

Appalachian Hardwood Sustainable & Legal

Monthly newsletter of
Appalachian Hardwood Manufacturers, Inc.

August 2018



Tariffs & Markets Dominate Summer Conference

A large crowd of members and guests celebrated the 90th Anniversary of Appalachian Hardwood Manufacturers in July at The Omni Homestead in Hot Springs, VA.

The association recognized members and companies that have contributed to its success over the past nine decades. Dozens of former board members and chairmen were in attendance and honored for their years of service.

The business sessions included presentations on key industry topics. A brief description of each follows:

Trade Tariffs

US Department of Commerce's Senior International Trade Specialist Brian Ledgerwood explained recent tariffs imposed by the Trump Administration and threats of retaliation from other countries. He said the President's trade policy agenda has five pillars:

1) Supporting National Security

2) Strengthening the U.S. Economy – Manufacturing, Jobs

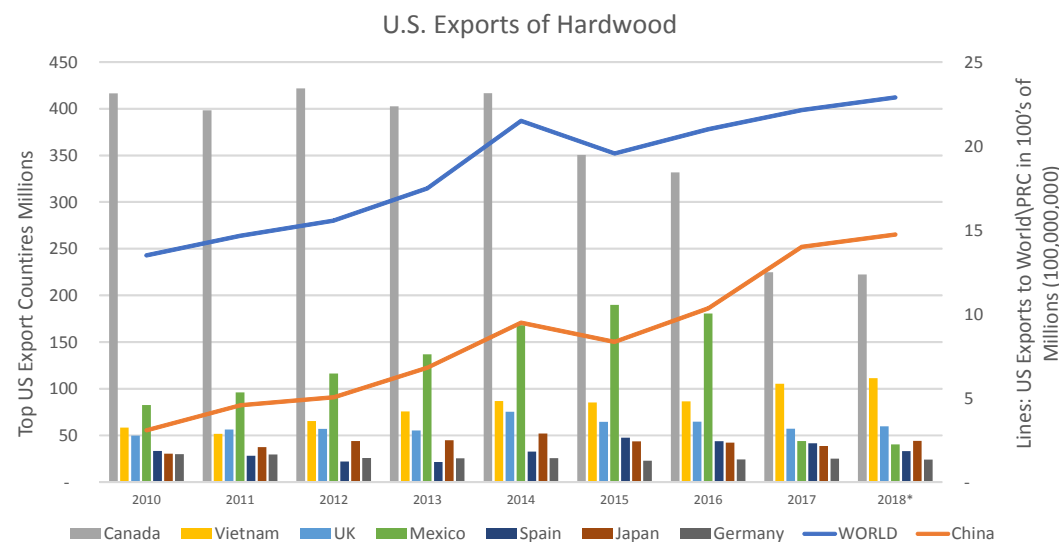
3) Negotiating Better Trade Deals – Ensure U.S. Industry Competitiveness

4) Aggressively Enforcing U.S. Trade Laws – Ensure Level Playing Field

5) Reforming the World Trade Organization

Principle areas of interest for the forest products industry includes market access, smooth trade flows and reduced costs, lower regulatory issues and fair competition. He said the administration is enforcing trade laws, eliminating market-distorting subsidies and practices, and fighting currency manipulation.

Ledgerwood said the US Commerce has identified the following emerging Asian markets outside of China: Vietnam, Korea, Malaysia and Cambodia. Other markets closer to the US include Jamaica, Turks & Caicos, Dominica, Saint Maarten and Anguilla.



Hardwood Markets in 2018

Hardwood Market Report's David Caldwell offered an analysis of current markets for hardwood lumber. The presentation showed that domestic markets for hardwoods were mixed with furniture and flooring up
(Meeting pg. 3)

The way I see it...

By Tom Inman, AHMI President

...a trade mission with Chinese lumber buyers last week was great timing to gather specific information on what Chinese manufacturers think about the U.S.-China "trade war."

I set up the mission visit three months ago with the USDA Agricultural Trade Office in Beijing. They solicited buyers from Chinese manufacturing plants and timber importers and were promised visits to Appalachian sawmills and yards and learn about the lumber supply.

We accomplished that and more over five days with 1,640 miles, 15 visits and more than 70 containers of lumber purchased. While the mission group was small, they were ready to buy.

(Their contact information was sent to more than 100 AHMI members. If you did not receive or have questions, please contact the AHMI office.)



Chinese visitors at Harold White Lumber in KY

What I did not plan on was having first-hand information on what Chinese companies think about the tariffs that have been threatened from both sides. It was the first question that was asked of them at every stop. I learned:

1) The Chinese economy has slowed considerably in 2018. There has been a tightening of credit from many Chinese banks and money is not readily available to consumers.

2) Chinese buyers are using the threat of tariffs to drive down prices on American hardwood lumber. The reduction has been as much as 25% (*equal to the tariff proposed on red oak*) over the



AHMI welcomes the following new members:

Supplier

Taylor Machine Works, Inc.
Stuart Tucker
2430 Thornfield Dr
Lenoir, NC 28645
Tel: 662-773-3421
stucker@taylorbigred.com

Consumer

Tracer Imaging, LLC
Steven Spiro
18 Glenn Street
White Plains, NY 10603
Tel: 914-949-3958
Fax: 212-658-9199
steven@tracer1.com

past month.

3) These buyers are certain the Chinese government will impose the tariffs on hardwood logs, lumber and products in October if the Trump Administration proceeds with tariffs.

4) The devaluation of the Chinese currency has decreased the Chinese consumers' buying power and increased of the cost of imported goods.

These buyers wanted lumber delivered before October to get ahead of any tariff. They did buy but it was unlikely lumber would be on the port before early October because of demand on trucks, containers and bookings.

The tariff issue is far from resolved and the weeks ahead will set the tone for the fall and winter. AHMI will keep you informed of any changes.

These buyers liked what they saw - Appalachian Hardwood species that had excellent color, was on grade and reasonably priced. The mills and yards had a good supply of logs, were producing consistent lumber and eager to do business with Chinese companies.

If we can reduce the threats, we will likely have business for the longer term.

Meeting from page 1)

almost 2% while millwork and cabinets were down .5% for the first six months compared to 2017.

Caldwell said domestic markets make up 52% of hardwood sales in 2018 and exports are split with 26% to China and 21% to the rest of the world. Challenges for the hardwood industry include log exports, labor, wood by-products and higher interest rates.

Caldwell offered great historical information on AHMI including a timeline for major events and a pricing report on Appalachian hardwood lumber from 1925.

CLT and Hardwoods

West Virginia University Professor David DeVallance discussed the state of cross laminated timber and the hardwood industry. He was a replacement for the speaker from LignaTerra and talked about his research species from the Appalachian region which have the most potential to be used in production of CLT panels.

DeVallance said the next steps are to determine the available dimension and grade of the boards to be used in CLT production. He said structural lumber grades should be considered to produce and market low-grade hardwoods in CLT.

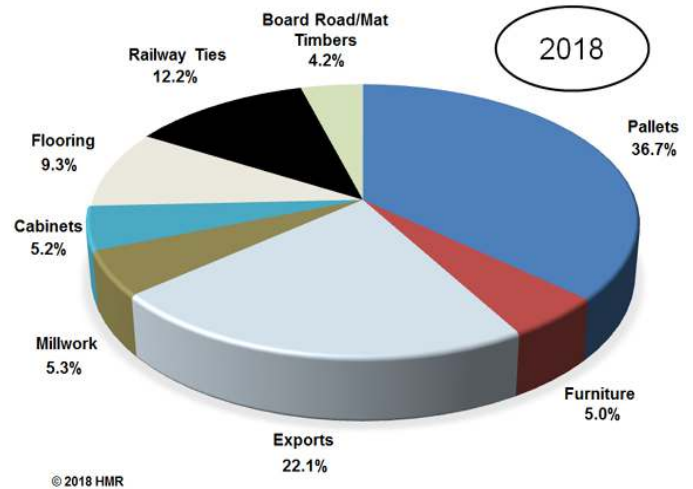
Research has shown that:

- The standard require 3.5x thickness, every board above 4" in width would be acceptable to produce CLT panels.
- 99% of yellow-poplar and 95% of soft maple met this dimension criteria.
- Since boards are end-jointed, there are no restrictions for lengths.
- When performing an economic analysis, #2 NHLA graded hardwood lumber and #2 structurally graded softwoods should not be compared.

The Lacey Act & 10 Years

The Lacey Coalition's Grace Terpstra announced the 10th anniversary of forest products being included in legislation protecting animals and plants. She introduced three videos with hardwood industry leaders including AHMI members talking about the success of the Lacey Act.

The Lacey Act was expanded in 2008 to include



HMR Graph of Hardwood Markets in 2018

forest products that combat the increase in illegally harvested lumber and products entering the US. The change has forced importers and manufacturers to document the sources of timber in their products and dramatically reduced the volume of illegal wood.

The videos are available online at www.laceycoalition.org.

Breakouts

There were breakout sessions on TradeTec's "Maintenance Man" software, the development of a Log Grading Rules Committee and explanation of AHMI's Certified Appalachian program.

All of the slide presentations are available at www.appalachianhardwood.org. There are two videos from the presentations on "Tariffs" and "CLT" that are available on the AHMI YouTube channel at <https://www.youtube.com/channel/UCdY9vTs-ME-7NCiTYFHHmtA>

Tournament

Golf and sporting clays tournaments were held. The winners were: Golf: Low gross-Ryan Harman; 2nd place-Chris Griffin; 1st Net- Brian Conklin; 2nd- Alan Robbins; Closest to the Pin-Ryan Harman; Long Drive-Ben Mathews

Clays: 1st-Steve Houseknecht; 2nd-tie between Steve Hamer, Tony Honeycutt and Lance Johnson.

The next meeting of the association is Oct. 14-16 in High Point, NC, in conjunction with the High Point Furniture Market. Please see the AHMI website for details.

Proposed Trade Tariffs Impact Hardwoods

By Dana Lee Cole

Hardwood Federation Executive Director

Impacts of the ongoing trade dispute with China (*and other nations*) is being felt by almost all manufacturing sectors, including agriculture and the hardwood industry.

Over the last few weeks the Hardwood Federation has begun to hear much more often from companies that are extremely concerned about how the escalating imposition of tariffs on imported goods by both the U.S. and Chinese governments will affect long term business and industry viability. Concerns ramped up significantly last Friday when the Chinese government announced a list of \$60 Billion worth of U.S. imports it plans to apply tariffs on should the Trump Administration follow through with its latest trade threats (which include tariffs on Chinese hardwood products).

Preliminary translations of the latest Chinese list indicate that many U.S. hardwoods and products will have tariffs rates of:

25% on oak lumber

20% on hardwood logs

20% on cherry and ash lumber

5% on poplar, maple and other hardwood lumber.

There are dozens of other hardwood products that will receive tariffs of 5 to 20%.

Although these most recent tariffs are in the proposal stage and will not take effect, if they take effect, for at least a few months, we are hearing that serious impacts are already being felt as Chinese buyers are cutting back on orders, cancelling orders and renegotiating prices.

The Hardwood Federation has been participating in several trade coalitions of industry sectors (agriculture, retail, manufacturing) working together to address common concerns. Other industry sectors are experiencing similar struggles and general consensus among the various groups seems to be that imposing wide-ranging tariffs on imports will not have the effect that the Administration desires.

The Hardwood Federation team has focused

on communicating to the Administration and to Members of Congress that they must move to quickly resolve the trade impasse and reach agreement with **all** our trading partners in order to ensure stability in the marketplace. This is the same positioning most commodity groups are taking as they work to address the concerns of their memberships.

The vast majority of Congressional offices we have spoken to are sympathetic to our concerns and are doing their best to communicate them to the Administration. However, the Trump team does seem very set on this strategy and there is no indication of any change at this point.

Clearly this will be a top issue for our Board Meeting and Fly-In next month and HF is working on making preparations to take up this important issue. Your input is important to us...and to Congress...as we further refine our messaging and strategy. There are several ways you can share your thoughts with us and with your elected officials.

Share Your Experience

Share your thoughts about how this dispute is impacting your business with the Hardwood Federation. Concrete examples are important and helpful as we discuss the situation with Members of Congress and the Administration (we will not use company names unless given permission). Comment at this link:

<https://www.votervoicenet.com/THF/Surveys/4697/Respond>

Tell your Members of Congress What You Think

You may comment directly to your member of Congress via this link:

<https://www.votervoicenet.com/THF/campaigns/60209/respond>

Talk to elected officials during the Congressional Recess in their home states and districts...many on the campaign trail. Take the opportunity to attend town meetings or make appointments with candidates while they are home.

AHEC Produces “First” Hardwood CLT In UK

The Construction Scotland Innovation Centre (CSIC) has produced hardwood cross-laminated timber, which will be used to construct a London Design Festival pavilion.

The timber is made of Appalachian yellow poplar and is described as the “UK’s first ever.” It will be used to construct a 9-meter high pavilion, named MultiPly, is a collaborative effort between Waugh Thistleton Architects, the American Hardwood Export Council (AHEC) and engineering firm Arup, with support from CSIC, Glenalmond Timber Company and the Centre for Offsite Construction & Innovative Structures at Edinburgh Napier University.

CLT is an engineered timber that can be used to build walls and floors. With its layered construction – with the wood turned at right angles in each successive layer – it is, weight for weight, stronger than steel or concrete, CSIC said.

It is also equally strong in both directions, making it the “ideal” material for prefabrication and rapid assembly. CLT can reduce construction times by around 30%, the CSIC claims.

CLT is usually made of softwood, but AHEC and



Rendering of Yellow Poplar Exhibit in London

Arup have been experimenting with CLT made from fast-grown North American tulipwood for the past 10 years, with testing reported to show that the tulipwood offers greater strength and performance than spruce.

The MultiPly pavilion will consist of 102 CLT panels, which will be used to make 17 modules to be connected together with digitally fabricated joints. The pavilion will open on Sept. 15.

AHMI Participates In FSC Controlled Wood Session

AHMI staff participated in a Forest Stewardship Council US regional meeting in Asheville, NC, recently to help identify practical actions that companies can take to reduce the risk of procuring wood from forests the organization is calling “threatened.”

There are three meetings set to help FSC’s revise its approach to Controlled Wood with a National Risk Assessment. FSC allows certified manufacturers to mix wood and fiber from FSC certified forests with non-certified materials to produce ‘FSC Mix’ labeled products.

The organization requires that non-certified materials be “controlled” to reduce the risk of sourcing from objectionable forestry practices. FSC recently announced that the NRA has areas they consider to be “at risk” and includes hundreds

of acres in the Appalachian region.

While specific threats are not identified to the forest management unit, FSC members will be required to show management plans to deal with the “threat.” The session allowed members to better understand the FSC position and to counter with concerns about the ability to mitigate the risk and if the mitigation strategies would be accepted.

There were dozens of industry officials in attendance and questions were well-received. FSC officials will compile the input with findings from the other sessions into a report that will be out in the early fall.

Full details about the NRA, which will replace the use of company-developed risk assessments, is available at <https://us.fsc.org/en-us/certification/controlled-wood>

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Visit
AHMI
Booth
BC-16



The International Woodworking Fair 2018 is **Aug. 22-25** and one of the top woodworking trade shows in the world for the furniture manufacturing architectural woodwork, custom and woodworking industries.

AHMI will exhibit in Booth BC-16 in the main connector hall between buildings B & C. The show is open daily from 8:30am to 5pm at the Georgia World Congress Center, 285 Andrew Young Intl. Blvd., Atlanta, GA.

Please plan to visit our space or meet potential customers there. This is an excellent opportunity to connect with secondary manufacturers who attend to learn about suppliers and new equipment.

AHMI has scheduled meetings with international buyers through the U.S. Department of Commerce. The schedule of these meetings will be available at the Fair.

Please contact AHMI in advance if you plan to work in the booth and we can assist with badges. You will avoid fees and long lines at the registration desk.

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:

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. If you have suggestions for other promotion opportunities, please contact AHMI.



FUTURE MEETINGS

The **2018 AHMI Fall Meeting** will be in conjunction with the High Point Furniture Market on Oct. 15-16 in High Point, NC. We will have opportunities to visit the Market; meet with furniture designers from around the world; call on furniture manufacturers' lumber buyers; and network with industry leaders.

AHMI's host hotel is the Sheraton Greensboro at Four Seasons located at 3121 W. Gate City Blvd, Greensboro, NC 27407. Rooms for October 14-17

are available now using the group code Appalachian Hardwood and by calling 336-292-9161.

AHMI will partner with the American Society of Furniture Designers at their annual Pinnacle Awards Celebration on Oct. 15. AHMI is sponsoring one of the design awards and will present at the reception at High Point University.

Please visit the AHMI website for more details and registration.

Farm Bill Begins Final Phase In Congress

By Dana Lee Cole

Hardwood Federation Executive Director

The House of Representatives voted recently to proceed to conference negotiations with the Senate on H.R. 2, the Agriculture Improvement Act of 2018—colloquially known as the Farm Bill.

The Senate will take similar action soon and then set up a conference process between the two chambers to iron out the significant differences in H.R. 2 and S. 3042. The current Farm Bill, last enacted in 2014, is set to expire on Sept. 30.

Here is how the hardwoods fare in the bills:

Trade

House - Authorizes and fully funds both the Market Access and Foreign Market Development programs annually at \$200 and \$34.5 million respectively over the next 5 years. Both programs will operate under a new International Market Development Program with total funding of \$255 million. The \$255 million level is \$1.5 million more than that provided under the current Farm Bill for MAP, FMD, the Emerging Markets Program (EMP), and the Technical Assistance for Specialty Crops (TASC) Program. USDA will have the authority to decide where the extra, annual \$1.5 million is used.

Senate - Authorizes \$259 million annually over the next 5 years for Priority Trade Promotion, Development, and Assistance. Under this framework, MAP is funded at no less than \$200 million annually, FMD at no less than \$34.5 million annually, Emerging Markets Program (EMP) at no more than \$10 million annually, and TASC at no less than \$9 million annually. In addition, \$6 million of the total \$259,500,000 annually is authorized as a "Priority Trade Fund." USDA will have the authority to allocate money in this fund among the above four programs. *Bottom line:* S. 3042 provides \$4.5 million more in trade funding than H.R. 2.

You will recall that H.R. 2 narrowly passed and did not receive a single Democrat vote, due largely to disagreements over the bill's approach to re-authorizing the food assistance programs and imposing work requirements. The Senate's process was completely different, with S. 3042 passing the

upper chamber with broad bi-partisan support as Senate leaders opted not to make sweeping changes to the food assistance title.

For the Hardwood Federation, we will be working aggressively in a few key areas during the coming weeks and potentially months, depending upon how long the conference process drags. For one we will be communicating our strong support for the MAP and FMD programs. We feel good about our current position given that both bills fully fund these programs and let them operate freely going forward without any arbitrary budget restrictions.

Federal Forestry

House - Creates new "categorical exclusions" from NEPA reviews that will facilitate needed project work on federal lands. These new CEs are designed to: Expedite salvage operations in response to catastrophic events; Meet forest plan goals for early successional forests; Improve National Forest System lands or reduce the risk of wildfire; Manage insect and disease infestation.

Senate - No meaningful changes.

We will also be focused on promoting the House position regarding federal forest management reforms. While the Forest Service reports that timber harvests are up this year on federal forest lands, more work could be done and we believe the provisions in the House bill will give the Forest Service some additional tools to deliver on that objective.

We will be making frequent visits with staff for all of the conferees once they are appointed to make this case. Likewise, we will be advocating that the House position prevail regarding the Community Wood Energy Program. We believe that this program—authorized and funded at the level in H.R. 2— has potential to help our industry address the sawmill residuals issue by creating demand for this clean, carbon neutral biomass material.

The bottom line is we have some interesting weeks (and months) ahead, but feel good about our progress with Farm Bill advocacy thus far and look forward to reporting on a positive outcome.