



George Chase
Chief Executive Officer

Cautious Optimism *for 2010*

In mid-December, Larry Summers, Senior Economic Advisor to President Obama, announced that the most severe recession since the Great Depression is finally over. His proclamation was based on improving job loss numbers and gross domestic product numbers.

In spite of a 10% unemployment rate, a penchant for insane spending by Congress, and the uncertainty about the Obama political agenda, i.e. Health Care Reform, Cap and Trade, Card Check (the express lane for unionization) etc., the economy is improving.

The good news is that even in the worst economic environment in 80 years, the colored mulch industry showed modest, but positive growth in 2009. Even more encouraging is our expectation that our industry will grow at a double-digit rate in 2010.

So, if our government doesn't tax, regulate or legislate us to death, our economy will continue to improve. 2010 could be a good year for those of us in the colored mulch business.

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amerimulch.com

Chemistry and Coatings – Avoiding Spring Wash

Most of us know what would happen if we sat on a freshly painted park bench or leaned on a freshly painted wall. Coatings, like paints – and also like mulch colorants – need time to dry to “lock onto” the surfaces they are coating. The coatings will adhere to any surface that makes contact with them when they are wet – including the surfaces of droplets of rainwater! Once dry, even if water is later poured on them, the chemical bonds that secure them to a surface remain intact unless chemically broken or physically rubbed off.

While mulch colorants are different than paints in many important ways, one way that they are the same is they both require drying time to lock onto the surfaces they are coating. However, many mulch producers expect a pile of mulch will react differently and will stay on the wood before drying. Every year we hear from at least one newer mulch producer who ran product wet or exposed it to rain, and then reported the colorant was not good because it ran off in the rain.

Three things are important for allowing your mulch pile to dry thoroughly – time, humidity and airflow. Obviously, there’s a certain amount of time required for proper drying, but humidity and airflow play a big part. If it’s very humid, things take longer to dry. If it’s raining, they may not get a chance to lock onto the wood surfaces at all. It is recommended that mulch producers check their weather conditions, and not color during rains, and to also allow extra time for piles to dry if the weather is humid. The other key is for the producers to rotate their mulch piles. They need to get into the middle of the pile, to get the fiber out to the air to allow it to dry. Conditions inside a big

mulch pile are not conducive to drying – too dark and damp.

In the event product “washing” does occur, there are a couple of options available to replenish the material. If the material is in a bulk pile, the product can simply be rolled back into the pile. There will be enough colorant and moisture in the pile to coat the surface material.

If the material has been applied to the landscape, there are three options to remedy the situation.

- Lightly rake the surface – colorant loss is normally limited to the top half inch of material. Mulch is normally applied at a two-inch depth leaving plenty of material to cover the surface.
- Top surface with an additional half inch of fresh color-enriched product.
- Again apply colorant to the surface with water and colorant solution. A mix ratio of 20:1 will provide excellent results.

It is also important not to allow the run off from a wet pile to flow into storm sewers or local creeks, where it can flow into the watershed. While the colorants Amerimulch uses are safe and, when diluted, pose no hazard to the environment, the sight of red or black waters still causes concern among local fire departments and water treatment officials.

To recap, producers can limit the opportunities for product washing to occur during the spring season by following the options noted below:

- Limit all deliveries when rain is forecasted within the next 24 hours.
- Call all customers receiving material and express the concerns of spreading

the color-enriched mulch on forecasted rain days.

- Produce and inventory the products two to three weeks prior to shipment.
- Inventory products in windrows, not bulk piles to maximize surface area or drying area.

The more effort that is proactively placed on preventing spring wash from taking place, the less effort is required once it does. On the bright side, spring wash means winter is over and we can spend more time enjoying the outdoors.

Challenging Economic Times Drive Positive Changes



By: Scott Thompson
Vice President Sales
& Marketing

Being in business challenges us in many ways. Issues like raw material sourcing, hiring and training good employees, competitor’s actions, etc. are issues we face year after year. The tough economic times we had over the past few years have added even more complexity of successfully running our businesses.

A slowing economy drives down selling prices and volumes. In turn, margins begin to shrink. Accurately tracking and measuring your costs is an activity that should be performed by all businesses. We are all aware that profit is driven by the gross profit margin made on each sale, and not by the annual volume alone. When your costs go up or your selling price goes down, the products you offered that were low profit to begin with, may now be actually losing money. By knowing your accurate costs, you will be able to divert limited resources to more profitable products or adjust your selling price.

How credit is extended during these times should also be reviewed. More and more, even good paying customers

are extending their payment terms. Accounts that were “slow-pay” are even slower to pay than in the past. Many companies have lowered credit limits and tightened terms to “slow-pay” accounts.

Raw material sourcing is a critical activity that impacts profitability as well as product quality. Companies that have been in business for any length of time have their traditional methods of sourcing raw materials. Today’s economy not only has limited the availability of those raw materials but has caused cost fluctuations that have significantly impacted companies’ annual profitability. That cost impact has driven many companies to dedicate more talent to raw material sourcing and find creative ways to try to secure those raw materials long term. In addition, practices have changed in terms of how raw material costs are measured and communicated. Those cost fluctuations need to be calculated to the pricing models, in short order, to assure margin is maintained.

Even though the economy may be showing some modest improvement in 2010, we all will have our fair share of business challenges. The challenges that we have faced and met successfully over recent years have made our companies stronger and better managed.



BioFuels Threaten Wood Fiber Supply for Mulch Producers



By: Michael Chase
Corporate Counsel,
ChromaScape Inc.

We all are aware that wood fiber supplies are in lesser supply than in years past, due to a number of factors. The economic downturn, the lack of land clearing operations, and the demand for renewable energies have all eaten into the supply of fiber.

An economic recovery should have a positive effect on the first two for mulch producers, but the demand for biofuels will remain a threat for years to come. One of the speakers at the Mulch and Soil Council's annual meeting last October, Pete Stewart, the CEO of Forest2Market located in Charlotte, NC, gave some statistics regarding the push towards renewable energies and how it will affect the wood fiber supply.

Stewart pointed out that throughout the world, more and more demand for renewable fuels, such as wood pellets, is increasing the demand for wood fiber. He noted that the United Kingdom is targeting a rate of 20% of its fuel needs

coming from renewable supplies by the year 2020. In order to reach this goal, it will need to import around 12 million tons of fuel pellets, at least a third of which will likely be imported from the United States. He also argues that, depending on the amount of fuel that is required to come from renewable sources in legislation pending in front of Congress today, demand for pellet fuel in the US may double in the next decade. The demand is expected to be around 60 million tons in 2012, but may reach a level of over 120 million tons by the year 2018. How will this doubling of wood fiber for fuel pellets be accomplished, and what will it do to fiber prices?

Stewart also notes that the current forestry management administrations do not seem to favor growing dedicated timber crops for only biofuel uses because it is expensive, time consuming, and is not guaranteed to be profitable. Better use of some of the green fiber currently discarded in many forestry processes will assist in closing this gap somewhat, but the bulk of the projected demanded wood will have to come from somewhere.

Who Really Pays Their Fair Share?

Who Pays Income Taxes? See Who Pays What For Tax Year 2007

Percentiles Ranked by AGI	AGI Threshold on Percentiles	Percentage of Federal Personal Income Tax Paid
Top 1%	\$410,096	40.42
Top 5%	\$160,041	60.63
Top 10%	\$113,018	71.22
Top 25%	\$66,532	86.59
Top 50%	\$32,879	97.11
Bottom 50%	<\$32,879	2.89

Note: AGI is Adjusted Gross Income. Source: Internal Revenue Service

Amerimulch – Your Information Provider

Amerimulch strives to be your information provider on a wide range of topics utilizing our websites as one way to circulate that information. We encourage you to make the most of these excellent tools. We understand it can be daunting for some, but we are here to help with any questions you may have. Your sales rep can assist you in using all the new resources available.

Highlighted this quarter is Amerimulch's Used Equipment page. This page offers



a variety of mulch equipment, not just coloring equipment – from grinders to baggers – from Amerimulch as well as competitors. This gives producers the opportunity to shop for the greatest value for their business.

Don't forget about our consumer website www.colorenrichedmulch.com. It is a great resource for retail distributors, garden centers and consumers. It is also a great sales tool for our Heartland Enriched Colorants customers. It can be promoted on their websites and in their literature, showing the safety and quality of the Heartland brand. We have a locator feature on this website that can list all of your locations, their addresses, phone numbers, websites and whether they are retail, wholesale or both. Please contact your sales rep to have your location(s) added to our locator and take advantage of this valuable device.

Amerimulch Exhibiting at the Following 2010 Shows

**US Composting Council
18th Annual Conference
and Trade Show**

The Wyndham Orlando Resort
Orlando, Florida
January 24–27, 2010

**Expo Richmond 2010 – The
32nd East Coast Sawmill and
Logging Equipment Exposition**

Richmond Raceway Complex
Richmond, Virginia
May 21–22, 2010

World Ag Expo

International Agri-Center
Tulare, California
February 9–11, 2010

WasteExpo 2010

Georgia World Congress Center
Atlanta, Georgia
May 4–6, 2010



Different Binders for Different Substrates



By: Joanne Bednar
Lab & Quality
Manager

Mixing pigments together to develop a particular color is as much an art as it is science. Formulating a color for a particular application and desired performance on a specific substrate dramatically increases the challenge in creating the desired product. A company's technical engineering capabilities will define the quality of color dispersions and performance it can provide each of those markets.

All ingredients must be compatible serving their intended function independently as well as collectively. Otherwise, undesirable physical characteristics develop like a non-pumpable paste or a dispersion with a storage/shelf life of hours or days instead of months.

Amerimulch formulates to color mulch (wood fibers), crumb rubber and aggregates (stones). The pigments used remain fairly constant but the binder and chemical additive combinations change to meet different functional requirements. In mulch, the binder serves as surface area for the pigments so the color adheres to the surface of the mulch but is not totally absorbed into the wood.



The binder for color coating crumb rubber creates a film coating on the rubber. The pigment to binder ratio becomes much more critical. We use base chemicals that closely resemble the natural rubber matrix, and the chemical modifications allow them to crosslink (tangle) onto the rubber substrate.



An aggregate binder again forms a film over the substrate that is very durable. The stones should be washed so the colorant doesn't adhere to the dust and dirt.



Engineering the desired formulation to meet environmental and regulatory concerns, cost and desired performance, to name a few factors, is the true art in designing the best colorant for each and every end product application. Amerimulch has those capabilities and supporting cast to apply our expertise to color any substrate. We look to further these techniques and talents by providing all markets we serve with Real Tangible Value™.

Customer Spotlight



RLO Contractors, Inc.

Thirty-three years ago, Robert and Joyce Orndorff began RLO Contractors, Inc. in Dayton, Maryland. Originally going after residential excavating contracts, it grew quickly into land clearing for commercial and building developers as well.

As business grew, so did the need to dispose of the green and wood waste. So in 2002, with the help of their son Ryan, they began their Products Division in Elkridge, Maryland. Their product lines include color-enriched mulch, natural fiber, screened topsoil, playmat chips and more.

RLO has been with Amerimulch for the past three years. Prior to joining Amerimulch, they were using two Morbark 4000 Colorizers, producing 75 yards per hour out of each. In 2007, they purchased an AMP-16 Spitfire Pump Injection System to attach to their Morbark 6600. This enabled them to produce close to 300 yards per hour. It provided considerable savings while producing a quality mulch product.

Their plans for the future are to continue to improve efficiency of operations, while continuing to supply quality products and good service. RLO Contractors – on time, on budget, done right.



USED EQUIPMENT RESOURCES



Sahara Second Harvester™
Interested parties please contact
Bill Jaworski @ 856-227-6900



Amerimulch Middie Mite \$40,000.00
For additional information please contact
Koetter & Smith @ 812-923-5111



Amerimulch Mini-Mite
70-90 yds/hr, \$30,000.00 Contact
Amerimulch @ 888-556-3304



Amerimulch Mini-Mite
Production 70-90 yds/hr 3000 hrs,
additional pictures available. Contact
Scott Rubenstein @ 904-751-6495

For a complete line of used equipment, please visit Amerimulch.com



If you know of anyone else who would like to receive the newsletter, please contact Jennifer McCann at jenniferm@amerimulch.com and provide their complete address.

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