

The Link



The Newsletter of the Hardwood Manufacturers Association

May 2014

Lake States Regional set for Wisconsin

It's the coming of the HMA lumbermen! And all roads lead to Wausau, June 11-12, for the **Lake States Regional Meeting**.

Four great operations – two HMA members and two non-member companies - are opening their doors to us. Here's a look at the companies we'll be visiting.

Wednesday, June 11

Coming from a long line of hearty Wisconsin lumbermen is **Tigerton Lumber Company**, Tigerton, Wisconsin, our first tour stop of the day. In operation since 1887 and owners of over 40,000 acres of timberland, Mike Schulke and the fine folks at Tigerton are preparing for our early morning arrival. And HMA is looking forward to this up close look at one of the association's newest members.

Menominee Tribal Enterprises

(MTE) in Neopit is tour stop number two. Producers and manufacturers of forest products since 1908, MTE employs nearly 300 individuals throughout its vast operation. Did you know that for many years, **maple** from the Menominee Nation has been used to construct the basketball courts for NCAA Final Four playoffs? We're hoping that Pershing Frechette will be available to tell us all about it.

Before calling it a day, we'll head to Antigo and a tour of employee-owned, **Kretz Lumber Company, Inc.** Troy Brown and the other 100 owners/employees of Kretz Lumber are eager to showcase their two sawmills, 13 dry kilns, 48,000 square foot planing and ripping manufacturing facility, forestland and much more. Great to have you back on the HMA membership roster!

Thursday, June 12

Ready for an HMA first? We're heading to Sawdust City, aka Eau Claire, Wisconsin to tour industry supplier, **McDonough Manufacturing Co.** For quite some time now, HMA members have asked for a closer look into the world of the industry vendors that supply their operations. When McDonough learned that HMA would be in their back-yard, Matt Tietz and company invited us to tour their facilities. It will be a great way to wrap-up what promises to be a very interesting Regional Meeting.

Visit www.HMAmembers.org for all of the meeting details and to Register to attend. Should you have questions, please contact the HMA office. (412.244.0440) Hope to hear from you.



Hotel deadline is May 16

Finalizing your plans to attend HMA's June 11-12 **Lake States Regional Meeting**, and need an "at-a-glance" checklist of important details? Here you go!

■ The **Stoney Creek Inn**, 1100 Imperial Avenue, Rothschild, Wisconsin will serve as our base of operations. Room reservations can be made by calling 1.800.659.2220. Be sure to mention the **Hardwood Manufacturers Association (HMA)** to secure the special room rate of \$99 single/double. Hotel Room Reservation cutoff date is **Friday, May 16**.

■ The Central Wisconsin Airport (CWA) services the greater Wausau area. For your convenience, the Stoney Creek Inn offers a **complimentary airport shuttle**. Make reservations, 24 hours in advance, by calling 715.355.6858.

■ Visit www.HMAmembers.org for the complete meeting agenda and easy, online **Registration**.

Act now to take advantage of this HMA **members-only** benefit. You'll experience problem-solving tools at work – not to mention endless networking opportunities.

Finalize your plans, today.

Reminder to return Member Company profiles

If you have yet to return your **2014 Membership Updates** because "the dog ate" the information sheets or they've simply gotten lost in the shuffle. Not to worry. Simply login to the "Members Only" section of www.HMAmembers.org and then download the Member Update Forms. Why are we requesting this information?

It enables us to maintain your current contact information in the HMA Buyers Guide; provide you and your employees with industry updates; maintain a 'secure' area on the website for HMA members looking to share equipment information – a valuable tool for upgrades and new investments - and it provides **you** the opportunity to control **your monthly dues**. Please respond.

Another Cost-Saving “tool” for HMA members

The **Hardwood Manufacturers Association** and **BB&T Insurance Services-National Forest Products Practice** have partnered to offer HMA members an extraordinary business management tool called **PEO – Professional Employer Organization**. It's an extremely cost-effective and efficient way to manage administrative and Human Resource and employee management details. For those members who qualify, the realized savings can offset monthly HMA membership dues.

What is a PEO?

Designed to increase profitability by streamlining daily operations, PEO - **Professional Employer Organization** – takes on the administrative functions of an HR Department and literally manages all employment related duties. From payroll processing to OSHA compliance and everything in between, BB&T's network of PEO providers carry the “weight” of employment with absolute skill, and at a significantly lesser cost than performing these functions in-house.

PEO Services include employee health and welfare benefits administration, payroll service solutions, all required employee record keeping, workers' compensation and risk management, Human Resource management, tax compliance, and much, much more.

Millennial Council 2014 focus update

After a year of meeting, listening, questioning and lots of ‘veteran’ mentoring, **HMA's 2014 Millennial Council** is off and running with its first ‘official’ project – establish a Membership Development Plan/Process - to be presented to the HMA Board of Directors at its fall meeting, held in conjunction with HMA's Regional Meeting, September 23-25, 2014 - that will ultimately result in membership growth, increased revenue, enriched member benefits and expanded American Hardwood education/promotion efforts.

Sound like a tall order? Perhaps for some. But for these ‘next generation’ hardwood industry leaders, it's just another day at the mill or a walk in the park.

2014 Millennial Council members are:

- **Thomas Battle**, Battle Lumber Co., Inc., Wadley, Georgia
- **Julio Alvarez**, Bill Hanks Lumber Company, Inc., Danbury, North Carolina



Bottom Line: \$\$\$\$\$\$

- **Save** up to 100 hours/month of time by outsourcing your HR tasks
- **Decrease risk** and **Save** on workers' compensation related legal costs
- **Gain Health Care Reform Help** to manage skyrocketing health insurance costs
- Provide **BIG** business benefits to your employees even as a **SMALL** business
- Retain and attract talent with improved employee satisfaction
- Never worry again and sleep better at night knowing you are protected

For additional information and to see if you qualify, contact **Anthony R. “Robin” Little**, **CIC**, BB&T Insurance Services, Inc., 877-270-5270, arlittle@bbandt.com.

- **Tim Brownlee**, Brownlee Lumber, Inc., Brookville, Pennsylvania
- **Matthew Netterville**, Fred Netterville Lumber Company, Woodville, Mississippi
- **Jack Shannon, III**, J.T. Shannon Lumber Company, Memphis, Tennessee
- **Tripp Josey**, Josey Lumber Company, Inc., Scotland Neck, North Carolina
- **Claire Getty**, Thompson Appalachian Hardwoods Inc., Huntland, Tennessee
- **Derek Wheeland**, Wheeland Lumber Company, Liberty, Pennsylvania

HMA Second Vice President, **Bob Miller**, Frank Miller Lumber Company, is **Council Coordinator** and he tells us, “The ultimate goal is to get a Membership Development Plan in place which successfully improves HMA's membership numbers. Every Team member is vital to the Council's success and I look forward to working with them on this important initiative.”

Keep us posted, Bob!

More than just talk

by Linda Jovanovich

HMA Executive Vice President

I recently returned from Georgia and another successful presentation of HMA's AIA/IDCEC approved Continuing Education program, “American Hardwoods and Their Role in Carbon Neutral Design.” The audience? Thirty of Atlanta's finest design/build professionals, and an impressive group, I must say!



Special thanks to Atlanta Hardwood Corporation's Jim Howard, who assisted HMA in finding a great venue for the event, Randall Brothers Incorporated. (Since 1885 - and in this same facility - Randall Brothers has been **the** moulding and millwork company Atlanta designers and architects, contractors and homeowners have relied on for superior custom woodworking.)

Jim's capable staff also took care of many details - technical requirements, room set-up, breakfast! And Jim's VP of Operations Hal Mitchell, the presenter of our information, was on top of his game. Following the presentation, an informative Q&A was conducted by Jim, Hal and Luther Randall. And before heading to the office, most attendees found time to enjoy a tour of the Randall manufacturing facility.

These kinds of events, presented to key design/build professionals in major cities throughout the country, have a two-fold impact. They 'set the record straight' regarding the environmental preference of American Hardwoods as a building material. And they establish a local 'go-to' expert and source for all-things hardwood. That local source could be you.

For a modest investment, you can co-sponsor a regional event much like those that we have hosted in Washington D.C., New York City and Atlanta. Interested?

I would love to hear from you!

Update on key HMA TrendTracker metrics

by Art Raymond

Economic Statistics

Employment – March non-farm payrolls rose by 192,000 jobs following 144,000 and 197,000 additions in the prior two months. The unemployment rate held at 6.7 percent. While that measure is down from 10 percent in October 2009, the ratio of employment to population is only 58.9 percent. That's down from 62.2 percent in 2007. Interestingly, job openings increased by 7.7 percent in February. More jobs are available but not being filled due to lack of needed skills and low incentives to work.

Housing – Starts rose 2.8 percent in March but continue to linger just below a million. Compared to a year ago, starts are down 5.9 percent. On a healthy note, permits are up over 11 percent year to date.

Retail Sales – March sales at retail jumped by 1.1 percent, the best gain in 18 months and a positive sign for the economy. Retail performance must remain at least at that pace to push GDP above its current 2.6 percent growth level.

While signs of a better economy are appearing, getting people on payrolls and off the dole continues to be the key challenge.

Hardwood News

More Apartments-Less Hardwoods

Multi-family's share of new home construction is running at its highest level in four decades. About one in three of the million residences started in 2013 were apartments. In the years immediately preceding the last recession, only 20 percent of housing starts fell in the multi-family category.

The factors creating this shift include tight mortgage lending terms, the improving job market among young adults, and the tight supply of apartments coming out of the recession. During 2008-09 multi-family construction fell by more than half the 250,000 units built in each of the prior ten years.

Unfortunately multi-family construction has a lower economic impact than single family homebuilding. Experts like Moody's Analytics say that construction of a multi-family unit creates only two jobs compared with four jobs per single family start. With apartments being smaller, fewer construction materials are required per unit. Many of today's new apartments, however, contain features such as hardwood flooring and cabinetry, granite countertops, and the like.

Upscale Remodeling Increasing

While new single family construction remains well below pre-recession levels, remodeling is making a solid comeback. In 2013 homeowners spent \$130 billion on various remodeling projects, up over 3 percent from the prior year and the largest total amount since 2007.

Homeowners have clearly determined that an investment in their existing home may offer a better return than buying a new home. With last year's solid rise in home prices, more homeowners are now above water. As a result, home equity lending jumped 18 percent last year, well above the ten-year low reached in 2010. Many of those funds are going to remodeling,

More important for hardwood producers is the focus on upscale improvements in kitchens and baths, which are typically the first areas homeowners address. About 70 percent of cabinetry sold in the U.S. is installed in existing homes.

Bigger New Homes

The average size of a new home fell from its pre-recession peak of 2,521 square feet in 2007 to 2,392 square feet in 2010. In 2013 average home size rebounded to a new high of 2,679 square feet and is now over 1,000 square feet larger than the average 1973 home.

Seems that reports of the death of the McMansion were premature...

Wood Furniture Woes

by Art Raymond

Recent plant closures by the survivors of the recession and the import tidal wave continue the 15-year decline in domestic wood furniture production:

- Stanley Furniture is shuttering its Robbinsville, North Carolina, furniture plant with the loss of 400 jobs. The company had recently invested \$9 million to retool the facility to manufacture its Young America youth furniture line. The unemployment rate in Graham County, where the plant is located, was 14.5 percent prior to the announcement.

- Harden Manufacturing in Haleyville, Alabama, closed its 42-year old business in mid-March and laid off 320 workers. On a positive note, two local companies, Kith Furniture and Door Components, have purchased buildings and equipment from Harden and have plans to expand their existing furniture and cabinet operations.

- La-Z-Boy is shuttering its remaining domestic case-goods operation in Hudson, North Carolina, with the loss of 100 jobs and moving to an all-import strategy. Prior to the closure only 12 percent of its wood furniture business was U.S. made. In addition, its Lea Industries' brand of youth furniture is on the sale block.

- Seventeen manufacturing/distribution properties owned by bankrupt Furniture Brands, once the largest home furniture maker in the U.S., are being sold by its new owner, Heritage Home Group.

While consumers reportedly prefer U.S. made wood furniture, that demand is being filled in many cases by smaller, niche manufacturers who have invested in modern equipment and have tailored their product lines to suit consumers' tastes for speed of delivery and customization. Don't look for significant re-shoring of wood furniture...

JUST FOR LAUGHS



Hardwood Federation Update

by Dana Lee Cole
Hardwood Federation Executive Director

It's finally spring in Washington and there is plenty to keep us busy, like new attacks on the environmental benefits of using wood and wood products!

A Hardwood Federation (HF) priority issue is the Environmental Protection Agency's (EPA) development of proposed rules to regulate carbon emissions from biomass combustion. The great concern is that a stringent regulatory framework - which does not take into account the environmental and economic benefits of a healthy and strong forest products market - will have a severely negative impact on the industry.

To date, this issue has generated little congressional or media attention. However, anti-biomass propaganda has begun to appear. A report from the Partnership for Policy Integrity entitled, "[Trees, Trash, and Toxics: How Biomass Energy Has Become the New Coal](#)," claims that electricity from biomass combustion is more polluting than that from coal combustion, a fact dis-

puted by science, the industry and governments here and abroad. Fortunately, the industry is not standing still!

An excellent rebuttal to the report's questionable science was published in [Forest Business Network](#). Also, forest products industry associations - HF, the American Forest and Paper Association, the National Association of Forest Owners and the American Forest Foundation - have formed a coalition to inform Congress of

our concerns and to work with EPA on their proposed regulatory framework. As an active Coalition member, HF is raising the issue as we

meet with Members of Congress.

Another EPA target is wood burning stoves. EPA is currently considering rules that would impose stringent guidelines on cord wood or pellet burning home stoves. The rule package takes a phased approach to ratcheting down allowable emissions limits. Biomass heating equipment manufacturers claim that the rule's second phase is so stringent that it threatens to price wood heating units out of reach for their existing customer base.

Since wood is the fuel of choice for many low and middle income U.S. households, this EPA effort has attracted considerable attention on Capitol Hill. Four Senate letters expressing concern with the proposal have already been sent to EPA Administrator, Gina McCarthy. And House legislation has been introduced to roll back the rule package. While not at the top of HF's issue priority list, it is something we are closely monitoring, as it has repercussions for the wood products industry, as a whole.

We will keep you updated on these and other priority issues. Do not hesitate to contact me with questions or concerns. Dana.Cole@hardwoodfederation.com



Industrial Lumber Products

by Judd Johnson
Hardwood Market Report

With industrial lumber products making up nearly 60 percent of the current market, it's logical that National Conference attendees listened closely to the remarks of industry analyst and *Hardwood Market Report* editor, Judd Johnson. His presentation, "Industrial Lumber Products-Looking Ahead," identified several areas of growth potential for this increasingly significant market sector.

Pallets

In 2013, pallets make up 42.7% of the industrial market. It is projected that as the U.S. economy continues to recover, the pallet market will reflect that growth. But Johnson cautioned on over confidence. The pallet market wears a bull's eye, "constantly hammered" by alternative materials (like plastics) and stigmatized as "being a bad environmental choice."

Railway Ties

Zigzagging across the U.S. is 220,000 miles of railway tracking and at every 20 inches along that track is a cross-tie. Each year as a matter of routine maintenance, railroads must replace three percent of those ties. Experts predict that as imports and North American oil production increase, new track will be a necessity. That will require lots of lumber. The current concern is that not enough ties are in the processing system, and severe shortages will most likely result when the product is most needed.

Board Road/Crane Mats

Metrics for this evolving market have yet to be established, but from those involved in the industry, increased demand and growth are projected. Market sectors in need of these products include oil/gas drilling sites, marine platforms/decking, pipelines, electric transmission/generation, bridges, excavation support.

Best case scenario is that industrial and grade lumber markets work in tandem to keep our industry functioning as it should. But the **bottom line** is that it's been the industrial markets - pallets, railway ties, and board road/mat timbers - that have carried our industry during the last economic and business down turn. It's those same markets that have the most growth potential, especially as U.S. energy production continues to increase. Strike while the iron is hot.

To listen to Judd's presentation, HMA members should visit the **Members Only** section at www.HMAmembers.org.

HMA LINK is published each month exclusively for members of the Hardwood Manufacturers Association. Views expressed are not necessarily those of the HMA; *HMA Link* welcomes comments and questions.

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