

**AN INTERVIEW WITH
JAMES L. RESPESS**

by
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HKS: Are you a forester?

JR: Probably as far from being in the mold of the Langdale's as anybody can be. First of all I'm Methodist. [laughter] I came from Atlanta, born and raised in Atlanta and graduated from Georgia Tech with an industrial management background and I went into the navy. Came from basically a line of accountants. One of my grandfathers was a CPA, the other happened to be an engineer. Anyway, my father was a CPA.

When I got out of Georgia Tech and concluded my tour of the navy I decided well you might as well figure something to do and accounting was something I could do. I wasn't particularly enthralled with it but I like numbers. There are no maybe answers, it's either this number or it's not this number, that precise. I continued there and I worked in accounting for three years, got my CPA certificate, got more and more disenchanted with the big city of Atlanta, or any big city, I just don't like big towns.

I made application to C & S. I wanted to stay in the South, and the easiest way to do that would be get with a large organization and C & S offered me a job as the controller of their REIT, which went belly up about the time I was made an offer. I said thanks, but I wasn't particularly interested in staying in Atlanta because that's where they were returning. Their personnel guy who gave me a battery of tests to see whether or not I could do the job, from my personality and so forth standpoint. Harley was on the C & S board and he apparently asked for criteria that I happened to have, and others at C & S said why don't you talk with this guy? So that's how we got together.

I moved down here with the understanding that I had no experience in forest products, none at all and knew nobody down here. My wife's from Orlando, and I said it's out of Atlanta, it's in Georgia, I'm 28 years old but I decided what do we have to lose? A little experience. And so I came down here, and I really have enjoyed the forestry products industry and the opportunities I've had to do some things that in a much more sophisticated organization I would not have had the opportunity to do.

When I got down here in November of '70, their accounting system was reasonably antiquated. One of the first things I did was install a computer, and we began to set up a traditional accounting system with Atlanta standards as opposed to Valdosta standards. We began to modernize the financial area as it were, put it more on an automated basis. And do reports instead of it being typed in triplicate on onion skin paper; we mass-produced considerably. We just began to organize the thing, and finally I got into more general management and started pressing ideas about growth. I said you've got these assets, at the time about two hundred thousand acres of timberland, you've got a reputation, and you've got a manufacturing system that's equivalent to most people's, why don't you take advantage of it? Why not begin to go out? At any rate my background is basically in accounting, and financing is not something I like to spend all my time doing; I've gotten where I really enjoy general management. I'm beginning to feel a little tethered, you know, let's go to the next stage. Langboard was a significant step relative to our size and our manufacturing background. It has a long way to go if you want to do it complete.

HKS: I wonder if they'll be open to that one. Harley and John W. have emphasized how conservative they are, in the sense of they don't really believe in leveraging. Obviously that's

something that you have been recommending, and I'm assuming that Langboard is an example of that. My assumption is that they didn't go to the bank draw out thirty million dollars. This is your influence, the kind of step they wouldn't take in the dark?

JR: As much as anything, probably playing on something that Harley wanted to do for a long time. He comes from a forestry background, and I think the older people get the more they begin to realize the transitory nature of cash. They start thinking in terms of what they're leaving behind when they leave. And I gathered, I suppose is a better way to put it, I gathered that his basic desire was to leave an organization that goes on after he's not around.

HKS: Right.

JR: And he had always wanted to fully utilize what he grows on his land. And there was this big chunk of under utilized or unutilized...

HKS: The hardwoods.

JR: Hardwoods, not only his but all the other landowners around.

HKS: Harley said it a couple of times in interviews, in different contexts, if we'd done that we'd have made so much money we'd have spoiled our grandchildren.

JR: He doesn't have any grandchildren.

HKS: Well,

JR: That's the ironic part.

HKS: The broader family would spoil the grandchildren. When I was asking him wasn't he tempted fifteen years ago to be bought out by Weyerhaeuser or IP or somebody who is buying out similar companies in other parts of the South, he said they were never courted but the door was open and they discussed it but didn't go any further because what would they do with all that cash? They wouldn't have a job anymore, and they'd spoil the grandchildren. He brought that up that same phrase the next day in a different context that you can be too easily successful. Life is not making money, life is doing something else, I guess, real old fashioned values.

JR: Old fashioned values are traditional values, oriental values. I think his response needs to be pretty heavily interpreted. Again I feel like his desire basically is to leave something that he's spent his entire life developing, so that it has at least a chance of being a Langdale Company or a Langdale Something, that name, next generation and next generation and so forth. Whereas if you got bought out or they sold out, the next generation would probably have what they want, and they may end up with it anyway. But if it became a division of Weyerhaeuser, it would be the Langdale division for a while and then some new president or some new V-P would come in and they'd change it, and then that would be the end of it. There'd be no recollection, Langdale, Langdale, yeah I've heard of that somewhere you know, a hundred years from now.

I think Harley and most people, if they reached maturity, there's that apex that people may be unwittingly or whatever, aspire to. I think Harley's already realized that. And he wants to leave that possibility there. I sort of played on that desire, and I said Harley, my logic is you've got to get into the paper business, you've got to be fully integrated in forest products in order to compete. And my logic said competition is going to gobble you up. Several reasons, one is you're dependent

on the people that are running the show, let's face it. Those day to day decision makers, if you don't have the best you're not going to compete. And the only way to get the best and keep the best is to pay them the most. Well, can you afford to pay them the most if you stay the same size? Certainly not. Then your costs become prohibitive and you back away from it anyway. Or on the other hand, those same people with those same attributes generally want to participate in the equity and they want some growth and they want to see some satisfaction in their own lives beyond just compensation.

Alright, so you've got to grow to provide the base to be able to pay them in order to keep them around, and the way to play that game is to grow. Not just for the sake of growth but, you know, successful growth. Finally you're going to end up one way or another in the paper business. And he will. Maybe not him but the next generation or the next, either by virtue of being sold out to somebody who's in the paper business who are the only people who will buy it, or just the natural evolution of larger and larger and more successful and you're in the paper business. Then you can compete. Then you can diversify, you can diversify geographically, you can diversify product wise, you can diversify people wise, the whole achievement.

HKS: We were discussing you yesterday. I wanted to see what I'd read about the investment in quail hunting, we watched them burn yesterday, and I have no idea how significant this is, it's probably insignificant in terms of the cash flow of the organization, yet there were probably five or six guys out there working a couple of days I suppose to clear that area.

JR: Well it's not simply quail hunting. They are almost incompatible growing timber and quail hunting, but not quite. But it's a tradition.

HKS: That's right.

JR: It's something his father was...

HKS: I know it's very important to him.

JR: And it really is, and that's his only recreation, period.

HKS: Somehow I can't quite see George Weyerhaeuser doing that on their land. It was different. The company's of the size, I guess, you feel like you own it. Yet five million acres you wouldn't know the land well enough to identify with it.

JR: I agree with you, absolutely.

HKS: They know their land. It was incredible, driving through these unmarked roads, these little tracks, and turning left, turning right, turning in, they've walked through that land a lot of times.

JR: Harley's very unusual. He's the only one that's capable of doing that. I've talked to him several times about somehow systematizing it, and there have been fits and starts of doing that, but you can't replace what he's got in his head. And you can't replace the deep felt emotion to our, my land, you know, it's part of me. It's unfortunate that I feel like in order to get to the size from a commercial standpoint that I was talking about, you're going to find that fade away. You'll probably find it fade away anyway when Harley goes.

HKS: I visited a tree farm in Oregon about a month ago, it was sixty thousand acres, third generation. They only sell timber, they don't do any manufacturing. They have a sense of land that

environmentalists claim that foresters ought to have. I saw the same thing here yesterday, the sense of land and you can't pass that on too many more generations.

JR: I wouldn't think so either. It's inevitable that the diversity of the following generation or the following generations are going to spread wider and wider in their interests. The only thing they're going to care about is going to be financial rewards from the three generations prior, can't even mask that, I want my part of it. And you know, I don't blame them.

HKS: We interviewed the McGowin family twenty years ago, Union Camp bought them out you know. They had a younger generation living in California and what not that they couldn't afford to buy a new car. Union Camp bought them out for a lot of money, and when the stockholders in the privately held company got numerous enough and they said sell. And this is what Harley's generation was saying in an interview today, the pressure can get too great. There was not bitterness that I detected, but...

JR: No, it's just in effect a parting of the ways, you know. I left Atlanta, I left a CPA firm, came down here and started. That's just the way of life, things evolve.

HKS: Do you think Langdale in a generic sense is that much different from other modest sized family owned companies? You're an outsider and I don't know how long you have to be here, maybe you're already accepted. I don't know how we'd measure that.

JR: In some respects, and in some respects never. Are they different? In what respect?

HKS: I don't know how long you've been with the company.

JR: Twenty-one years.

HKS: Okay. At some point, say twenty-two years ago, fifteen years ago, a Bob or Bill Jr. or somebody must have been seen to fill the spot you have right now, just in concept, but that didn't work out for a variety of reasons: personal preferences, skills, aptitude, whatever it might be. Somehow you're in that spot. I'm not trying to ask an awkward question but it's interesting...

JR: Why me? Or why not them?

HKS: Why not family. Harley said we don't believe in nepotism, there was no family member available in time to fill the spot and you got it.

JR: I got it by default. I'm probably too subjective to respond to that, but I'll try. It's almost a dichotomy. An organization chart depicts it too. While you felt a stewardship, agrarian, hewers of wood kind of atmosphere and so forth, my base feeling is Harley is very strong in that, he's also very strong in the let's facilitate the perpetuation. So this thing that we call Langdale won't be a McGowin or be a whatever two generations down the road. Nobody will say let's see, Langdales, I've heard of them somewhere. In that respect, again I'm pretty subjective, in that respect you cannot afford to say okay, everybody who's last name is Langdale line up, we'll pick the best. You have to say here's the criteria, here's the performance—go. Let's see who stands up regardless of last name. And I'm very subjective in that respect.

HKS: That's what Harley said you were going to be. He said he was against nepotism; some of the family members like Johnny had it and other family members didn't have it. He talked about Bob being an engineer and he feels personally that in the broader view he was very good at engineering

but he didn't want to be involved in management responsibilities. Now Bob may not say the same thing if I ask him the question and I don't intend to. I'm here to capture Harley's generation, not the current management. Johnny said there's plenty of time to do his generation, we want to capture Harley and Billy and John W. But it's still a part of Harley's generation to look a little bit at the current generation, it tells you something.

JR: Again, it's an internal struggle all the time because the two aren't necessarily mutually exclusive, but they aren't necessarily compatible either.

HKS: I am very familiar with the Weyerhaeuser company, they were our founders in 1946, the family owners. And we've done a couple of biography projects of early family members who ran the company. George's father, who died of leukemia in 1955, had very much the same values Harley does. They didn't leverage. They saved money until they had enough money to build a new pulp mill, and they'd draw it out of the bank. It was George's generation who said you know you can't operate this way, and what the first thing that George did was early retire all the foresters who had risen to vice-president. [laughter] And that's not all, but it was a major change, and he brought in managers at the management level of the company and their stocks split and their stocks split and then the Weyerhaeusers really took off in the sixties. And they did acquisition and they moved, they do a lot of things. A different management style.

JR: In which they're consistently reevaluating and changing again.

HKS: Right. George is retired now, he's the last Weyerhaeuser to run the company. But I was at a stockholder's meeting when George would answer a stockholder's semi-hostile question, he said as long as there's a Weyerhaeuser managing Weyerhaeuser, we don't work that way. I could expect Harley to say the same thing. This is the Langdale Company, Langdale Company doesn't do this.

JR: What about GP?

HKS: I don't understand GP as well for some reason.

JR: Or LP?

HKS: LP is a really different child, Harry Merlo who I know by reputation. Other CEOs like Andy Siegler of Champion complains about IP giving industry a bad name because IP won't even give to the Girl Scouts. They've dropped all charitable contributions. They've dropped out of civilization, you see.

JR: What you're asking, I think, is does Harley anticipate or do you think Harley anticipates the values will change from family if it evolves into non-family, will the values change? Certainly will, but to what extent I don't know.

HKS: I'm assuming that Langdale family is a major leader in the Valdosta community, civic affairs, I can see all the boards and committees and commissions they've served on. Will the company still do that when there aren't any Langdales running it?

JR: They may do more of that.

HKS: Is that right? Because it's good for business? Without being cynical, I'm asking in that context.

JR: That would be an influence but that wouldn't be the major consideration. Let's see how to describe my evaluation of it. I don't know if I can put this into proper phraseology but behind the scenes in non notorious in a positive sense tends to carry more weight, more influence, than those people who are up front leading this and leading that and so forth. Harley either has decided that with his eyes open or he is that way, doing things behind the scenes, and it falls the lot of those people who do things behind the scenes to have greater influence.

There are more influential people on the surface than any of the Langdales, leading the boy scouts, leading this, leading that, chairman of the Boy Scout drive, chairman of the United Way, that kind of thing. That's kind of shallow relative to where each one of those people will come to Harley and talk to him about it. That's the power broker kind of concept. Never subject your own reputation to well it didn't quite make it this year.

Harley and just Harley is absolutely 99 percent committed to one thing, the furtherance of the commercial interests of the Langdale family. One percent he likes to quail hunt, he likes to think about the naval stores, he likes to think about that, which those relationships are changing, that's getting more and more, carrying more weight, the commercial part is beginning to fade out, but the long term interest in it. Maybe because the goals that he set have been reached, commercial goals, maybe they haven't, you know. At this point if you were to ask him to qualify goals, how many acres of land, how many dollars worth of sales, whatever, I don't know that he could do that. I'm sure there was a time when he said Okay, well I want to own x-hundred acres of land, I want to have x-hundred dollars worth of sales, but these days that importance is not there.

HKS: I've asked this question of everybody else and I'll ask you to. I haven't gotten an answer that I can put my finger on. Why do you think that the company never bought any land in Florida? It's only eighteen miles away.

JR: There's some land down there.

HKS: Well, by Fargo, but if you look at the map, there's the border and it's only eighteen miles south of here to get to Florida. They have a Sweetwater, Tennessee plant.

JR: Just a plant site that they bought for production capacity during the Korean War.

HKS: There's some regret now that it hasn't turned out as well as they had hoped, the environmental clean up I guess was...

JR: You said the same thing in saying it's only eighteen miles. This sounds peculiar, but I was elated that Langboard is as far away from our home office as it is. Harley lobbied, discussed, very hard putting it right amongst everything else, and fortunately I had a final lever. I argued get it away from Valdosta for several reasons. But I had a final lever, and that was the criteria to make application for, and we made application before the law changed, a UDAG grant required that you be in one of these quote poverty areas.

HKS: What kind of grant is this?

JR: Urban Development Action Grant. Which by the time we made application we were fully qualified to get it. Well actually we wouldn't get it, the community got it, they loaned it to us, but it translated all the way back to us. And that required that we not be in Loundes County, the county would not qualify. It didn't have enough of the umpteen characteristics, but Brooks County next door certainly did. I was interested in getting it away to break, although Sweetwater broke it,

but to break the philosophy that it's got to be within binocular range, Georgia. Harley is the hands-on decision maker, absolutely uncomfortable with full delegation. I wanted to expand our way of thinking, with the final intent of saying, you know, today Germany, tomorrow the world kind of thing. If we can't break out of Valdosta as far as Brooks County, then there's no chance of being on the west coast or being in Canada or being wherever, which long-term is what I'd like to see.

HKS: Johnny was talking, going to this chart, we're talking about the saw sharpening outfit. He wants to try to crack the Atlanta market sharpening scissors and so forth. That might be another of your influence?

JR: Paper knives, yeah. Go where the business is. Learn a management style that will teach you to set objectives, hire whomever is best qualified and go where ever it is and not have to participate in every single decision, which is very uncomfortable for somebody who has always done that.

HKS: You sure could see that yesterday burning. He was having such a good time, but I tried to emphasize with the foreman out there.

JR: That style, as you well know, that style, the style of hands-on, making the decisions yourself, know everybody on the yard, everything, totally involved works well to a point, is the best system to a point. Now in order to get beyond that part, after a while it constrains you to the longevity of the individual involved. Nobody else has been making decisions, not comfortable with it, might not be capable of doing it, that kind of stuff. Not only that but at some point that decision maker is not going to be in the picture, and you better have groomed the system, either that will duplicate what you did and keep it to that size or you'd better have another system. That's what I've been trying to put into place, the other system, which makes those who are comfortable with the first system uncomfortable with it, and highly critical of it. But the experience and logic and everything else shows that's the only way to progress, to get bigger.

HKS: I think it was John W. brought this up, I was asking about the shares of the stockholders. There are two classes of stock, I'm assuming that some of your compensation is class B or whatever it is, nonvoting stock. You're part owner...

JR: What mine? No I have a little bit of class B stock that I bought personally from Harley.

HKS: I see. I guess I misunderstood. I thought it was part of a profit sharing program.

JR: In your organizational chart, class A and B applies to the Langdale Company. Now we have at this juncture an attempt on my part to get involved. Again this management style of delegation and sharing of decision making and so forth, our quote management group quote who are these people plus several of these people. Depending on the size and the influence and how much control they actually have at this point. But we have a group of eight managers, super managers, whatever you want to call them, that constitute the management group. I said Harley, you do not want an adversarial situation between your managers and you the owners, you need to put them in your shoes. And the way you do that, of course, is equity. Getting back to this idea of mine that...

HKS: Sure.

JR: So we have for the first time, and are on the verge of having some more, stock options for this organization which obviously involved all the operating divisions or companies but does not involve this. Now I own a little bit of this, infinitesimal. Where we are at this juncture is possibly undergoing a study in that area right now, going to break off this entire production capability into

whether there's going to be a public corporation or whether it's going to be whatever or possibly taking part of this and that and going together and going public. Again perpetuation being the idea or to facilitate the perpetuation.

You know, with Harley's knowing that Johnny's generation and the next generation down from that is very likely to be so diverse in interests that this whole thing will have to be sold in order to liquidate in order to provide them with whatever it is that Granddaddy made, that same idea that we've talked about. So one of the distinct possibilities is to say that all of the production capacities under the umbrella of Langdale Industries, and go public, Aesop?, LBO, go something, do something. Or that plus some part of the land that the Langdale company owns, which will make it a more viable public corporation...

HKS: Weyerhaeuser going public, the IRS was starting to harass them, but no one knew what they're worth. One of the rationales for going public was to establish the value of the stock so the people could say what the assets they had. I don't know if this makes sense these days.

JR: That seems like a low priority reason.

HKS: Our author may have misinterpreted all of the company purposes.

JR: I'm sure there are court cases involving the estate tax and so forth in that circuit or whatever, but that would not be reason to do it. That would be a corporate liability, and that's all. Then there's always questions, if it goes public in the true sense, okay, then you have a market. But if it's only a partial going public or a limited number of shares or limited benefits, limited participation in the shares, it's still up for grabs as to what it's worth. You know class A, class B. Class A is fully participating, fully voting for everything, Class B does not vote. Now what is the difference financially between B and A? In liquidation, nothing. But what about ongoing? Of course dividends would be the same, but is there a differential? I'd say so. How much? I don't know. I don't think that's a reason to go public. I think you'll find that the basic reason to go public, two things in my opinion, first of all you lower the individual owner's risk by being able to liquidate some of it and in effect diversify into General Motors and Treasury bills and whatever else he wants to be in. You enjoy a much stronger calculable base instead of struggling to build one OSB plant, why not three, why not five, why not fifteen? I mean that's...

HKS: Sure.

JR: That's the basic reason, access to financial markets, which right now we don't have, except through debt. Debt has its advantages and debt has its disadvantages so leverage up and leverage out.

HKS: I don't have enough background in finance to really get a grip on what would be required to actually go public. How you set it up. People would look at management, they'd look at all sorts of things before people would buy your stock.

JR: I think the basic criteria for successfully going public, whatever going public means, and I envision several tiers at going public. The basic criteria is what is the overall receptiveness of the industry and the market itself? You know there are times when going public with IBM, even if you knew what IBM or Xerox or whomever else, what it would do, you may get four dollars for each dollar of equity or maybe fifteen to one sometimes. But the other time you take some very marginal companies and the market is looking for IPO, initial public offer and that kind of stuff, they'll eat them up. It depends on tax laws and a few other things.

If you took away all the temporary influences, and this is from a financial standpoint, if you took away all the temporary twings, the vacillations and is it receptive, is it not receptive, are there tax advantages and no tax advantages and so forth. Basically you've got to look at the viability of that corporation to provide a return, you've got to weigh the risks, a return on the investment that you're going to make in it. You've got a thousand dollars? You can get today 4., about 4.4, 4.5 on thirty-day treasury bills. Or if you want to look at the bonds, you could be talking 7, 7.8, or something like that. Okay, you know, unless the government fails which it's beginning to look more and more likely it might, you know that's the most secure investment, right. So in order for you to divert your funds from that into a public corporation that has no significant track record as a public corporation, then you're going to demand a significant premium over that 7.8 or whatever you can get with treasury bills, or bonds, okay. So maybe you say I'm going to require three things, so you look to see that that requirement will be met, and the likelihood that it will.

It gets down to basic things. What's the management structure, what markets are they in, what industry is it in, and what's its track record. Of course, with no track record other than operating as we've been operating, that may or may not be something you can evaluate. But the way I look at it, here the Langdale Company sits in the southeast, in the United States and it's in the fiber business. Now what better long term possibilities could you have? It's not high tech, but wood is not a high tech thing, which gives it something. You take a saw and a hammer and a chisel and screwdriver and you can work wood, you can't do anything with concrete to speak of or plastic or metals, every home handyman or handywoman, handyperson, whatever they call them these days, likes to handle a 2 by 4.

If you come from far up the west coast, you know what's happening out there, and where is the fiber going to be growing in the United States? And then where is it going to be growing in the world? It could be growing in Russia, but they've not got the infrastructure.

HKS: Yes.

JR: I think you can pick out a couple of Caribbean countries, what is their political stability? Right now it's okay maybe, but it's up and down. What other source of fiber will provide what the market I think will produce and they like forever and ever? Wood. The southeast is going to be the place. Not to mention the fact that you sit in an area that of all the places in the U.S. is going to grow in a more stable fashion than anybody, because the southeast is underpopulated relative to other places. It's going to have its own regional demands greater than anywhere in the United States, I think. Plus the United States is going to have a limited source of that fiber that provides that product, plus the world.

We can successfully ship out of Savannah, out of Brunswick, out of Fernandina, we can ship out of Pensacola, Mobile and New Orleans. And there's rail, there's the highway system, so export is soup. The potential is there, the name of the game in my opinion is the ownership of resource, and the wherewithal to deliver a product. From the marketing of a stock standpoint, I don't believe you can argue it's not high tech, that's the only drawback, but relative to what it was fifty years ago it is high tech.

HKS: That OSB plant where you have two people running something as long as a football field

JR: Of course you don't go to Tiffany's and you don't go to whatever to buy wood. So in that respect it's not Sony, Panasonic, it's not Hitachi. It doesn't flash and blink and so forth. It's something solid, something that was there years ago.

HKS: It's low value per pound.

JR: Right, and it's a renewable resource.

HKS: I've asked each family member about any thought of acquiring more land. "Well we buy a little here, a little there." But I don't know what their land acquisition curve looks like over the past seventy-five years, if it went along like this, jumped up during certain generations, the depression probably when land was cheap.

JR: Most of ours was acquired in the '50s, and it was acquired in conjunction with paper. This is hearsay on my part, that's about all it boils down to, but the acquisitions were made because paper companies wanted somebody else to own some of the land to provide them some stability of source, pulp wood. And so they would loan short term, long term, intermediate term, favorable rates to significant producers of raw material so they had pulpwood, enough money to acquire the base to be able to assure them of a supply. It was the natural influence of the paper mills coming to the South. Then we are going to buy land but we want other people to buy land too from a political standpoint, from a resource standpoint, a bunch of other reasons, so we're going to encourage that, we're going to loan you money, we can, yeah whatever's necessary you can start acquiring land, we'll buy your pulpwood. So there are several bumps in the curve.

HKS: You're the only one that's told me that.

JR: This is what I have gathered. I have never asked Harley what the motivation was for acquiring land, and I don't know if he could say.

HKS: I would think that he always would think, given the price, of course, buying land is a good investment, you can't go wrong. It's a hedge against inflation, it's a hedge against the depressions, maybe it's an old fashioned idea, buy land, you can't go wrong.

JR: Depends on how many generations back. There have been plenty of times when owning land was undesirable, carrying costs, short term carrying costs will eat you up. And you well know unless you have an uneven cycle in age in a forest you get spurts of great resource and revenue. And spurts when there's nothing except carrying costs—management, taxes, whatever. So there are times when owning land, as the big corporations found out, is expensive. They divested themselves of all these chunks of land, for a lot of reasons. One of them is buy out possibilities.

HKS: Sure.

JR: As long as we provide the market. LP is a great example, we provide the market, and we provide the best market for it too, because we're going to have the best product and delivery and so forth, we're going to pay the highest price and that's going to encourage independent land owners to grow timber. And then of course they force through things like the CRP and some of those other things that generate a spurt of growth.

Harley finally looked at it and said okay the paper companies are going to come south. The only thing we lack is a market for the biggest thing we grow, which is pulpwood, so let's go out and buy land. I'm sure that was a conscious thought. But also the paper companies stimulated that thought process too, directly and indirectly.

HKS: Harley is critical, I don't know if he was ever angry about it, but what Superior Pine did, the sixty-year lease with St. Regis. He thought that was wrong.

JR: A matter of opinion, probably. But about your question, are they going to be interested in buying more land? I would say no. The backdrop for that is the average cost per acre, what they've got in what they've got now, and the age, nearness to maturity, nearness to harvest, to provide them revenue. At the time when acquisitions were made, it was as great a risk, it may be greater, than it would be today. You put it in 1935 dollars, or 1951 dollars or something like that, and I've argued the point, but still you've got all that you can control and know on an intimate basis right now, going back to what you said. Then if you acquire twice as much, there's no way you can put it in the same emotional vein that you have with that you've grown up with. So it then becomes just another resource, it's a plant, it's whatever, it's another asset on your balance sheet. It becomes a cold asset. Now I talk out of both sides of my mouth, too. I left Atlanta, I wanted to come down to the wilderness, so to speak as viewed from Atlanta, my parents could not believe that I was leaving Atlanta. I was a fourth generation Atlantian, matter of fact, my mother went to Duke, but at any rate they couldn't believe it. I left my grandfather's CPA firm. Why? Because I wanted to live in an environment that this kind of town provides. Of course everybody's got a different perspective of what's a large town, what's a small town. At any rate, so I was escaping, that's a good word. But from my business view, acquisition of land, if you can assimilate it, manage it and generate a return from it, makes more sense than anything else. That's the base from which you build plants, you develop distribution systems, you know the whole thing comes out of that.

HKS: Well the sort of a simple explanation I've heard over the years why companies, paper companies, a hundred years ago didn't own any land, but they needed to protect their resource base. I don't know what percentage of the fiber that Langdale processes in one way or another comes from its own land.

JR: About a third on average.

HKS: But then aren't you at risk for the other two-thirds?

JR: Sure you are.

HKS: For the long term. There's a carrying cost, but there's a risk, sure, either way.

JR: Yes. Of course it's not an even one third. There are years when we could make do with what's grown and then cut on our land for two or three years. It would decimate what we've got out there. Afterwards for the next ten years we wouldn't be able to cut anything, without cutting growing stock. I guess it's a faith in the economic system is what it boils down to. You know, why would you build a plant? You have faith that your evaluation of acceptability of the products coming out of that, you can make a profit at, you know because the plant has a fifteen year life, or an eighteen or a sixteen or whatever it is and you've got faith that that's going to do that.

HKS: With a plant you're not looking ahead that far in that sense.

JR: Well, I don't know. The further down the economic chain you go, the more variety, the more variety of markets you can participate in. If you build an OSB plant, what comes out of there is OSB, and it's got to be sold for this use and this use and this use. And yeah you can change things a little bit but your flexibility is tied to the plant. But if you own the land, sever the timber and sell to this OSB plant, they go out of business, maybe there'll be another OSB plant, or maybe there'll be a lumber operation, maybe there'll be somebody in the firewood business or pulpwood or...

HKS: Right.

JR: The necessary return on land needs to be lower than that of a plant. I mean you can justify that investment on a lower basis. Like LP is to a great extent, if you are just in the manufacturing business, your reliance on that around you, the resource around you, certainly becomes greater. Somehow you've got to insure that succeeding years' timber will come to you, be grown and come to you, so you can participate in politics, participate in landowner management assistance and all that stuff.

HKS: It's probably exaggerated because things tend to be these days, sound bites. There's a threat to landowners it seems. Definition of wetlands, environmental constraints down the road, what you can do with this land. I guess there's different kinds of risks now that we haven't experienced. We always worry about the local tax adjuster. Valdosta wants to build a new school so they turn to the land base and say build us a school. But these are new kinds of risks.

JR: I can put it into an analogy--it's like hunting versus anti-hunting. The most reasonable explanation for the anti-hunting mood would be the applicable, I think, there is more and more people moving to the cities.

HKS: That's right.

JR: People who have no feel for what goes on somewhere else. And the same thing with land owning. I have a feeling that there are a lot of people in New York City, to pick them out, who feel food comes in cans.

HKS: Yep.

JR: That's some analogy. If times get tough enough, they'll certainly realize wait a minute, the root of the thing is out there where the guy is riding his tractor and planting his seeds. And the same thing with, if you want wood you've got to have some system to generate wood. So, yeah, the threats, the risks are different. But I think they're manageable.

HKS: I can see this in Washington State, the population has become so urbanized in its orientation that politically the land-based industries don't have the defense they've traditionally had.

JR: The South is not that way to that extent. It will perhaps get that way.

HKS: Coming from a lifetime in the west, having been a small town person at heart, I see the distinction about the South is it's rural. North Carolina doesn't have any towns big enough to have a zoo, we have a state zoo. And I get kick out of that, I think that's wonderful. And it's the kinds of values, the traditional values and conservatism that I experienced, and I grew up in a very small town in Washington state, that I like. I like living in Durham, because Durham is a small town, a hundred thousand, but the attitude is a town of 10,000. The way people do business, and you know people there, you talk to people when you meet them on the street.

JR: There's a community feeling.

HKS: And I drive fifty miles up in Virginia, they don't say good morning when you meet them on the street.

JR: Let me tell you what. I've told a lot of people about this and I've pretty well developed my thought about it. This town is a pretty good example. I come from Atlanta and Atlanta used to be a

small town atmosphere place. My mother and my grandmother and my great grandmother would go to Rich's, it was owned by Richard Rich and his family. And they'd go to Rich's on a religious basis, they'd go in and talk to the saleswoman who'd been there for twenty years or whatever, and they would come back and she knew them and you know they had a real relationship. What's happened in Atlanta is you've got this migratory crowd that's come in and they're going to leave.

First of all Rich's got bought out by Federated and so forth and all that. The sales clerk, she's there for six months or three months, she's going to go somewhere else, it doesn't make any difference. Everything is transient. That whole town has no feeling of the town. I'm here for three years and I'm going to be in San Francisco or I'm going to be wherever. Here in Valdosta, the people who are here by and large have been here, and do care about their children being here. And they're going to be here, they want their children to be here, and it leaves an entirely different atmosphere from the transitory situation in Atlanta and lots of different places. And the urban north is absolutely that way. And in Valdosta, people tend, I'm exaggerating I'm sure, people tend to want to take care of their own. If you need something, I'll help you get it. If for no other reason, you'll tell somebody else that I helped you, or you'll help me back, or whatever.

HKS: I had thirty in a high school class, I don't know if you think that's big or little, but it's little by Seattle standards. I went to twelve years of school with the same kids, our parents went to school together.

JR: I envy you, I wish I had. People ask me how far it is to Atlanta, and I say in what respect.

HKS: You have a living to earn, Harley's going to work me over again this morning.

JR: I've enjoyed it.

HKS: I have too.