



TFSA Investors: 1 High-Growth Commodity Stock to Own

Description

Interfor ([TSX:IFP](#)) is a growth-oriented [forest products company](#) with operations in Canada and the United States (U.S.). The company has annual production capacity of approximately 3.0 billion board feet and offers a diverse line of lumber products to customers around the world. The company has sawmill operations in British Columbia (B.C.) in Canada and in Washington, Oregon, Georgia, South Carolina and Arkansas.

The company operates four sawmills in B.C. with U.S. operations comprising two sawmills in Washington, one sawmill in Oregon, one sawmill in South Carolina, one sawmill in Arkansas, and seven sawmills in Georgia. These operations produce a wide range of products for sale in North American and offshore markets. The products range from commodity structural lumber through to specialty products. Many of the company's manufacturing facilities have recently been upgraded and modified to improve the matching of timber resources with customers' lumber requirements.

Diversified product profile

Interfor has a specific customer and product base in various countries, providing a diversified sales profile. Many of the company's operations are strategically located close to ports which allow it to fully realize on the opportunities that are available to it in overseas markets. Product and market diversification is particularly important for the company as the variability inherent in the log resource produces a much wider spectrum of product sizes and quality.

Like other commodities, the demand for lumber is cyclical. It is affected by factors such as interest rates, foreign currency exchange rates, freight rates, government tariffs, import policies and weather. In order to diminish the impact of rapid cyclical changes in any one market, Interfor strategically targets worldwide markets and offer a diverse range of lumber products.

Global presence

A continuing priority for Interfor is to [develop products](#) and markets that more fully realize the

opportunity for higher grades, special dimensions and value-added items. Lumber sales and marketing activities are organized into two sales groups to leverage global expertise.

Interfor has developed niche markets and increased sales directly to end-users in the Japan market. Additionally, the company has an office in China to support that country's growing demand for wood. In North America, the company currently services Interfor's customer base from two sales locations.

Attractive sales arrangement

Products produced by the company's sawmills in Canada and Northwest U.S. are sold out of Interfor's office in Burnaby, B.C. The company buys or trade logs through agreements and open market transactions and sells logs that are either unsuitable for cutting due to inappropriate size, grade, or species of log which are in excess of Interfor's manufacturing requirements.

The company's sawmills produce wood chips and other residuals as by-products of lumber production. Essentially all of Interfor's wood chips produced in B.C. are sold under short and long term contracts to pulp producers. Other markets for the company's sawmill bark, sawdust and shavings residuals include mulch and garden products, biomass fibre fuel for heat and power, and growing feedstock requirements for the export wood pellet industry.

At current market prices, Interfor's stock appears significantly undervalued.

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