



April 2017

More than just talk

By Linda Jovanovich
HMA Executive Vice President

A hearty **Thank You** to all who participated in and contributed to the success of HMA's recent National Conference and Expo! And if I had to choose a phrase to describe the 2+ day event, that phrase would be "**full of energy!**" If you were with us in Charleston, you know what I mean. And you also know that attendance totals made it the largest HMA NatCon in over ten years!

The Conference learning sessions provided immediate take-home value. The Expo was a sell-out. And the networking opportunities were over-the-top. What a great event!

If you were unable to be with us, but would like to hear and see what you missed, simply log into the **Members Only** section of www.HMAmembers.org to find the 2017 Meeting Presentations. And looking ahead, please note your calendar. HMA's **2018 National Conference & Expo** is set for **March 21-23**, at the Hyatt Regency, Greenville, South Carolina.

What's next from HMA's Member Services department? So glad that you asked!

- Later this month, HMA members will have the opportunity to participate in our 'new' **Manufacturing Costs and Wage Survey**. Conducted by the Beck Group, the revised questionnaire will be easier to complete, and will ultimately identify areas of financial savings for your operations.
- **May 24-25**, we're heading to Michigan for **HMA's Lake States Regional Meeting**. Some really great tours are planned, and you can register to attend at www.HMAmembers.org. All of the meeting details are there, too. And be sure to read the article, "**Register today for Spring Regional**," in this month's *Link*.
- In **September**, we'll be in Mississippi for HMA's **Mississippi Valley Regional**. I'm working on finalizing the tours and other details, now. I'll be back in touch, soon.

I'm looking forward to participating in these and other industry happenings. And I'll do my best to keep you in the information loop via **The Link**, www.HMAmembers.org, our **Mid-Month Updates**, and various HMA member Communiques. But remember, should you have questions or issues of concern, do not hesitate to call the HMA office **-412.244.0440**.

Officers, Directors elected at Conference

At HMA's March Board of Directors meeting in Charleston, the following **Officers** were elected for 2017. Congratulations to President Richard Wilkerson, Anderson-Tully Company; Vice President, Bob Miller, Frank Miller Lumber Company, Inc.; and HMA Executive Vice President, Linda Jovanovich.

Executive Committee members were also elected at that meeting. In addition to the Officers, congratulations go out to: Troy Brown, Kretz Lumber Company, Inc., Antigo, Wisc.; T. J. Rosengarth, Northwest Hardwoods, Inc., Tacoma, Wa.; Trisha Thompson, T & S Hardwoods, Inc., Milledgeville, Ga.; John Hubbard, Buchanan Lumber Birmingham, Aliceville, Ala.; Tommy Petzoldt, East Perry Lumber Company, Frohna, Mo.; and past president Skipper Beal, Beal Lumber Co., Inc., Little Mountain, S.C.

During the Conference's Thursday Business Meeting, HMA members elected **Directors** Tim Brownlee, Brownlee Lumber Company, Inc., Brookville, Pa.; Jason Ayers, Cersosimo Lumber Company, Inc., Brattleboro, Vt.; Nancy Tuck, Gates Milling, Inc., Gatesville, N.C.; Jack Shannon, III, J.T. Shannon Lumber Co., Memphis, Tenn.; and Jesse Joyce, Middle Tennessee Lumber Company, Burns, Tenn.

Congratulations to you all, and thank you for your service!

Register today for Spring Regional

HMA's Lake States Regional Meeting is heading to Grand Rapids, Michigan, **May 24-25**, and as you plan to be part of this signature HMA event, here's what we'd like you to consider.

Sign on as a meeting Sponsor and HMA will spotlight your extra effort.

- At the \$1000 **Gold** Sponsorship level – which includes one complimentary Registration - your company could help host Wednesday's Cocktail Reception or the bus transportation to the Wednesday tour sites.
- 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.

Finalize Hotel plans sooner than later!

Don't delay. Make reservations at **The DoubleTree Grand Rapids Airport**, 4747 28th Street, SE, Grand Rapids, 49512, online to secure the 'special' room rate of **\$139**. What's the hurry? It's already April, and the special rate is available until May 2 or until the group block is sold-out, whichever comes first. And yes, a complimentary hotel shuttle is available for airport pickup. Call 616.957.0100 upon arrival.

Confirmed Tour sites include:

- **Maple Rapids Lumber Mill, Inc.**, St. Johns, MI, www.maplerapidslumber.com
- **Devereaux Saw Mill Inc.**, Pewamo, MI, www.devereauxsawmill.com
- **Quality Hardwoods, Inc.**, Sunfield, MI, www.qualityhardwoodsinc.com
- **Northwest Hardwoods**, Grand Rapids, MI, www.northwesthardwoods.com
- **Stiles Machinery, Inc.**, Kentwood, MI, www.stilesmachinery.com

Meeting Registration for HMA members and 2017 National Conference Sponsors and Exhibitors is online at www.HMAmembers.org. That's also where you'll find the meeting Schedule and other pertinent meeting details.

Should you have questions, please contact the HMA office at 412.244.0440. Looking forward to seeing you in Michigan for this HMA '**members only**' event!

Manufacturing Costs Wage Survey

Several years ago, in response to member feedback, HMA's Board of Directors made a decision to combine HMA's biennial Wage and Benefit Survey and the Manufacturing and Cost Survey; simplify the survey structure, and offer the 'new,' streamlined survey every three years.

Drum Roll, Please!

This is the inaugural year of the 'new' **Manufacturing Costs and Wage Survey**, and very soon HMA members will be receiving the 'call to participate.' Designed and implemented by Oregon-based, The Beck Group, the revised questionnaire will be easier to complete, while providing optimum value to our members.

Will the resulting information be worth your time investment?

Absolutely! And here's why. Everyone looks at monthly operating costs, but few leaders are implementing action plans for future improvement. The survey will force you to question how efficiently you're running your company. And the survey results will identify areas of financial savings and more. For example:

- If you have excessive turnover, the survey will identify how your company compares with others in your region - and in the industry - with regards to pay and benefits, hourly and exempt.
- The data will compare your operating costs with those of other companies by department, and show if your departments are running efficiently, or if there are opportunities for improvement.
- You will also get a break out of your cost-of-sales to compare how much is allocated to logs, lumber and other expenses.

Bottom Line: If your annual production is 10,000,000 bf and if this survey can identify where you can save \$1/mbf in each of the following departments - mill, sticker, kilns, kiln-dried grading station - using a 6% shrinkage value (estimate only), you have the potential to save \$38,868 in a year, and those savings will continue for years to come.

Regan Scholarship Recipients announced

Congratulations to **Dominic Lenzi**, Penn State University, **Joshua Van Rixel**, Northcentral Technical College, and **Logan Wells**, University of Wisconsin – Madison, recipients of the Susan M. Regan Memorial Scholarship. Here's what these grateful students had to say regarding their career path choices:

Dominic Lenzi

"I've grown up in a family that owns and operates a sawmill, and at the mill I've met foresters, log buyers and veneer buyers. Every one of them loves their work. When I job-shadowed a forester near my home, I saw firsthand what he does on a daily basis- from marking trees to checking out timber sales. He clearly enjoyed his job and was happy to go to work each day. That was the deciding factor for me. His excitement got me interested in forestry." (**Forestry Technology major working on a Bachelor's Degree**)

Joshua Van Rixel

"The first time I did anything with wood was when I was in fifth grade. I had joined 4-H and was in the woodworking category for fairs. My first project was a birdhouse. That project led to others and before I knew it, I had found my future. I've made a coffee table and matching end tables for my parents. I've made outdoor furniture. During my senior year of high school, I made an 18 foot canoe. And most recently I made a bar and stools for a close friend. My interest in wood has led me to pursue a career in Wood Processes."

(**Northcentral Technical College Wood Processes Associate Degree**)

Logan Wells

"I've always had an interest in agriculture and natural resources and for a high school FFA (Future Farmers of America) project, I purchased a Woodmizer LT15 portable sawmill and started a custom sawing business, Smock Valley Timber. I enjoy every experience in this industry, and I wouldn't want a career anywhere else. Our industry cares about maintaining both sustainable businesses and forest resources. I believe technology is key and I see myself either managing a sawmill of my own (or for someone), or working as a wood utilization extension officer." (**Purdue University working on Master of Science in Forestry/Wood Products**)

Scholarship Information - In memory of former HMA Executive Vice President, Susan M. Regan, each scholarship, in the amount of \$1000, is intended to provide financial assistance to qualified students enrolled in an accredited forestry/wood products program. Visit www.HMAmembers for scholarship details.

Policy and Politics in a Trumped up D.C.

On the dais at HMA's National Conference and Expo was Hardwood Federation (HF) Executive Director, Dana Lee Cole. In addition to a recap of HF 2016 activities, her "**Washington Update**" presentation included an overview of the 2016 November election results, and then detail of the Federation's priority issues for 2017 and 2018.

Republicans Dominate

Red is the dominating color, from Pennsylvania Avenue down to the State level:

- White House – Donald Trump
- U.S. Senate – Lost 2 seats, retain majority 52-48
- U.S. House – Retain majority 237-193
- U.S. Governors - 33 Republican, 16 Democrat, 1 Independent
- State Legislatures - 67 Republican, 31 Democrat

And as was expected, the Trump Administration is indeed making waves in the areas of Tax and Regulatory Reform, Infrastructure, Trade and other areas of importance.

That said, the Hardwood Federation - representing 27 hardwood trade associations and organizations, and true to its mission - will interact with both sides of the aisle, and educate Congress, the Administration, and Department Staff about the issues that most impact the hardwood industry in the U.S. The "President has broad powers, but Congress can pass legislation that can rein in those powers."

HF 2017 Priority Issues

While not new topics, but definitely issues of great importance to the hardwood industry, the Administration and Congress will continue to hear from the Federation on:

- **Federal Forest Management** – as we work with our existing coalition to sharpen our approach on moving legislation forward.
- **Tax and Regulatory Reform** - as we work to withdraw the proposed increases on the estate tax, plus focus on small business regulatory and tax reform efforts that support the hardwood industry.
- **Farm Bill** – With the current Farm Bill due to expire in 2018, we are already meeting with our industry partners to prepare strategies for maintaining and improving current programs that support the industry, like the export promotion programs.
- **Biomass** - We will continue to work to get a federal policy that explicitly acknowledges that biomass energy, from sustainably managed forests, does not contribute carbon to the atmosphere.

- **Trade** - As an industry that benefits greatly from export markets - and one that also suffers from unfair competition from hardwood imports – we will be working with the Administration and Congress to communicate our issues on this matter, and to advise them that trade is an extremely complicated issue that cannot be adequately addressed with “one-size-fits-all” national policy.

In closing, Dana thanked HMA for both the opportunity to participate in this year’s National Conference and Expo, and for HMA’s ongoing support of the Hardwood Federation. She was also most appreciative of the individual HMA member donations to the HF Political Action Committee (PAC). These funds will be used to support the members of Congress that support the hardwood industry’s policy positions.

*For the entire presentation, visit the **Members Only** section of www.HMAmembers.org.*

Changing Markets for N. American hardwoods

During his presentation at HMA’s National Conference and Expo in Charleston, industry analyst and *Hardwood Market Report* Editor, **Judd Johnson**, provided plenty of information regarding the factors influencing current U.S. hardwood market trends, and food-for-thought on the circumstances that could alter those trends. Here are the highlights.

As the Hardwood Industry knows so well

All major market sectors are influenced by the economy and residential construction. The economic woes of 2009, and the **slow** economic and housing recovery of the past seven years, have forced the hardwood industry to re-create itself.

The hardwood consumption market mix ratio for 2016 was - **56.1 percent Industrial** - pallet lumber and container, Board Road/Crane Mat Timbers, Railway Ties, **43.9 percent Grade Lumber** – practically the opposite of the ratio mix in 2005 of 40 percent Industrial and 60 percent Grade.

Industrial Group Market trends

- **Board Road/Crane Mat Timbers** sector has declined in each of the past three years. Current demand ranges between flat and non-existent.
- **Railway Ties** sector was up in 2016, and the railroad business is sound, but due to over purchasing, the reality for hardwood producers is that tie purchases are down, and they are down at a time when demand has decreased for other industrial products.
- **Pallet and Container** industry accounts for nearly 40% of the total marketplace for US hardwood lumber. But due to lost market share to lower priced softwood ties, 2012-14, hardwood pallet sector struggles to regain its share of the market.

Domestic Grade Lumber Group Trends

As a whole, trends are positive, but still sluggish.

- **Furniture** - 2016 consumption by the furniture industry was down, despite growth in the two primary drivers for the furniture sector- the economy and housing.
- The **Moulding/Millwork** sector posted an increase in consumption in 2016, but market growth in this sector has been at a slower pace than the housing market.
- **Cabinets**- volumes up, but not by much.
- **Flooring** – volumes consumed in 2016 were up 9.2% over 2015 figures.

According to Johnson, “If there is an all-encompassing answer to why consumption is not much higher in domestic grade lumber markets, it is this: hardwoods lost market share to other materials and imported parts and goods.”

Our markets have and will continue to change

In 2016, US exports of hardwood lumber increased 11.2 percent over 2015 figures, setting a new record high. Where did the lumber go? Mexico, Vietnam, the European Union, Canada, and **China!** China accounted for 51 percent of all US hardwood lumber exports. Included in that, China purchased 71.3 percent of all Red Oak exports, 75.4 percent of Ash, 37.4 percent of Poplar, and 30.4 percent of White Oak.

China continues to be a rapidly expanding market for hardwood products. Of course, at some point the trajectory of growth in China will level off, but not yet. In addition, **India** could bring a whole new dimension to demand for furniture and interior fittings manufactured from US hardwoods, with its billion-plus people and economy growing at over 7 percent.

Challenges and Possibilities

The U.S. Forest Service tells us that the South's forests produce 12 percent of the world's industrial roundwood, and that in 2011, the primary wood processing plants in the South accounted for 74 percent of the nation's pulpwood production. If you think this means nothing to you, think again because this is fiber competing against you and your suppliers – softwoods as well as hardwoods.

Markets for pulpwood, chips, industrial lumber products, and wood fuel are important to your business. Why? A significant and growing amount of electricity generated in the U.S. is fueled by biomass. And much of that biomass is in the form of densified biomass fuel ... Also known as wood pellets.

According to the U.S. Energy Information Administration (EIA):

- About 85 percent of raw materials for biomass pellets comes from wood waste streams such as logging residues, sawmill residues, and wood product manufacturing residue.
- Roundwood harvested for industrial use accounts for about 15 percent of raw materials.
- EIA's survey collected data from 120 planned and operational densified biomass manufacturing facilities in the U.S.
- These facilities have the capacity to produce 11.4 million tons of densified biomass, annually.

More wood fuel pellet facts to consider:

Utility-grade pellets, used by electric utilities, account for more than 75 percent of the total wood pellet marketplace. Premium pellets used for residential and commercial heating account for the remainder of the market. During the first half of 2016, 82 percent of pellet sales were utility pellets into exports. Increased demand is a real possibility.

Judd's Bottom Line: The challenges and opportunities posed by 'supply and demand' make for interesting business. The good news is that the two primary drivers to the hardwood industry –the economy and housing - are trending in the right direction. Balancing production with growing demand for grade lumber, without exceeding decreasing demand for industrial products, will be key.

*For the entire presentation, visit the **Members Only** section of www.HMAmembers.org.*

Kitchen & Bath Design Trends for 2017

It's that time of the year. Building and design pros from all parts of the country are weighing in on what's trending for 2017. Seems most everything from kitchen cabinets to floor plans is up for grabs. Take a look.

Earlier this year, the [National Kitchen and Bath Association \(NKBA\)](http://www.nkba.com) released the findings of its **2017 Kitchen & Bath Design Trends Report**. What's hot in design styles, color and the like?

In the kitchen, wood cabinetry continues to “dominate,” but metal cabinets – stainless, black and gold – are growing in appeal. Clean lines and built-in styles remain popular, with quartz topping the countertop choice list. White and gray continue to be ‘hot’ color choices, and universal design features are “trending” as Boomers opt to remain in their homes.

In the bath, owners are seeking “safety and comfort” via shower seats and shower lighting. Wood is the most popular choice for vanities and storage cabinets. Shades of white and gray are tops with designers, with many younger clients opting for blues, violet and shades of purple, too.

For more on the NKBA Report, visit www.nkba.org.

And in a *Wall Street Journal* article entitled, “**What’s Fresh, What’s Finished:**”

- New York-based designer Aamir Khandwala said that the appeal of darker woods, whether cabinetry, furniture or flooring, is fading fast. “Woods such as oak, pear-wood and birch feel more modern,” he said, “as they are lighter in color and more uniform in grain.” He also commented on wood “with a past,” saying “anything reclaimed or that looks recycled is definitely on its way out.”
- San Francisco designer Grant K. Gibson is saying farewell to open-concept floor plans. “In years past,” he said, “everyone knocked down walls to create ‘great rooms’ with kitchens connected to living spaces, but people realized they actually desire a sense of separation.” He’s not alone in his thinking.
- Beverly Hills designer Stephan Jones recommends a separate, distinct kitchen. “Many of our clients love to cook,” he said, “and the kitchen is a central part of their home, but they don’t like having it as a focal point during a dinner party.” Chefs like to have space, and no one enjoys looking at a messy kitchen.

Photo: Jon Miller Hedrich Blessing Photographers

Cypress on display and making headlines

What did Noah’s Ark and the first doors of St. Peter’s Basilica in Rome have in common? Legend has it that both were made of the durable wood we know as cypress. Popular then! Popular now! And the Southern Cypress Manufacturers Association (SCMA) would like to think that the growing appeal of this versatile and extremely attractive product is a direct result of our ongoing, promotional efforts. What have we been up to?

Spotlight on Cypress

In January at the 2017 International Builders Show in Orlando, Florida, cypress was on display at the NextGen Home TV Tiny Home exhibit. Demonstrating that downsizing need not mean sacrificing high-quality:

- white painted cypress paneling was used to open up the space in this 300-square-foot, cozy—yet efficient—model home;
- and to provide aesthetic warmth, the designers used dark stained cypress for the ceilings.

Built by Alabama Tiny Homes, the dwelling will be featured in an online video series at www.NGHTV.com, spotlighting both cypress and this increasingly popular living option.

More from Ty Pennington and Vicki Payne

To raise awareness of cypress as a stellar and aesthetically pleasing building and design material, SCMA is again working with **NextGen Home TV** and host Ty Pennington on the *First to the Future Home* series. The online show - which demonstrates how to design and build a truly next generation home with natural materials and energy-efficient features - will showcase the beauty and durability of cypress in both indoor and outdoor applications. Episodes of the new Palm Coast, Florida project will be available at www.NGHTV.com later this year.

Also, renowned TV personality and home designer Vicki Payne will be spotlighting cypress in the new season of her syndicated home-improvement show, **For Your Home**. The plan is for cypress to be used in a variety of applications inside and out, including ceilings, beams, siding, soffit, and more! The episodes will appear on PBS stations across the country and on demand at www.ForYourHome.com. Be sure to tune in.

We've been making headlines –

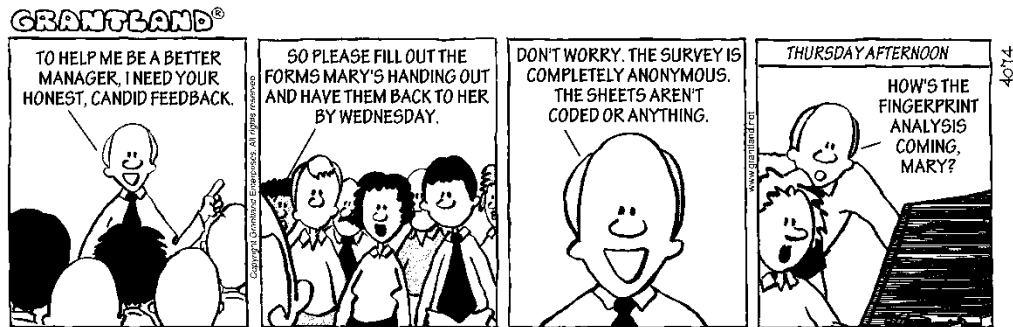
SCMA's most recent news release, **Making a Design Statement with Cypress**, has generated more than 1,170 online and print placements, with a potential desktop, mobile and print readership/audience of nearly 147 million! And so for 2017, we've planned two other feature articles. Both will be discussing how architects and builders are using cypress in modern construction.

And finally ...

Cypress is a versatile wood that can be used in myriad ways, and with so many options, come even more questions. Because design professionals - along with consumers at all levels - continually turn to the SCMA for answers, we will be developing a series of short videos designed to provide an overview of cypress, discuss its different uses, and offer tips for finishing and refinishing this beautiful, unique wood.

For more information about our work, or to learn about the many benefits of SCMA membership, please visit www.CypressInfo.org.

Photo Courtesy of NextGen Home Experience®



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