

# THE LOG

February / March 2020

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## LAKE STATES LUMBER ASSOCIATION

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## Letter from the President

### What Lies Ahead?

After a busy two years for Brady Francois as President, it is my turn to take over the reins in hopes to continue down a great path. As everyone knows, it is a challenging marketplace in the forest products industry. From struggles in the export market, to transportation issues, to outside competition, along with new pests and diseases in the forest, it is a daily battle. However, with challenges comes opportunity and despite a lot of pessimism, I am excited and optimistic for what lies ahead. With the help of state lobbyists and contacts with our representatives, our voice is getting louder in congress at the state levels along with the Hardwood Federation voicing our concerns at the national level in D.C. Also, with the Hardwood Promotion group leading the charge our voice will be heard along with our beautiful products being viewed by the general public very soon.

We have a lot of competition out there from LVP, thermofoil, laminate and melamine where it is vital for our industry to get real wood surfaces back into homes and public buildings. I remain confident that the unmatched warm feel offered by wood cabinets, floors, trim, furniture and other products will be the choice of the upcoming homeowner for years to come. Through all of this we have had some bright spots in our industry. So, as spring approaches, let's hope the dark clouds pass by for brilliant sunshine and bright days both in our weather and industry going forward.

Rob Paradise  
Devereaux Sawmill  
LSLA President  
[rob@devereauxsawmill.com](mailto:rob@devereauxsawmill.com)



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

## LSLA CALENDAR OF EVENTS

**2020 Golf Outing  
July 29-30  
Minocqua, WI**

*Check LSLA's website at [WWW.LSLA.COM](http://WWW.LSLA.COM)  
for information on events.*

### 2020 LSLA BOARD OF DIRECTORS



Back Row (left to right): Rob Paradise (Devereaux Sawmill), Pete Johnson (Granite Valley Forest Products), Fred "Butch" Fisher (AJD Forest Products), Colten Heagle (Northern Capital Insurance Group), Jake Divine (LSLA Administrative Coordinator)

Front Row (left to right): Larry Krueger (Krueger Lumber), Steve Peters (Rockland Flooring), Dennis "Gus" Gustafson (Besse Forest Products), Jennifer Lu (WI DATCP), James Maltese (Stella Jones Corp).

Not Pictured: Kirby Kendrick (Kendrick Forest Products)

Photo courtesy of Zach Miller, Miller Publications.

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# REAL HARDWOOD PROMOTION COALITION UPDATE

By James Maltese - LSLA Secretary & Representative to the Coalition

## Real American Hardwood Promotion Coalition Update

If you were at the winter meeting you hopefully attended the Real American Hardwood Promotion Coalition seminar. The Coalition has had several updates since the presentation some of which are noted below.

As Dana Cole and Troy Brown explained, the Coalition is made up of over two dozen forest product associations throughout the hardwood industry. The purpose of the Coalition is to educate consumers and raise public awareness to the benefits of American hardwood.

Thus far, the coalition has raised over \$238,000 since last fall. Much of that funding will go towards the initial phase of the project, research and brand development. A research and marketing firm have been hired by the coalition and several initiatives and planning are well underway.

The first step of the research phase is to host focus groups. A focus group is a strategically selected diverse group of people assembled to participate in a guided discussion about a topic prior to the initial launching campaign of that specific topic. In our case, hardwood promotion. The first focus group was held in Chicago a few weeks ago. It consisted of consumers that had performed major renovations in their homes within the last year. Additionally, an adjunct focus group was with architects, contractors, and designers.

A series of questions by a highly qualified facilitator led to several discussions about home renovations, materials used, sourcing, forest products, sustainability and much more. Some key findings of the focus group are noted below:

### Consumers:

- Consumers perform most of the research themselves on their renovation projects, thus being their own influencers when it comes to the decision making. A good portion of this research comes from a variety of different sources such as online, in person, TV, and word of mouth.
- Consumers tend to want a “quick and now” answer for their renovations, at times based on current trends
- Many of the decisions are budget driven
- They associate real wood products with higher end fashion and individuals
- The terms sustainability and environmentally friendly are not understood by most individuals
- There are often misinterpreted characteristics associated with the forest products industry

### Architects, Builders, and Designers:

- Are often at the mercy of the consumer their working for, thus not being much of an influencer on the products used in renovation
- Typically forced to stay within a strict budget
- Do not favor TV shows based on design or home building
- Top renovations are kitchens, bathrooms, and flooring.
- Have several different sources for their raw material

### Why Research??

In order to properly address the issue (lack of domestic hardwood use and understanding of the benefits of our industry), we need to gather direct feedback from the consumers themselves in order to understand how to strategically promote our products and industry in its entirety. This research will go hand in hand with the marketing (educating) phase of the platform to expose consumers to the benefits of the forest products industry.

### What's next?

- A formalized structure of the Coalition has been established (Feb. 3)
- Focus Group #2 is Feb. 6 in Nashville
- Collaborate with the research and marketing teams to interpret and strategize (ongoing)
- Qualitative research such as online bulletin boards and surveys (near future)
- Additional industry involvement with strategic marketing sessions (near future)
- In person meetings throughout the year in conjunction with association gatherings such as IHLA, AHMI, HMA, KFIA etc.

For more information or feedback, email [hardwoodpromotion@gmail.com](mailto:hardwoodpromotion@gmail.com)



# HARDWOOD FEDERATION UPDATE

By Dana Lee Cole—Executive Director, Hardwood Federation

## Positive Trade Winds

The start of this new decade has brought a collective sigh of relief to the greater Hardwood industry as the good news of trade deals with China and a finalized USMCA materialized late in 2019 and have now been signed into law before the end of January 2020. There is a lot of work to be done both at home and abroad, but at least a ray of sunshine has broken through those dark, dark trade clouds.

Of most interest to the hardwood industry was the January 15<sup>th</sup> “Phase One” signing ceremony between U.S. President Donald Trump and Chinese Vice Premier Liu. The Hardwood Federation was pleased to see that hardwood lumber is specifically mentioned, under U.S. manufactured goods, as part of the deal in the White House fact sheet released at the signing ceremony. The fact sheet may be viewed [here](#).\*

In the trade agreement text itself, ([here](#)\*), hardwood lumber products are again highlighted in the table on page 6-3 under “Other Manufactured Goods.” In addition, the table on Page 6-11 includes all of the of 400 level Harmonized System Codes for hardwood lumber.

Broadly speaking, the agreement commits China to purchasing a total of \$200 billion in U.S. goods and services over the next two years and undertake several trade reforms involving intellectual property protections, financial services, technology transfer, and dispute settlement resolutions.

**What Next?** Exactly how purchases will be made by the Chinese, in all categories, is yet to be announced. Our sources at USTR indicate it could be a combination of reduced tariffs, product exclusions and government purchases. Mike Snow, of the American Hardwood Export Council (AHEC) has also pointed out that China has obligations to all their trade partners under the World Trade Organization; how China increases purchases of U.S. goods without violating these agreements is also unknown. And, of course, much depends on Chinese demand in what most experts agree is a slowing economy. The Trump Administration has responded to these concerns by pointing out the monitoring and enforcement mechanisms included in the agreement. Administration officials, including the President, have promised swift action if progress towards desired goals is not reached.

**What Can US Exporters Do?** AHEC and the Hardwood Federation have both been reaching out to contacts both here and in China to assess how Chinese purchasers are reacting to the agreement. The Chinese New Year has put a damper on direct contact with Chinese businesses, but we have received some direction.

According to AHEC contacts, as part of this agreement China will be re-opening its “Tariff Exclusion Process.” This allows Chinese companies and associations to apply for an exclusion from tariffs of specific U.S. exported goods. U.S. officials in China, USDA and USTR officials are all strongly encouraging companies that export to contact their Chinese customers and push them to make the strongest case possible to their government and regulatory authorities for exclusions from currently imposed Chinese tariffs on hardwoods.

Please note that **only Chinese companies and Chinese trade associations** can apply for the tariff exclusions, and it is important that **US hardwood exporters communicate with their Chinese customers in order to encourage as many Chinese entities as possible to push for tariff exclusions on US hardwood.**

The USDA report ([here](#)\*) contains step by step instructions on how your customers can apply, who is eligible, and what information is required as well as links to the Chinese State Council Customs Tariff Commission who will be reviewing the applications. As stated in the original Chinese document, applicants need to show the tariffs on US goods impact their business in one or more of the following ways: 1) the Chinese importer faces challenges seeking alternative sources of supply; 2) the tariffs cause serious economic damage to the applicant; 3) the tariffs cause major negative structural impacts on the relevant industries or lead to serious social consequences.

We understand that several Chinese companies did apply in the first round last June but to our knowledge none were approved. The US embassy believes that in light of the Phase 1 commitments the Chinese government may look more favorably on applications this time around.

The Hardwood Federation will be tracking progress very carefully...particularly reports from the industry about hoped for increased orders from China.

The bottom line is that while it was essential that hardwoods be explicitly included in this initial trade agreement, the real benefits to the industry are yet to be determined. But, at least now we have an opportunity and some guidance about what actions can be taken to have an impact.

**US-Mexico Canada Trade Agreement:** In other trade news, the Senate approved the USMCA agreement by a vote of 89-10 in a rare show of bipartisanship. The President signed the legislation on Wednesday January 29<sup>th</sup>. Canada and Mexico are in the top four trading partners for U.S. hardwoods.

*Continued on Page 5*

## 2020 WINTER MEETING SPONSORS

Thank you very much to all the Sponsors of the 2020 Winter Meeting for their incredible generosity!

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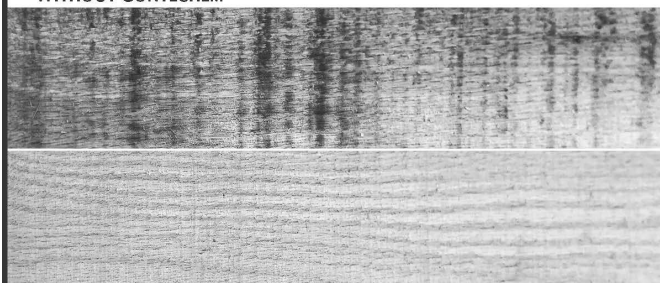
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## HARDWOOD FEDERATION UPDATE CONTINUED

Finalizing this agreement will provide much needed certainty to these markets. As part of the process, the U.S. and Mexico have negotiated a separate Environment Cooperation and Customs Verification Agreement that intends to increase efforts to combat illegal trade, including that of timber.

Mexico has also ratified the revised agreement. Canada is expected to consider final passage of USMCA in the early months of 2020. Analysts expect the Canadians to approve USMCA, but it may take a few months given Canadian political dynamics.

The Hardwood Federation will focus on the implementation process for both of these agreements as well as on Phase Two negotiations between the U.S. and China.

\* The linked documents referenced in this article can be found in the electronic version of the log. Contact [Isla@Isla.com](mailto:Isla@Isla.com) or (920) 884-0409 to be sent a copy.

# THE MICHIGAN REPORT

By Scott Everett, LSLA Michigan Legislative Consultant

## Forest Development Fund Bill

**HB 5333** was introduced last week by Representative Markkanen, (R) District 110 that would limit how funds could be used generated by the Forest Development Fund. The gist of the legislation is to focus Forest Development Funds (money generated by state-owned timber cuts) to management activities such as harvesting, reforestation, road accesses, pest control, disease control, fertilization and wildlife management all consistent with principles of sustainable forestry. It would prohibit money generated by the fund from being spent on administrative costs not associated with forest management or payments in lieu of taxes. The legislation was taken up by the House Natural Resources and Outdoor Recreation Committee on 2/4/2020 but no action taken. The Michigan DNR communicated a no position on the bill.

## Governor Whitmer's State of the State

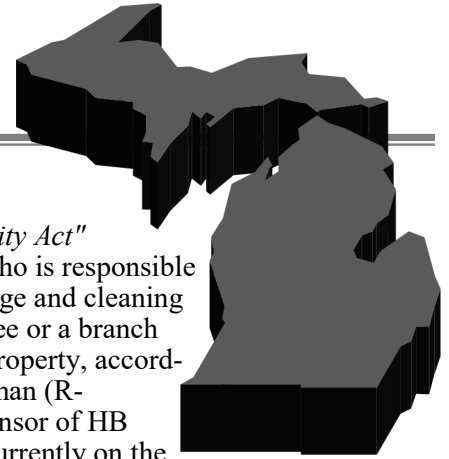
The Democratic governor this year breezed through her second State of the State address this by spotlighting a half dozen priorities her administration is addressing in 2020, including road funding and leaving a legislative to-do list of about 3 items. She wants lawmakers to enshrine federal Affordable Care Act protections into state law in case the U.S. Supreme Court throws out "Obamacare." She wants her Michigan Reconnect job training program for students 25 and older. And, she wants a state budget that expands health coverage for new moms.

## Gov's "Rebuilding MI Funds"

The day after the Governor delivered her second State of the State Address, the State Transportation Commission (STC) unanimously signed off on Gov. Whitmer's \$3.5 billion bonding program for state trunk-lines and highways. All but five of the program's proposed 122 featured projects will take place south of Roscommon County.

## If A Tree Falls . . .

A "*Tree Owner Liability Act*" would make it clear who is responsible for repairing the damage and cleaning up the mess when a tree or a branch falls on a neighbor's property, according to Rep. Ryan Berman (R-Commerce Twp.) Sponsor of HB 4915. The only law currently on the books about fallen trees is from 1909, that law says that if a tree falls in a roadway, the owner has two days to clean it up. If he or she does not, the fine is 50 cents per day. So, Berman has introduced HB 4915 to make the owner of the property on which the tree's trunk is located liable for damage to adjacent property, regardless of whether the tree falling was an "act of God." But local government committee members have had lots of questions about how such a law would apply in various scenarios. The bill remains in the Local Government and Municipal Finance Committee.



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# THE WISCONSIN REPORT

By Amy Boyer, LSLA Wisconsin Legislative Consultant

The 2019-20 Wisconsin legislative session is rapidly coming to a close. Members of the State Assembly and Senate will meet a few times in February, then for one week in March before adjourning for the session to get back to their home districts for campaign season. One of the bigger items left on the agenda is how to spend an unanticipated revenue surplus of a little more than \$800 million. Statutorily, half of the increased revenue estimate must go to the state's "rainy-day" fund which means legislative leaders are looking at approximately \$400 million for potential tax cuts such as income and property taxes as well as paying down some debt. Negotiations on the proposals are on-going.

## Special Session on Agriculture

In the annual State of the State address, Governor Evers called for a Special Session on agriculture issues and announced eight initiatives he would forward for consideration. Included in Evers' proposed \$8.5 billion spending package are: \$1 million for a Wisconsin Initiative for Dairy Exports, a campaign with the goal to increase dairy exports to 20% of the US milk supply; \$1 million for a Small Farm Diversity grant program; add 20 county-based ag experts to provide research and technical assistance to Wisconsin farmers on ag practices and business management; and expanding access to mental health support for farmers.

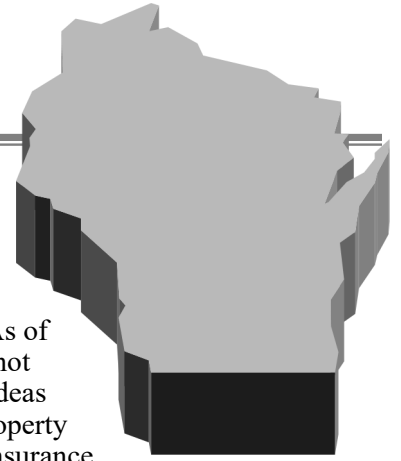
Meanwhile, Assembly Republicans announced in early February they plan to introduce their own package of

bills to help Wisconsin farmers, with Assembly Speaker Robin Vos indicating their plan will "be significantly bigger" than what Governor Evers proposed. As of this writing, legislation has not been introduced, however, ideas floated include: reducing property taxes for farmers; a health insurance tax deduction for small farmers; making a bigger push to increase agricultural exports, and potentially look at ways to promote hemp in Wisconsin. Vos also indicated they will also likely pass some variations of what Governor Evers has proposed.

## Wisconsin Paper and Forestry Products Month

Senator Tim Tiffany (R-Minocqua) has circulated a Joint Resolution proclaiming May 2020 as Wisconsin Paper and Forestry Products Month. This Joint Resolution, which outlines the robust economic impact of the forestry in Wisconsin is supported by the LSLA, Wisconsin Paper Council, Great Lakes Timber Professionals Association, USDA Forest Products Laboratory, Wisconsin County Forests Association and others. A similar Joint Resolution was passed by the Assembly and Senate in 2019. Click [here](#)\* to view that language.

\* The linked documents referenced in this article can be found in the electronic version of the log. Contact [lsla@lsla.com](mailto:lsla@lsla.com) to be sent a copy.



## Purchasing Year Round

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AJD Forest Products - Grayling, MI  
 AmericInn - Minocqua, WI  
 Best Western Plus - Minocqua, WI  
 Chula Vista Resort - Wisconsin Dells, WI  
 Dave Schroeder (GMC Hardwoods) - Jefferson, WI  
 Dreamweaver Lures - Ludington, MI  
 Elton Duffy - Milton, WI  
 Fleet Farm - Green Bay, WI  
 Fred Usinger, Inc. - Milwaukee, WI  
 Green Bay Packers - Green Bay, WI  
 Hardwood Market Report - Memphis, TN  
 Hardwood Review Weekly - Charlotte, NC  
 Ho-Chunk Gaming - Black River Falls, WI  
 Jennifer Lu (WI-DATCP) - Madison, WI  
 Jim Maltese (Stella-Jones Corp) - Grayling, MI  
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 Kwik Trip - LaCrosse, WI

Lumbermen's Equipment Digest - Columbia, TN  
 Mill Run Golf Course - Eau Claire, WI  
 Milwaukee Brewers - Milwaukee, WI  
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 Quality One Woodwork - Hastings, MN  
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 Stella-Jones Corp - Bangor, WI  
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 The Waters of Minocqua - Minocqua, WI  
 Timber Ridge Golf Club - Minocqua, WI  
 Tundra Lodge Resort & Waterpark - Green Bay, WI  
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## LSLA REPRESENTED AT THE WI DOT WISCONSIN FREIGHT ADVISORY COMMITTEE

LSLA Board Director, Larry Krueger spoke at WI Dept of Transportation's Wisconsin Freight Advisory Committee meeting in Madison on behalf of LSLA on November 21, 2019. Thank you Larry for your continued dedication to the industry! For more information on the committee visit:

<https://wisconsindot.gov/Pages/doing-bus/freight/fac.aspx>

## MEET OUR MEMBERS



**Meet Our Members** is offered to all LSLA members. If you would like your company featured in an issue of The Log, please email to us the article, including the name of your company, address, type of business, product manufactured, years in business, and other information that your fellow members will find interesting. If you have a picture you would like included, please email along with the article to [lsla@lsla.com](mailto:lsla@lsla.com).

**LSLA members** are welcome to submit articles that are of interest to our membership. Contact our office at [LSLA@LSLA.COM](mailto:LSLA@LSLA.COM) if you are interested in submitting an article or if you have member news of general interest to our industry.



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# MICHIGAN WOOD CHIPS MARKET

DAVID NEUMANN, MI DEPT. OF NATURAL RESOURCES

Markets for wood residues have been struggling in Michigan this year, along with those in other states in the Great Lakes and Northeast – poor winter logging conditions and an unusually wet spring & summer have made it difficult to log, and difficult to transport residues. Some unexpected changes late this summer and fall have also helped to ‘pile it on.’ Hillman Power Company announced plans to close after nearly 35 years of operation – fuel purchased ceased in October, and a fire at Cadillac Renewable Energy Facility in September will keep the facility shut down for at least 9 more months. Together, these two facilities represented about 1/3 of the wood fuel received by Michigan’s biomass power plants. Taken together, these events have put a lot of pressure on sawmills and loggers to find additional outlets for chips, bark and sawdust from timber harvests and sawmill residuals. The Michigan DNR’s timber sales customers are among those concerned. At last count, the DNR had over 150 open contracts that required chipping of tops and limbs in both hardwood and conifer stands.

To address these concerns and take input on possible solutions, the DNR held a stakeholder meeting in Gaylord this October. Over 60 stakeholders participated, including wood producers, mills, manufacturers, and biomass power plant representatives. The group discussed ideas for dealing with the tops and limbs on some state timber sales. On some contracts, the DNR requires the tops and limbs to be chipped and removed to facilitate easier site preparation before replanting. Alternatives to chipping discussed included reducing the volume of debris by requiring utilization of bolewood down to smaller diameters, lopping tops and limbs into shorter lengths that won’t interfere with site prep equipment, piling and burning, mechanical reduction via roller chopping after the harvest is completed, and leaving tops and limbs in place (distributed throughout the sale area) for prescribed burning after drying for a year or

two. FRD may also consider removing the chipping requirement on some sales where other options can mitigate the need to remove the tops. Going forward, the DNR may also consider minimizing the use of the chipping spec on sales contracts to those situations where no other option is viable, given current market conditions for bark-laden chips.

The DNR recognizes the importance of the biomass industry in providing markets for forest residuals and for sustainable forest management and is committed to working with contract holders to address the recent market changes, and to promote markets for wood and harvest residues. The DNR’s Utilization & Marketing program continues to provide free wood energy feasibility assessments for businesses & institutions that are interested in evaluating whether a woodchip fired heat or energy system can be a good fit for them, in partnership with the USDA Forest Service’s Wood Energy Technical Assistance team. Future work will also include a workshop or webinar series focusing on products that can be made from mill- and harvest-residues, including new technologies and products.

For more information about assistance through the DNR’s Utilization & Marketing program, contact Brenda Haskill at [haskillb@michigan.gov](mailto:haskillb@michigan.gov) or Dave Neumann at [neumannnd@michigan.gov](mailto:neumannnd@michigan.gov).

## Please Update LSLA Mailing Address

LSLA has changed its mailing address. Please update your records. Starting in October 2019, mail sent to the old Green Bay address will not be forwarded to the LSLA office.

The new address is below.

Lake States Lumber Association  
1353 W Hwy US 2, Ste 2  
Crystal Falls, MI 49920

## GOT MEMBER NEWS?

If you are a member of LSLA and your company has news to share, we have the space for it! Significant personnel changes, new products, business expansion or relocation, or any other notable developments with your business, here is where you can make an announcement.

Send us the information or press release, along with any photos you may want to accompany the article, and we’ll do our best to include it in *The Log*. It’s a great way to let your fellow LSLA members know what’s happening.

Contact us at [lsla@lsla.com](mailto:lsla@lsla.com) or 920-884-0409.



## WHERE IS DAVID BRADLEY?

David Bradley is at the Indiana Hardwood Lumber men's Association conference this week. He is enjoying the fine Indiana weather and the wonderful industry camaraderie.



Come work with LSLA to promote and improve the Wood Industry! Become a member and enjoy the benefits of networking, publicity, and educational opportunities.

Contact us today at 920-884-0409 or email at [lsla@lsla.com](mailto:lsla@lsla.com), or visit our website at [www.lsla.com](http://www.lsla.com).



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LSLA  
1353 W Hwy US 2, Ste 2  
Crystal Falls, MI 49920

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