

The Log

April / May 2017

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From the President

Reflecting on my last article, I guess so much for six more weeks of logging. That is what I get for taking my weather forecast from a rodent. You know, for a fella that has been around for 123 years, you would think his accuracy would be a little better. Going forward, I will rely on the Old Farmer's Almanac; it has been around for 225 years.

Well, as I write this, tonight is the NCAA Men's Basketball Championship, North Carolina vs Gonzaga. As a result, I was reading a few articles on ESPN and came across the following, "From Tree to Tip-Off" (http://www.espn.com/espn/feature/story/_id/18985386/from-tree-tipoff). It is a great little industry promotion article with a number of video clips that shows the process of converting timber into flooring. In this case, timber from right here in the Lake States being manufactured into the floor for the NCAA Final Four Championship. Not a lot of meat to the article, but it brings positive public awareness to what we do every day.

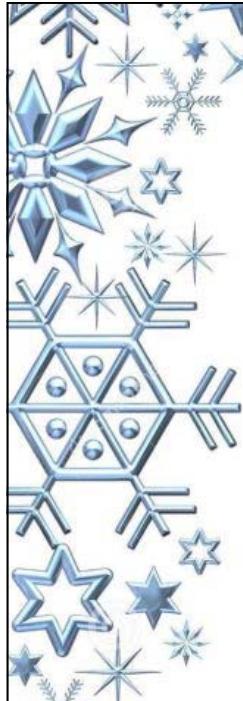
This reminded me of a book I once read that talked about giving purpose to what your company does in order to create job fulfillment for your employees. The concept is simple but I think it is something that can get lost in the day-to-day grind. Look at the employees highlighted in this article. Instead of just harvesting another tree or drying another charge or simply running a moulder for another shift, they are producing a product that has purpose. I do not mean a purpose as in an application; I mean a purpose as in something of personal significance. What they are doing and the product they are producing will create a lasting experience for thousands of people; everyone from the kid that spent a lifetime preparing for this one shot at the NCAA championship to the couple that met for the first time at the game. All of those wonderful experiences are made possible because of the flooring that was produced by those employees here in the Lake States. Now, if you were an employee, would it be more fulfilling to come to work today to simply churn out another 40mbf of lumber or would it be more fulfilling to know that you were making someone's dreams possible?

The philosophy does not just apply to something as significant as a NCAA Final Four floor; it applies to every product our industry produces. Think about the crown moulding that adds the perfect accent to the dream house of a couple that has saved for years to build. Think about the paneling that adds a

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LAKE STATES LUMBER ASSOCIATION, INC. . . PROVIDING LEADERSHIP AND EDUCATION TO ASSURE THE SUSTAINABILITY OF OUR FOREST RESOURCES



LSLA CALENDAR OF EVENTS

April 21, 2017

LSLA Education Seminar: Risk Management
Antigo, WI

May 16, 2017

Board Meeting—Lansing, MI

May 31– June 2, 2017

Hardwood Lumber Grading Short Course
Antigo, WI

July 19 & 20, 2017

Golf Outing—Minocqua, WI

*Watch for details of these and other
upcoming events*

2017 LSLA BOARD OF DIRECTORS



Back Row (left to right): Brady Francois (Snowbelt Hardwoods), Dennis Gustafson (Besse Forest Products Group), Gus Welter (Granite Valley Forest Products), Butch Fisher (AJD Forest Products), Pete Johnson (AAA Hardwoods). Front Row (left to right): Larry Krueger (Krueger Lumber), Margaret Minerick (Sagola Hardwoods), Maryanne Dainsberg (LSLA Admin Coord), Jennifer Lu (WI DATCP), Rob Paradise (Devereaux Sawmill). Not pictured: Jim Maltese (Stella-Jones Corp). Photo courtesy of Wayne Miller, Miller Publications.

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FARM BILL REWRITE EFFORTS KICK INTO GEAR

By Dana Lee Cole—Executive Director, Hardwood Federation

The Farm Bill, the 5-year, comprehensive legislation that governs everything from forestry to row crop and dairy price supports to nutrition programs to trade, expires in 2018. Although 2017 has just begun, the process of crafting new authorizing legislation is well underway. Several hearings have already been held in the House Agriculture Committee, including one focused on forestry components. On the Senate side, we expect hearings to be scheduled sometime beginning in the second quarter. The upper chamber is on a bit of a slower track as other issues, such as the nomination process for a new Secretary of Agriculture, in further up in the queue. However, in talking to Chairman Pat Roberts' staff on the committee, it was signaled that the Chairman wants to have a bill crafted sooner rather than later so we expect focus to turn to Farm Bill shortly.

For the hardwood industry, there are a few areas of focus that are critical to our sector and upon which we target our lobbying activity. First and foremost is trade. Both the Market Access (MAP) and Foreign Market Development (FMD) programs are authorized and funded by the Farm Bill. These two programs have a successful, proven track record of helping us open up markets for U.S. made hardwood forest products overseas, particularly in the Pacific Rim. The American Hardwood Export Council derives its funding from these two programs.

While MAP and FMD enjoy broad support, they are not without their detractors. The Heritage Foundation is a regular critic, arguing that these two programs smack of

corporate welfare and crony capitalism. Every year legislation is introduced in Congress to eliminate or defund MAP and FMD. The Hardwood Federation and other groups have successfully beaten back attempts to kill these programs, arguing that they represent an excellent return on investment and help U.S. producers keep up with considerable resources competing nations spend promoting their own exports.

Our lobbying efforts in support of MAP and FMD are two-pronged. Not only are we advocating reauthorization, but also mandatory funding. This latter aspect is critical as mandatory funding provides the highest level of certainty

Continued on next page

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FROM THE PRESIDENT (CONT'D)

touch of warmth to a cancer unit in a children's hospital or the lumber that creates a fine piece of furniture that becomes a family heirloom passed down from generation to generation, they all creates lasting impressions that give us purpose. What we do touches people's lives in a way that many products do not. It is harder to make a similar case if you are the employee working in the Q-Tip factory, but I am sure there is purpose there as well

I had someone once tell me that there are "happy purchases" and "sad purchases". His definition, as he went on to explain, is does buying your product make the customer happy or sad? Going to the dentist for a toothache is a sad purchase. Remodeling a home or furnishing it is a happy

purchase, unless you blow your budget. His recommendation was to make a career out of doing things that lead to happy purchases. Regardless of where you are in the supply chain, our products ultimately become happy purchases. People buy them because they make them feel good. That is something that we can take home every night and something that our employees can take pride in every day.

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FARM BILL (CONT'D)

that programs will be sustained throughout the life of the 5 year Farm Bill. If a program is only authorized without having mandatory funds, it forces supporters into the unenviable position of having to work the Congressional appropriations process to seek funding. Given the unpredictability and dysfunction of the appropriations process over the last few Congressional sessions, this is an outcome we are trying to avoid.

On the forestry side, the Farm Bill offers woodland owners a number of incentives to keep their forests as forests. Programs include those that offer landowners payments on an annual basis to encourage conservation activities on the land or one-time payments for specific projects or for a long-term easement. Programs in the Farm Bill Forestry Title include the Environmental Quality Incentives Program known as EQIP and the Conservation Stewardship Program. For our sector though, a priority issue that will likely be addressed in the next Farm Bill is the growing crisis that on our federally owned forestlands. Some form of the federal forest reform legislation that was almost enacted by Congress the last two years will likely find its way into the Farm Bill, assuming that Congress does not act before next year. Federal timber sales need to be executed more efficiently so that project work can keep up with the forest management needs of our increasingly overgrown federal forest tracts. This needs to be coupled with a fire borrow-

ing fix that will end the current practice at the Forest Service where leadership drains funds from every other budget line item to supplement its wildfire suppression budget.

One other area that will be our focus is in the Energy Title. Several initiatives are authorized in the Farm Bill that promote biomass energy and deployment of heating and power systems that rely on wood-based biomass fuel. An emerging issue for our industry is declining markets for our wood residuals at wood products manufacturing facilities. Warm winters and relatively low fossil fuel prices have reduced demand for biomass heating fuels which represent a sizable share of the market for our mill residuals. That is why we are taking a good look at some of these biomass programs in the Farm Bill and discussing ways they may be altered to better address our needs going forward. One of these programs is the Community Wood Energy Program or CWEB. The policy goal of this program is to encourage schools, hospitals, community centers and other institutions primarily in rural areas to convert to heating with highly efficient biomass thermal systems that rely on either wood pellets or wood chips. Right now the program is in place holder mode, with an authorization but no mandatory funding. A proposal is on the table which would seed this program with considerable mandatory money with the objective of accelerating deployment of biomass systems around the country.

The Hardwood Federation is leveraging our lobbying capacity on our issue set by collaborating with the Forests in the Farm Bill Coalition, a diverse group of landowners, industry and conservation groups that are advocating for a Farm Bill that will bring robust markets to rural America with the goal of keeping working forests working and the forest products value chain thriving. We serve on a subgroup of this coalition that is now discussing policies to promote markets. Your Hardwood Federation team welcomes your input and of course will keep you regularly apprised of our progress on this critical area of our advocacy efforts. ♦

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THE MICHIGAN REPORT

By Scott Everett, LSLA Michigan Legislative Consultant



Frost Law/Weight Limits

There is Legislation being worked on, not introduced but language being developed, to further reform and provide relief for timber companies attempting to get product to the market. The general concept is to limit bond amounts for use of a gravel road to \$2,000 per mile; Exempt gravel roads from the frost law and maybe create some other kind of limited frost law exemption for certain trucks. Again, no bill yet, but ideas along these lines being talked about.

Cotter Joins Wood-Chipper Manufacturer Morbark

Former House Speaker Kevin Cotter was recently named governmental sales manager for Morbark, a leading manufacturer of wood-chippers and other equipment used in the forestry, recycling, tree care and landscaping industry. He was termed out of office in 2016.

Term Limits Poll

Polling recently released from Public Sector Consultants conducted for the Center for Michigan found that of the 2,000 adults polled last June, 47 percent felt no changes to the state's term limit law were needed to improve their trust in the effectiveness of state elected leaders, 22 percent felt term limits needed to be tightened, 12 percent felt they needed to be eliminated and 15 percent felt they should be lengthened. Currently, House members are restricted to three two-year terms. The governor, secretary

of state, attorney general and state Senators can only serve two four-year terms

No-Fault Insurance Reform

Senate Majority Leader Arlan Meekoff (R-West Olive) said he wants the Legislature to take up the issue of reforming the state's no-fault insurance system this year -- and he believes it should pick up where it left off last year. "I'd really like to do it, last year, we sent legislation over to the House, but we ran out of time." The Michigan Health and Hospital Association (MHA) and the state's auto insurance companies have been at odds over how Michigan's no-fault insurance system should operate for several years.

Engler Done At Business Roundtable, Starts Consulting Firm

Former Michigan Governor John Engler's position as CEO of the Business Roundtable ended officially last month, he disclosed on his Facebook page. Engler has served as the head of the organization since 2010.

It was announced in December that he would be leaving as of July 1, but in February he started a consulting company called Engler LLC that's based in Washington D.C. Engler, 68, has been rumored as a potential U.S. Senate candidate, but the former Republican governor has made no public moves in that direction.

Continued on next page

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THE WISCONSIN REPORT

By Gunnar Bergersen, LSLA Wisconsin Legislative Consultant

Forest Funding Source in Jeopardy

As part of \$600 million reduction in taxes, Governor Walker's proposed budget includes eliminating the Forestry Mill Tax. The Forestry Mill tax generates about \$90 million per year and funds the Division of Forestry and more recently Stewardship Land Purchases.

The Forestry mill tax was created by constitutional amendment in 1924 to create a reliable funding source for the DNR forest management. The Governor takes the position that future forestry funding can come from general revenue.

The Governor's budget is the framework legislators use to craft the two year state budget. The process begins now with legislators hammering out their version of the budget which takes about two months. The budget then goes back to the Governor who can sign it or veto language he does not support.

At its last meeting the LSLA Board took the position that a stable funding source for forest programs is essential to our industry.

Following is a letter from former Democratic Assembly Forestry Committee Chairman Representative Fred Clark, released to the Forestry Community:

"I'm sending you a personal note about forestry in the state budget.

No doubt you're aware of the Governor's proposal to replace the funding that has been generated through our Forestry Mill Tax since 1930 with what is proposed to be an equal amount of General Purpose Revenue. In any of the discussions I've had with forestry stakeholders about this I've heard strong concerns and a variety of opinions, but I've never heard anyone suggest we'd be better off if funding for forestry was significantly reduced. If

significant reductions in forestry revenue and all the programs that revenue supports are desirable, then eliminating the Mill Tax and replacing it with GPR makes perfect sense. Anyone who believes it's important to maintain stable funding for forestry should recognize the elimination of the Mill Tax as the biggest threat to Wisconsin's forestry success story in a generation.

Although the State Constitution does not mandate collection of the Mill Tax, it does mandate that Mill Tax revenues only be expended for 'the purpose of acquiring, preserving and developing the forests of the state and for other specified forestry purposes'. Within our state's general budgeting structure that is about the highest form of protection possible. It prevents those funds (\$190 million in the coming biennium) from being raided for other purposes. There are dozens of communities of interest in Wisconsin, like K-12 public education, universities, Family Care, Senior Care, towns and counties, law enforcement, veterans, road builders, agriculture - the list is long - who go to the legislature hat in hand every two years advocating for GPR in the budget. Every one of those groups has seen the programs

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THE MICHIGAN REPORT (CONT'D)

Bill Proposes To Stay on Daylight Savings Time

HB 4011 proposes to permanently switch Michigan to Daylight Savings Time. If the House and Senate approve the legislation and the governor signs it, a request would be sent to the U.S. Department of Transportation to shift Michigan into the Central Time Zone. There are four counties in the U.P. that have adopted a different time zone already to be on the same time as Wisconsin. Twenty-one states, including Michigan, are considering ending the annual shifting of clocks and staying with one-time zone year round. ♦



LSLA EDUCATION REPORT

By Scott Shaver—Account Executive, R&R Insurance

Could OSHA Changes Get Trumped in 2017?

Politics aside, employers in the lumber industry are facing increased regulation from OSHA in 2017. Although these changes will have little impact on improving the health and wellbeing of employees, they could however increase your overall costs.

Here's a quick list of recent OSHA changes that you should be aware of:

- Increased maximum fines for cited safety violations.
- Requirement for certain employers to electronically submit their injury and illness data effective 1/1/2017.
- Update of the Walking-Working Surfaces standards to increase protection from slip, trip and fall hazards.
- Implementation of anti-retaliation protections – use of post-accident drug testing.

It's still unclear what impact the Trump administration will have with respect to changes in 2017 and beyond. But it's safe to say that this new administration will almost certainly mean a new direction for OSHA by potentially undoing regulations and decreasing funds. Most experts that I work with predict that OSHA will move away from an enforcement-based strategy towards compliance assistance programs. That would be a good thing.



For additional information on OSHA changes, please plan on attending our Risk Management Workshop for the Lumber Industry on April 21, 2017. Details are below. ♦

RISK MANAGEMENT FOR THE LUMBER INDUSTRY

APRIL 21, 2017; ANTIGO, WI

When it comes to risk exposures in the workplace, the lumber industry has more than its fair share of day-to-day challenges. If not managed effectively, exposures including new OSHA rules, driver safety, ergonomics in the workplace and changes in workers compensation laws can put your company assets at risk. This workshop, offered by LSLA Education, is specifically designed for business owners, operation managers, supervisors, safety committee members and anyone who is responsible for safety in the lumber industry. We will share information on how to directly impact the profitability of your business.

Topics to be covered at the workshop include:

OSHA Updates—Top 10 lumber industry OSHA citations

- When to notify OSHA
- What is an OSHA inspector looking for?
- What should I do if OSHA shows up at my door?
- OSHA record keeping changes for 2017
- OSHA's View on Post Accident Drug Programs and Safety Incentive Programs

Ergonomics in the Lumber Industry—Understanding ergonomics

- Ergonomic Evaluation Case example – Kretz Lumber

Workplace Safety—Use of safety self-assessments

- Required safety programs
- Required safety training
- Best practice safety tactics

Worker's Comp Law Update—Worker's Comp case law update

- Proposed worker's comp law changes for 2018

Fleet Safety—Development of a best practice Fleet Policy

- Update on Electronic Logging Device requirements

Speakers for the sessions will be:

Pat Kish—Owner & Safety Consultant, Fox Valley Safety Training Inc.

Maureen Joy—Occupational Therapist, R & R Insurance

John Brengosz—Loss Control Specialist, R & R Insurance

Bill Sachse—WC Defense Att'y, Peterson Johnson & Murray

Barbara Koehler—Safety Investigator, Federal Motor Carrier Safety Administration

For complete information and to download the workshop brochure, visit www.lsla.com. Online registration and payment is available on the website. ♦



HARDWOOD LUMBER GRADING SHORT COURSE

MAY 31—JUNE 2, 2017; ANTIGO, WI

On May 31—June 2, LSLA Education will be offering a Hardwood Lumber Grading Short Course at the Wood Technology Center of Excellence on the campus of Northcentral Technical College in Antigo, WI.

This class is targeted for the beginner and therefore will be ideal for sawyers, edgermen, trimmers, grading trainees, sales people, managers and supervisors. The course is open to all interested participants, whether a member of LSLA or not. Members of LSLA may register at a reduced price.

Topics to be covered in the course include:

- Hardwood Lumber Grading: A Language
- Clear vs. Sound Cuttings
- Surface Measure / Cutting Unit Method
- Wood Characteristics vs. Defects
- Surface Measure Exercise
- Hardwood Lumber Manufacturing Standards
- NHLA Standard Grades
- Defect Limitations
- Understanding Wood Structure
- Species Exceptions / Color Sorts
- Kiln Dried Lumber

In addition, hands-on lumber grading will give course attendees opportunity to practically apply what they have learned in the course.

Cost of the course is \$200 for LSLA members, and \$300 for non-members. The course will be limited to the first 35 registrants. Anyone registering after the 35 registrant limit has been reached will be placed on a waiting list in the event there is a cancellation.

Complete information, including suggested hotel accommodations, is available on our website at www.lsla.com. Online registration and payment is offered on the website. ♦



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THE WISCONSIN REPORT (CONT'D)

they depend on hurt in the past by budget cuts, either because General Fund revenues just weren't sufficient, or their people didn't sell the program well enough to the members of the Joint Finance Committee who were making funding decisions that year. Any one of those groups would consider constitutionally protected revenue for their program to be their wildest dream come true. I suspect they would also be amazed to think that members of the forestry community who have enjoyed that benefit for almost 90 years would not advocate strongly to maintain it.

Replacing constitutionally protected revenue from the Mill Tax with GPR is not an equal exchange. Legislators come and go and budgets come and go and promises today mean nothing. There is no provision in a state budget that cannot be undone or altered in the next state budget. Legislators have spent generations trying to create "lock boxes" of revenue to protect programs in the future from being raided – usually without success. Without creating trust funds or constitutional protections it's almost impossible to do. Forestry has a secure lock box today – until at least June 30th.

It's probably not necessary to elaborate on all the important uses of Forestry Account revenues (of which roughly 80% is revenue from the Mill Tax) because I expect that at least some forestry programs affect something that is important to you. The Legislative Fiscal Bureau's Information Paper #60 on the Conservation Fund has useful detail beginning on page 26. It is worth noting though that the constitutional requirement that Mill tax revenues be spent on forestry purposes is intentionally broad. For anyone who believes our current forestry programs are mis-directed or that we need more funding for one thing and less for another, which I am sure we could all offer opinions on, I would suggest that's a different debate entirely. There is no restriction on the ability of the legislature to redirect forestry related

spending in a budget, but the options to do that only get worse if there's no stability in funding. Other Conservation programs such as Parks, Water Resources, or Endangered Resources that were shifted to GPR in the past have all seen their share of GPR funding drop substantially or be eliminated altogether.

None of us has a crystal ball, but we probably all share some idea of how uncertain the future for forestry will be in Wisconsin. Shifts in globalizing businesses can change or end timber markets overnight. The next destructive insect pest could be even more devastating than the Emerald Ash Borer. The documented and ongoing 60 year trend of shorter winter seasons is going to force changes in logging operations and may continue to drive operators out of logging, or force surviving businesses to make new investments in equipment and technology. Any of those changes by themselves could be devastating throughout the supply chain. Stable forestry funding could allow investments needed to address and mitigate those threats.

The legislators who will be asked to make a decision on approving or rejecting this change in funding will be looking to see who's for it and who's against it. On an issue like this a unified constituency will be powerful. A divided or silent constituency will lead many legislators to conclude it's not their battle to fight. One thing I believe is certain however – getting the legislature to restore Mill Tax Funding in this budget will be a relatively easy lift if our voices are unified. If this proposal passes however we can be almost certain that it would be significantly more difficult, if not impossible, to ever restore it in the future. Please consider making your voice heard on this important issue. Without wanting to seem overly dramatic, I believe this would be a good time for all of us to be mindful of our history and the role we all play in creating it." ♦

WHERE IS DAVID BRADLEY?

Back at work again at the State Capitol in Lansing, MI, David B is once again throwing his weight towards legislation favorable to the forest industry. His 2017 owner, Sen. Tom Casperson, is a good friend to our industry, so David B is right at home.

Here we see David B in consultation with Sen. Casperson regarding an important piece of legislation. Note to Green Bay Packer fans: David B must be a good influence on Sen. Casperson — a Packer helmet is clearly visible in Sen. Casperson's office.

Stay tuned — we never know when we might see David B actually on the floor of the legislature. ♦



2017 BUYERS GUIDES

The 2017 Buyers Guides were mailed out in early March to each company who has paid membership dues for 2017. If your company would like additional copies, they are available for \$10 each (member price). Non-members may purchase a copy for \$25. Contact the LSLA office if you are interested. ♦



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EMAIL ADDRESSES

LSLA frequently sends out to its members important announcements and information about meetings, educational opportunities, legislative matters or events of interest to the forest products industry. Email is the most effective method of communicating this information fast and efficiently, and ensures members' ability to respond to time-sensitive matters.

If your current email address is listed in the Buyer's Guide and you haven't been receiving emails from Lake States Lumber Association, please make sure that your email program is not blocking emails from Isla@lsla.com or that emails from us aren't being tossed into the junk mail folder.

If your current email address isn't listed in the Buyer's Guide and you would like to receive update information from us, please contact us, and we'll put you in our email address book.

And if your email address has changed, please notify us so that you don't miss out on any important news. ♦

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NEW MEMBERS (SINCE BUYERS GUIDE WAS PRINTED)

The following companies either renewed their membership or joined after the Buyers Guide was printed. Please make a note of these in your copy of the 2017 Buyers Guide.

CONNOR FOREST MANAGEMENT

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Laona, WI 54541
810-300-4984
FAX: 715-674-4000
Website: www.connorforestmanagement.com
Craig Smith
Email: craig@connorforestmanagement.com

BUSINESS TYPE: Sawmill, Logging, Timber Management

SPECIES: All

PRODUCTS: Lumber, Veneer, Logs, Pulpwood

HANSON & LEJA LUMBER, INC.

N2197 Sawmill Rd
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FAX: 920-261-1905
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ANNUAL: 5 MMBF

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563-263-3998
FAX: 563-263-3996
Curt Canada—Kiln Dried Lumber Sales/Green Lumber Sales

BUSINESS TYPE: Hardwood Sawmill and Dry Kilns
ANNUAL: 5 MMBF

SPECIES: Soft Maple, Walnut, Cherry, Hard Maple, Red Oak, White Oak, Hickory

PRODUCTS: Green and Kiln Dried Lumber, Veneer Logs, Landscape Mulch, Hardwood Plywood



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The Log

April / May 2017

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