywood mills, From was regarded as “a genius who could make useful parts from materials others would have scrapped.”

In addition to ten major machinery items from Coe ranging from a lathe and two dryers to clippers and other equipment, machinery furnished under the special Coe package included a crane, log barker, saws, steam engine, veneer hogs, hot presses, electric motors and a lift truck, all made by other manufacturers. Machinery that in total cost about \$250,000 in 1941 would require an expenditure of over \$50 million for a similar-sized plant today, Fred Fields estimates.

Other means of financing operations were also implemented as the mill prepared to make plywood. A loan for \$350,000 was obtained from the Reconstruction Finance Corporation. It was applied to reduction of prior indebtedness and to the creation of new capital.

Challenge of War

Before the mill was even finished, the first plywood was loaded into boxcars on November 24, 1941, destined for Midwest markets. PenPly announced an initial production goal of 6 million square feet of plywood per month, spread over all grades “including the new waterproof glue grade used for outside construction.”

While war raged in much of Europe, America was still at peace. The Port Angeles community and the newly arrived plywood workers could be excused for putting aside the world’s troubles and looking forward to the mill’s formal dedication on Saturday, December 13 – unaware that America would be forced into war on December 7.

The mill dedication was held as planned on December 13, but in an understandably solemn atmosphere. A short ceremony began with the National Anthem played by the city’s Roosevelt High School Band, followed by greetings from Port Angeles Mayor Harry H. Beetle and Chamber of Commerce spokesman Roy S. Jensen. A response by

newly-elected PenPly president John Roberts was followed by a talk on plywood's bright prospects by W. E. Difford, managing director of the Douglas Fir Plywood Association.

Recognizing the plant's strategic location on a vital sea lane opening onto the Pacific, PenPly's leaders acted quickly to comply with blackout regulations. It was reported on December 10, 1941, that all of the mill's windows had been covered with plywood panels, "effecting a complete concealment of light."

In a December 10 editorial, the Port Angeles Evening News saluted the arrival of the city's newest industry. "We expect to see the new plywood owner-workers of Port Angeles and their families take a prominent part in the civic welfare of this, their new home," wrote editor Charles N. Webster. The editorial cautioned that while the mill opening was a great event for Port Angeles and the surrounding community, celebration was necessarily overshadowed by the events of Sunday morning, December 7, 1941, which plunged the United States into war.

The newspaper added: "In this national crisis it is especially gratifying to realize that the city's newest industry has an important part to play in supplying urgently needed defense materials." Satisfaction was expressed concerning "the essentially stable character of the additional population now gained through establishment of Peninsula Plywood Corporation." This stability was emphasized, the editorial continued, "by the condition of ownership by the workers themselves, unusual in an industry of such size."

PenPly Aids War Effort

PenPly came on line in a period of renewed optimism for the plywood industry. In contrast to the depressed markets of the earlier Thirties, plywood demand surged in 1939 and 1940. The industry strongly backed the product quality standards developed by the Douglas Fir Plywood Association. Big new national markets emerged in housing. As plywood production rose from 1.2 billion square feet,

3/8th inch basis, in 1940 to a new record 1.6 billion square feet in 1941, the industry's 31 plants had difficulty filling orders. Then came World War II.

Early in 1942, all plywood was placed on a priority rating system. Production and distribution came under strict controls and plywood had a top priority, higher than most grades of steel.

Although the war years provided steady work for PenPly and many other mills, it wasn't all plain sailing, according to *The Plywood Age*, Robert M. Cour's ably written history of plywood's first 50 years: "The industry was hard put to produce to government requirements. Key men in mills were marching off in uniform. Executives were being drafted for military and production jobs in Washington, D.C."

In January, 1942, the PenPly board agreed that every shareholder drafted into the armed services would be allowed to have a substitute work in his place during the period of military service. And a job would be guaranteed at the end of that service.

PenPly's entry into the wartime market was assisted not only by the depth of its production experience, but by the talents of some of the best sales people in the industry. An early sales agreement for purchase of a portion of production by Northwest Door Company of Tacoma was followed by later contracts with individuals and corporations.

Following service as sales manager, Emory Moore moved to Chicago in April, 1942, as PenPly's exclusive representative. His territory included Illinois, Wisconsin, Michigan, and Indiana. The board set the following guidelines for their man in Chicago: "We will not attempt to set up a definite quota ... the only restriction would be that we would not want an excessive amount of wallboard, sheathing and other low grades sold and we would want to do everything we can to secure as much high grade stock as possible in straight cars of Plyform, Sound 2 Sides, and Exterior."

Soon after the war, as Moore's career expanded in other directions, PenPly signed an agreement with

War Galvanizes America

Somber headlines on page one of the December 10, 1941, issue of the Port Angeles Evening News reported Japanese landings in the Philippines and the sinking of two British battleships off the Malay Peninsula. Twenty-eight of 38 pages in the newspaper, however, formed a special edition marking the opening of the Peninsula Plywood Corporation plant.

One whole page took the form of a letter to “Mr and Mrs. Port Angeles” from the officers and personnel of the corporation. “We of Peninsula Plywood are proud of our new \$700,000 plant,” said the letter. “We hope you will feel the same pride in it and will look upon it as an integral part of the community.”

The PenPly special edition was the result of several months’ work by its staff, assisted by mill officers and the Douglas Fir Plywood Association (DFPA). Close to 30 features prepared by the Tacoma-headquartered DFPA covered subjects ranging from plywood’s housing potential to its widespread application in defense-related construction.

Proclaimed DFPA: “As America speeds up her factories, builds barracks for an expanding army, or erects housing for thousands of defense workers, the magic wood-and-glue sandwich, Douglas fir plywood, is called upon to help do the job faster, better, more economically ... today Douglas fir plywood is coming into its own as indispensable for defense and as one of the basic structural materials for construction everywhere.”

One article pointed out how many nails are saved when houses are sheathed with plywood. Houses sheathed in this manner, it was reported, require only two-thirds as many nails for fastening to the framing as are needed for horizontal boards. There are additional reduced labor costs, “because easy-to-handle four-feet-by-eight-feet plywood panels go into place rapidly and there is a minimum footage of lineal joints.”

More than 50 Port Angeles area businesses bought advertising space in the newspaper to welcome the PenPly employees and their families. Schlager Brothers, Florists, offered a salute in a notice headlined “A Bouquet To You.” Schlager Brothers hailed PenPly’s selection of their city as “wise,” adding, “May we all go ahead to even greater things!” The Olympic State Bank assured

the newest members of the community that “any service we can give to you or your organization will be carried out with a great deal of pleasure.”

The H. T. Swanson Motor Company also welcomed the new mill, though it warned that “we’ve seen businesses come and go!” This local Studebaker dealership had still not been hit by wartime production controls, and advertised “the big, roomy new Champion” at a factory-delivered price of \$810 for the business coupe.

The Milwaukee Road reminded the public that “happy holidays start on the electrified Olympian connecting Tacoma, Seattle, Spokane, Butte, Minneapolis, St. Paul and Chicago.” The train company promised a “smooth, silent ride over the mountains.”



A page from one of the nearly 30 features provided by the Douglas Fir Plywood Association in the December 10, 1941 PenPly edition of the Port Angeles Evening News.

U.S. Plywood president Larry Ottinger for the purchase of its entire production by the United States Plywood Corporation. This arrangement continued for many years.

In the immediate post-war years, PenPly participated in the boom that saw plywood industry production rise to 2.5 billion square feet by 1950 and to over 5 billion feet by 1955. Many improvements were made, including installation of a second lathe. The mill's principals recognized from the beginning that maintenance of an assured timber base would be the key to long-term success and ultimately, survival. The company's timber department reported in January, 1947, that \$35,000 had been advanced for the logging of 4 million board feet of timber in Lewis County, Washington – 75% of it fir. Timber manager Goodrich told the board, "PenPly is to receive the logs; however, they will not be shipped to Port Angeles but will be traded in the Lewis County vicinity."

F. MacRae (Mac) Thomson joined the timber department in 1949 from the timber division of ITT Rayonier. He rose to be the plant's general manager, and was named vice president and general manager of plywood operations in 1964, succeeding the late Keith Gunderson. He continued in this capacity as a member of the ITT Rayonier management team. He was promoted to director of wood products-Northwest for ITT Rayonier in 1977, moving to the company's Seattle regional headquarters. He retired in 1980.

Through a judicious program of acquisition and trading, PenPly owned or controlled 600 million board feet of timber by the mid 1950s, at locations from Washington's Olympic Peninsula to British Columbia and Alaska. It also owned or had interests in several U.S. and Canadian veneer mills at this period.

To the extent possible, the company's policy was to keep much of its own timber in reserve for a rainy day. A survey of operations for the years 1947 through 1956 – conducted by Production Management Engineering Associates, Inc., (PME) – found that the company furnished one-third of its

log requirements. The balance came from reciprocal log sales and purchases. From the start, logging of company timber was handled by contract loggers. According to the survey, "this foresight resulted in the maintenance of a uniform and balanced log supply, a favorable log cost, and a constant increase in net log worth."

Conclusions of the PME survey confirmed PenPly's position as one of the best-run mills in the industry. Among the major findings:

- PenPly had an average total production cost of \$79.44 per thousand square feet, 3/8-inch basis, compared to \$80.29 for comparable privately-owned mills. The higher wage rates paid by PenPly resulted in an average direct labor cost above that of the privately-owned mill; however, this was more than offset by PenPly's higher production per man hour .
- Over the 10 years, 1946-1956, PenPly achieved 3.3% more fiber recovery from logs than the average recoveries obtained from similar log grades in U.S. Forest Service tests at privately-owned mills.
- PenPly's overall productivity per man hour was more than 40% greater than that of comparable privately owned mills.
- Overhead expenses were reduced by the relatively small number of non-production workers employed. The survey noted, "Unlike the privately owned mill, these workers have often been used to fill temporary job vacancies. In the reverse situation, production workers pitch in and help the maintenance crew make the necessary repairs during equipment breakdowns ... this flexibility reduces the down time as well as the size of the maintenance crew necessary to handle an emergency."

Wages paid to working shareholders during the survey period were always above those paid by privately-owned mills adhering to union scale. At the same time, PenPly paid its union workers slightly above the rate established in union contracts with other mills for the years studied.

More than any other factor, PenPly owed its success to the strong incentive on the part of its shareholders to work their hardest and maximize productivity for the common benefit. This work ethic permeated the plant, contributing to a stable work force and a low labor turnover rate. The PME survey found that Peninsula Plywood had an average monthly separation rate of 0.92% for 1957 and 1958 compared to 3.9% for the Washington state plywood industry as a whole. "In other words, the industry had to break in more than four times as many new workers in a year as PenPly."

Today's remaining original shareholders recall that their working relationships with union employees invariably were good. The graveyard shift was mostly union, with some union workers on day and swing shifts. One retired union worker commented that union employees were at a disadvantage when jobs opened up – "if a shareholder wanted a job, he got it."

Tax Issue

A serious challenge for PenPly and other worker-owned plants during the 1950s was the position taken by the Internal Revenue Service regarding the agency's finding of excessive wage-cost deductions by the mills. A deficiency assessment against Peninsula Plywood for the period 1950 through 1958 eventually was settled with the IRS for an amount in excess of \$1 million, including accrued interest. Under the settlement, PenPly agreed to a schedule of repayments and undertook to give the IRS interest and dividends on some securities as well as the proceeds from the sale of certain timberlands.

Market Decline & Rising Timber Costs

Depressed markets in the early 1960s impacted PenPly and the entire industry. By this stage, the mill was predominantly a sanded plywood producer. Its success with a variety of specialty panels helped assure a share of the reduced market.

Donald W. Johnson, who first joined the mill as a union worker in 1954, was laid off in December, 1960

because of the poor market. His father, working shareholder Werner Johnson, then decided to retire so Don could buy his share and proceed with his wedding plans. Resuming work on February 1, 1961, Don noticed a big change as a shareholder – "steady work and better wages." He added: "The market was poor, so I had to start on graveyard on the glue spreaders. We worked a 40-hour week plus a 5-hour Saturday shift."

Toward the end of the 1960s, the mill's western red cedar siding was a highly successful product. But the reality of soaring timber prices, influenced by the huge volume of Northwest logs being shipped to Japan, eventually forced PenPly into a corner. Timber was many times more profitable in the export market than for conversion into domestic wood products.

With its still substantial timber holdings and demonstrated capability, the mill became a prime candidate for sale. A down market also contributed to the decision of the PenPly board – opposed by many of the shareholders – to sell the company to ITT Rayonier Inc. There were 252 working shares outstanding when the sale was completed on April 16, 1971.

Was it a good deal for PenPly's shareholders? Most of the original shareholders saw the ITT offer as their best opportunity to cash out their shares. Surviving shareholders acknowledge that the original \$1,000 stake turned out to be many times more rewarding than most stock market experiences. PenPly's founding owners saw their individual share values climb 100 times into six figures by the time of the sale. For those who bought in later, the returns were less but still enviable.

In 1941, Ernest Flatau began a career at the plant that spanned 43 years, including 3-1/2 years of wartime naval service. A union man at the start, he bought his working share for \$7,500 in 1946 with \$75 down on the security of his cousin Clarence's share. Said Ernie: "The investment paid off many times over. PenPly was a good place to work. All of us put our shoulders to the wheel to get the



Emory Moore, a leader in the launching of PenPly, was president of Fiddes-Moore, Chicago, for 11 years before joining Evans Products Company, Portland, in 1957 as vice president and director. He later served for many years as president of Vanply, Inc., Albany, Oregon, and of its West African subsidiary. He was president of the National Plywood Distributors Association in 1952 and 1953, and served in the early 1970s as chairman and president of the American Plywood Association.



F. M. (Mac) Thomson, for many years a key figure in the management of Peninsula Plywood Corporation, was a dedicated professional who believed that the nation's forests should be managed equitably for the benefit of all values important to society. During a 43-year wood industry career, he played a significant role in many national and regional organizations, including chairing the Pacific Logging Congress and serving for ten years as a trustee of the American Plywood Association.



K Ply president Ernie Van Ogle is the great-grandson of the Van Ogle who came to Washington state in 1853, in the first wagon train across the Cascades. His great-grandfather helped build the first government building for Washington's first territorial governor, Isaac E. Stevens.

job done. Productivity per man was higher than in other mills because we had an interest in the company.”

Another plant veteran, Ben Flodstrom, echoes these thoughts. A shareholder since 1941 and the youngest of the remaining “charter members” at 82, Ben noted, “We worked harder because we had our own money in the plant and were all bosses in a sense. Some of the townspeople called us ‘The Thousand Dollar Millionaires.’ That was an overstatement, but it was a good thing for us and our families.” Ben’s service at the mill also was interrupted by military duty.

Swedish-born John Swedstedt said that his investment as a worker-owner had quadrupled between 1949 and 1971. He added: “In all of those years, I didn’t lose one day of work due to mill shutdown.” Robert Wells saw a more than threefold return on his share investment between 1966 and 1971 – an indication of the sharp escalation in timber values in the years leading up to the sale.

PenPly’s proud retirees agree with the philosophy of Don Johnson: “When you are hired for pay, do your best no matter who you work for.”

ITT Rayonier: 1971-1989

The most notable change for the former owners, as the mill began its new life under corporate management, was the requirement that they join the International Woodworkers of America. Shareholders who cashed in their investment at the time of the sale remember that many had a hard time dealing with their loss of ownership. Yet all realized that plywood manufacturing would be continuing in Port Angeles at a time when more and more Northwest plants were closing their doors and auctioning off their equipment.

Reflecting on his experience as both a worker and union representative through the 1970s and 1980s, Don Johnson said that in addition to wage/benefit negotiations, ITT Rayonier and the union spent many hours on safety issues and training programs for key jobs.

Bob Springfield, who joined PenPly in 1952 as a union man and subsequently served throughout the mill, was appointed day and swing shift foreman in 1972. He was named assistant production manager in 1983 and was promoted in 1986 to production manager, a position he held until his 1989 retirement.



Kathy McWilliams, K Ply shareholder-owner, works on the cureline putting epoxy in drilled splits and knotholes.

Looking back on his previous experience as a non-shareholder reporting to shareholders for the first 19 years of his career, Bob noted that he was always treated well and fairly, although his job as graveyard shift foreman “called for a lot of diplomacy.”

Former worker-owners who became ITT Rayonier employees found themselves reporting to a larger management team than the four or five person administrative staff employed by PenPly through much of its history. The new owners retained the name, Peninsula Plywood Corporation, as an affiliate of ITT Rayonier. Officers in the mid 1970s were: R. F. Erickson, chairman; Charles E. Anderson, president; F. MacRea Thomson, vice president and manager of plywood operations; J. Ronald Goode and John Seath, vice presidents; Michael J. Ganz, treasurer; William J. Donovan, secretary; Alf Larson – who had been PenPly’s controller before the mill’s sale – assistant secretary and assistant treasurer; and R. A. Budington, Jr., assistant treasurer.

The plywood industry suffered another of its cyclical downturns in the early 1980s. For the Port Angeles workforce this meant a prolonged period of curtailed production, many layoffs, and one long shutdown. The price of timber escalated further as legislators caused more and more public lands to be designated as wilderness and withdrawn from harvesting. The PenPly timber holdings that had passed to ITT Rayonier were now run as a separate business. Timber for the Port Angeles operation, therefore, had to be purchased at prevailing market prices. Efforts were launched to sell the mill. Just when it appeared that closure was around the corner, relief was at hand from an unexpected source far to the north. ITT Rayonier sold Peninsula Plywood Corporation to Klukwan, Inc., of Alaska toward the end of May, 1989. All of the employees were laid off at that time, and many, though not all, were hired by the new owners when the mill began production as K Ply, Inc., on June 12, 1989.

The K Ply Story

Approximately 250 Alaskan Native American shareholders – who trace their ancestry to southeast Alaska through their Haines-area village corporation,

Klukwan, Inc. – are the collective owners of K Ply. The Klukwan board is composed entirely of Alaskan Native Americans.

Klukwan, Inc. directs a number of subsidiaries in the construction, wood products, marine services, tourism and mineral industries from its headquarters in Juneau. K Ply became the corporation’s first wood products manufacturing facility in the continental United States when it was acquired from ITT Rayonier. A major incentive for Klukwan was the opportunity to add a well-recognized plywood producer to its array of companies. Also attractive to the new owners was the availability of skilled management and supervisory personnel for the training of those Klukwan shareholders who might elect to leave their home area and gain industrial experience in the Port Angeles mill. Since 1989, there has been a small but steady stream of these part owners in K Ply who have made the journey south and have been integrated into the work force now totaling about 200. The presence of these worker owners makes K Ply once again a “semi-cooperative” operation, at least in part. The men and women of today’s crew represent many ethnic backgrounds, in contrast to the predominantly Scandinavian, all-male composition of the PenPly founders.

Ernie Van Ogle joined K Ply in its early days as plant superintendent. He was promoted to general manager in 1992 and to president in January, 2000. His prior experience included 22 years with Evans Products Company. The esteem in which the K Ply president is held by Klukwan can be gauged by the high honor recently conferred on him by the parent organization’s Alaskan Native American community through his induction as a member of the Tlingit tribe.

Cottonwood Anchors Production

President Van Ogle recalls that K Ply’s entry into the market was tough for some of the same reasons that caused ITT Rayonier to sell the mill. He commented, “As Douglas-fir and cedar prices continued to escalate in 1989 and 1990, it became clear that something would have to change if we were to survive.

Hard Work and Team Spirit

At reunions that get smaller with much-thinned ranks, pioneers of PenPly's early years remember absent friends and laugh about the risks and rewards they shared. Ninety-year-old Edwin Ranta, the oldest surviving original shareholder, got his first wood industry experience at 16. "Every summer we were able to find work at whatever sawmill, box factory or shingle mill that would take us on," he said. Before joining PenPly in 1941, Ed worked for West Coast Plywood in Hoquiam, Washington. During his PenPly service, he was assigned for a period to Paragon Plywood, Crescent City, California, which operated as a subsidiary of the Port Angeles mill.

Ed had shares in no less than seven plywood co-ops at one time. "Owning a share was peace of mind," he said. "I could plan for my family's future without fear of strikes, and could vote on the mill's purchases, wage raises, pensions, medical benefits and decisions to hire managers, superintendents, log buyers, and union workers." He retired in 1971 after 30 years with PenPly, including two board terms.

Harold Ranta, younger brother of Ed, recalls growing up in Cosmopolis, Washington, in the worst years of the Depression. He gill-netted with his father, dug razor clams, peeled cascara bark, picked berries, and mixed concrete for driveways – "anything for a dollar." He



Against a backdrop of the plant's mainstay cottonwood logs, K Ply president Ernie Van Ogle is seen (from left) with PenPly retirees Edwin Ranta, Ben Flodstrom, Harold Ranta, Bob Wells, Ernie Flatau, Don Johnson and John Svedstedt. Three of the group – Ed and Harold Ranta and Ben Flodstrom – were original PenPly shareholders in 1941.

started at a sawmill in 1933 at 20 cents per hour. Later he joined West Coast Plywood and gained over four years' experience before being called to work on construction of the PenPly mill in the fall of 1941. Harold left Port Angeles in 1949 and moved to Albany, Oregon, where he and three other PenPly shareholders (Phil Braden, Elmer Salo and E. P. Brown) picked up an option on Western Door and Plywood in Albany, Oregon. They then sold 50 shares of stock in the co-op at \$5,000 per share. The door operation was discontinued and the plant produced plywood until 1962, when the facility burned to the ground. Harold then launched his own company, Random Width Inc. with his son Dennis. This veneer and wood products sales company continues successfully today.

Harold, who was also a board member during PenPly's early years, tells of a narrow escape while working

on the log pond. A big spruce log broke free from its cable and plunged through a 5-inch-thick deck, just missing him. Like his brother, and so many others at PenPly, he served in just about every capacity at the mill.

Ben Flodstrom, the third remaining original shareholder, was another of the many experienced workers who joined PenPly from West Coast Plywood. His initial service was interrupted by the draft in December, 1942. During a 1943 furlough, he came back to the mill for a short period, working on the green end and feeding the dryer. From 1945 until his 1972 retirement, Ben served PenPly in a variety of positions culminating as foreman. He commented, "We were all paid the same wage, even the superintendent and the man who cleaned the toilets. Periodically we all took turns as night watchmen." During his board service, he was

part of a team that flew to Alaska to bid on a sale in the Tongass National Forest. Said Ben: “It proved too costly for us – Japanese interests outbid us because they had a pulp mill and sawmill located there. But we got a standing ovation when we stopped bidding.”

Ernest Flatau came back to PenPly in 1945 after naval service. He recalls some eventful experiences during a long career: “On my first day at the log pond, I fell in five times. I worked my way up to being in charge of the pond, including responsibility for log ordering. Then after about seven years, I moved on to handling logs at the spit – running boats, sorting logs and making booms. This is where I had the back injury that resulted in my 1984 retirement. One day we had a raft of spruce 10 to 12 feet in diameter. I was on my belly marking the end of a log when another log rolled and threw me down in the water. The logs were so closely packed that I was pinned and couldn’t get out. Thank God, Holger Holm saw what happened. He came up with his boat and rescued me. That was the closest I came to getting killed out there.”

Don Johnson remembers that joining PenPly at \$1.72-1/2 an hour in 1954 was a “big move up” after working for 75 cents an hour in the final year of high school. “I spent my first days learning how to keep the dryers full of veneer,” he said. Don added, “My dad ran two barber shops for up to 12 hours a day – one in the morning at Grayland and

the other in the afternoon at Westport. He was 17th among the early PenPly shareholders, but did not move to Port Angeles until he started at the mill in 1950. He worked in several parts of the plant until his 1961 retirement.”

Don retired in 1998 from a career that spanned all three ownerships at the mill. He witnessed K Ply’s turnaround from difficult times in its early years. “With hard work by everyone working together, the corner was turned,” he said. Looking back on his nearly 43 years of mill service that was broken only by occasional layoffs, U.S. Air Force Reserve training, and activation of his unit during the Cuban missile crisis, Don sums it up this way, “It was all worthwhile. I made lifelong friends.”

John Swedstedt describes his 37 years with the mill as “a rewarding association with a great group of people.” He added, “Whether we were shareholders or union workers, we were all doing our jobs as best we could. If someone had problems, help was never far away. Most in the original group had experience in different areas of the woodworking industry, were between 40 and 50 years of age, and had just come through the Depression. I believe they looked at this venture as getting a steady job rather than an investment. To protect that job, the board of directors adjusted our wages or asked for voluntary weekend work. The vast knowledge the original group brought with them was passed on to both newer

shareholders and union members. One thing that impressed me was that the mill and surroundings were always kept clean and free of trash.”

Robert Wells, who worked on maintenance for many years before becoming master mechanic under ITT Rayonier, remembers a dryer fire that caused no production loss “but scared the hell out of everyone.” He noted that for him, the biggest change following the ITT Rayonier takeover was “a reduction in the number of bosses, from 240 down to 12 or 14!”

PenPly veterans have traveled far down life’s road, yet their memories remain sharp and vivid. They acknowledge that there were rough times and periods when shareholders disagreed on decisions such as major purchases or management appointments. For most of its 30-year existence, however, the worker-owned Peninsula Plywood Corporation avoided these pitfalls and earned its reputation as a well-run organization with a succession of good leaders.

The worker-owned plywood companies, once more than 30 and now down to three, have been described as “a unique phenomenon in American industry.” In recording their story, there is no more honorable or colorful example than the one presented by PenPly and its distinguished surviving retirees.

The mill was heavily dependent on woods subject to environmental restrictions, so we decided to switch the bulk of our production to a less restricted and more abundant species, cottonwood. First, however, we had to convince our owners and employees that a species with a tricky reputation would work. And we had to convince our customers that cottonwood would perform well.”

Each of these goals has been met, thanks to intensive ongoing in-plant training and positive reaction from the marketplace. The K Ply chief executive noted, “Cottonwood is harder to work than cedar and takes a highly skilled crew.” He added that while details of exact production methods are proprietary, “it’s enough to say that we have innovative ways of drying and gluing it.”

The mill’s success with cottonwood draws on Ernie Van Ogle’s extensive past experience with Evans Products Company and its associates in the Grays Harbor area of Washington. Mills in that area had been on the leading edge in its use. At a time when many in the industry considered the species to be of little value, the late Mon Orloff was demonstrating more than 50 years ago that it could be used to make good plywood. This great plywood pioneer qualified his enthusiasm, however, by stating that “to peel cottonwood is an art, to dry it is an art, and to lay it up is an art!” Cottonwood now supplies 85% of K Ply’s timber needs, from woodlands in British Columbia and northwest Washington. To its knowledge, the company is the only plywood manufacturer in the United States or Canada using cottonwood as a face veneer. Western red cedar barged in from Alaska is also an important component of production. The cedar log has been termed “Klukwan’s most precious natural resource.”

Global Markets

K Ply products are shipped to markets across North America and to Australia, Japan and Europe. The product line includes its popular Cedarply, Panel 4 and Peninsula Cedar panels for siding and interior wall applications; a range of Medium Density Overlay and High Density Overlay panels for

Using “The Whole Pig – Plus The Squeal”

Klukwan’s owners have been assured in reports from Port Angeles that the entire process – from harvest of the cedar tree in the company’s forests to manufactured product – brings value-added benefits to shareholders. “At K Ply the log is sorted according to the best utilization for length selection, as nine- and ten-foot-long plywood panels command a hefty premium. The log is debarked with the bark going to a hammer hog, which pulverizes it into fuel for the mill’s boiler. The log is then cut into blocks 8-foot, 9-foot and 10-foot long to be peeled into veneer. Any short pieces left over are sold as shake and shingle blocks to a local mill. The blocks long enough to yield 4-foot veneer are peeled for special panels sold in the San Francisco area. Once peeled into veneer, the wood is sorted by appearance. Veneers are sorted for knotty rustic siding or paneling, and the higher grade premium and clear veneers into panels for architecturally designed projects. Any scrap veneer is then used for fuel or sold as chips to a pulp mill. Clear small veneer strips are saved to make a new high-priced product called Panel 4. This panel is made of 4-inch wide strips of clear cedar put together into 4x8-, 9- or 10-foot panels to look like 1x4 boards. The core of the log remaining is sold as landscape timbers or fence posts. This leaves nothing of the ‘pig’...not even the squeal.”

concrete forming, construction and industrial markets; and more limited production of sanded poplar, sanded fir plywood, and fir plywood siding. The mill’s total production in 2001 is expected to be in the neighborhood of 50 million square feet, 3/8-inch basis.

K Ply’s sales manager, Erv Lodeen, is a 45-year veteran of the plywood industry. He started in 1956 at Harbor Plywood Corporation, which was purchased by Aberdeen Plywood and Veneer in 1959. He continued in sales when the plant was acquired by Evans Products Company in 1961. Following closure

of the mill in 1986 he spent four years in sales with Multnomah Plywood Corporation before joining K Ply as sales manager in 1990.

K Ply production carries the trademark of APA – *The Engineered Wood Association*. The mill is proud of its designation as APA Mill No. 2, a ranking that testifies to the long history of quality plywood manufacturing in Port Angeles.

K Ply is a non-union plant. A majority of its workers has voted against union membership on four separate occasions.

Pride in Achievement

What makes K Ply a survivor in an era that has reduced independent plywood mills to a handful? Ernie Van Ogle has no hesitation in saying that it is in large measure the hard work and willingness to accept change and innovation on the part of the employees, who include descendants of some of the original Peninsula Plywood Corporation shareholders. There is pride in the heritage handed down by the bold risk takers of 1941, who mortgaged their slender possessions and their futures to the idea that ordinary working people could pool their resources, build a successful enterprise, and share in the profits. And there is pride in all of those, past and



The Port Angeles mill has drawn extensively from its own ranks in filling management positions. Seen from left, with a giant Sitka spruce log in the background, are: Pamela Anderson, human resource manager; Jan Kirschner, assistant sales manager and traffic manager; Carrie Heinle (now moved to California); and Nancy Crozier, controller.

Pam Anderson joined PenPly as a receptionist in 1970. In the mid 1970s, she transferred to the sales department, and moved to personnel in the early 1980s. She was named to her present position when K Ply purchased the mill in 1989.

Jan Kirschner joined the sales department in 1975 and was promoted to local sales manager in 1977. She attended the plywood manufacturing course at Oregon State University and was qualified as an APA certified inspector at that time. In the late 1980s, she was named to the combined posts of assistant sales manager and traffic manager.

Nancy Crozier joined the mill in 1974 as receptionist/production clerk. Following later experience in the accounting department, she attended night school for six years while working by day. She received her accounting degree from City University in 1988, and the following year became accountant in the new K Ply management team. She was promoted to controller in 1991.

present, who have served the mill since then – from worker to private ownership, to the ongoing partnership with a far-sighted Alaskan Native American corporation.

Since it took the reins in 1989, Klukwan has demonstrated its faith in K Ply's future by spending a total of \$8 million in new or updated equipment and environmental improvements. Upwards of \$3.5 million was allocated in 1999 for new green end machinery and buildings. Close to half a million dollars was expended in 2000 for reduction of boiler emissions. The 60-year-old plant can hold its own with the most modern in the industry.

K Ply is a strong believer in the future of the plywood industry, reduced though that industry has been by forest land lockups and competition from other products. "We've come from hard times to a measure of success by dedicating ourselves to the wisest use of our wood resources, and by developing and refining high quality specialty panels for a global marketplace," said President Van Ogle. "With the example of the PenPly pioneers to encourage us, we plan to keep on innovating and refining from the woods to the finished product so that plywood manufacturing can stay alive and well in Port Angeles."



K Ply sales manager Erv Lodeen, seen here earlier in his career, is among the most experienced sales executives in the industry.



Clear Cedarply panels from K Ply were the exterior siding choice for the Old Faithful Snow Lodge in Yellowstone National Park.





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