



June 2019

A message from HMA's President

By Bob Miller

In my conversations with many of you, we've discussed a problem that is challenging more than a few of us – finding and retaining good employees. Much is being written about the situation, and I'm sure your HR experts are on top of the issue. Obviously, there is no easy solution, but it's not a hopeless situation. At Frank Miller Lumber, we've modified our modus operandi, and I'd like to share what's helped reduce our employee turnover.

Understand them - Their social circles are not the same as ours. They may have grown up without a parent, mentor or role model, and as a result their coping skills and adult behaviors are lacking. They most likely live their lives paycheck to paycheck.

Develop them - Take an active interest in their lives and help mentor them to become better people. Your attention and care will help to develop their coping skills. And the faster they can work through their personal issues, the faster they will be 100 percent focused on their work. (Also, some of our employees have benefited from a program called Marketplace Chaplains, [https://mchapusa.com/.](https://mchapusa.com/))

Communicate with them – A company culture that is open and honest cultivates good employees. They want to know how the company is doing, what it's doing, and that they are part of the 'team.' Leaving them in the dark creates a 'disconnect' between them and you.

Listen to them –And learn. Many times, they'll have great ideas, especially since they live with and see the problems in their work areas, each day. Listening to and considering their ideas grows the 'team' spirit, and helps you understand what they like and don't like about your company.

Reward them – Don't underestimate the importance of a 'pat on the back,' and your verbal, "great job!" Remember the positive effect of good old **cash** – like employee bonuses when the company does well or Gift Cards for cost-saving ideas or special occasions. (Birthdays, Thanksgiving, Christmas, etc.) Company Cookouts and Holiday dinners are great times to provide Company updates. And a competitive Employee Benefits Package will demonstrate your loyalty to them.

As you can imagine, all of this continues to be a work in progress for us, so do not hesitate to reach out to me, if you have questions. With that, I hope you have a great summer, and I wish you the best in 2019!

Bob

Where to find China Tariff Updates

As HMA receives informational updates regarding the evolving China Tariff situation, the **Trade Alerts** are posted to our member website at www.HMAmembers.org. To find the information, log on to the site, and once you are on the Home Page, simply click on the **'Industry News & More'** tab at the top of the page. There you will find the most current information, as received, from the American Hardwood Export Council (AHEC) and/or the Hardwood Federation. Direct questions to Dana Lee Cole, Hardwood Federation Executive Director, at 202.463.2705.

"An Economic Outlook"

Kicking off the Friday morning business session of HMA's 2019 National Conference and Expo was Macroeconomist and housing analyst, **Brendan Lowney**, Principal, Forest Economic Advisors (FEA). Lowney's presentation began with a taste of reality.

- The job market is "tight as a drum." Main U.S. wage indices are finally gaining momentum. Real household incomes have rebounded. Oil prices are a non-issue – the U.S. is now producing huge amounts of oil. The dollar is likely to remain strong.
- Yet, small business confidence is waning. The manufacturing sector is slowing. U.S. exports are getting more expensive. Healthcare costs are approaching \$20,000 per family. Housing is weak.

FEA forecasts that Real GDP growth will slow in 2019 to 2 - 2.2 percent - down from 2.9 percent in 2018 – then will trend up for the next several years. Lowney cautioned not to anticipate "gangbusters growth," but unlike other economic pundits, is **not** forecasting Recession.

FEA on Housing

"Housing's weak performance over the last 10 years is the main reason the U.S. economy has seen lackluster growth," Lowney said. "And it's Housing that has historically led the U.S. economy into Recession, and led it out."

- "The U.S. has been underbuilding for a decade. The most recent data suggest that housing is underbuilt by more than four million units, relative to underlying demand.
- FEA's long-term forecast is conservative. It assumes that much of the pent-up demand that has accumulated in recent years will never be released.
- Housing starts are projected to average 1.49 from 2018 to 2035. Underlying demand for this period is also projected to be 1.49M units per year. This means that we are assuming that very little pent up demand will be met over the next 15 years.
- On a National Basis, Housing will remain affordable despite higher mortgage rates. Homes will remain affordable by historical standards.
- Even if we make the pessimistic assumptions that the 30-year conventional mortgage rate will gradually increase to 6 percent (from its current level of 4.6 percent), nominal income growth will barely outpace inflation, and home prices will increase by 5 percent at an annual rate through the end of 2019. Home affordability will remain close to its average level of 1990-2005 until the very end of 2019.
- Unfortunately, home-affordability indices do not give a complete assessment of the typical homeowner's ability to buy a home. Credit conditions and local demand/supply conditions are also vital considerations for most potential homeowners.
- For most borrowers, credit conditions remain tight by historical standards and many local markets have much weaker affordability than the national index indicates."

The Future of Home Construction

We are on the verge of a revolution in the Construction Industry. Software capabilities exist for 'offsite building,' and the benefits are significant.

- **Weather:** Construction is indoors, where the weather is always sunny! Delivery is JIT and assembly is fast.
- **Greater efficiency, quality & predictability:** Greater precision in the manufacturing process, resulting in higher quality (fewer callbacks and warranty issues) – **and far less waste!**
- **Greater procurement efficiency:** Material requirements are more accurately calculated, buying in bulk – **and buying direct from manufacturer.**
- **Safety:** Falls from height and equipment accidents are not as much of an issue offsite.

To hear what Lowney had to say about CLT in construction, visit the **Members Only** section of www.HMAMembers.org.

NatCon planning call and so much more

Calling all HMA members! It's National Conference and Expo planning time. (Yes, you read that correctly.) And we'd like your participation in a conference call regarding **topic selection** for the learning sessions at our 2020 event in Nashville.

June 13 is the day. And we invite you to join the conversation. Call the HMA office, **412.244.0440**, for all of the call-in details, then mark your calendars, please. This is your Association. Your input matters!

And while your calendars are in hand, jot down these **National Conference & Expo** details. The dates for the event are **March 25 – 27, 2020**. The venue will be the **J.W. Marriott Nashville** – modern, luxurious, and located downtown directly across from the Music City Center, and just two blocks from the famous "Honky Tonk Highway." Take a look and get your planning started.

Other upcoming industry events:

- **Hardwood Federation Fly-In** – September 17-19, 2019
- **HMA South Atlantic Regional Meeting** – September 24 – 25, North Carolina
- **HMA 2021 National Conference & Expo** – March 24-26 – Hyatt Regency Austin

Need-to-know about our NextGen

In 2013, **HMA's NextGen Leaders Council** was established with the purpose of engaging and mentoring the generational group known as the Millennials. Membership is open to anyone under the age of 40 - who is currently employed in an HMA member company - and has been recommended by an HMA member.

The Council's current class is comprised of 16 bright and technically savvy industry 'youngsters.' Yes, they are the future leaders of our industry, and yet they realize that their success is dependent on industry know-how that only seasoned, hardwood veterans can provide. (Smart!)

For the veterans, mentoring these talented stakeholders is an ongoing and rewarding endeavor. And for the NextGen-ers, it's definitely a hands-on proposition. During their three-year term, all Council members:

- are encouraged to attend HMA Board of Directors meetings, as well as Hardwood Federation Fly-Ins, in order to become familiar with all aspects of the HMA and gain insight into industry issues.

- must be willing and available to work on various HMA sponsored projects to help further develop each Council member, and to offer insight and recommendations on improvements for the HMA.

The group is currently putting the finishing touches to its June project. Anticipate hearing about it at the Mississippi Valley Regional Meeting. Until then, HMA would like to recognize the 2019-20 NextGen Leaders Council members:

- **Tripp Pryor**, American Hardwood Export Council, Washington, D.C.
- **Geoff Henderson**, Anderson-Tully Company, Vicksburg, Miss.
- **Zack Rickman**, Atlanta Hardwood Corporation, Mableton, Ga.
- **Drew Battle**, Battle Lumber Company, Inc., Wadley, Ga.
- **Tyler Johnston**, Frank Miller Lumber Company, Inc., Union City, Ind.
- **Kelsey Tuck**, Gates Milling, Inc., Gatesville, N.C.
- **Richard Buchanan**, Granite Hardwoods, Inc., Granite Falls, N.C.
- **Logan Josey**, Josey Lumber Company, Inc., Scotland Neck, N.C.
- **Jacob Schriener**, Northwest Hardwoods, Inc., Tacoma, Wash.
- **Kyle Gunderson**, Pike Lumber Company, Inc., Akron, Ind.
- **Jason Dallas**, Stella-Jones Corporation, Pittsburgh, Pa.
- **Nick Thompson**, Thompson Appalachian Hardwoods, Inc., Huntland, Tenn.
- **Truss Beasley**, Thompson Hardwoods, Inc., Hazlehurst, Ga.
- **Jeremy Garcia**, Wellborn Cabinet, Inc., Ashland, Ala.
- **Krystle Edwards**, Edwards Wood Products, Inc., Marshville, N.C.
- **Cassie Lewis**, Turn Bull Lumber Company, Elizabethtown, N.C.
- Council Coordinator - **Claire Getty**, Thompson Appalachian Hardwoods, Inc., Huntland, Tenn.

For more on the NextGen Leaders Council, visit www.HMAMembers.org.

Your opportunity to grow, groom, inspire

If you are one of the many hardwood producers and processors feeling the skilled labor 'pinch,' there is a way to ease the sting. Grow your own workforce via [The Hardwood Manufacturers Certificate Program](#), a unique 12 week/14 credit program geared to the labor needs of the hardwood industry.

Endorsed by the Hardwood Manufacturers Association, and in conjunction with the Northcentral Technical College, Antigo, Wisc., the program is your opportunity to grow, groom and inspire the supervisors, lumber inspectors, Kiln operators, quality control technicians and plant managers so desperately needed in your hardwood facilities.

- **Upon Program completion**, certificate holders will be able to identify hardwood species; scale, grade and value hardwood logs; breakdown logs and edge/trim lumber; investigate slicer and rotary veneer manufacturing; examine the physical and mechanical properties of wood; operate a conventional dry kiln, and apply basic hardwood lumber inspection grading rules.
- Courses will be conducted, **September 3 – November 22, 2019**, at Northcentral Technical College's 27,000 square foot state-of-the-art Wood Technology Center of Excellence, Antigo, Wisc.
- Program specifics – detailed course descriptions, course costs, housing information - are available at www.HMAMembers.org.
- Prospective students may apply **online**. And questions regarding the Certificate Program should be directed to Wood Science Instructor, Travis Allen at 715.348.7723 or allen@ntc.edu.

Don't miss this opportunity to grow, groom and inspire. **The application deadline is August 9.**

Hardwood Federation Update

By Dana Lee Cole

Hardwood Federation Executive Director

First off, an important note regarding the China Tariff situation! As I'm sure you know, the situation is an evolving one. Such an elusive resolve is frustrating to all involved. That, however, is politics in Washington, I'm afraid.

Please know that the Hardwood Federation team will continue to carefully monitor the situation and provide information - as we receive it - and analysis and insight, as we can. I welcome your comments, as always. And I'll remind you that our Trade Alert Informational Updates are being posted to www.HMAmembers.org. (Thank you HMA!)

Forest Funding Still on the Table

Friend and forester Rep. Bruce Westerman (R-AR) recently reintroduced his Resilient Federal Forests Act - his comprehensive forest management reform bill that has passed the House the last couple of Congresses, but has yet to be taken up by the full Senate. The legislation relies heavily on establishing new "categorical exclusions" (CEs) from comprehensive environmental impact assessments required under the National Environmental Policy Act (NEPA) to expedite needed forest management work on federal lands.

- Westerman has been advocating equipping the Forest Service with more CEs as a common sense approach to allow forest management projects that are similar in scope to other projects that have already undergone environmental assessments to move forward quickly.
- A key provision in the bill would authorize a new CE for improving and restoring National Forest System lands or to reduce the risk of wildfire. Among the many activities authorized by this provision is forest thinning and hazardous fuels management. The acreage limitation for this CE is capped at 10,000 acres.
- Also, the bill authorizes a pilot program for using arbitration, instead of litigation, to address challenges to forest management activities.

Over the last few years, Hardwood Federation has strongly supported this legislation as an effective approach to not only reduce the risk of catastrophic wildfire, but also thin our overstocked and undermanaged forests that are threatened with insect infestation and disease.

However ...

In the new Congress this year, the political dynamic has changed, and so have the prospects for the Resilient Federal Forests Act. Democrat leadership on the House Natural Resources Committee is not embracing forest management as an effective wildfire prevention tool, arguing instead that thinning trees (particularly larger trees) accelerates the spread of wildfire as wind driven fires more easily penetrate the forest stand.

Westerman's legislation is not likely to move in the House this Congress; however some of its provisions may be folded into Senate legislation that may materialize later this year. In a recent meeting with Senate Energy & Natural Resources Committee staff, we learned that Senators Daines and Feinstein are working on legislation that would promote more forest management projects on federal lands, and incentivize deployment of biomass facilities to help process additional forest material flowing off these lands.

Also, incremental progress on forest management policy may be enacted through the appropriations process. In the Fiscal Year 2020 Interior appropriations bill, there is language directing additional funding for hazardous fuels management, as well as incentives for increasing use of biomass off of federal forest lands.

The HF team will be working with our House and Senate champions to help inform the public policy debate around the need for more forest management, continuing the progress we've made on this issue over the last few years.

Lastly ...

Another forest health issue receiving high level attention is invasive species. Senate Minority Leader Chuck Schumer (D-NY) recently visited a Cooperstown, NY baseball bat manufacturer located across the street from the Baseball Hall of Fame. Schumer got an earful about the Emerald Ash Borer's threat to ash trees, and the potential impacts on the New York economy, and our nation's pastime.

Since his visit, Schumer has advocated for increasing FY 2020 funding for accounts within the U.S. Department of Agriculture to combat the spread of this insect and other invasives. And while HF has not seen Schumer's specific appropriations request, it is reported that he's asked for a considerable increase in funding for this account.

As always, HF will continue to monitor these issues. Contact me with questions, please.

A close-up look at Hardwood trends

During the final business session of HMA's 2019 National Conference and Expo, market sector 'key' players – **Darcie Miller**, Kitchen & Bath Designer, Wellborn Cabinet, **Matt Weaber**, CEO, Weaber, Inc., and **Emily Morrow Finkell**, CEO, EF Floors & Design – presented this snapshot regarding Mega trends in Cabinetry, Moulding/Shiplap, and Flooring.

Cabinetry Design Trends for 2019 and Beyond – Darcie Miller, Wellborn Cabinet

- **Color** – is the #1 driving force in determining what's hot and what's not, when it comes to cabinetry. Leading the pack, all shades of white, followed by shades of gray, greens, blues and nature inspired colors. The warmth of Walnut is being requested for drawer options, interior kits and accessories. And "pops of color" are trending in all materials.
- **Door Styles** – are next in the request list. Shaker and Slab doors answer to the clean, contemporary look that is currently all the rage. Flat Panel doors are being requested in veneer. Inset doors help create a transitional look. And MDF (Medium Density Fiberboard) door styles are very requested, reflecting the IKEA and Import Effect of the growing Millennial market base.
- **Clutter Free & Maximizing Storage** - Consumer demand for creative solutions to storage issues is prompting cabinetry designs with unique pull-outs, small yet organized spaces, dual functionality and ergonomics.
- **Technology** - comes into play as innovative, modern solutions answer to Clean and Modern and Lifestyle-driven design. Hiding TVs, keyboard and printer storage nooks, and Lighting – the most important trending design element – on cabinet interiors, doors and drawers.

"Getting creative and pushing the envelope" – Matt Weaber, Weaber, Inc.

"Feature **Wood Wall** trends are everywhere, with emphasis on texture. This is achieved by adding Moulding, Wall Boards, Ship Lap and Board & Batten applications.

- **Ceiling** trends are becoming more popular every day. Ship Lap and light or natural wall boards are the most commonly used. They add texture and warmth to a somewhat underutilized area.
- **Moulding** trends bring fun geometric and traditional cabinet wall panels that add depth and life to a flat surface.
- **Color** trends are starting to warm up. Cool grays are on the way out, with warm whites and earth tones starting to emerge. Also, accents in deep jewel tones in emerald and sapphire."

As Weaber Inc. transitions into the future, the focus is to "make hardwoods interesting, affordable and DIY (Do It Yourself) friendly" - creating aesthetically pleasing, affordable hardwood products that are easy for consumers to install, and using Social Media to first generate interest in the finished products; and then to demonstrate the 'how-to' process.

"Different parts of the country have different tastes," Weaber said. So develop products that answer to those tastes. And as an industry, "we need to get creative and keep pushing the envelope."

(Editor's Note: Currently, Weaber's weathered wall board products are in every Home Depot in North America. Their strategy appears to be working well for them.)

"Staying ahead of the Design Curve" – Emily Morrow Finkell, EF Floors & Design

The affluent buyer is looking for "attainable luxury that feels indulgent, but is within reach." And Mega Trends are showing that design, quality and color matter!

- The raw beauty of the wood and the desire for "cleaner" looking hardwood flooring is a Mega Trend. But **Pattern** matters, with the demand for more creative installation techniques, like herringbone, a timeless look and a growing Mega trend.
- Designers, consumer and commercial, are looking for **Quality** – higher end, better materials like Rift and Quarter – and price points, so that they have options.
- As to **Color**, people are looking for more choices and more variety. Grays are still strong, but with a warming of the gray palette. (Dark-Dark, Light-Light, Neutrals, Cerusing, Light-White effects.) And Greige – a gray/beige combination – is the foundation color across the hard surface, flooring category.

Who is the affluent buyer?

Millennials are important, for sure. But do not forget the Baby Boomers, the wealthiest of the demographic groups. They like service. They like attention. They appreciate quality. And they are more brand loyal than GenY.

And what about technology?

Make it work for you. The Digital World has impacted how consumers and designers see and manage design trends, with the critical question being – How will this look on Pinterest or Instagram?

Visit the Members Only section of www.HMAmembers.org for the audio recordings and PowerPoint presentations from these in-the-know presenters.

Funding approved for Hardwood CLT study

In a May news release, the Forest Service announced that 41 projects have been selected and will be funded by the 2019 Wood Innovations Grant program. One of the grant recipients is a project of the Virginia Tech Department of Sustainable Biomaterials, "**Multi-State Effort to Overcome Barriers to Low-Value Hardwood Lumber for CLT Manufacture.**"

According to the release:

- "This year, the U.S. Forest Service received 140 proposals, demonstrating the expanding interest in using wood in traditional and unconventional ways – as an innovative building material or a renewable energy source.
- The Forest Service awarded over \$8.9 million through the Wood Innovations Grant program, and thirty-nine businesses, university, nonprofit and tribal partners, in 20 states, are matching the grants with an additional \$8.8 million.
- Of the 41 projects selected, 29 focus upon expanding markets for wood products, and 12 seek to increase markets for wood energy.
- Projects will take place in Alaska, Arizona, California, Florida, Georgia, Idaho, Massachusetts, Maine, Minnesota, Montana, North Carolina, Nebraska, Nevada, Oregon, Puerto Rico, South Carolina, Virginia, Vermont, Washington and Wisconsin."

The entire news release is available at www.fs.fed.us/news/releases.

Time to take stock of your medicine cabinet

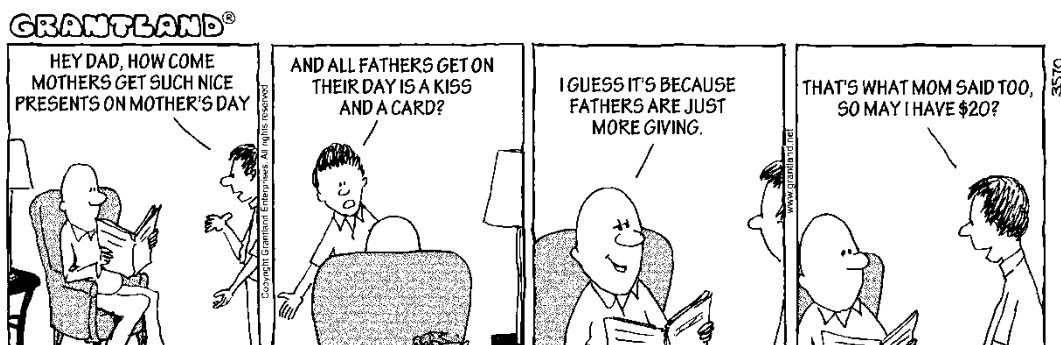
Think 'spring cleaning' is just for eliminating pesky cobwebs? Think again. Annual cleaning efforts should include taking stock of the contents of your medicine cabinet, followed by the safe disposal of medications – prescribed or over-the-counter - that are expired or appear questionable.

Get started by checking labels. Expiration dates will identify the "last day the manufacturer guarantees the full potency and safety of the medication." And regardless of the date, IF the medication looks or smells "different," don't take chances. It may have been damaged by moisture. Get rid of it. And here's how.

- www.disposemy meds.org is an "online resource to help you find medication disposal programs in your neighborhood." Also, local police and fire departments often conduct collection days for unused drugs. Give them a call.
- National pharmacies – CVS, Rite Aid, Walgreens - often sell postage-paid envelopes for mailing of unused medications to disposal facilities. Talk to your pharmacist. (Be sure to remove your personal information from all labeling.)
- If the Trash is your bag, crush solid medications; mix with inedible substances like coffee grounds, dirt or kitty litter; place in a sealed bag or container, and dispose. (To avoid medical identity theft, remember to black out or remove personal information from the empty prescription bottles.)

Flushing, as a disposal method, should be considered as a last resort. Dangerous drugs can end up in the water supply. Harmful all around!

Information source: www.consumerreports.org





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