FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
SEC Accession No. 0000060302-99-000020

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LONGVIEW FIBRE CO

CIK:**60302**| IRS No.: **910298760** | State of Incorp.:**WA** | Fiscal Year End: **1031**
Type: **10-Q** | Act: **34** | File No.: **001-10061** | Film No.: **99709775**
SIC: **2650** Paperboard containers & boxes

Mailing Address
PO BOX 639
LONGVIEW WA 98632

Business Address
P O BOX 639
300 FIBRE WAY
LONGVIEW WA 98632
2064251550

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended July 31, 1999 Commission file number 0-1370

Longview Fibre Company
(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	91-0298760 (I.R.S. Employer Identification No.
300 Fibre Way, Longview, Washington (Address of principal executive offices)	98632 (Zip Code)

Registrant's telephone number, including area code (360) 425-1550

Not Applicable
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

51,676,567 Common Shares were outstanding as of July 31, 1999

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheet (000 Omitted)

	Jul. 31 1999 (Unaudited)	Oct. 31 1998	Jul. 31 1998 (Unaudited)
ASSETS			
Current assets:			
Accounts and notes receivable	$ 88,957	$ 99,823	$ 89,189
Allowance for doubtful accounts	1,100	1,100	1,100
Taxes on income, refundable	-	7,020	16
Inventories, at lower of cost or market; costs are based on last-in, first-out method except for supplies at current averages			
Finished goods	19,009	19,628	25,616
Goods in process	14,188	15,110	17,958
Raw materials and supplies	40,726	49,221	48,644
Other	7,874	8,136	9,672
Total current assets	169,654	197,838	189,995
Capital assets:			
Buildings, machinery and equipment at cost	1,634,982	1,629,580	1,621,978
Accumulated depreciation	901,618	850,268	834,273
Costs to be depreciated in future years	733,364	779,312	787,705
Plant sites at cost	3,116	3,041	3,041
	736,480	782,353	790,746
Timber at cost less depletion	193,737	193,979	195,479
Roads at cost less amortization	8,852	9,298	9,034
Timberland at cost	19,233	19,207	18,469
	221,822	222,484	222,982
Total capital assets	958,302	1,004,837	1,013,728
Other assets	69,453	60,668	59,351
	$1,197,409	$1,263,343	$1,263,074
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Payable to bank resulting from checks in transit	$ 3,281	$ 10,042	$ 4,860
Accounts payable	39,024	37,251	40,896

Short-term borrowings	20,000	50,500	60,500
Payrolls payable	12,020	14,309	11,507
Federal income taxes payable	929	-	-
Other taxes payable	9,608	10,299	11,915
Current installments of long-term debt	10,118	20,119	14,118
Total current liabilities	94,980	142,520	143,796
Long-term debt	520,900	547,018	547,018
Deferred taxes-net	147,410	142,827	138,554
Other liabilities	17,397	16,029	15,644
Shareholders' equity:			
Common stock, ascribed value $1.50 per share; authorized 150,000,000 shares; issued 51,676,567 shares	77,515	77,515	77,515
Additional paid-in capital	3,306	3,306	3,306
Retained earnings	335,901	334,128	337,241
Total shareholders' equity	416,722	414,949	418,062
	$1,197,409	$1,263,343	$1,263,074

The accompanying note is an integral part of these financial statements.

Consolidated Statement of Income (Unaudited)

	(000 Omitted)			
	Three Months Ended July 31		Nine Months Ended July 31	
	1999	1998	1999	1998
Net sales:				
Timber	$ 44,407	$ 42,931	$ 123,551	$ 121,976
Paper and paperboard	64,105	53,111	151,459	145,544
Converted products	89,081	98,161	272,332	288,838
	197,593	194,203	547,342	556,358
Cost of products sold, including outward freight	166,473	163,890	461,590	493,638
Gross profit	31,120	30,313	85,752	62,720
Selling, administrative and general expenses	15,876	15,863	46,728	48,176
Operating profit (loss):				
Timber	21,779	19,954	61,775	57,263
Paper and paperboard	(1,823)	165	(7,509)	(11,677)
Converted products	(4,712)	(5,669)	(15,242)	(31,042)
	15,244	14,450	39,024	14,544
Other income (expense):				
Interest income	94	156	389	493
Interest expensed	(9,463)	(10,454)	(28,718)	(29,468)
Miscellaneous	407	1,986	1,964	2,627

	6,282	6,138	12,659	(11,804)
Provision for taxes on income:				
Current	50	123	101	(1,062)
Deferred	2,274	2,026	4,583	(3,069)
	2,324	2,149	4,684	(4,131)
Net income (loss)	$ 3,958	$ 3,989	$ 7,975	$ (7,673)
Dollars per share:				
Net income (loss)	$ 0.08	$ 0.08	$ 0.15	$ (0.15)
Dividends	0.08	0.14	0.12	0.46
Average shares outstanding in the hands of the public (000 omitted)	51,677	51,677	51,677	51,677

The accompanying note is an integral part of these financial statements.

Consolidated Statement of Cash Flows (Unaudited)

	(000 Omitted)			
	Three Months Ended July 31		Nine Months Ended July 31	
	1999	1998	1999	1998
Cash provided by (used for) operations:				
Net income (loss)	$ 3,958	$ 3,989	$ 7,975	$ (7,673)
Charges to income not requiring cash -				
Depreciation	19,886	22,306	59,950	65,221
Depletion and amortization	1,067	1,664	3,032	4,401
Deferred taxes - net	2,274	2,026	4,583	(3,069)
(Gain) loss on disposition of capital assets	82	(1,640)	(373)	(965)
Change in:				
Accounts and notes receivable	(1,232)	(3,387)	10,866	16,661
Taxes on income, refundable	-	48	7,020	677
Inventories	422	639	10,036	(7,716)
Other	404	(1,419)	262	(1,933)
Other noncurrent assets	(3,112)	(2,323)	(8,785)	(9,493)
Accounts, payrolls and other taxes payable	4,119	(32)	1,192	(4,092)
Federal income taxes payable	31	-	929	-
Other noncurrent liabilities	456	437	1,368	1,310
Cash provided by operations	28,355	22,308	98,055	53,329

Cash provided by (used for) investing:				
Additions to: Plant and equipment	(5,379)	(11,699)	(18,415)	(58,807)
Timber and timberland	(463)	(789)	(2,298)	(14,580)
Proceeds from sale of capital assets	177	2,167	4,639	4,363
Cash used for investing	(5,665)	(10,321)	(16,074)	(69,024)
Cash provided by (used for) financing:				
Long-term debt	(20,119)	(119)	(36,119)	48,881
Short-term borrowings	5,000	1,500	(30,500)	4,500
Payable to bank resulting from checks in transit	(3,474)	(6,212)	(6,761)	(4,974)
Accounts payable for construction	38	78	(2,399)	(8,941)
Cash dividends	(4,135)	(7,234)	(6,202)	(23,771)
Cash provided by (used for) financing	(22,690)	(11,987)	(81,981)	15,695
Change in cash position	-	-	-	-
Cash position, beginning of period	-	-	-	-
Cash position, end of period	$ -	$ -	$ -	$ -
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest (net of amount capitalized)	$ 7,710	$ 8,991	$ 27,078	$ 27,792
Income taxes	19	1	(7,904)	(1,948)

The accompanying note is an integral part of these financial statements.

Consolidated Statement of Shareholders' Equity (Unaudited)

	(000 Omitted)			
	Three Months Ended July 31		Nine Months Ended July 31	
	1999	1998	1999	1998
Common stock:				
Balance at beginning of period	$ 77,515	$ 77,515	$ 77,515	$ 77,515
Balance at end of period	$ 77,515	$ 77,515	$ 77,515	$ 77,515
Additional paid-in capital:				
Balance at beginning of period	$ 3,306	$ 3,306	$ 3,306	$ 3,306
Balance at end of period	$ 3,306	$ 3,306	$ 3,306	$ 3,306
Retained earnings:				
Balance at beginning of period	$ 336,078	$ 340,486	$ 334,128	$ 368,685
Net income (loss)	3,958	3,989	7,975	(7,673)
Less cash dividends on common				

stock	(4,135)	(7,234)	(6,202)	(23,771)
Balance at end of period	$ 335,901	$ 337,241	$ 335,901	$ 337,241
Dividends paid per share	$ 0.08	$ 0.14	$ 0.12	$ 0.46
Common shares:				
Balance at beginning of period	51,677	51,677	51,677	51,677
Balance at end of period	51,677	51,677	51,677	51,677

The accompanying note is an integral part of these financial statements.

NOTE 1: The consolidated interim financial statements have been prepared by the company, without audit and subject to year-end adjustment, in accordance with generally accepted accounting principles, except that certain information and footnote disclosure made in the latest annual report have been condensed or omitted for the interim statements. Accordingly, these statements should be read in conjunction with the company's latest annual report. Certain costs of a normal recurring nature are estimated for the full year and allocated in interim periods based on estimates of operating time expired, benefit received, or activity associated with the interim period. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for fair presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CONSOLIDATED STATEMENT OF INCOME

THREE AND NINE MONTHS ENDED JULY 31, 1999 COMPARED WITH

THREE AND NINE MONTHS ENDED JULY 31, 1998

Operating profits improved 5% for the third quarter 1999 compared with the third quarter 1998, but net income declined 1% due primarily to an 80% decrease in miscellaneous income. Net income for year-to-date 1999 was $8.0 million as compared with a net loss of $7.7 million for year-to-date 1998. Year-to-date operating results in all segments of the business improved.

TIMBER

Operating profits improved 9% for the third quarter 1999 as compared with the third quarter 1998 due primarily to a 3% increase in average log price and a 25% increase in average lumber price. Log volume sold decreased 13%, while lumber volume sold increased 56%. For the year-to-date period, operating profits improved 8% due primarily to a 15% increase in lumber volume sold and an 11% increase in average lumber price.

During the third quarter, demand and prices were stable in the export market. Domestic demand for logs was good during the third quarter and average price improved due to increased lumber prices.

PAPER AND PAPERBOARD

The third quarter 1999 operating loss for paper and paperboard was $1.8 million compared with the third quarter 1998 operating profit of $0.2 million. The primary reason for the reduced results was a decrease in average selling price caused by proportionately more paperboard tonnage sold (product mix) and average paper prices decreasing 8%. Average paperboard prices were comparable to year-ago levels. The volume of paper and paperboard sold increased 3% and 114%, respectively, in the third quarter 1999 as compared with the third quarter 1998. The mill operated at about 86% capacity which included a 7-day shutdown for mechanical and annual maintenance purposes. Wood chip costs were 9% lower while old corrugated containers (OCC) costs were 2% higher in the third quarter 1999 as compared with year-ago levels. Operating losses for year-to-date 1999 were $7.5 million as compared with $11.7 million for the year-ago period. The improved results were caused primarily by a 10% and 17% decrease in the cost of wood chips and OCC, respectively, and lower operating costs.

Domestic linerboard markets strengthened as a result of reduced supply and increased end user demand. Export linerboard markets improved due to improved demand and reduced availability of linerboard caused by certain suppliers exiting the market. Price increases for the domestic linerboard market were announced for August. Third quarter 1999 average export linerboard prices improved 9% from second quarter 1999 levels.

CONVERTED PRODUCTS

Third quarter 1999 operating losses decreased to $4.7 million from $5.7 million in the third quarter 1998 due to a 1% increase in average price. The volume of product sold decreased 10% for the third quarter as compared with year-ago levels. Year-to-date 1999 operating losses decreased to $15.2 million from

$31.0 million. The primary reasons for the improvement were lower costs for containerboard used to manufacture boxes and lower box plant converting costs.

Demand was at satisfactory levels during the third quarter 1999 although certain regions were slow. The company has announced a second price increase for fiscal 1999, effective August 1999. The company continues to develop its specialty and niche products and to reduce costs in order to improve margins.

OTHER

Interest expensed in the third quarter 1999 decreased 9% as compared with third quarter 1998 due to a lower level of borrowing. For the year-to-date period, interest expensed decreased 3%.

Included in miscellaneous income for the third quarter 1998 was a gain on timberland sales in the amount of $1.5 million.

The company adjusted the estimated useful lives of certain capital assets at the beginning of the fiscal year which contributed to the 8% year-to-date decrease in depreciation expense.

INCOME TAXES

Taxes are approximately 37% and 35% of pretax income for fiscal 1999 and 1998, respectively.

OTHER DATA	Three Months Ended July 31			Nine Months Ended July 31		
	1999	1998	% Change	1999	1998	% Change
Sales						
Logs, thousands of board feet	56,000	64,000	- 13	167,000	171,000	- 2
Lumber, thousand of board feet	25,000	16,000	+ 56	61,000	53,000	+15
Paper, tons	64,000	62,000	+ 3	165,000	165,000	--
Paperboard, tons	75,000	35,000	+114	161,000	109,000	+48
Converted products, tons	115,000	128,000	- 10	366,000	383,000	- 4
Logs, $/thousand board feet	$ 605	$ 587	+ 3	$ 603	$ 608	- 1
Lumber, $/thousand board feet	411	328	+ 25	374	336	+11
Paper, $/ton FOB mill equivalent	567	613	- 8	563	604	- 7
Paperboard, $/ton FOB mill equiv.	367	368	--	325	360	-10
Converted products, $/ton	774	766	+ 1	744	754	- 1

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 1999, the company had bank lines of credit totaling $347 million. Of this amount $260 million was under a credit agreement with a group of banks expiring February 28, 2001. The agreement provides for borrowing at the Offshore Rate (LIBOR based) plus a spread, currently 0.60%, or the bank's Reference Rate. The credit agreement contains certain financial covenants and provides for a facility fee, currently 0.275% per year. At the end of the third fiscal quarter 1999, the company had outstanding $220 million of notes payable under this agreement. At July 31, 1999, the company had an outstanding balance of $65 million under the remaining $87 million of lines of credit. Also outstanding at July 31, 1999, were senior notes of $237 million and revenue bonds of $28.9 million.

The company has obtained amendments from the holders of certain senior notes with respect to compliance with covenants that require the company to maintain a specified ratio of net income available for fixed charges to fixed charges. The amendments reducing the coverage requirements are effective for the quarter ending January 31, 1999 through the quarter ending January 31, 2000. In connection with the grant of the amendments, the company agreed to pay 0.75% per annum over the original note coupon rates until certain conditions are met and has paid an additional one time fee.

In an effort to reduce the high level of total debt incurred in fiscal 1998, the company significantly reduced capital expenditures and its cash dividend. As a result, total borrowing was reduced by $66.6 million from the end of fiscal year 1998. Capital expenditures for plant and equipment are expected to be approximately $30 million for fiscal 1999. The current backlog of approved projects is $23 million. During the quarter, the company did not purchase any of its common stock. Cash dividends of $0.08 per share were declared and paid in the third quarter in the aggregate of $4,135,000. Restoration of dividends to the prior level is a high priority, which will be accomplished when operating results and debt levels make increased dividends prudent.

YEAR 2000 ISSUES

Y2K compliance is not an issue for our products. We are committed to eliminating or reducing the effects of the Y2K issues on our information systems and production processes. In 1996, a company-wide program was started to identify all aspects of our operations subject to Y2K issues and to provide for a smooth transition into the next millennium. The program is designed to assess current readiness and to implement corrective measures for non-compliant systems and equipment. The identification and inventory phases are complete. Departmental action plans have been developed and are being executed. The program is designed to assess current readiness, to implement corrective measures for systems and equipment that are not ready, test systems where possible, assess risks and establish contingency plans. We estimate that 92% of identified inventory is Y2K ready or has been corrected by our efforts. We plan to have most of our systems that are material and critical to the conduct of our business Y2K ready by September 30, 1999. The company plans to be Y2K ready by December 31, 1999. We are addressing Y2K readiness with our vendors, principal customers and business partners. The estimated remediation cost is approximately $2,600,000 of which $1,900,000 has been incurred to date.

While the company believes that its systems will be Y2K ready by January 1, 2000, there can be no guarantee that problems will not arise pertaining to Y2K readiness of our systems or that vendors, utility and transportation providers, business partners, banks, communication providers or customers will adequately address their Y2K readiness. At this time, the company's view of the most reasonably likely worst case scenario is the occurrence of temporary unscheduled down-time at its facilities resulting from internal system difficulties or third party failures that could have an adverse affect on our operations and financial results.

We are currently developing contingency plans in the event that systems that are material and critical to the conduct of our business or our providers encounter unforeseen Y2K related problems. Though it is impossible to predict all potential Y2K uncertainties, the company believes that its Y2K project will significantly reduce our risk of potential loss.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements concerning anticipated pricing and market conditions for the company's products, the expected amount of and results of capital improvement projects and niche market development, paper mill operating rates, the anticipated cost of and availability of financing, and the estimated cost, completion date and success of the company's Y2K compliance program. Forward-looking statements are based on the company's estimates and projections on the date when they are made, and are subject to a variety of risks and uncertainties. Actual events could differ materially from those anticipated by the company due to a variety of factors, including, among others, developments in the world, national or regional economy or involving the company's customers or competitors affecting supply of or demand for the company's products or raw materials, changes in product or raw material prices, changes in currency exchange rates between the U.S. dollar and the currencies of important export markets, capital project delays or cost overruns, weather, labor disputes, significant unforeseen developments in the company's business, adverse changes in the capital markets or interest rates affecting the cost or availability of financing or other unforeseen events. The company does not undertake any obligation to update forward-looking statements should circumstances or the company's estimates or projections change.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

No disclosure is required under this item.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.
Nothing to report.

ITEM 2. CHANGES IN SECURITIES.
Nothing to report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.
Nothing to report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
Nothing to report.

ITEM 5. OTHER INFORMATION.
Nothing to report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits required to be filed by Item 601 of Regulation S-K:

27 Financial Data Schedule

(b) Reports of Form 8-K - Nothing to report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONGVIEW FIBRE COMPANY
(Registrant)

Date 9-10-99 \s\ L. J. Holbrook
L. J. Holbrook, Senior Vice President-Finance,
Secretary and Treasurer

Date 9-10-99 \s\ A. G. Higgens
A. G. Higgens, Assistant Treasurer

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FROM PART I OF THIS FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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