

A forest of options for a diversified Penrod Co.

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President of The Penrod Co., Carl Gade, left, and chairman and CEO, Edward A. "Buzz" Heidt Jr. stand at the company's warehouse at Lambert's Point Docks in Norfolk on Friday.

(Hyunsoo Leo Kim/The Virginian-Pilot)

By TOM SHEAN
The Virginian-Pilot

NORFOLK - Inside a cluster of warehouses at Lambert's Point Docks are 17,000 crates of imported hardwood from around the world awaiting shipment to U.S. manufacturers, distributors and retailers.

Stacked amid the crates are panels of a lumber substitute, a product from China that is being sold to U.S. builders. Although more expensive than wood, the polyvinyl chloride panels and moldings are resistant to termites and rot.

Lining up factories to make a durable replacement for wood exteriors has been one way that The Penrod Co., a Virginia Beach-based company with a 118-year history, has kept up with a changing global marketplace. During the early 1980s, its management determined that Penrod had to diversify to survive, recalled Edward A. "Buzz" Heidt Jr., chairman and chief executive officer of the distributor of hardwood lumber, flooring and hardware.

That's why the Beach company also spent \$15 million building a hardwood-flooring plant near Montreal. The Canadian factory, which began operating in February, produces flooring for residential

and commercial use in the United States, Canada and Europe. The factory has the capacity to turn out more than 100,000 square feet of flooring a week.

Penrod's diversification strategy has worked, but it hasn't been trouble-free. A sharp rise in the value of the Canadian dollar against the U.S. dollar this year could hamper its exports of Canadian-made flooring to this country.

Heidt figures the Canadian dollar will continue to gain value over the U.S. dollar. However, that hasn't dampened his confidence in Penrod's four factories north of the border. Canada, he said, "is a great place to have plants because of the favorable work environment," advantageous tax laws and government support for the country's forest-products industry.

Penrod also is working on a new type of flooring made from hardwood and recycled plastic. Once the development is complete, the wood-and-plastic flooring will be produced at one of the company's Canadian plants, Heidt said.

Like other U.S. companies buying and selling hardwood, Penrod has benefited from the robust demand for wood furniture and wood for building interiors, including the greater use of hardwood flooring in homes. The volume of hardwood flooring brought into this country last year - valued at more than \$415 million - was more than twice the amount imported three years earlier.

Yet because of the business risks they encounter in international markets, hardwood distributors like Penrod have had to become more flexible in the way they operate, said Brent J. McClendon, executive vice president of the International Wood Products Association, a trade group in Alexandria.

"You can't be risk-averse and be an importer," he said.

Penrod, once known as Penrod, Jurden & Clark, has roots stretching back to the late 19th century, when its Indiana factories turned walnut into lumber and veneer for furniture. In 1932, the company opened a plant in Norfolk, where it made gun stocks, airplane propellers, veneer for radio cabinets and furniture, wood panels for Army troop gliders during World War II, and hardwood trim for the interiors of Cadillacs and Buicks.

Penrod eventually consolidated its manufacturing in Norfolk, which became its headquarters in 1949. By the early 1980s, however, the Norfolk plant was losing its customers for hardwood veneer. The furniture industry had begun moving overseas in search of lower costs. Rather than continuing to produce veneer for furnituremakers, the management decided in the early '80s to close the plant and concentrate on distributing hardwood, said Heidt, who once bought logs in Nicaragua for the Norfolk plant and later worked in its sawmill.

Heidt, 60, became the company's chief executive in 1982. To help with the change in Penrod's direction, he hired Carl Gade, a native of Denmark who had worked throughout the world handling forest products for a Danish shipping and trading company.

"Carl and I used to talk for hours about ways to grow the business," Heidt said. "I wanted to grow, but I wanted to protect our assets. We figured the best way to protect the company was to be relatively diverse."

As part of their diversification effort, he and Gade lined up a factory in China in 1988 to make hinges and other hardware for Penrod to sell. A decade later, the two executives took a much bigger step by buying a Canadian company that produced hardwood lumber and veneer. One of their goals, Heidt recalled, was to boost Penrod's exports of hardwood from the eastern United States to plants in Canada.

Since 1996, Penrod has invested \$35 million in Canadian plants, including the hardwood-flooring plant that opened earlier this year.

The distribution of hardwood throughout the world has its eccentricities. French wineries, Heidt said, want American oak for their barrels. At the same time, Penrod imports French oak for the barrels used at U.S. wineries. "There are freighters passing in midocean with these barrel staves," he mused.

While expanding the mix of Penrod's products, Heidt and Gade sought new sources of wood. They added offices in Russia and China to a network that included facilities in France, the United Kingdom, Brazil and West Africa. By having a presence in each of these countries, Penrod is better prepared to adjust to disruptions in its supplies and find substitutes, said Gade, its president and chief operating officer. In each of the company's overseas offices, Penrod relies on foreign nationals for management.

Today, it has more than 500 employees, including 80 at its Virginia Beach headquarters near Lynnhaven Parkway. The company's annual sales, said Heidt, range between \$300 million and \$400 million and continue to increase.

Competition isn't the only pressure that Penrod and other hardwood distributors have had to address. Environmental organizations continue to call attention to conditions in tropical rain forests and the damage done by illegal logging.

One organization, Rainforest Action Network, has waged especially aggressive campaigns against do-it-yourself retailers, home builders and banks as a way to put pressure on loggers and companies handling tropical hardwood. Some retailers have responded by eliminating tropical hardwood and hand tools with hardwood handles, said Michael Brune, executive director of Rainforest Action Network.

The San Francisco-based organization continues to press for a ban on exports of hardwood from Indonesia, a source of wood for Penrod and other hardwood importers. Efforts to eradicate illegal logging in Indonesia's forests haven't worked, Brune said, because "the corruption there is high and the falsification of documents is very common."

Heidt, however, plays down the amount of deforestation caused by illegal logging. Much of the damage being done to tropical forests, he said, has been inflicted by people clearing land for farming.

"My sense is that illegal logging today is significantly less than it has been in the past," he said.

Penrod, said Heidt, has avoided doing business with companies implicated in illegal logging. The company also has participated in efforts by an industry-government coalition - the Tropical Forest Foundation - to curb illegal logging by monitoring the sources of wood imported from countries with tropical forests.

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