



May 2019

## More than just talk

By Linda Jovanovich

HMA Executive Vice President

As you know so well, part of HMA's mission is to promote solid American Hardwood products to consumers of all levels. As you also know, in this day and age of competing products, increasing awareness and creating brand loyalty is not a task for the faint of heart. But HMA has know-how and ingenuity on our 'promotion' tool belt. Here's what's new.

## Follow us on Instagram

**Social Media** allows us to connect with world-wide audiences in a unique way. And I'm happy that via Facebook, Twitter, Pinterest, Houzz, **AmericanHardwds** has a solid social media presence. We've added **Instagram** to our social media tool belt. And I'm confident our presence will continue to grow. Follow us! We post new content daily.

## Engaging the Next Generation of Design Pros

I'm excited about our latest project – a furniture design competition showcasing the creativity of the students of the Pratt Institute School of Industrial Design, Brooklyn Campus and the remarkable versatility of **Red Oak - the Sovereign Wood**. How did this come about?

- Pratt agreed to partner with the **American Hardwood Information Center (AHIC)** by offering a "hardwood" class to their graduate and senior furniture design students.
- At the opening session of the class, I was invited to lecture on the basics of American Hardwoods. (Meeting with the vibrant international students, anxious to work their magic with Red Oak, was fun.)
- Weaber Inc., Lebanon, Pa., graciously donated the Red Oak for the project. (Thank you, Matt Weaber!)
- Black Creek Mercantile (our artisan friend from last October's **Field + Supply Craft Fair** in New York) recently conducted a class on Finishing.
- **AHIC** has sponsored a space at **WantedDesign BROOKLYN** - a platform dedicated to promoting design - where the students will showcase their finished products.

Later this month, the winner of the competition will be announced. I can't wait to see their ingenious and beautiful creations.

I'll close with a call out to those who were not with us in Savannah. You missed the premiere of a video entitled, "**Counting Growth Rings: Building Upon a Legacy of Hardwood**." It documents the experiences, wisdom and insights of a number of accomplished hardwood veterans. I think you'll enjoy it. View it at [www.HMAMembers.org](http://www.HMAMembers.org).

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## “Enterprise Risk Management”

At HMA’s National Conference and Expo, John K. Smith, President and CEO of Pennsylvania Lumbermens Mutual Insurance Company, took the microphone, not to conduct an insurance presentation, but rather to discuss the what-why-how of an **Enterprise Risk Management** program.

- Enterprise Risk Management is a business decision process to identify and analyze known and emerging risks. Manage enterprise risks. Anticipate imminent and long-term risks. And manage uncertainty.
- The creation of an Enterprise Risk Management (ERM) program provides knowledge to capitalize on opportunities. Avoid pitfalls of the unknown. Anticipate and mitigate the impact of adverse events. Improve compliance oversight. Foster culture and collaboration amongst organizational divisions. Enhance leadership through informed decision making.

### Are you Prepared?

Are you prepared for the insurable risks – property, liability, catastrophe, auto liability, auto physical damage, workers compensation? And what about cyber risk, systems risk, product failure, succession planning, competition, capital availability?

“Risk is our past, present and future,” Smith said. “And it deserves a seat at the table. Thinking about and planning for risk, opportunities, and challenges is how a business grows, or doesn’t.”

### Set the mission and objectives upfront

The Leader – Owner, CEO – determines the strategic approach to risk; interacts with external advisors; establishes the structure for risk management; understands the most significant risks; manages the organization in a crisis.

The Manager – builds a risk aware culture within; sets and follows up on risk management performance targets; successfully implements improvement recommendations; identifies and reports changed circumstances and evolving risks; reports recommendations for improved risk management techniques to senior management.

Employees – need to understand, accept and practice risk management techniques; report inefficient, unnecessary, or unworkable processes and controls; report evolving risk exposures to management; report loss events and near miss incidents; cooperate on incident reviews.

And communicate! Risk should be a part of every conversation and every business decision. It is critical that your **ERM** has buy-in at all levels, and must be continually evolving. If the call comes, do your employees know what to do? Do you have work-arounds in place? Are you prepared for what is next?

### Continuing the Conversation

In conjunction with Smith’s presentation, four HMA members, recently impacted by the “challenges” of life and the risks associated with doing business in the modern world, joined him to share their personal experiences and to further emphasize the importance of being prepared.

- **Jeff Hanks**, President of Bill Hanks Lumber Company, Danbury, N. Car., discussed the “true cost of a fire.”
- **Bob Miller**, Director of Strategic Planning at Frank Miller Lumber Company, Union City, Ind., discussed “Cyber exposures” and the risks confronting us all.

- **Hal Mitchell**, President of Atlanta Hardwood Corporation, Mableton, Ga., shared his company's "Strategic approach to the export market."
- **Pem Jenkins**, President of Turn Bull Lumber Company, Elizabethtown, N. Car., speaking from his customized wheelchair, recounted how it was business-as-usual, when the "unthinkable" happened to him.

These informative and inspiring testimonials, as well as John Smith's audio recording and PowerPoint presentation, are available in the Members Only section of [www.HMAmembers.org](http://www.HMAmembers.org).

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## Mixing things up for June Meeting in Texas

Plans have been finalized for **HMA's Mississippi Valley Regional Meeting, June 5-6** in Texarkana, Texas. This fast and furious, 36 hour event is absolutely worth your time investment. Here's a look at what's in store.

**The Hilton Garden Inn Texarkana**, 2910 S. Cowhorn Creek Loop, Texarkana, Texas 75503, will serve as our base of operations, and room reservations should be made by calling 903.792.1065. The 'special' room rate of **\$129** Single/Double is available until May 14, 2019 or until the group block is sold-out, whichever comes first.

'Early arrivals' on Tuesday, June 4 are invited to attend a Brewco, Inc. sponsored networking reception at The Hilton Garden Inn, being held in conjunction with RTA's Summer Field Trip event. So HMA participants, if your arrival time is on or near 6pm, make it a date. But remember - **Advance Reservations are required!**

## Then it's all aboard for Arkansas

Plan on an early start Wednesday, June 5! The agenda is a full one and here is our Arkansas TripTik:

- **Douthit Tie & Lumber Company**, Camden, Arkansas, 870.231.4300
- **Wilson Brothers Lumber Company**, Rison, Arkansas, 870.325.7283
- **Domtar Paper Company, LLC**, Ashdown, Arkansas, [www.domtar.com](http://www.domtar.com)

We'll wrap up Wednesday's activities back in Texas with an evening reception/dinner at **The Hilton Garden Inn Texarkana**. As in past years, anticipate plenty of delicious food, great networking opportunities, and an evening of good old hardwood industry comradery.

## But that's not all

The morning of Thursday, June 6, we'll head to Linden, Texas, and a visit with HMA member company **Ward Timber, Ltd**, [www.wardtimber.com](http://www.wardtimber.com). (This is our first visit with John Jones and company, and we're looking forward to it.) And from there, we'll make our way to the Texarkana Airport; deposit our frequent flyers, then make a final stop at The Hilton Garden Inn so that those driving can be on the road by early afternoon.

## Don't be left out

To finalize your participation, HMA members and 2019 National Conference Sponsors and Exhibitors should visit [www.HMAmembers.org](http://www.HMAmembers.org) for all of the Meeting details including Registration, Hotel Information, Sponsorships, Tuesday Evening Reception Reservations and more.

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## Advantages of being a Meeting Sponsor

If for some reason you are unable to be with us in Texarkana, consider being a **Regional Meeting Sponsor**. It's a great way to establish your 'company presence' without stepping away from your desk, not to mention a smart way to differentiate your company from the rest of the field.

To show our appreciation, and to recognize your extra effort, HMA will “spotlight” you throughout the event, on [www.HMAmembers.org](http://www.HMAmembers.org), and in *The Link*, just like this:



At the **Gold Sponsor** level is industry supplier Corley Manufacturing Co., Chattanooga, Tennessee! Wednesday evening’s Cocktail Reception is being co-hosted by Corley. So that night, before the evening gets away from you, show your appreciation for their generosity and support of the HMA. ([www.corleymfg.com](http://www.corleymfg.com))



Thank you to industry supplier and **Gold Sponsor!** DMSI, Omaha, Nebraska! Wednesday’s Lunch is being co-hosted by DMSI. As you partake of the mid-day refreshments and Texas-style fare, remember to show your appreciation, please. ([www.dmsi.com](http://www.dmsi.com))



Also at the **Gold Sponsor** level is industry supplier Stringer Industries, Inc., Tylertown, Mississippi! Wednesday evening’s Cocktail Reception is being co-hosted by Stringer. As you relax and decompress from the day’s activities, be sure to raise a glass in appreciation of their generosity. ([www.stringerind.com](http://www.stringerind.com))



Thank you to HMA member and **Gold Sponsor** Thompson Hardwoods, INC, Hazlehurst, Georgia! These fine folks are co-hosting Wednesday’s Lunch. Be sure to thank them for the delicious vittles, as well as their on-going support of the HMA. ([www.thompsonhardwoods.com](http://www.thompsonhardwoods.com))

So, if YOU would like to ‘put some skin in the game,’ here are your options:

- At the \$1000 **Gold** Sponsorship level – which includes one complimentary Registration - your company could co-host Wednesday’s Lunch, provide the bus transportation to the Wednesday tour sites, or co-host Wednesday’s Cocktail Reception.
- At the \$500 **Silver** level, sponsorship opportunities include hosting Wednesday’s Bus Refreshments or the bus for Thursday’s tours.

Call the HMA office, 412.244.0440, to learn more. And hope to hear from you, soon.

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## The reciprocal facets of Mentoring

**Lights – Camera – Action!** As a kind of hardwood industry time capsule, HMA’s NextGen Leaders Council set into motion a video project documenting the experiences, wisdom and insights of a number of accomplished hardwood veterans.

The finished product, “**Counting Growth Rings: Building Upon a Legacy of Hardwood**,” premiered at HMA’s 2019 National Conference and Expo. And following the video debut, a panel, moderated by Council Coordinator, Claire Getty, and comprised of industry Veterans and NextGen-ers, continued the conversation as they discussed the reciprocal facets of mentoring.

### From the Veterans:

- “My father was my mentor. He loved this industry and said, ‘Son, I’m going to help you because I don’t want you to make the same mistakes I made. And remember, your word is your bond. Follow through and honor your commitments.’” (**Skipper Beal**)

- “It’s hard to go it alone. When you have a relationship with a mentor, they provide valuable and reliable information. Dan Kretz told me, ‘Know your costs to the penny. It’s not a sale until you get paid. I don’t care what you did last night. Be at work in the morning on time!’” (**Troy Brown**)
- “I don’t like to fail. Mentors help alleviate failures because they can provide the tools to help you succeed personally and professionally. My father was and still is a workaholic. I was 12 years old when he had me working in the mill with him. ‘Work comes first,’ he said.” (**Bob Miller**)
- “My Dad was my main mentor in the mill. ‘The sawmill has a rhythm,’ he said. ‘Set a momentum/pace for your operation. Lead your people. Find the right timber. Don’t make big mistakes. Or a lot of small ones! Work smart.’” (**Nordeck Thompson**)

#### Veterans

##### **Skipper Beal**

Beal Lumber Co.

##### **Troy Brown**

Kretz Lumber Co.

##### **Bob Miller**

Frank Miller Lumber Co.

##### **Nordeck Thompson**

Thompson Appalachian Hardwoods

#### NextGen-ers

##### **Geoff Henderson**

Anderson-Tully Co.

##### **Claire Getty**

Thompson Appalachian Hardwoods

##### **Nathan Thompson**

T & S Hardwoods

##### **Nick Thompson**

Thompson Appalachian Hardwoods

#### **The NextGen-ers said:**

- “I look to my mentor for his experience, to help me avoid big and costly mistakes. But we are the ‘tech’ generation, more savvy, and we can help in that regard. This industry needs a certain kind of person, and you have to seek that person out.” (**Nathan Thompson**)
- “Honesty is what I want from my mentor. Give it to me straight. We have little to teach, and mostly a lot to learn. My generation wants a sense of belonging and an opportunity to grow. Ours is an ever changing industry. And we will need the ability to change quickly, as the industry changes.” (**Geoff Henderson**)
- “You need to invest the time to learn what each employee needs and what motivates them. Our generation wants something to believe in. The hardwood industry has an incredible story, and what we do is very valuable to society. Yes, products are changing, and we will figure out what to do with our raw material. It will be our job to innovate to the future.” (**Nick Thompson**)

Tune in to the Members Only section of [www.HMAmembers.org](http://www.HMAmembers.org) for the entire panel discussion. And take a few more moments to view “**Counting Growth Rings: Building Upon a Legacy of Hardwood.**”

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## **Hardwood Federation Update**

*By Dana Lee Cole*

*Hardwood Federation Executive Director*

As we go to press, and while we anxiously await the conclusion of trade negotiations with China, the Trump Administration is ramping up lobbying efforts on Capitol Hill to recruit support for the U.S. Mexico Canada Agreement (**USMCA**) - the ‘other’ trade issue.

The new Democrat majority in the House has made the fate of this agreement far from certain, as was made evident in a House Ways and Means Trade Subcommittee hearing in late March. It was the first hearing of this subcommittee in the new Congress, and several concerns were raised about aspects of the agreement. Concerns generally fell into three baskets:

- On the **labor** front, there is concern that wages for workers in Mexico are artificially low and have served to not only depress wages for workers across North America, but have led to manufacturers moving operations south of the border. To address this, House Democrats have articulated a desire to have the agreement incorporate union organizing provisions.
- **Pharmaceutical pricing** has taken center stage. The issue is around a class of drugs known as biologics. There is language in the agreement that allows biologics manufacturers a 10 year extension on their patents. The effect of this is that generic drugs would not be able to enter the market over that time period, thereby increasing costs for consumers. (Drug pricing has been a hot topic on Capitol Hill over the last year or so, and this provision will certainly attract more scrutiny in the coming weeks.)
- The issue of **enforcement** was a point of emphasis. Mexico's legislature is poised to approve a comprehensive set of labor reforms that the country committed to during USMCA negotiations. This will be critical for building support for the deal in the House. Meanwhile, Senators Ron Wyden (D-OR) and Sherrod Brown (D-OH) are drafting legislation that would allow U.S. and Mexican government officials to audit and inspect facilities that are suspected of breaking new Mexican labor laws.

### **Complicating the situation**

Section 232 tariffs on steel and aluminum. Senate Finance Committee Chairman Chuck Grassley (R-IA) has said repeatedly that the deal would not move forward in his committee while these tariffs are still in place. Adding more complexity is the fact that Canada holds national elections in October. It is difficult to envision a scenario where Canadian lawmakers approve the agreement while the tariffs remain. Thus far, President Trump has not yielded to pressure to remove the 232 tariffs on aluminum and steel.

In terms of process, the Administration has not yet submitted USMCA implementing legislation to Congress. Once the legislation is submitted, its consideration must begin in the House, first with the House Ways & Means Committee, and then the full chamber. Only a simple majority is needed to pass each chamber. However, securing the 218 votes necessary in the House will require Democrat support.

U.S. Trade Representative Bob Lighthizer and National Economic Council Director Larry Kudlow have been aggressively working House Democrats to build support for the proposal. Hardwood Federation attended a recent event for Rep. Stephanie Murphy (D-FL), a second term Blue Dog Democrat on the Ways & Means Committee. She walked through many of the concerns that Democrats have with the proposal, but was fairly optimistic that implementing legislation would get a vote before the August recess.

That timeline is the "make or break" for USMCA. If consideration slips beyond August, Washington will be consumed with the 2020 Presidential election, and the requisite posturing by the many candidates that have entered the race, making meaningful consideration doubtful.

As always, we will continue to monitor this, and all other ongoing trade issues, and do our best to keep you informed about the potential impacts on the Hardwood industry.

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## **“U.S. Trade Policy Under President Trump”**

The Thursday morning agenda at HMA’s recent National Conference and Expo included a presentation by **Tiffany Smith**, Senior Policy Advisor/Government and Global Trade Group of Mayer Brown LLP, Washington, D.C. Her topic of discussion - “U.S. Trade Policy under President Trump;” and the issues that are generating risk.

“Since day one of Donald Trump’s Presidential Campaign,” Smith said, “trade has been an issue.” She went on to remind her listeners that it was back in June of 2016, that Mr. Trump’s 7-Point Plan on Trade was announced, and included:

- Withdrawal from TPP (Trans Pacific Partnership)
- Renegotiation of NAFTA (North American Free Trade Agreement)
- Appointment of tough, trade negotiators & enforcement of Agreements
- To deal strongly with China

And now, past the halfway point of his Administration, Trade remains a top priority.

While Smith’s topics of discussion included overviews of Section 232 National Security Investigations (steel, aluminum, autos) and resulting tariffs; the status of the NAFTA renegotiations; and the President’s announced intention to negotiate Free Trade Agreements with Japan, the United Kingdom, and the European Union, the bulk of her presentation dealt with China.

### **The “what-when-why” of it all**

Section 301 of the Trade Act of 1974 allows the President to take action against trade partners if they are engaging in unreasonable or deceptive practices that burden or restrict U.S. Commerce.

**In August 2017**, per the President’s directive, the United States Trade Representative (USTR) initiated an investigation of China, the goal being to quantify China’s activities, and establish necessary and appropriate remedies.

The investigation focused on theft of intellectual property (IP) and trade secrets, forced technology transfer, mandatory provisions on licensing and other technology contracts, and China’s expansion in high-tech sectors.

**In March 2018**, the USTR’s findings affirmed that China is in violation of Section 301 of the Trade Agreement, specifically:

- China uses joint venture requirements, foreign investment restrictions, and administrative review and licensing processes to require or pressure technology transfer from U.S. companies.
- China deprives U.S. companies of the ability to set market-based terms in licensing and other technology-related negotiations.
- China directs and unfairly facilitates the systematic investment in and acquisition of, U.S. companies and assets to generate large-scale technology transfer.
- China conducts and supports cyber intrusions into U.S. commercial computer networks to gain unauthorized access to commercially-valuable business information.

### **As we all know**

The U.S. response was tariffs on Chinese imports. The Chinese retaliation – tariffs on U.S. imports.

As settlement negotiations stall and restart, the obvious risk to the issue, as Smith sees it, is that either NO agreement will be forthcoming, OR if an agreement is reached, China will

fail to live up to it, and the situation will slip back into the “dueling tariffs” mode. Stay tuned.

*Tiffany Smith advises global companies, trade associations, and non-profits on strategies for achieving their international trade and economic objectives. Visit the Members Only section of [www.HMAmembers.org](http://www.HMAmembers.org) for her entire presentation.*

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## A Red Oak Renaissance - The appeal is real!

There has never been a better time to buy American red oak. It's plentiful and eminently affordable, and the American Hardwood Export Council (AHEC) “is working with designers, makers and furniture students to highlight red oak's versatility, aesthetics and technical performance.”

### Need-to-Know Facts

- The species' sustainability credentials are impressive – “It is America's most prolific hardwood, with two cubic metres (17.09 sq.ft) growing in the forest every second, and total growth exceeding harvest by 21 million m3 each year.”
- It can be “planed, turned, oiled and stained, transforming it into everything from a coffee table to a shoe cabinet.”
- It is more porous than similar species - white oak for one – and it machines well; bends easily and responds soundly to thermal modification, making it more durable, and an excellent material for outdoor applications.

### Bottom Line

Across the globe, end users are exploring new opportunities and discovering the untapped potential of American Red Oak. The appeal is real and goes beyond price and availability! To learn more about this remarkable species, visit [www.americanhardwood.org](http://www.americanhardwood.org) .

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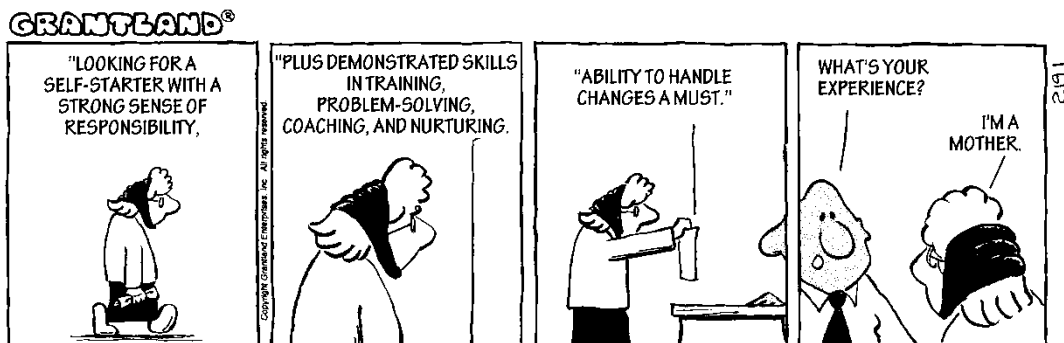
## Must have features for 2019 home buyers

In a new survey conducted by the National Association of Home Builders, nearly 4,000 recent and prospective home buyers were asked to rank which features were absolutely “essential to their home purchasing decision.”

Taking top spot on the 2019 must-have list – laundry rooms! Ninety one percent of those polled said that a laundry room was a must in their new home. Also making the Top Ten list:

- 87 percent want a patio.
- 85 percent want exterior lighting.
- 85 percent say garage storage is a must.
- **83 percent want hardwood floors. (good news for the hardwood industry)**
- 81 percent can't live without a double sink in the kitchen.

To see what else ranked “essential” for 2019 home buyers, visit [nahbnow.com](http://nahbnow.com).







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