



May 2016

### A message from HMA's President

By Richard Wilkerson

While driving back to Mississippi from HMA's National Conference and Expo in Fort Worth, I kept thinking about the event and the HMA in general, trying to determine what makes it such a dynamic Association. The word that kept coming to mind was "**momentum.**"

Webster defines "momentum" as "*the strength or force that allows something to continue to grow stronger or faster, as time passes.*" From where I sit, that's the HMA and there are various reasons or drivers for this.

Hats off to my mentor and HMA's most recent president, **Skipper Beal!** His outstanding service over the last two+ years has resulted in a financially stronger HMA, and a membership roster that has shown steady growth during his tenure.

**Linda Jovanovich**, HMA's Executive Vice President, deserves much praise. As the glue that held the HMA together during some exceptionally lean years, she is also the managing guru at the helm of the "*momentum*" the Association is currently enjoying.

Case in point, HMA's awe-inspiring 2016 National Conference and Expo! It was the best case scenario, from the record number of exhibitors to the on-target presentations on safety, wood waste/bio-mass market opportunities, improving risk profiles to mitigate insurance rate increases, global economic and hardwood market trends, not to mention the show-stopping presentation from HMA's very own Millennial Council on *Leveraging Generational Differences in the Workplace.*

And then there's **you**, our membership, and your desire and willingness to learn from each other in order to grow better companies. You are the embodiment of the "*momentum,*" striving for a stronger and more viable hardwood industry. And that's a formidable force.

Let's keep this awesome "*momentum*" going. Join us in Louisville for HMA's **Central Regional Meeting**. Take advantage of this exceptional Member Benefit. And please, encourage others to do so, as well.

As HMA's new president - **Thank You For Supporting The HMA, The Only Association Dedicated To The Success Of All Hardwood Manufacturers And Concentration Yard Owners In The United States!** I'm grateful for this opportunity to serve, and will do my best to sustain and intensify the "*momentum*" of this fine Association. Do not hesitate to call on me at any time. I look forward to spending time with you in Louisville.

*Richard*

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## A word concerning [www.HMAMembers.org](http://www.HMAMembers.org)

If you have **HMAMembers.org** bookmarked or cached in your browser history - either the site or individual pages - you will need to delete that history. We are working on site upgrades that include a new registration area. That new registration page, and the need to re-register the security certificate, resulted in some unforeseen glitches. Once you have redirected your bookmark or cleared your cache, you should have no difficulty reaching the member website.

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## On the agenda for the Central Regional Meeting

Members and industry associates will soon be gathering in Louisville for HMA's 2016 **Central Regional Meeting, May 25-26**. If you are still on the fence as to whether the meeting will benefit you, perhaps these details will 'seal the deal.'

### Wednesday, May 25

Get ready for a firsthand look at the art of making the perfect barrel! We'll be heading to **Canton Wood Cooperage** in Lebanon, Kentucky. That's the heart of white oak country. And the Cooperage is famous for its 75 years of premium, American Oak barrel crafting.

Tour stop number two will be a visit with HMA supporter and industry supplier, **Brewco, Inc.** We're looking forward to this up-close look at Brewco's manufacturing facility. Thank you for opening your doors to the HMA.

Before heading back to Louisville for the evening reception and several hours of networking and good food, we'll tour **Dunaway Timber Co.**, in Fordsville, Kentucky. In operation for over 60 years, Dunaway specializes in crossties, barrel staves and heading, and rough cut lumber.

### Thursday, May 26

After breakfast on Thursday, the plan is to motor to southern Indiana to tour the two locations of **Salem Hardwood Lumber Co.** On the west side of town we'll find their sawmill and log yard. That will be our first stop. Then we'll head cross town for a tour of their Concentration Yard, complete with a container and flatbed loading area.

Before making our way to the Louisville's International Airport, we'll tour the Borden, Indiana location of **Koetter Woodworking, Inc.** In business since 1959 and known for their quality hardwood products, Koetter manufactures "architectural millwork, solid wood doors, stairparts, and a variety of wood components for the kitchen cabinet, office furniture, and store fixture industries."

Register to attend, today, and take advantage of this signature HMA member benefit. For all of the meeting details, visit [www.HMAMembers.org](http://www.HMAMembers.org).

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## Spotlighting our Meeting Sponsors

As we go to press, the following companies have signed on as Regional Meeting Sponsors. Thank you for this extra show of support!



Thank you to **Gold Sponsor** Baillie Lumber Company, Hamburg, New York. Wednesday's box lunch is being provided by these fine folks. Be sure to catch up with one of their fourteen company representatives, and thank them for this generous gesture. ([www.baillie.com](http://www.baillie.com))



At the **Gold Sponsor** level is Linden Lumber, LLC, Linden, Alabama! They are co-hosting Wednesday evening's cocktail reception. To Hugh Overmyer and company, thanks so much. ([www.lindenlumber.com](http://www.lindenlumber.com))



At the **Gold Sponsor** level is industry supplier, UPG/Unified Purchasing Group, South Jordan, Utah! These fine folks are co-hosting Wednesday evening's cocktail reception. Thank you for supporting the HMA. ([www.upg.org](http://www.upg.org))

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## Reminder – National Conference 2016 Presentations

Drawing a blank when it comes to some of the “finer points” of the 2016 National Conference presentations? Rest easy! PowerPoint presentations and audio recordings for all of the Conference business sessions have been posted to the **Members Only** section of [www.HMAmembers.org](http://www.HMAmembers.org), and are available to HMA members as well as the industry suppliers who participated in the Conference in Fort Worth.

If you've misplaced your login, simply click on **Members Only Sign-up** and provide the required information to secure login credentials. (2016 participating industry suppliers should call the HMA office, 412.244.0440, and we'll provide you a temporary login.)

### Your input matters

Additional planning for the 2017 National Conference and Expo will soon be in the works. If **you** would like to participate in a conference call regarding **topic selection**, please contact the HMA office, 412.244.0440. We'd like to hear from you regarding what information would help you manage your businesses more efficiently.

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## For the Benefit of all Hardwood industry Stakeholders

For the past 13 years, HMA has made available to the build, design and education communities, *Sustainable Solutions*, a hardwood species kit and brochure. That supply has been depleted and HMA is producing Version II, ***The American Hardwoods Collection***. With a fresh look and design, we're anxious to unveil the new version and are asking for **your participation** in the project, either by providing product for the kits, or monetary donations to reduce project expenses. If we can count on you, your company name and website will be included on the inside flap of the sample kit box.

Many HMA members and industry stakeholders have already committed their assistance. But as we go to press, certain species are still needed to complete the project. To learn which species are needed, or to add your financial support to the project's bottom line, please contact Linda Jovanovich at [ljovanovich@hardwood.org](mailto:ljovanovich@hardwood.org) or by calling the HMA office at 412.244.0440.

And stay tuned. Once all of the species requirements have been met and the project is in production, we'll be recognizing all who have so graciously aided in this American Hardwood education and awareness project.

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## Taking the Hardwood Message on the Road

April was a busy month for HMA's AIA/IDCEC approved Continuing Education program, ***American Hardwoods and Their Role in Carbon Neutral Design***. In two significant markets, our hardwood message rang out loud and clear to our target audience – the design/building community!

### In Boston

On April 20, in the Pearl Street Room of the **BSA Space for Architecture and Design**, architects and interior designers from the greater Boston area got the inside scoop about our industry's wonderful product. From the Q&A that followed the 45 minute presentation, it was apparent that our information was both eye-opening and well received. Special thanks to Criswell Davis, our presenter at the Boston event, and the Frank Miller Lumber Company, for making Criswell available to us.

### In Charlotte

On April 28, "**American Hardwoods and Their Role in Carbon Neutral Design**" was one of the education sessions available to architects and designers attending the National Wood Flooring Association's (NWFA) 2016 Wood Flooring Expo, "*Floor It!*" If you were in Charlotte for the event, you know first-hand what an excellent venue this was for our message. Special thanks to industry colleagues Michael Martin and Anita Howard, and to all of the fine folks at the NWFA.

### Bottom Line

These kinds of events, presented to key design/build professionals, 'set the record straight' regarding the environmental preference of American Hardwoods as a building and design material. Help share the good news. Call us, 412.244.0440, to learn how **you** can co-sponsor this kind of event in your part of the country.

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## Balancing Supply & Demand

During the morning session of HMA's National Conference and Expo, industry analyst and *Hardwood Market Report*, Assistant Editor, **David Caldwell**, presented an overview of "Hardwood Market Trends." Overall, it was a "mixed bag" of good and mediocre news. Seems the days of smooth sailing for the hardwood industry are still quite a ways off.

In 2015, overall hardwood consumption was down 3.3 percent over 2014 figures, despite steady economic growth and an improved housing market. The furniture and moulding/millwork sectors gained some ground. But the cabinetry and flooring markets contracted, due to imports and a trend toward lower priced, hardwood-alternative products.

### **Importance of Industrial Timber Products**

The **pallet** industry was the largest consuming market for U.S. hardwoods, in 2015. Caldwell cautioned however, that going forward manufacturers should expect greater competition from soft wood manufacturers. The **railway** industry consumed one billion board feet in 2015. Demand in 2016 is forecasted to be less, what with rail traffic down due to changes in the oil and coal industries. **Mat/board** industry consumption slumped in 2015, due to the oil industry downturn. But sizeable pipeline projects in 2016 should boost the mat timber business.

### **What about Export Markets?**

According to Caldwell, future export market demands will depend on key drivers like:

- **Currency Valuation** - Will the U.S. dollar get even stronger? Will China continue to devalue their currency?
- **Global demand** – Impossible to predict!
- **Availability of other species** – 2015 saw increased competition from rubber wood out of Malaysia and Vietnam.
- **Shift from lumber to logs** – Poplar lumber exports to Vietnam were down 32 percent in 2015, but Poplar log exports were up 45 percent.

Caldwell's Bottom Line – **Supply and Demand** “That’s what this industry is all about, he said. “It seems like there’s a pretty good balance, right now. But in our industry, that’s hard to maintain.”

Visit the **Members Only** section of [www.HMAmembers.org](http://www.HMAmembers.org) to listen to the audio recording and to download the PowerPoint presentation.

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## **Glass half-full view of the economy**

The final business session of HMA’s 2016 National Conference and Expo was conducted by **Dr. Chad Moutray**, Chief Economist for the National Association of Manufacturers (NAM). Several times during his presentation, Dr. Moutray referred to himself as a “glass half-full” person. That positive approach helped ease the sting of his good news/bad news economic forecast.

### **A ‘snapshot’ look at Manufacturing**

Moutray forecasts that the economic headwinds that challenged growth in 2015 - appreciation of the U.S. dollar, a staggering/stuttering global economy, the oil/energy pricing slump – will continue to blow in 2016. Manufacturing sectors in distress include energy, primary metals (steel and aluminum) and machinery. Sectors showing growth include auto sales, food, furniture and housing.

From NAM’s most recent Quarterly Outlook Survey of its members, Dr. Moutray reported that:

- 56.6 percent of the respondents were positive, but cautious, regarding their own company’s outlook.
- Manufacturing ‘anxiousness’ is dictating a ‘pulling back’ in terms of hiring and capital spending.
- Respondents cited their top business challenges to be healthcare/insurance costs, an unfavorable business climate (taxes/regulations), and Federal Reserve activity.

### **Bottom Line for Manufacturing**

While this sector is nowhere near where “we’d like it to be,” it is still showing positive numbers, year over year, with positive future expectations.

### **Employment**

In 2015, while employment in the manufacturing sector may have been soft, not so in other economic sectors! Auto and transportation sectors, food manufacturing and food service, construction and chemicals showed employment gains. The December 2015 job postings for manufacturers were at an all-time high. And according to Moutray, that is a sign that manufacturers are working to have a pipeline of employees ready for when conditions improve.

### **Looking Ahead**

For 2016, Dr. Moutray forecasts that the economy will grow “roughly two percent.”

- On the **challenges** side of his economic equation are several of the headwinds discussed previously – the stuttering **global economy**, especially the struggling economies of our key trading partners, Canada, Mexico, China, and Brazil, and the **U.S. dollar**. Adding to the economic drag is the trepidation being felt by cautious American consumers and anxious, small business owners/leaders, reluctant to lavishly spend.
- On the **strengths** side of the equation, some bright spots! Expect continued **growth** in auto and transportation sales; slow but steady progress in the housing sector, (January 2016 showed an increase in housing permits, a measure of future activity.); an increase in manufacturing production; modest inflation.

Dr. Moutray's PowerPoint presentation and audio recording are available via the **Members Only** section of [www.HMAmembers.org](http://www.HMAmembers.org). Also, if you would like to receive his weekly economic update, *The Monday Economic Report*, please email your request to [Chad.M.Moutray@nam.org](mailto:Chad.M.Moutray@nam.org).

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## Hardwood Federation Update

*By Dana Lee Cole*

*Hardwood Federation Executive Director*

An emerging issue for the entire manufacturing and shipping community is the July 1, 2016 implementation date of the "new" **SOLAS** (Safety of Life at Sea) requirements. In case you need a refresher, here's a little background.

- Operating under the authority of the United Nations, and administered by the International Maritime Organization (IMO) of which the United States is a member, SOLAS is regarded as one of the most important international treaties concerned with the **safety** of mariners aboard merchant ships.
- First passed in 1914, in response to the sinking of the RMS Titanic, SOLAS also regulates the number of lifeboats merchant vessels are required to have, general emergency preparedness and continuous radio watches.
- The IMO's concern over inconsistency of international weighing practices has been the primary driver of the 'new' SOLAS amendments. And although the amendments have been on the books for some time, they are only now receiving attention from U.S. exporters because the compliance deadline looms.
- The new obligation would require shippers to physically weigh containers, and their contents, before being loaded at the port of origin, and then transmit to terminal owners and vessel operators the "verified gross mass" or VGM of each container.

Under SOLAS currently, two methodologies are provided for measuring VGM:

1. Weighing the filled container, which the shipper may or may not own; or
2. Adding up the weight of the packaging and goods, plus the TARE weight-empty weight of the container.

### **Causes for Concern**

One of the primary wrinkles causing angst is the exactness to which shippers will be held accountable to their weight declarations. As we in the industry know, forest products can accumulate moisture content in certain climates. To date, the Coast Guard, which is on point for enforcing the new requirement, has been silent on the tolerances that will be allowed for weight variations. The UK model for implementation allows for a 5 percent variance, but Coast Guard officials have not yet committed to whether variances will be acknowledged.

Another concern is uncertainty around the TARE weight. Shippers typically reference the empty container weight from the manufacturer's label that is imprinted on the door of the container. However, containers that have been in use have often been repaired (particularly the floors) or reinforced with steel. This renders the manufacturer's printed label information obsolete and inaccurate. Shippers are concerned that their load will be pulled from the line at port, and not allowed to be loaded if weight numbers do not line up exactly.

### **Mixed Signals & limited information from enforcement bodies**

At a recent forum, Coast Guard Rear Admiral Paul Thomas announced that cargo ship owners, and their flag states, are solely responsible for compliance with SOLAS, and that shippers are not on the hook for ensuring adherence to the new requirements. This statement took shippers and fellow panelists in attendance by surprise.

We are also picking up signals that ocean carriers are beginning to take some ownership of working with shippers to facilitate container weight reporting, and making TARE weight of containers available to the shipping public. This is encouraging, but ...

Despite the rumors circulating throughout the business community, the implementation date of July 1, 2016 is set and is not likely to be extended. An official with the Federation of National Associations of Shipbrokers and Agents' (FONASBA), a group at the center of this issue, said, ***"The shipping lines are adamant that from that date, containers presented for loading without a certificate of verified gross mass will not be carried onboard their vessels. And no amount of posturing by shippers or, in some cases national authorities, will change that."***

The Hardwood Federation will continue to participate in shipper coalition meetings to identify opportunities where our team can be helpful. We'll keep you regularly apprised of developments. But going forward, please make sure you do not get caught unaware or unprepared!

A number of companies have issued on-line fact sheets and recommendations for compliance. Please visit:

<http://cms.molpower.com/LinkClick.aspx?fileticket=g1ofnlMAss%3D&portalid=0>.

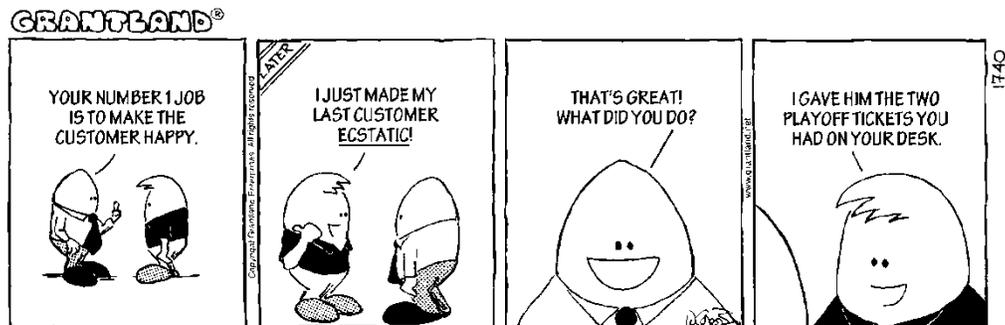
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## Grading Course set for early June

A Hardwood Lumber Grading Short Course will be conducted June 6-8 in Prairie du Chien, Wisconsin. The class is "targeted for the beginner and ideal for sawyers, edgemen, trimmermen, grading trainees, sales people, managers and supervisors."

- Presented by: **Lake States Lumber Association Education**
- **Online Registration** at: LSLA.com
- Registration **Deadline**: May 27, 2016

For all of the course details, visit Isla.com. Note that time is of the essence. The seminar is limited to the first 30 registrants. And thank you to HMA member, Kretz Lumber Company, Antigo, Wisconsin, for sharing this information.



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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