

ROI of a Lumber Dry Kiln Investment

A lumber dry kiln from Global Energy is a strategic investment in your lumber operations future.

When buying any kiln, you must ask yourself a series of questions which applies to a kiln from Global or from any other manufacture:

1) Will this investment make me money ?

The biggest question that you need to answer is one of profit. If a piece of machinery will not make you money, or assist in making you money, why buy it ? Just because you have a kiln, doesn't necessarily mean you'll be making more money. You must find a market for your KD (kiln dried) lumber. And if there is not a market which will allow you to sell your kiln dried product at a profit, then you will need to consider making a market !

For example: There are 5 sawmills in your area and none offer dry kiln product or services. While the demand for KD lumber may be low, you discover that a local home building/contractor is installing a great deal of wood floors. You contact the contractor and find that you can supply him with locally available flooring, at a less expensive price, but still double or triple your green lumber sales. Of course the flooring has to be kiln dried— a stable product is very important with flooring. This is an example of finding a niche market which will utilize a kiln investment to its fullest potential.

2) Will this investment improve my position in the market versus my competitors ?

Look around your area and see if other sawmills are selling green lumber, or if they have a kiln operation on site. You will probably find that most sell their green lumber, and are not making much money. If they are kiln drying lumber, many are probably contracting it out to a kiln several miles, and sometimes hundreds of miles away. Even though they may offer kiln dried lumber, the costs associate with trucking to a kiln are quite high. Even if there is one large kiln in your area, chances are they are providing a large quantity of KD lumber for volume (low mark-up) sales. If you have a small kiln, chances are that you will be able to keep the kiln running at all times— whether it be for your own operation, or for contract drying for others.

Operations can use kiln to leverage their position. For example, a firewood producer normally has to air-dry product for 6-12 months before they may sell. A lumber dry kiln will reduce drying time and inventory time to as little as 2-4 days.

Operations which manufacture pallets need to provide dried pallets for an equipment manufacture who does not want any "stain" from green pallets. A kiln to dry the pallet boards, or dry whole pallets will give them a competitive advantage.

Having a kiln, even a small kiln, will give you an advantage in your position with the local and regional market.

3) Does the kiln provide me with an 80% or better availability ?

Having a kiln with a full charge 12 months of the year will maximize your profits. If there is downtime, then that will directly effect profits. It is important that you be able to fix the kiln and maintain the kiln yourself. Buy kiln components which are fairly standard, or "off-the-shelf" are your best option. Buying highly customized kiln parts will only lead to you buying expensive spare parts, or downtime from waiting to acquire a spare part which will decrease your profits. Critical components need to have a standby or at least be able to be serviced with in 24 hours.

4) What are my online resources for this kiln investment ?

It is important to have internet (web based) access to online resources. These resources may include kiln publications, kiln forms, troubleshooting, information, specific part details, and of course, support. Support can be by email, web-based form, phone, fax or FAQ's (frequently asked questions which are used for troubleshooting).

Equally important are the availability of an online kiln customer satisfaction response form, and an online parts order form.

Of course having an online presence advertising your lumber operation is imperative. Having a web site for your company will give you great exposure from local, regional, and international customers.

As a sawmill or secondary lumber producer, you may not always have time during normal business hours to contact equipment manufactures, so a web-based internet online resource is very important.

Some of the most recent cutting-edge resources are available include searchable online kiln publications, a kiln log which you can fill out online, and store and retrieve from your computer, and a "virtual" lumberyard online where you may display and sell your lumber. All these options are available via the Global Energy website.

5) Does the kiln manufacture give me value-added services ?

Providing a quality dry kiln and support are the least you should expect from a kiln manufacturer. However, providing service beyond that will result in potential profit to your operation. If the kiln manufacturer can provide you with customer leads, free advertising and ideas to increase your profitability, than that will again be advantageous to your market position.

6) Compared to other investments in forest products equipment, how does a kiln compare ?

When looking at investing in a lumber dry kiln, you may find it useful to compare it to other machinery in terms of its usefulness, and potential for increased profits. Like any other piece of equipment, a dry kiln is a tool. It is a tool to help you make more money. Best of all, a kiln can provide you with resources to increase your value-added profit.

7) Is my kiln operation scalable ?

Small operations have to be sensitive and responsive to customer demand and satisfaction. A solar dry kiln may provide you with a cheap drying alternative, but will take 4-6 months to dry a charge of lumber. A professional kiln can dry that charge in 1-4 weeks (depending on wood species). If a customer needs a product within a certain time limit, then a professional kiln is the right choice.

Starting with a 5,000 BF kiln and adding kilns depending on demand is the best way for a small producer to produce kiln dried lumber. If the small producer were to install a 30,000 or 50,000 BF kiln from the start, the acquisition costs may make the venture out of reach. However starting small, and building on profits will allow your kiln operation to be scaleable— that is adding kiln space by demand and rolling over profits for expansion.

8) What will be my return on investment or ROI ?

Your investment payback will depend on many factors. First, you need to decide if you wish to have a steady cash-flow. If this is the case, you may wish to consider a lease, or lease-purchase. Of course financing a kiln may also be an option. If you have the money to invest in a kiln, and are wondering what the payback is, then you will need to figure out your monthly profit. Second, you will need to decide on an energy source. While electricity runs the fans, the heating system may be configured to suit a host of fuel sources, some inexpensive, some more expensive, and some which use your renewable resources.

A typical select hardwood kiln can have a payback in 3-6 months. A specialized value-added operation can achieve a payback in as short as two to three months. An operation like this might be a flooring or molding business.

10/14/2022
