

Appalachian Hardwood *Sustainable & Legal*

Monthly newsletter of
Appalachian Hardwood Manufacturers, Inc.

June 2018



1928 - 2018

Hardwood CLT, Export Tariffs Highlight Agenda

New markets for low grade lumber in cross laminated timber will be discussed at the 2018 Appalachian Hardwood Manufacturers, Inc. **Summer Conference on July 29-31** at The Homestead, Hot Springs, VA.

The potential for large timber use in residential and commercial building could mean strong business for the forest products industry. LignaTerra USA and Argent Timberland's Michael Shearer will discuss the company's plans to build a Cross Laminated Timber plant in Maine. The company considered sites in WV and PA and there are discussions for the Appalachian region.

The other business presentations are also timely:

- **What Tariffs / Bans Mean To Trade** will be presented by US Department of Commerce's Senior International Trade Specialist Brian Eric Ledgerwood. With recent tariffs imposed by President Trump and threats of retaliation from other countries, the session will be very important to AHMI members.

- **Hardwood Markets in 2018** - HMR's David Caldwell will detail the hardwood lumber market conditions in the first six months of 2018. He will share their data on domestic and international markets.

- **The Lacey Act Amendment & 10 Years of Success** - The Lacey Coalition's Grace Terpstra will show three videos of hardwood industry leaders (*including AHMI members*) marking the 10th anniversary of the Lacey Act Amendment to include forest products and the protection it provides the hardwood industry.

There will be golf and sporting clays tournaments and time for networking with members and



Tall timber buildings are on the rise in U.S. and have great potential for lumber

guests during the meeting and receptions.

The resort celebrates its 252nd year in 2018 as AHMI marks 90 years. There will be a special AHMI anniversary celebration during the meeting with invitations to past presidents/chairmen.

There are breakout sessions planned for Tuesday morning on:

- TradeTec's "Maintenance Man" ROI
- Log Grading Rules Committee Meeting

Please select one of the sessions when registering.

The Omni Homestead Resort touts itself as America's first resort. It has more than 2,000 acres of scenic Virginia landscape and provides timeless comforts and an exciting array of activities.

Please make your room reservations before June 25 by visiting appalachianhardwood.org/meetings/ OR call (800) 838-1766 for best room selections. AHMI members have the Modified American Plan which includes breakfast and dinner. Please register with AHMI today at appalachianhardwood.org/meetings/

The way I see it...

By Tom Inman, AHMI President

...the log export crisis of 2018 is still playing out as containers of logs are arriving at Chinese destinations.

Regular reporting finds that one port will accept the logs for fumigation and the next port will not. Then a port that was accepting yesterday does not accept today.

It is truly a changing target for most log exporters. It has also caused many to slow the volume of logs that are being shipped until more details are worked out with the Chinese government.

During a recent teleconference with US Department of Agriculture APHIS representatives, it was stated that more than 10,000 containers of logs had been imported at one Chinese city. The containers were being fumigated at a rate of 100 containers a day AND more containers were coming.

Log exporters have asked USDA to seek approval from their Chinese counterparts for additional methods of fumigation. China does accept products fumigated by other chemicals from other countries that are not approved from the US.

In the meantime, Royal Fumigation wants to expand operations and open new sites in the northeast. They are asking the wood industry for help in locating fumigation facilities near ports but note that it can take 3-6 months to before they are operational depending on the state's regulations.

The issue with log exports have increased the log availability to Appalachian sawmills in the past few weeks. The uncertainty in China has loggers and log yards reconsidering domestic sales for saw logs.

Secondary manufacturers are working with US sawmills to counter log exports. The Alabama State Legislature recently adopted a resolution calling on the U.S. government to create a level playing field in the realm of competition through the enforcement of applicable law.

I will be participating in the American Hardwood Export Council Southeast Asia Convention in Xian. I will have updates upon my return.

AHMI Sends RFP For Low Grade Research

Appalachian Hardwood Manufacturers, Inc. and the Appalachian Hardwood Center at West Virginia University are seeking ideas on low grade hardwood utilization.

Requests for Proposals were mailed in May to dozens of researchers across the region asking for ideas to improve the value of low quality hardwoods from Appalachia and provide a place for industry and talented researchers, develop solutions to these issues.

Projects funded under the RFP will have a defined industry and academic partnership. It is the intent of the AHMI/HRT to focus on real world issues that affect the Appalachian forest products industry and develop potential solutions.

All proposals must be submitted by Aug. 15, 2018 and will be reviewed by a Committee of AHMI members and HRT representatives. For more information, please contact the AHMI office at info@appalachianwood.org.

2018 Resource Guide Available

The 2018 Appalachian Hardwood Resource Guide is out to thousands of hardwood lumber consumers and emailed to more than 15,000 international buyers.

If you need copies for your staff, please contact AHMI. The electronic version is available online at www.appalachianhardwood.org and follow the link for Resource Guide. There are separate listings for each AHMI membership division as well as the entire Guide.

The data is also available on our mobile APP.



The 2018 AHMI Resource Guide promotes Certified Appalachian and is available in print or electronic versions. Go online to appalachianhardwood.org or contact the office for copies.

Powell Valley Millwork Set For \$3.4M Expansion

Powell Valley Millwork (PVM), a poplar mouldings manufacturer, will invest \$3.35 million and create additional employment opportunities at its Powell County facility, KY Gov. Matt Bevin announced recently.

"Powell Valley Millwork was founded by Eastern Kentucky natives, and it serves as a shining example of the abundant workforce potential waiting to be unleashed in that part of our state," Bevin said. "We are grateful to the company for its continued dedication to the Powell County community and to Kentucky, and we hope to see continued, steady growth in the years ahead."

PVM will grow its operation on Lofty Heights Road in Clay City by 26,000 square feet adding new product lines as demand for products grow. PVM purchased the 35-employee facility four years ago and has since added more than 65 team members across two shifts. The expansion began in April and should be finished this year.

"We are excited about our new expansion and look forward to completion later this year," said

Jimmy Thornberry, PVM president. "The professionals at KEDFA, elected leaders in Frankfort and our local officials have been instrumental in facilitating a recipe for business success in the commonwealth. We are fortunate to call Powell County home and are eager to continue our growth in the region."

PVM produces a wide variety of mouldings and millwork products – including primed interior trim profiles, plantation shutter components, door and window jambs, picture frame mouldings and canvas stretcher bars – for large-volume customers, such as millwork distributors, lumber yards and big box stores.

The company carved a niche in poplar hardwood production, and sources materials from more than 30 sawmills in the region, most of which are located in Eastern Kentucky. PVM operates a closed-loop facility, meaning no byproduct or waste is sent to landfills. Sawdust and wood shavings are used as fuel for the facility's boiler and as animal bedding.

Cabinet Sales Up 7% In April

Cabinet sales rose 6.7% in April compared to the previous year's figures, boding well for the industry. According to participating members in the Kitchen Cabinet Manufacturers Association's (KCMA) monthly Trend of Business Survey, stock sales were up 13.5% and custom sales rose 11.7%, while semi-custom dropped 1.2% compared to the same period the prior year.

Year-to-date cabinetry sales through April recorded a slight gain of 0.9%. Stock sales were up 2.0% and custom sales increased 2.9% year-to-date, however semi-custom sales dipped slightly, down 0.7%.

The KCMA Survey participants include approximately 70% of the U.S. kitchen cabinet and bath vanity market. KCMA says 63% of its cabinet manufacturer members report sales below \$10 million annually, reflecting the importance of small manufacturers in the industry.

NAHB: Housing Costs, Size On Increase

The escalation of framing lumber prices - up 59% since the start of 2017 - could slow down a hot building markets, reports an economist with the National Association of Home Builders.

A recent NAHB survey suggests the price for softwood lumber has overtaken the availability of labor as the primary business challenge for home builders. Since the beginning of last year, rising lumber prices have added more than \$7,000 to the price of a typical new home and more than \$2,000 to the price of a typical apartment.

Nonetheless, builder confidence remains strong, despite total housing starts falling 3.7% in April. Recent data also shows a gain in average new-home size, which is an early indicator of weakness in the entry-level market due to rising input costs.

Farm Bill Set For Second Vote This Month

By Dana Lee Cole

Hardwood Federation Executive Director

In a surprising development late in May, the full House voted down the Agriculture and Nutrition Act of 2018 (H.R. 2), known as the Farm Bill. The final vote became complicated as House conservatives were pressing for a vote on an immigration bill and the Farm Bill failed on a 198-213 vote.

However, there does seem to be a path forward. House Leadership has announced that a second vote on the Farm Bill will happen the week of June 22...after a vote on the immigration bills in question. The Senate is committed to a bipartisan bill. The House bill lines up HF public policy priorities:

Market Access and Foreign Market Development Programs: H.R. 2 reauthorizes these two critical export promotion programs and funds them at \$200 million and 34.5 million, respectively. The legislation combines export programs into a new “International Market Development Program” which is comprised of several components, including the Market Access Program, Foreign Market Development Program and Emerging Markets Program. The bill authorizes \$255 million a year for this new International Market Development Program, of which MAP receives the lion share at \$200 million and FMD at \$34.5 million.

Federal Forest Management Reform: H.R. 2 builds upon the federal forest management reform provisions in the omnibus spending deal forged earlier this year. The legislation would provide several new tools for the Forest Service to expedite forest management projects. Specifically, the bill authorizes a number of new “categorical exclusions” from environmental reviews that will facilitate needed project work. These new CEs are designed to: (1) Expedite salvage operations in response to catastrophic events; (2) Meet forest plan goals for early successional forests; (3) Manage “hazard trees”; (4) Improve or restore National Forest System lands or reduce the risk of wildfire.; (5) Forest restoration; (6) Infrastructure-related forest management activities.; (7) Managing insect and disease infestation.

Timber Innovation Act: H.R. 2 includes the research provisions of the Timber Innovation Act. Specifically, the legislation directs the USDA Secretary to conduct performance-driven research and development, education, and technical assistance for the pur-

pose of facilitating use of innovative wood products (mass timber/tall wood buildings) in wood building construction in the US.

Biomass: The legislation includes an Energy Title which authorizes a number of programs to incentivize the use of forest-based biomass for energy and other applications. One of the areas in which the Hardwood Federation has been active is on reauthorizing and expanding upon the Community Wood Energy Program or CWEP—which is included in the Energy Title. We were successful in securing a five-fold increase in this program’s authorization and significantly expanding its scope.

The Energy Title also includes USDA’s BioPreferred program. The BioPreferred program includes both a federal purchase preference for biobased products (including forest products) as well as a voluntary product labeling program.

Among the amendments that were approved during full House consideration are the following:

- Directing payment of a portion of stewardship project revenues to the county in which the stewardship project occurs.
- Authorizing counties to be included in Good Neighbor Authority cooperative agreements in order to improve forest health and watershed restoration.
- Authorizing expedited salvage operations for areas burned by wildfire to salvage dead trees and reforest to prevent re-burn, provide for the utilization of burned trees, or to provide a funding source for reforestation. Requires a two month environmental assessment for reforestation activities and 75% of the burned area be reforested.
- Requiring the Forest Service to consider long-term health of nation’s forests when developing collaborative management plans, and shields agency decision making from certain injunctions on sustainable forest management.

- Reauthorizing the Collaborative Forest Landscape Restoration Program through 2023 and waives the requirement that proposals eligible for funding under the program prioritize ecological restoration treatments for a 10 year period.

We continue to work with our allies to include as much as possible of the above language in the Senate version. It looks to be a busy summer for us on this issue!

AHMI Trade Show / Meeting Activities

Appalachian Hardwood Manufacturers, Inc. will attend / display at the following meetings and other events to promote solid hardwood and AHMI member companies:

June 21-22: **AHEC Asia Convention**, Xi'An, China

July 29-31: **AHMI Summer Conference**, The Homestead, Hot Springs, VA

Aug. 22-25: **International Woodworking Fair**, Atlanta, GA

Sept. 11: **Appalachian Lumbermen's Club**, Concord, NC

Sept. 11-13: **Hardwood Federation Fly In**, Washington, DC

Sept. 24: **Penn York Club Meeting**, State College, PA

Sept. 25: **Pennsylvania Forest Products Association Meeting**, State College, PA

Oct. 2-4: **NHLA Convention**, Toronto, Canada

Oct. 13-17: **High Point Furniture Market**, High Point, NC

Oct. 15-16: **AHMI Fall Meeting at the Furniture Market**, High Point, NC

Oct. 15: **ASFD Pinnacle Awards**, High Point, NC

Oct. 18-19: **Wood Pro Expo**, Lancaster, PA

Nov. 13: **Appalachian Lumbermen's Club Meeting**, Johnson City, TN

For more information or to participate in these events, please contact the AHMI office.



AHMI participated in Expo Richmond recently with more than 6,000 attendees at the event. Tom Inman talks with AHMI member Bob Rorabaugh of Rorabaugh Lumber.

50,000 Truck Drivers Needed

According to the American Trucking Associations, there's a shortage of roughly 50,000 truck drivers across the country.

Companies are complaining about how the driver shortage is impacting their business. The driver shortage is blamed on several factors, according to Bob Costello, chief economist at American Trucking Associations.

"Demand is strong, trucks haul over 70 percent of the freight tonnage, our average age is very high," said Costello. "So much of it revolves around demographics."

He said new technology limiting the hours a truck driver can work in a given day – electronic logging devices (ELDs) has also idled trucks.

HMA Tours Appalachia

Hardwood Manufacturers Association members recently completed tours at three facilities in the Appalachian region and AHMI's Tom Inman participated.

The tours were New River Hardwood's sawmill in Roan Mountain, TN, and sawmill and kiln operations in Mountain City, TN. The third stop was Mullican Flooring's plant in Johnson City, TN.

Attendees viewed new mill equipment at the sawmills and engineered flooring production. A few participants visited New River's sawmill at Cumberland Gap, VA.



Tour participants view Mullican Flooring

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AHMI Summer Conference

The Homestead, Hot Springs, VA
July 29-31, 2018



Registration

To accurately plan the functions and make sure all participants are included on the Registration List, please complete this form and return it with your check or complete the credit card information below by July 16, 2018 and mail to AHMI, P.O. Box 427, High Point, NC 27261.

MEETING REGISTRATION FEES

AHMI MEMBER - \$350 per person

AHMI MEMBER SPOUSE - \$250

CHILDREN 10 & older - \$195

CHILDREN UNDER 10 - free

GUEST - \$450 per person

GUEST SPOUSE - \$350

MONDAY SESSION ONLY - \$175

Full registration will be refunded on cancellations received by July 16, 2018. Cancellations received after that time subject to 50% forfeiture.

PLEASE REGISTER THE FOLLOWING FOR AHMI'S SUMMER CONFERENCE

Name: _____ Badge Name: _____ FEE: \$ _____

Company: _____

Address: _____

City/State/Zip: _____

AHMI GOLF TOURNAMENT (Monday at 12:30 p.m. The Old Course, includes boxed lunch)

Name: _____ FEE: \$225

Name: _____ FEE: \$225

SPORTING CLAYS TOURNAMENT (Monday at 12:30 p.m. The Gun Club includes lunch)

One round of 100 - Includes gun, ammo and targets, boxed lunch

Name: _____ FEE: \$225

Name: _____ FEE: \$225

Total _____

Check enclosed _____

Credit Card: _____

Expiration date _____ Security Code _____

Name on card: _____

Billing zip code _____

You may also register online at www.appalachianhardwood.org.

Please make your room reservations today by visiting <https://www.omnihotels.com/hotels/homestead-virginia/meetings/appalachian-hardwood-manufacturers-inc> OR Call reservations at (800) 838-1766 and you must book by June 29, 2018.

Certified Appalachian Builds Sourcing Base

The first Appalachian Hardwood Manufacturers, Inc. members have successfully completed the requirements of Certified Appalachian Hardwood and received certificates and other materials.

The Certified Appalachian program was developed in 2017 to provide a third-party audit to standards approved by the AHMI Trustees in January. Member companies are able to certify the legality and sustainability of their logs, lumber and hardwood products.

The program is the next phase of the successful Appalachian Hardwood Verified Sustainable and Legal campaigns that began in 2007. These verify member companies are adhering to voluntary standards adopted by the AHMI Board.

The Verified programs are still in place for members that have customers needing that level of green marketing.

The Certified Appalachian requires that logs and lumber:

- 1) originate in the AHMI region (344 counties in 12 states)
- 2) are sustainably managed and harvested based on USFS Forest Inventory Analysis
- 3) are legally purchased with new procurement forms for landowners/loggers/suppliers to sign and return
- 4) AHMI members must be a legal entity and adhere to the laws of their state and country.

AHMI members will be Certified Appalachian for Sustainable and/or Legal and audited every two years. AHMI has contracted with a North Carolina firm, Auditech & Associates, to perform the audits.

The association is marketing the program to furniture, cabinet, and flooring companies as well as designers and architects. The ability to search for Certified members is listed on the revised website.

Details and enrollment forms have been mailed to AHMI members. Please contact the AHMI office.

