

THE LOG

April/May 2019

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From the President

Reforming Wisconsin Roadway Weight Limits

The LSLA Board recently had their Spring Board Meeting in Madison, WI with our WI Lobbyist, Amy Boyer where we met with several Senators and Representatives to discuss current transportation issues. LSLA also stressed the importance of reforming Wisconsin's current road weight limits to be more in line with our neighboring states. The LSLA board met with the following individuals:

- Senator Tom Tiffany (R-Hazelhurst, WI)
- Senator Janet Bewley (D-Madison, WI)
- Senator Jerry Petrowski (R-Marathon, WI) Chair of the Senate Transportation Committee
- Representative Jeff Mursau (R-Crivitz, WI) Chair, Assembly Forest Committee

The above individuals are aware of the large economic impact the forestry industry has on Wisconsin and the challenges our sector (and others) are currently facing with freight and the lack of service from our railroads. Increased demand for freight, driver shortages, and increased costs have impeded production and sales of WI Forestry Products. It is now more important than ever that LSLA's members voice their concerns and emphasize the importance of increased truck weight limits with your local State Senators and Representatives. We need to put Wisconsin on a level playing field with neighboring states. I have prepared a letter template to help keep our message consistent. I ask that all of our Wisconsin LSLA members send this letter to your local representatives.

LSLA will be sending an email to our membership that contains an electronic copy of the letter as well as a link to be used to locate your local Representative. You can also contact Jake at our office at lsla@lsla.com or at (920) 884-0409 to request a copy of the letter. Please insert your company letterhead in the header, insert your district's representative's name, insert your name and company at the bottom with your signature and send it out in the mail. The entire process will take no more than a few minutes, but the positive outcome of all members sending this letter will be immeasurable.

Brady Francois
Snowbelt Hardwoods, Inc.
LSLA President



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THE SUSTAINABILITY OF OUR FOREST RESOURCES

**LSLA CALENDAR
OF EVENTS**

June 3rd-5th
Hardwood Lumber Grading Short Course
Prairie du Chien, WI

July 24th & 25th
Annual Golf Outing
Brown Deer, WI

*Check LSLA's website at WWW.LSLA.COM
for information on these and other events.*

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Back Row (left to right): Jim Maltese (Stella-Jones Corp.), Larry Krueger (Krueger Lumber), Pete Johnson (Granite Valley Forest Products), Steve Peters (Rockland Flooring), Dennis "Gus" Gustafson (Besse Forest Products).
 Front Row (left to right): Fred "Butch" Fisher (AJD Forest Products), Brady Francois (Snowbelt Hardwoods), Margaret Minerick (Sagola Hardwoods), Jennifer Lu (WI DATCP), Rob Paradise (Devereaux Sawmill). Photo courtesy of Zach Miller, Miller Publications.

The Log is published bi-monthly by the Lake States Lumber Association, Inc. For address corrections or to contribute news articles, opinion pages, or advertising, contact us at:

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Hardwood Federation Update

By: Dana Lee Cole, Executive Director Hardwood Federation

USMCA: The Other Trade Issue

To say that developments in international trade policy have held the Hardwood Federation's attention over the last couple of years would be an understatement. From log exports to China, to the tariff situation with China and subsequent retaliation to the U.S. Mexico Canada Agreement (USMCA) there has been considerable activity seemingly on all fronts in the trade issue space. While we anxiously await the conclusion of trade negotiations with China, the Trump Administration is ramping up lobbying efforts on Capitol Hill to recruit support for USMCA.

The new Democrat majority in the House has made the fate of this agreement far from certain, as was made evident in a House Ways and Means Trade Subcommittee hearing late last month. It was the first hearing of this subcommittee in the new Congress and several concerns were raised by witnesses and the majority about aspects of the agreement. Concerns generally fell into three baskets: Labor provisions, pharmaceuticals and enforcement. On the labor front, there is concern that wages for workers in Mexico are artificially low and have served to not only depress wages for workers across North America, but have led to manufacturers moving operations south of the border. To address this, House Democrats have articulated a desire to have the agreement incorporate union organizing provisions with Speaker Pelosi offering this statement: "We can and should insist that Mexican workers are able to join unions and participate freely in collective bargaining agreements..."

Pharmaceutical pricing has taken center stage as well. The issue is around a class of drugs known as biologics. There is language in the agreement that allow biologics manufacturers a 10 year extension on their patents. The effect of this is that generic drugs would not be able to enter the market over that time period, thereby increasing costs for consumers. Drug pricing has been a hot topic on Capitol Hill over the last year or so and this provision will certainly attract more scrutiny in the coming weeks.

Finally, the issue of enforcement was a point of emphasis. Mexico's legislature is poised this month to approve a comprehensive set of labor reforms that the country committed to during USMCA negotiations.

This will be critical for building support for the deal in the House. Meanwhile, Senators Ron Wyden (D-OR) and Sherrod Brown (D-OH) are drafting legislation that would allow U.S. and Mexican government officials to audit and inspect facilities that are suspected of breaking new Mexican labor laws.

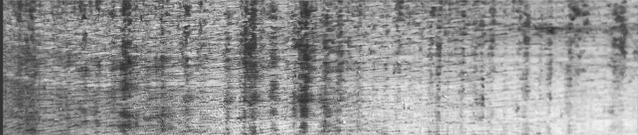
Complicating the situation is the Section 232 tariffs on steel and aluminum. Senate Finance Committee Chairman Chuck Grassley (R-IA) has said repeatedly over the last month or so that the deal would not move forward in his committee while these tariffs are still in place. And adding more complexity is the fact that Canada holds national elections in October. It is difficult to envision a scenario where Canadian lawmakers approve the agreement while the tariffs remain. Thus far, President Trump has not yielded to pressure to remove the 232 tariffs on aluminum and steel.

In terms of process, the Administration has not yet submitted USMCA implementing legislation to Congress. Once the legislation is submitted, its consideration must begin in the House, *(Cont'd on page 7)*



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Vacuum Press Technology Dry Kiln Testing Available

By Scott Lyon, Forest Products Specialist, WI DNR

The Wisconsin Economic Development Corporation recently partnered with Northcentral Technical College, the Great Lakes Kiln Drying Association, and the Wisconsin Department of Natural Resources to acquire a VacuPress Technology dry kiln for drying wood. This 650 bdft kiln will be used to conduct applied research projects and is available to wood products manufacturers for testing purposes. With limited availability of third party research on press drying technology, we plan to provide our industry with up-to-date analysis and opportunities to compare this technology with conventional drying techniques. In addition, this research opportunity allows companies to assess the vacuum drying technology before investing in their own unit.

Vacuum drying uses a vacuum to create a pressure gradient between the surface and the core of the wood. Conventional drying relies on moisture gradients between the surface and core allowing water from the wetter core to move toward the dryer surface. This can be a slow process since the operator must be careful not to over dry the shell or the result will be a degrade in wood quality. The main advantage of vacuum drying is that it allows for faster drying rates by maintaining a small differential between the shell and the core moisture contents throughout the drying period. Vacuum drying is often used for high valued species or for large dimension lumber. This is an exciting technology transfer opportunity and we look forward to working with our industry partners.

Services provided to industry partners:

- Vacuum kiln start-up/operation training
- Compare vacuum drying schedules with conventional kiln schedules
- Test drying new products
- Confidential testing

For more information, please contact:

Scott Lyon, Forest Products Specialist, WI DNR
(920) 360-3722 or scott.lyon@wisconsin.gov



Upcoming LSLA Education Training Courses

In 2019 LSLA Education will offer a variety of training workshops for the lumber industry. Below is a list of upcoming events coming.

If you are interested in attending an LSLA hosted course please contact lsla@lsla.com or call (920) 884-0409. You can also visit www.lsla.com to register and pay for these courses online.

Hardwood Lumber Grading Short Course

Hosted by LSLA ED with support from MI DNR

Where: Grayling, MI

When: May 14th-16th

Sawing, Edging & Trimming Workshop

Hosted by LSLA ED with support from MI DNR

Where: Grayling, MI

When: May 17th

Hardwood Lumber Grading Short Course

Hosted by LSLA ED

Where: Prairie du Chien, WI

When: June 3rd-5th

THE MICHIGAN REPORT

By Scott Everett, LSLA Michigan Legislative Consultant

Senate's Transportation Budget Moves Without Whitmer's Gas Tax

Exactly \$0 of Gov. Gretchen Whitmer proposed 45 cent per gallon gas tax hike was funded in the transportation budget that recently moved out of a Senate appropriations subcommittee. However, the panel is fully implementing the 2015 roads plan a year early by putting into the roads the full \$600 million of General Fund (GF) money, when the original plan for FY '20 was \$325 million in GF.

Poll Has 45-Cent Gas Tax At 21% Support

The 45-cents-per-gallon gas tax increase Gov. Gretchen Whitmer proposed appears to be on a bumpy ride with voters, based on the Marketing Resource Group's (MRG) polling data. The April 9-13 survey of 600 likely Michigan voters found 74.9% oppose the road-funding increase proposal, with 60.7% strongly opposing it. Support is at 21.2%.

Bill Would Initiate 10-Year Legislative Review Of Administrative Rules

Legislation introduced by Representative John Reilly (R-Oakland) would require a 10-year review of the state's 770 existing sets of rules. HB 4458 proposes to expire rules after 10 years unless enacted into statute or given a seven-year extension, and all future rules would expire after seven years unless required by federal law or under a state law that specifies otherwise. The bill has been referred to the House Regulatory Reform Committee.

Republicans are 'Baking'

Word on the street is that Senate and House leaders are coordinating their efforts to reach agreement on no-fault auto insurance reform, up front -- at the beginning of the legislative process. The term they're using for this approach is that the legislation will be "baked" right from the beginning. So, this time around, efforts are being made to -- as much as possible -- achieve bicameral consensus in concert with the measure being drafted. Over the years, many attempts to reform Michigan's one-of-a-kind no-fault auto insurance system have repeatedly failed because lawmakers couldn't agree on how it should be done. But now the system, and its comprehensive catastrophic care component, is hitting the state's drivers with rates among the highest in the nation.

Schuette In 2020?

Could he be coming back? Don't rule it out. The Republicans' 2018 gubernatorial nominee, Bill Schuette was working the suites and tailgates at Comerica Park during the Detroit Tigers' opening day, sparking new questions about his future plans. Schuette, 65, was asked at one point about running for the U.S. Senate against U.S. Sen. Gary Peters in 2020 and he did not brush off the suggestion, according to one source.

Up North Native To Lead World Bank

David Malpass, originally from East Jordan, Michigan was unanimously selected recently to be President of the World Bank Group. Malpass was appointed at the suggestion of President Donald Trump and will serve a five-year term. Malpass, 63, served as U.S. Treasury undersecretary for international affairs under Trump. His family owns East Jordan Iron Works and he is a long-time Republican contributor who has held other positions in past administrations.



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The Wisconsin Report

By Amy Boyer, LSLA Wisconsin Legislative Consultant

Legislation Regarding Truck Weight Limits

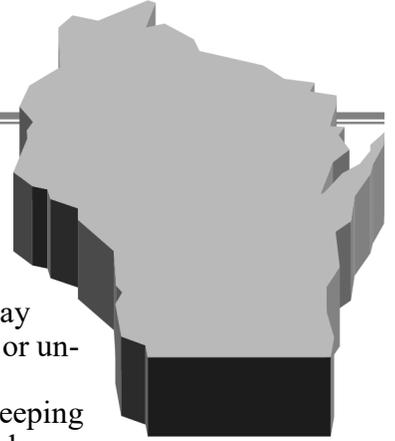
Safe Routes Act of 2019

Wisconsin Congressman Mike Gallagher (R) recently announced his intention to introduce the Safe Routes Act of 2019. This proposed legislation would allow covered log trucks weighing up to 98,000 pounds on the Federal Interstate Highway System. Under the bill, *covered logging vehicles* are defined as “transporting raw or unfinished forest products, including logs, pulpwood, biomass, or wood chips.”

This bill is being touted for both its safety and economic development benefits. Keeping heavy trucks off state highways, county highways and backroads also keeps those heavy loads out of small communities. Allowing those same trucks on the interstate system will also increase fuel efficiency while reducing greenhouse gas emissions. Wisconsin Department of Transportation Secretary Craig Thompson joined Congressman Gallagher at the announcement and spoke in favor of the proposal and indicated that the Department is working to improve bridges to help alleviate issues with weight restrictions.

Overweight Permits for Six-Axle Combinations

Senator Tom Tiffany (R-Hazelhurst) and Representative John Spiros (R-Marshfield) plan to introduce a bill to modernize Wisconsin’s highway weight limits for trucks. This bill authorizes the Wisconsin Department of Transportation to issue an overweight permit not to exceed 11,000 pounds if the vehicle combination has six or more axles. Additionally, the permits may only be issued for operation on state trunk and local highways but includes a 15-mile variance on local roads to travel to or from the pick up or drop off destination. Under the bill, the applicant must submit to the Department a description of the proposed route they will travel, and DOT must minimize the operation of overweight trucks on state trunk highways in residential areas. This bill is being supported by a broad-based industry coalition spearheaded by Wisconsin Manufacturers and Commerce, the state’s chamber.



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Some Potential Good News for Wisconsin's Importers & Exporters

By Larry Krueger, Krueger Lumber Co., LSLA Director

There are tens of thousands of containers being shipped into and out of our great state every year.

We are a state rich in natural resources and hardworking people. The problem is the vast majority of import and export containers are brought by truck to and from the Chicago area. Unfortunately there are very limited and very expensive options for loading and unloading containers onto railroads in Wisconsin. Every day you can watch hundreds of trucks hauling containers to and from the Chicago area by truck. So you have to ask yourself, why doesn't Wisconsin have better container rail loading and unloading options? A new container rail station in Wisconsin would save freight and weight on our highways. It would save money. We wouldn't have to truck the containers all the way to Chicago. With a better rail yard in Wisconsin we could truck containers a shorter distance and haul more containers per day with fewer drivers. It would make our transportation system much more efficient, improve exports and lower costs on our imports. A win-win situation.

Well, the Wisconsin Department of Transportation has been listening. They, in partnership with Wisconsin Manufacturing and Commerce, recently did a survey of Wisconsin businesses trying to determine the level of need for a potential new container rail terminal for Wisconsin. After a year of meetings including members of industry, agriculture, universities and government, a report was issued. The long and the short of the report is Wisconsin could really benefit from some new container rail terminals. If you would like to read the full report (or at least the executive summary) here is the link:

<https://wisconsindot.gov/Documents/doing-bus/freight/fac/report2019.pdf>

So I could use your help. Wisconsin DOT is planning two meetings this summer to discuss the potential container rail terminals and how to move forward. The dates have yet to be announced, but one will be in Milwaukee and one will be in the Fox Valley. When they announce these meeting dates and locations we as an industry and as individuals really need to attend. No if's, and's or but's, we need to attend. For many years Wisconsin has faced declining rail service and this decline in rail service costs us plenty. Here is an opportunity to help Wisconsin DOT change that and it would really help our industry and state.

I will be happy to send out the date and location of these meetings as soon as they are announced by Wisconsin DOT.

Thank you very much for the help,

Larry Krueger

Lake States Lumber Association & the Wisconsin Freight Advisory Committee

Hardwood Federation Update (con'td from page 3)

first with the House Ways & Means Committee and then the full chamber. Only a simple majority is needed to pass each chamber, however securing the 218 votes necessary in the House will require Democrat support. U.S. Trade Representative Bob Lighthizer and National Economic Council Director Larry Kudlow have been working House Democrats aggressively over the last couple of months to build support for the proposal. The Hardwood Federation attended a recent event for Rep. Stephanie Murphy (D-FL), who is a second term Blue Dog Democrat from central Florida and sits on the Ways & Means Committee. She walked through many of the concerns that Democrats have with the proposal but was fairly optimistic that implementing legislation would get a vote before the August recess. That timeline is the "make or break" for USMCA. If consideration slips beyond August, Washington will be consumed with the Presidential election in 2020 and the requisite posturing by the many candidates that have entered the race, making meaningful consideration doubtful.

As always, we will continue to monitor this and all other ongoing trade issues and do our best to keep you informed about the potential impacts on the Hardwood industry.

LSLA Member News

Tom Johel of U-C Coatings Retires After 32 years



Buffalo, NY – March 18, 2019 – U-C Coatings, LLC, a leading manufacturer of wood protection products, announces the retirement of Tom Johel, its Chief Executive Officer, after 32 years of service. Tom Johel began his career with U-C Coatings as a sales representative in 1987, bringing prior experience in the lumber and furniture manufacturing industries to the company. He was instrumental in the growth of U-C Coatings and was promoted to Vice President of Sales in 1992, where he oversaw the expansion of the company’s product line and sales activity for the North American hardwood market. With a growing customer base, he assumed management of manufacturing as well as sales.

In 1999, Tom became President and Chief Operating Officer, increasing productivity and overseeing expansion of the company’s headquarters in 2001. In 2018, Tom assumed the role of CEO, where he continues to manage the company and oversee strategic expansion opportunities.

“Tom Johel has been an incredible partner of the hardwood lumber industry and a great friend of Baillie Lumber for over 30 years,” said Mark Herskind from Baillie Lumber. “We have enjoyed our partnership and wish him all the best in his retirement.”

Tom is a graduate of the NHLA Leadership Program and was invited to be the supplier member on the NHLA Strategic Planning Committee. Tom served as an officer and member of the board of directors for 12 years with the Penn-York Lumbermen’s Club. He also served for seven years on the board of directors for the Hardwood Federation as the Penn-York representative.

Tom is looking forward to spending more time with Judy, his wife of 46 years, his children and his grandchildren. He is also looking forward to having more time to go fishing. Tom will remain with the company as a consultant, attending various industry meetings and events during the transition.

U-C Coatings Appoints Eric Degenfelder Chief Executive Officer



Buffalo, NY – April 10, 2019 – U-C Coatings, LLC, a leading manufacturer of wood protection products, announces the hiring of Eric Degenfelder as Chief Executive Officer (CEO). Eric is taking over from Tom Johel, who will be transitioning to retirement.

Eric brings more than 20 years of experience in chemical and coatings business development, marketing and operations to U-C Coatings. Under Eric’s leadership, U-C Coatings will continue to grow as a trusted partner in logging and lumber production, wood products manufacturing and woodworking industries.

“I am excited to join U-C Coatings as the new CEO,” said Eric Degenfelder. “We have a great team assembled and I look forward to supporting and growing with our customers, as we help them make the highest quality wood products.”

Eric’s career includes 12 years with DuPont Performance Coatings, where he led the industrial coatings business for North America and the coatings business across Asia Pacific, based in Shanghai. Prior to joining U-C Coatings, he served as Vice President of Global Product Management for Axalta (the former DuPont business), where he rebuilt the product line and launched new products that brought value and performance to customers. Earlier in his career, Eric held positions at Air Products and Millennium Chemicals. He holds a Bachelor’s degree in Chemical Engineering from Cornell and received an MBA from Kellogg at Northwestern.

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MEMBER NEWS

TS Manufacturing Acquires Automation & Electronics (New Zealand) Ltd.

Lindsay, ON – March 12, 2019

TS Manufacturing of Ontario, Canada is pleased to announce that it has completed acquisition of majority shares in Automation & Electronics (New Zealand) Ltd. and its subsidiaries. This acquisition strengthens the TS Controls division in North America and provides greater amalgamated support, worldwide, for the existing installed base of TS and A&E customers.

The existing A&E management teams in NZ and NC, USA will remain intact. TS is pleased to announce that Brian Smith and Windsor Technology NZ remain co-shareholders, ensuring stable and consistent leadership and direction for A&E, consistent with its proven 30+ year track record. The acquisition creates a deep team of over 16 PLC and software support staff, operating natively from 3 time zones. All companies remain committed to providing exceptional automation services.

Riley Smith, Sales Manager for TS Manufacturing commented “This acquisition is more like a merger of like-minded professionals all dedicated to the wood products industry. It is our intent for existing vendor and customer relationships to remain unchanged with the three companies. Existing customers will now receive enhanced worldwide support from a diverse range of time zones and offices. Each company will mutually benefit from the broad and varying experience of the other two, and customers will get the most expedient and capable solutions in the wood products industry.”

ABOUT TS MANUFACTURING

TS Manufacturing designs, builds and installs world class equipment for sawmill and lumber handling companies worldwide. Our equipment is made for log handling and merchandising, primary and secondary breakdown, trimming, sorting, stick placing, stacking and more. For more than 45+ years, our clients have been benefiting from the enhanced efficiency and reliability of using a single manufacturer for their production lines.

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