



APPALACHIAN

Newsletter of APPALACHIAN Hardwood Manufacturers, Inc.,
serving the lumber industry since 1928

Demand the Appalachian Standard

March 2003

What's Inside

- **Mark My Words** - page 2
- **AHMI seeks furniture survey help** - page 2
- **Houston says manufacturing must change** - page 3
- **Cabinets are bright spot** - page 4
- **Certification costs impact decisions** - page 5
- **Barford leads AHEC seminars** - page 6
- **Furniture makers discuss industry's future** - page 7
- **Thanks to meeting sponsors** - page 8
- **Tax plan helps forest industry** - page 8

APPALACHIAN Future Meetings

2003 Summer Meeting

July 20-22

The Greenbrier, White Sulphur Springs, WV

2003 Inter-Industry Meeting

Oct. 2

The Grandover Resort, Greensboro, NC

2004 Annual Meeting

Feb. 26-29

Sawgrass Marriott Resort, Ponte Vedra, FL

2003 Meeting Focuses On Future Of Appalachian Hardwoods, Markets

DESTIN, FL - Appalachian Hardwood Manufacturers, Inc. members remembered the past but were clearly focused on the future during the 2003 Annual Meeting here.

More than 150 members and guests participated in the 75th convention at the Hilton Sandestin in Destin, FL, Feb. 27 - March 2. The attendees heard timely information on foreign competition for U.S. markets for hardwood lumber, the potential growth for markets and an update on forest certification.

Attendees were also able to spend time making contact with existing and potential new business contacts, said AHMI President Mark A. Barford, CAE, CF. The new title is the result of bylaws changes approved at the meeting.

"We had more things going on at the convention this year than I can remember in recent years," he said. "We had a great crowd, we remembered where we have come from, we studied where we are today and then we discussed the future.

"This was truly a timely meeting and I believe everyone came away pleased with the results and more prepared for the future," Barford said.

Keynote speakers for the meeting included furniture industry leader Lee Houston, who is currently president of Vermont Tubbs Furniture. He has

75th Anniversary

worked in every level of manufacturing from worker to corporate executive to manufacturing consultant.

Houston shared research he has compiled on the Chinese impact on American furniture manufacturing. *See complete story on page 3.*

Other speakers were Senior Vice President of Chartwell Communications and Editor of *Cabinetmaker* and *FDM* magazines Bruce Plantz. He shared the recently completed *FDM* forecast and market analysis for hardwoods, laminates and cabinets. See story on page 4.

Extension Specialist and Professor Dr. Richard Vlosky of Louisiana State University spoke on his research into forest certification. He explained about the two major certification schemes and the impact each has on markets.

Meeting participants also voted in a variety of bylaws changes and received financial reports from 2002. "We received great comments from meeting attendees about how they liked Destin, were very pleased with our business sessions, and were glad they came," Barford said. "We were glad they did too and are already planning for the Greenbrier in July."

Contact AHMI, P.O. Box 427, High Point, NC 27261

phone: 336-885-8315 fax: 336-886-8865

e mail: ahmi@northstate.net web: www.appalachianwood.org

Mark my words.....

By Mark A. Barford, CAE, CF
President

During our just completed 75th Annual Convention in Destin, the membership voted to update our bylaws. Many folks don't know or really care about the bylaws, assuming them to be a legal necessity that has no affect on their relationship with the association.

Nothing could be further from the truth. In actuality, the bylaws are a written contract with the membership as to how their association will operate.

It includes guarantees of member participation and involvement, and offers methods for addressing disagreements in the functioning of the association, and clearly defines the role each member has.



Mark A. Barford

It seemed fitting that the first change made to the bylaws was to include a specific purpose to the organization, "providing opportunities for promotion, education advancement and improvement of all aspects of the Appalachian lumber industry." It also seems appropriate that the Appalachian region is now specifically defined, and the

bylaws include a complete list of counties that meet that criteria.

Another significant change includes the updating of officer titles, with the elected leaders now the Chairman and Chairman-elect, and the chief staff officer now becomes President. A change which allows me a certain advantage when speaking in front of the public or in the legislative arena.

An addition to the bylaws is the creation of a new membership category called Trustee Emeritus, which will allow the association to honor the men and women who have served the association with distinction.

The main purpose of the changes was to put in straight forward, modern language how your association will operate, not the way we operate. We will continue to provide for the improvement of the Appalachian industry, and are pleased that the industry supports us so solidly, as evidenced by the eighteen companies who joined in the last year.

We look forward to someday serving the whole Appalachian industry.



MEMBERSHIP

HIGH POINT - Appalachian Hardwood Manufacturers, Inc. welcomes the following new member to the association:

Producer

Appalachian Forest Products, Inc.
Larry LaFon
Rt. 10, Mudlick Road
Buckhannon, WV 26201

AHMI Seeks Help At Furniture Market

HIGH POINT - Appalachian Hardwood Manufacturers, Inc. is asking members to help survey wood usage and design at the Spring International Home Furnishings Market.

AHMI is responsible for a furniture market survey that has tracked wood trends since 1934. The survey is the basis for a furniture market news analysis prepared by AHMI staff.

"This is the only survey of its type that tracks wood use at market," said AHMI Director of Communications Tom Inman. "It is interesting to look back at previous markets and watch trends develop for species and design styles."

AHMI is seeking volunteers to walk through furniture showrooms and view all wood furniture on display. The participants tally the species, the design and its manufacturing origin on scoresheets. AHMI compiles the data and publishes an annual report.

"This is a terrific opportunity for lumber sales staff to see what the furniture market is all about," Inman said. "They will see a lot of furniture and probably see their own wood on display in a finished form."

The survey dates are Monday, April 7 and Tuesday, April 8. The survey dates precede Supplier Days at market when showrooms are open to individuals and suppliers to the industry.

In 2002, 12 individuals assisted AHMI with the survey. Many of these participants visited furniture market for the first time and were able to make new contacts in the furniture industry.

AHMI has a block of rooms available at an area hotel. To register, please contact Inman at the AHMI office at 336-885-8315.

Houston: U.S. Furniture Makers Can Compete

DESTIN, FL - The U.S. furniture industry must change its direction and focus on manufacturing to remain competitive in today's environment, reports Lee Houston.

He should know. The president of furniture maker Vermont Tubbs and industry veteran of more than 30 years has researched furniture manufacturing across the world.

His findings were the basis for remarks at the 2003 Annual Meeting of Appalachian Hardwood Manufacturers, Inc. Houston shared with participants a strategy for continued success for U.S. furniture manufacturers.

"Too many companies think the same old way they used to compete is the way to compete today," Houston said. "Too many companies are in denial that things are different today and you just cannot do business the same.

"Can the United States furniture manufacturer compete in this global market?" Houston asked. "Sure we can, we just have to change the way we do it."

Houston began researching what was happening with furniture manufacturing after a friend in the industry revealed a change in that company's business approach. The domestic manufacturer was closing plants and becoming an importer of furniture for distribution to U.S. retail stores.

Houston went to work to determine if that was the best strategy or were there alternatives that this company and others were overlooking. He soon found five strategies at work in furniture manufacturing today:

- 1 - Some companies have become predominately importers.
- 2 - Some companies have integrated imported parts and/or items into their lines.
- 3 - Some companies provide services that people 13,000 miles away simply can not duplicate.
- 4 - Some companies have found a niche that is of little interest to importers.
- 5 - Some companies have become internationally competitive via lean manufacturing or similar programs.

Each company must make its own decision, Houston said. Many companies, however, are basing decisions on sales and marketing philosophies rather than manufacturing and overlooking key changes in today's marketplace.

He said other countries do not enforce workplace

**AHMI
Chairman-
elect Ed
Ramsey
(right)
welcomes Lee
Houston to
AHMI
meeting.**



and environmental regulations, labor rates are drastically different and overhead expenses vary widely. He said decision makers at most furniture manufacturers do not understand these factors because they have sales and marketing backgrounds.

"We try to sell our way out of problems and come out with the hottest look, but that does not solve the manufacturing problems," Houston said. "If we are using that instead of attacking the real problem which is being competitive internationally then we are still doing the wrong things.

"We are getting beat by manufacturers in other places, not marketing," he said.

Houston said his analysis of American and foreign manufacturers found material costs and overhead were basically the same. Labor costs and regulations were the main differences and the areas where manufacturing revisions can have the greatest impact.

Manufacturers have been in denial too long, Houston said, and thought that imports will never displace their market. The day has arrived when that is happening.

"We have used defensive strategies to fight the competition and we must go on offense," he said. "Companies that are winning are providing services that people 13,000 miles away simply cannot do."

Delivery in one to two weeks should be the goal of every U.S. manufacturer. U.S. companies have proved they can compete and win by: re-engineering furniture construction; reducing overhead; building to order; turning inventory faster; improving customer service; employing three shifts; and introducing programs like "Lean Manufacturing."

"These companies are competing and winning," Houston said. "That is a lesson to all of us. If we want to win this battle with competition, we have to get people in our industry who will fight!"

Cabinets Manufacturing Maintains Strength

DESTIN, FL - Cabinet manufacturing is predicted to maintain its leadership in hardwood use and strength of manufacturing, according to a recent study of 300 manufacturers by *FDM* magazine.

The *FDM* 300 was explained to participants at the 2003 Annual Meeting of Appalachian Hardwood Manufacturers, Inc. by Chartwell Communications Vice President Bruce Plantz. Chartwell publishes *FDM* and *Cabinetmaker* magazines.

Each year, the magazines survey the top 300 manufacturers of kitchen and bath cabinets, home and office furnishings, architectural woodwork, store fixtures and other wood products. The report was completed in late January and offers details about

the previous year sales and production and forecasts for the next year.

The survey compiles a list of winners and losers, or manufacturing areas that have made gains in the previous year and anticipate growth in the future as well as areas that have declined and expect further decreases. Overall, the survey found manufacturing expectations were down 2 percent for 2003.

Winners: The continued growth in U.S. housing keeps kitchen and bath cabinet sales strong for another year. Plantz said cabinet makers expect double-digit growth for the next four years.

"In the past, the strength has been new construction but now we see remodeling growing and just expected to get bigger," he said. "The cabinet market is the bright spot."

Cabinet makers have been forced by large retail home centers to produce quality products that are ready to ship quickly. That factor has also allowed cabinet makers to fight offshore competition.

"It's hard to get product here from China in seven days and that's a real strength for the cabinet industry," he said. "And the kitchen cabinet market is still

AHMI Chairman-elect Ed Ramsey (right) welcomes Bruce Plantz to AHMI meeting.



expanding. The end for growth is truly not in sight." Gains are also predicted for store fixture manufacturing, components, and residential furniture.

Losers: The industry segments that are flat and declining are residential and office furniture, millwork and ready-to-assemble furniture.

"Corporate America overspent on everything in the 1990s so office furniture had a great time then," Plantz said. "Office manufacturing have been outsourcing for a long time so they are doing the things to compete, their market has just declined."

There are a few opportunities in the furniture industry, he said, for companies that adapt to the changing marketplace. Companies that focus on quality and service will survive.

"It will be a slow recovery for furniture, but it will come back," Plantz said.

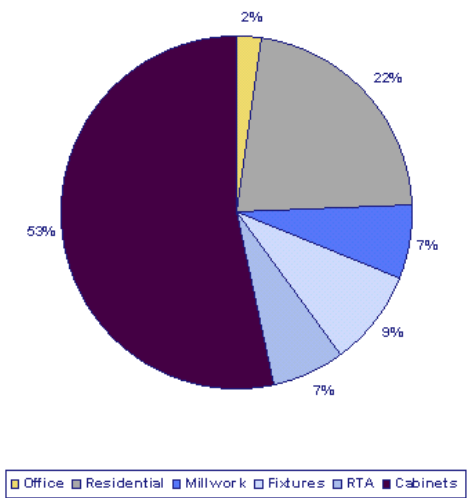
Plantz said survey respondents found three solutions to manufacturing problems in 2003. These are:

- 1) Know your customer
- 2) Control costs
- 3) Control costs

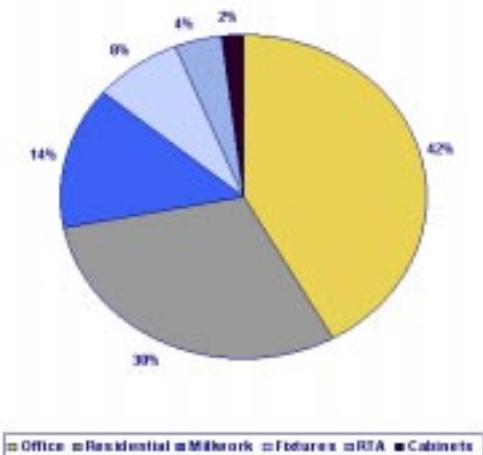
He said companies that focus on costs and then revisit that aspect of manufacturing can increase their competitive advantage.

Copies of the complete survey are available from the AHMI office at 336-885-8315.

Winners



Losers



Forest Certification Finds Limited Interest

DESTIN, FL - Forest products manufacturers are willing to consider forest certification schemes if they can be adopted at no cost, according to a report at the 2003 Annual Meeting of Appalachian Hardwood Manufacturers, Inc.

The information was presented by Dr. Richard Vlosky, professor of forest products marketing at Louisiana State University's School of Renewable Resources. He explained the major forest certification schemes to meeting participants and his research into the programs.

The Sustainable Forestry Initiative by the American Forest & Paper Association and the Forest Stewardship Council have emerged as the leading certification programs. More than 40 other programs exist worldwide with each claiming to provide guidelines for assessing the sustainability of timber management.

Vlosky said SFI has more than 200 companies enrolled while FSC has 58 companies that sell certified wood products and 22 companies that import certified products.

A 2001 analysis of the two programs by the Meridian Institute found that both are supported by comprehensive and steadily evolving documentation of standards, accreditation of certifying firms, certification processes and use of labels for marketing certified products.

The plans differ in the target audience. SFI is designed for all aspects of the forest products industry, Vlosky said. FSC is designed to push the market

**AHMI
Chairman-
elect Ed
Ramsey
(right)
welcomes
Dr. Rich
Vlosky to
AHMI
meeting.**



to demand products with its certification.

Studies have determined that both plans require extensive documentation and monitoring by the company and third-party organizations. These aspects come with costs, Vlosky said.

"That is where we see the greatest concern with certification," he said. "Who is going to pay for it and can they recoup these costs?"

Presently, the market will pay slightly higher prices for certified wood products in limited areas. Few markets generate enough of a premium to pay for the full certification program.

Vlosky's research found that almost 80 percent of forest products manufacturers are not willing to incur additional expenses for certification programs. He also found that few consumers are willing to pay more for certified wood.

The future for certification is uncertain, Vlosky said. There will likely continue to be limited demand that will be met with a limited supply.

Annual Meeting Tournament Winners

DESTIN, FL - The 2003 Annual Meeting of Appalachian Hardwood Manufacturers, Inc. offered sporting events in three areas for meeting participants. The winners in each were:

Golf

Men Low Gross: 1st-Tom Beard; 2nd-Wallace Murray; 3rd-David McCrystal

Men Low Net: 1st-Tim Bowman; 2nd-Dan Smith; 3rd-Jamie Straka

Closest-to-the-Hole: Rob Kelly and Susan Smith

Longest Drive: Jason Johnson and Carol Mollish

Women Low Gross: 1st-Susan Smith; 2nd-Carol Mollish

Women Low Net: 1st-Bert Barrett; 2nd-Linda Rowe

Saturday's Captain Choice: 1st Place Team-Rob Kelly, Jack McKittrick, John Crites, Bob Keiver; 2nd Place Team-Jay Reese, Paul Baity, Dee Curtin, Doug Toothman

Sporting Clays

1st Place - Kenny Greene; 2nd Place - Joel Doucette; 3rd Place - Steve Houseknecht

Tennis

Men - Mitch Carr

Women - Iris Carr

Barford Leads AHEC Seminars In SE Asia

Appalachian Hardwood Manufacturers, Inc.'s President Mark Barford recently traveled in cooperation with the American Hardwood Export Council (AHEC) in Bangkok, Thailand and Kuala Lumpur, Malaysia.

The purpose of the travel was to conduct seminars on American hardwood species and grades to the local lumber buyers and traders. The seminars included detailed information on the how the forest grows in the United States, who owns and controls that forest, and the fact that U.S. forests are well-managed and naturally sustainable.

"The main purpose of these seminars is to let lumber purchasers know there are options as to grades and species of American lumber that may better fit their particular needs and budgets," Barford reports. "This is a clear case where more knowledge will help them to utilize the whole range of products that the U.S. hardwood industry offers."

The final stop on the trip was in Shanghai, China where Barford met with several owners and operators of small furniture companies, again reminding them of the versatility and beauty of American hardwoods.

"The exciting part of this last visit was that most of these companies buy small quantities, but produce furniture that is primarily sold in Shanghai, and



Pictured from from left AHEC China Director John Chan, American State Department Counselor to Thailand Rodrick McSherry, Bangkok Interfurn Group President Mr. Pisith, and AHMI President Mark Barford

not just shipped back to the US to compete with our domestic industry," he said.

Barford will be returning to China in conjunction with the AHEC China Convention, scheduled for June 9 in Chintao and the Southeast Asian Convention planned for Ho Chi Minh City, Vietnam on June 13. For more information on these trips, contact Barford at 336-885-8315.



WORKSHOPS

VA Tech, Forest Service Plan Low-Grade Usage Workshop

BLACKSBURG, VA - The Center for Forest Products Marketing and Management at Virginia Tech and the U.S. Forest Service are offering a workshop entitled "A Workshop to Reduce, Better Utilize and Market Low-Grade Hardwood Lumber and Cants."

The seminar is April 11-12 at the Hotel Roanoke, Roanoke, VA. It is designed to find solutions to the problem of low-grade material volumes and markets.

The workshop will discuss low-grade production, barriers in the secondary industry, challenges to low-grade in a grade mill, and meeting the value-added needs of today's marketplace.

For more information or registration materials, contact Joanne Buckner at (540) 231-5876.

Forest Products Marketing Workshop Set At VA Tech,

BLACKSBURG, VA - The Center for Forest Products Marketing and Management at Virginia Tech will conduct its 10th annual workshop on Forest Products Marketing on April 24-25 at the Virginia Tech campus in Blacksburg.

The program will concentrate on the fundamental principles of marketing and salesmanship as they apply to the forest products industry. Topics to be covered include: forest products overview, distribution, pricing, promotion, strategy, personal selling, marketing research and trends.

For more information or registration materials, contact Bob Smith, CFPMM, Department of Wood Science and Forest Products, 1650 Ramble Rd., Blacksburg, VA 24061-0503 or (540) 231-5876.

Furniture Industry Leaders Discuss Future

The staff of Appalachian Hardwood Manufacturers, Inc., participated in two different sessions discussing the future of the American furniture industry. The first was a roundtable hosted by furniture analyst Jerry Epperson, and the second was a seminar hosted by the American Furniture Manufacturers Association that AHMI President Mark Barford addressed.

In the first seminar, Jerry Epperson of Mann, Armistead and Epperson, began by reminding the group that of the \$19 billion in US wood furniture sales in 2002, 48% is now imported, and that if the components and parts were included, the total would be closer to 60%. He then introduced the following speakers:

Secretary of Commerce Jim Fain noted that furniture employment in North Carolina was at about 60,000, down from 90,000 just two years ago.

Wyatt Bassett of Vaughn Bassett Furniture noted that for the cost of each US worker, the Chinese could hire 30. To compete, his company has reduced employees through attrition, increased productivity, reduced delivery time to 10 days, and increased their carrying stock by \$15 million.

Bob Cleary of Henredon says that his company now moves quick, and doesn't overanalyze before they move ahead. They are working on quality, reducing cost and quicker delivery.

Mike Dodick of Premier Wood Products noted that the wood components business had shrunk dramatically with few signs of any immediate improvement. He does see the Internet playing an essential role.

Harvey Dondero of Chinese owned Universal Furniture reported that with a new plant about to come on line, they will have 4 million square feet of capacity all in China. He sees little opportunity for the American industry to compete, except on specialty items, and to those consumers who will pay a premium for short shipping times. He also noted that the consumer loves hand carved furniture which the Chinese excel in.

Furniture consultant Jeff Homes reports that some companies are investing in South America in case there is a disruption in the Chinese supply. He feels the Chinese will soon be marketing directly into the US, and are limitless in their abilities.

Steve Lawser of the Wood Component Manufacturers Association talked about the demise of his industry in regards to furniture, and reported that



CONSUMER

building trades and cabinets were now their primary customers.

Furniture consultant Art Raymond noted that price was #8 on the priority list of why people buy furniture, yet that is all the industry thinks it can compete on. He thinks the future depends on finding and leading the consumer by creating demand rather than responding to it.

Bob Stec of Lexington Furniture noted that half of his product is imported, and that it is the consumer that controls the industry. Furniture is not a functional need, but rather a way to live better. They now have 2,500 employees vs. 7,500 a few years ago.

The AFMA seminar was hosted by Joe Carroll, Publisher of Furniture Today magazine, and included leaders of various furniture supply industries. All segments, as well as lumber, are feeling the pain of the dramatic downsizing of the industry, and there was a general sense of urgency about where the future would take us.

"My message to the furniture industry was clear," Barford said of his part in the seminar, "we have an experienced industry with a sustainable supply of raw material. We count on the furniture industry, but have also diversified our sales base to other industries so that we will be around for the long haul."

Sponsors Help Make Anniversary Meeting

HIGH POINT, NC - Appalachian Hardwood Manufacturers, Inc. would like to thank seven companies for financial support of the 2003 Annual Meeting:

Welcoming Social: [Indiana Hardwoods](#)

Golf Tournament Prizes: [Aurora Timberland Wholesale Hardwood Lumber](#)

Golf tournament drink cart (Friday): [SII Dry Kilns](#)

Tennis tournament: [U*C Coatings](#)

Sporting Clays Tournament: [Volvo Construction Equipment North America](#)

Business session speakers:

[Falcon Informatics](#)

75th Anniversary Club: [Cobank](#) and [Volvo Construction Equipment North America](#)

AF&PA Study: Bush Tax Plan Helps Forest Products Industry

WASHINGTON, DC - A report by the American Forest & Paper Association (AF&PA) shows that enacting President Bush's economic growth plan would bring the effective tax rate on forest products companies in the U.S. in line with the tax rates of competitors in foreign countries.

The study, completed by the international accounting firm PricewaterhouseCoopers LLP (PwC), was commissioned by AF&PA as a follow up to a 2001 study done by PwC showing that U.S. forest products companies are competitively disadvantaged by having to pay among the highest effective tax rates of our foreign competitors.

"This study definitely proves what we have been saying since the President's proposal was unveiled in January," said AF&PA President and CEO W. Henson Moore. "Passage of the President's growth plan - particularly the elimination of the double tax on corporate dividends - is a key to the economic recovery in this country."

The new study shows that, if the proposal to eliminate the double tax on corporate dividends were enacted, the effective tax rate on U.S. paper manufacturers would fall from the current 61%, the second highest among all competing nations, to 44%, placing it in the middle of those countries with which the U.S. industry competes.

The PwC study shows much the same for the tax rate on manufacturers of wood products. The current tax rate of 62%, the highest of any competing country, would be reduced to 47% with elimination of the double tax on dividends. Similarly, the U.S. effective tax rate on corporate forestry, which is the biggest of the countries studied, would be reduced from 53% to 34%.

"This plan is vital to our industry's competitiveness," said Moore. "Due in part to loss of market share both in the U.S. and abroad, since 1997 our industry has had to shutter 88 paper mills, laying off more than 43,000 workers, 19% of our workforce. If the President's plan is enacted, U.S. companies will be more competitive in the global marketplace."

AF&PA is the national trade association of the forest, paper and wood products industry and represents more than 200 companies and related associations that engage in or represent the manufacture of pulp, paper, paperboard and wood products.



FORESTRY

NC Meeting To Discuss Cerulean Warbler Listing

HIGH POINT, NC - Appalachian Hardwood Manufacturers, Inc. members are invited to attend a meeting March 26 in Winston-Salem, NC, to discuss voluntary, landowner-conducted surveys of private forest lands for populations of Cerulean Warblers.

Information about the Cerulean Warbler, including its range can be accessed at <http://www.mbr-pwrc.usgs.gov/id/framlst/i6580id.html>. The primary objectives of the meeting are to discuss details of the survey protocol and identify landowners willing to participate. The U.S. Fish and Wildlife Service is reviewing the status the Cerulean Warbler and considering whether to list it as a threatened species.

Because recent surveys for the Cerulean Warbler likely undersampled private lands, discoveries of additional populations would likely be of direct relevance to any decision about its regulatory status. The meeting will be held at the Best Western Salem Inn and Suites, 127 S. Cherry Street, Winston-Salem, NC, at 1 p.m. For more information, contact the AHMI office at 336-885-8315.

Barford Talks Lumber Markets With Foresters

HIGH POINT, NC - Members of the Society of American Foresters got a primer on future hardwood lumber markets at a recent regional meeting in Winston-Salem, NC.

Appalachian Hardwood Manufacturers, Inc. President and Certified Forester Mark Barford gave a presentation on where hardwoods are going, and how those markets are changing in both the long and short term. The main message is that society has shown a constant desire for good quality hardwood products, and demand for American hardwoods should remain strong.

"Foresters are always looking long-term as they manage for quality trees that they may never see harvested," Barford reports. "As advisors to the more than 7 million landowners that we primarily harvest from, they need to understand the long term viability of the hardwood industry, and be assured there will always be a market for their product. That market may change, but there will always be a market."