



Appalachian Sustainable



Annual Meeting Details Checkoff Strategy

The plans for a Hardwood Checkoff were detailed at the 2011 Annual Meeting of Appalachian Hardwood Manufacturers, Inc.

A committee of industry leaders has been working for eight months on a proposal for a commodity research and promotion program for the hardwood industry. There are dozens of similar programs for other agricultural products.

John Crites, former AHMI Chairman and chairman of Allegheny Wood Products, serves on the Hardwood Checkoff Blue Ribbon Committee. He led a panel of speakers at the AHMI meeting offering full details on the proposal.

"It is very important that everyone in the hardwood industry understand what checkoff can mean," he said. "I believe that this is the best way we can go about raising the awareness of our forests, our products and our businesses and increasing the demand for American hardwoods through Promotion, Education and Research."

Checkoff programs are industry-funded research and promotions programs tailored to a specific commodity. The assessment must be approved by a majority of the companies who will pay into the program.

Crites said hardwood sawmills, concentration yards, integrated companies with mills, kilns and value added processing and hardwood panel mills will be included. The committee has developed what it believes is a fair and equitable formula for levying an assessment.

Hardwood sawmills would pay \$1 for every \$1,000 in sales of green lumber. Concentration yards would pay \$1 for every \$1,000 in kiln dried



The Hardwood Checkoff panel at AHMI's Annual Meeting consisted of (from left) Carlton Owen, Sonia Jimenez and John Crites

sales but will receive credit for green lumber purchases that have already paid the assessment.

Value added companies would pay \$.75 per \$1,000 in sales of value added products but will receive credit for green lumber purchases that have already paid the assessment. Hardwood panel mills will pay \$4 for every 1,000 square feet of production.

Crites said checkoff provides four key things: **Fairness** – there are companies do not give time or money to industry promotion, but ARE receiving the benefits of the work others are funding. With Checkoff, there are no free riders.

Flexibility – Since this effort is directed by a
(See Checkoff on page 3)

Monthly newsletter of Appalachian Hardwood Manufacturers, Inc.
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Meetings

2011 Summer Conference - July 23-26

The Nemacolin, Farmington, PA

2011 Fall Meeting & Tour - Oct. 12-13

Zanesville, OH

2012 Annual Meeting - Feb. 29-March 4

The Marco Island Marriott, Marco Island, FL

The way I see it...

By Tom Inman, AHMI President

...the Appalachian Hardwood Verified Sustainable promotion is about to get a handle on reaching thousands of consumers.

Beginning in March, the Ames True Temper Co. began labeling all shovel, mattock, post-hole diggers and other tool handles with the AHVS logo. As seen in the photo, the label is affixed just above the Ames True Temper product sticker.



I began working with Ames last year when they joined the association. I learned that all of their Ash and Hickory products were sourced from the Appalachian region and manufactured in plants in Pennsylvania, New York, Kentucky and Tennessee.

"We are very pleased with this promotion and it is exceeding our expectations very early in the season," said Joe Saffron, Ames Marketing and Product Development director. "We have re-

ceived a lot of attention as THE option to the Asian and Mexican product that is out there. We are getting a lot of buzz from the regional stores and cooperatives."

I want to encourage you to "look for the Appalachian label" and tell your employees to purchase Ames True Temper tools for your company and personal use. Thank you Ames True Temper!

...another terrific meeting of AHMI members and guests recently at Ponte Vedra. While our crowd was down slightly, our business program and socials were exceptional and we received outstanding reviews from attendees. More details are reported in this newsletter.

Please mark your calendar for the Summer Conference at The Nemaquin - July 24-26.

MEMBERSHIP

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

Consumer

Studio Q Furniture
Jeremy Swanson
PO Box 1973
Hickory, NC 28603

Forestry

Holstine Forestry Consulting, LLC
John M. Holstine
326 Five Mile Rd.
Charleston, WV 25306

Supplier

Stiles Machinery
Owen McGee
729 Gallimore Dairy Rd.
Greensboro, NC 27265

New members are the lifeblood of any association. Please call the AHMI office at (336) 885-8315 with suggestions of customers and competitors who can benefit from membership. AHMI has a packet that will be mailed or emailed to prospective members and will followup promptly.

ALC Assists AHMI Promotion

The Appalachian Lumbermen's Club recently donated \$3,000 to Appalachian Hardwood Manufacturers, Inc. to assist with the promotion of lumber and products from the Appalachian region.

The club consists of sawmills, concentration yards and secondary manufacturers from North Carolina, South Carolina, Tennessee, Virginia and West Virginia. It meets five times annually to discuss industry issues and networking.

"I want to thank the club for its continued support of our efforts in promoting and marketing the hardwood resource from the Appalachian Mountains," said Tom Inman, AHMI president. "This allows us to expand our work and will pay off for club members as well."

Checkoff from page 1

board the industry nominates, it can be flexible and expanded. An program that is not paying dividends, can be changed or ended.

Experience – There are more than two dozen other checkoff programs for agricultural products and the industry can learn from their success and not repeat their failures.

Durability – This is a long term approach to what has become a long term problem. Substitute materials are taking a larger share of markets.

The committee is working with the US Department of Agriculture's Agricultural Marketing Service (AMS) to develop an order requesting a vote on the Hardwood Checkoff. After the order is filed, AMS will review and accept comments for 60 days. The committee will develop a database of mills who will receive ballots. The committee is proposing a weighted vote based on the annual sales of the company.

Sonia Jimenez said the USDA would publish a proposal after it meets the requirements of the federal statute. The USDA will analyze all comments received and a final proposal with changes (if needed) will be published at the same time as the referendum procedures.

Crites said the program will be administered by a governing board that will represent every segment of the industry. Their work will also be reviewed by the U.S. Department of Agriculture to make certain decisions are in the best interest of the industry.

Other checkoff programs have board terms and specific functions that are decided on by the group. Board members are not paid but can be reimbursed for travel. The program will have staff and administration expenses, Crites said.

Jimenez said AMS makes certain the governing board takes no action that would be a conflict of interest and promotions must be generic and not disparage another agricultural commodity. She said the funds cannot be used to influence governmental action or policy and they cannot "pass through" to fund other organizations.

The U.S. Endowment for Forests and Communities has provided funding and counsel for the

The Commodity Promotion, Research, and Information Act of 1996 specifically authorizes check-off for forest products. Officially called Research and Promotion Programs, check-offs are designed to maintain and expand markets for agricultural commodities using a variety of research and promotion activities.

Hardwood Checkoff research. Carlton Owen, executive director, said these programs have proven to be very successful in raising awareness and sales of agricultural products.

The Endowment was formed following the settlement of a lawsuit between U.S. and Canadian softwood producers. It is currently assisting the U.S. softwood industry in developing a check-off which will be voted on this year.

Owen said commodity checkoff programs provide a vehicle for consistently promotion, research and education programs. He noted the best time to begin a program is today.

The projected revenue from a Hardwood Checkoff is \$10.5 million. The breakdown is:

\$3.5 million from green sawmills

\$2.5 million from sawmills with kilns

\$1.5 million from concentration yards, value added processing and flooring

\$3.0 million from hardwood plywood

As production and sales increase, this amount will likely rise and that is more money available to promote our products and provide research, Crites said. "We believe this is an excellent start to turn the tide in our favor," he said.

Why do we need the Checkoff? "I think all of you know where we are as an industry. In the past few months I have been thinking about this as a 'Valley of Despair'," Crites said.

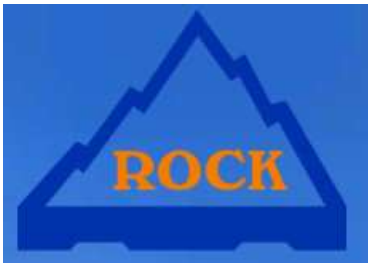
"The Hardwood Market Report shows what production has done over the past 50 years and the lowest point, where we are now, is that Valley of Despair."

More information on the committee and its progress can be found at www.hardwoodcheckoff.com or by contacting the AHMI office at info@appalachianwood.org.

Pallet Maker: Adaptability Is Key To Survival

John Rock, Inc. consistently makes quality pallets that meet and exceed their customers' needs. They also are consistently changing to demands of the marketplace, reports Bill MacCauley, company president.

At the 2011 Appalachian Hardwood Manufacturers, Inc. Annual Meeting, MacCauley said the economy has taken its toll on the pallet industry, just like other manufacturing, but they are fighting to survive.



His remarks to AHMI Producers and Distributors reflected some common issues. The first centered on an unreliable, unmotivated workforce.

"These guys say they want to work and they will show up on time and then they can't pass a drug test," MacCauley said. Other ills for pallet makers include government regulations, lack of available credit and customers who want to extend terms.

MacCauley noted that many of the issues for pallet manufacturers are the same for sawmill and lumber distribution companies. With hardwood lumber inventories are historic lows, there is increased pressure on sales relationships.

He shared that pallet specifications have no



The John Rock Inc. fleet not only ships pallets to customers but also schedules and delivers raw materias to the plant.



From left are AHMI Vice Chairman Chris Keziah, John Rock Inc.'s Bill MacCauley and AHMI Chairman Mike Parton

correlation to the raw material dimensions from US sawmills. The pressure is on pallet markets to work with suppliers to reduce waste for both sides while delivering the product an increasingly selective customer demands.

MacCauley said the pallet industry formerly required 6/4 stock with 4" to 6" widths. That has decreased to 4/4 boards with 3 1/2" x 6 inch stock.

A threat to the pallet industry in the coming year are the use of substitute materials made of plastic or corrugated stock. Some of the larger retailers are also going to a pallet pool to reuse or rent pallets as needed, decreasing the demand for new products.

One of the areas John Rock Inc. is targeting is mold. By removing as much moisture as possible and spraying when necessary, the industry is attempting to dramatically reduce mold.

John Rock Inc. supplies wooden pallets to businesses of all sizes including many of Fortune's top 500 in America for almost four decades. Across the country they have become the recognized leader for achievements of unsurpassed wooden pallet production, cost competitive solutions, unwavering quality, their unmatched "heat treatment" operations and reshaping customer's order/delivery expectations.

For more information, please visit www.johnrock.com.

Accountant Provides Wealth Of Information

Certified public accountant Scott Biesecker offered a presentation on the tax changes for businesses and individuals in 2011.

He spoke at the 2011 Annual Meeting of Appalachian Hardwood Manufacturers, Inc. He works with Turlington & Company, which is headquartered in Lexington, NC, with clients across the Southeast.

While changes occur every year, 2011 is reported as having one of the highest number of revisions in recent years. Biesecker covered just a few areas for meeting attendees focusing on hiring incentives, health care, estate taxes and unemployment.

The advice was not considered to be complete and Biesecker strongly encouraged attendees to followup with their CPAs to deal with the specifics of the laws.

New laws are causing uncertainty for taxpayers as it relates to planning for the next two years for individual income tax rates, capital gains/dividend tax rates and the estate tax. Income tax rates for many decreased for 2010 and capital gains and dividends remain at 15% rather than reverting to 20%. Other changes saw standard deductions increase slightly.

Individuals also received an increase in their paychecks with the reduction of Social Security taxes for one year. Also, energy relief deductions for homeowners were expanded to include 2011.

Biesecker said all of the changes are not favorable to taxpayers. The estate tax increase in 2011 to 35% after the first \$5 million of an estate and increases to 55% after the first \$1 million after 2012.

"The Tax Relief Act provides that the personal representative of a deceased spouse's estate may elect for any of the \$5 million exemption not used by the estate may be available to the surviving spouse," he said. "This new 'portability' feature should make it easier for couples to shelter up to \$10 million of their combined assets even where credit shelter trusts do not exist."

He also advised people to review wills because the wording of the will could produce differ-

Tax Tips

Health Care

A lot of the 2010 health care bill did happen and the affects are:

- Group Health Plans covering dependents must continue coverage until age 26.
- Seniors pay 25% of the costs until total reaches \$2,830, then pay 100% until out-of-pocket reaches \$4,550.
- Established high-risk pool for people with pre-existing conditions.
- Lifetime caps eliminated on insurance for essential services.
- Prohibition on excluding children from coverage due to pre-existing conditions.
- A temporary reinsurance program for retirees over age 55 and not covered by Medicare. It reimburses the employer 80% of the costs.
- New income tax credit (IRC Section 45R)
 - a. Eligible small employers with fewer than 25 full-time equivalent employees or employees annual wages average less than \$50,000.
 - b. Amount of credit: lessor of health insurance premiums cost, or amount determined by Health and Human Service Secretary (Tables listed in Rev. Rul. 2010-13).

Estate Taxes

- Certain estates of decedents dying after December 31, 2012 could elect to deduct \$675,000 of a qualified family-owned business interest (QFOBI) from the decedents gross estate (Code sec. 2057).
- Maximum amount you could deduct including the applicable exclusion is \$1.3 million.

ent results if Pre-Act or Post-Act law is selected.

For more information, contact Biesecker at sbiesecker@tcllp.com or Turlington and Company, L.L.P. at telephone (336) 249-6856 or fax (336) 248-8697.

Importer Tells Exporters To Learn Customers

While Appalachian hardwood products have been sold into the United Kingdom and western Europe for decades, there is still opportunity for new business reports one Irish importer.

William Crowley of Crowley Hardwoods, Ennis, Ireland, spoke to participants at the 2011 Annual Meeting of Appalachian Hardwood Manufacturers, Inc. The company joined AHMI in 2008 and is an importer of Appalachian species to Ireland and western Europe.

He encouraged exporters to apply the same customer service skills they use on domestic customers - get to know foreigners.

"Come visit us and find out exactly what we need," Crowley said. "I always make a special effort to remember those people who have come to visit us and that's who I want to do business with."

While markets are down in Ireland and western Europe, Crowley was optimistic.

"It will pick up and we are not going to be dead in the water forever," he said. "We have to have hardwoods to build and the Irish people and Eu-

ropeans truly love the look of hardwoods."

Other market advice included participating in the Interzum Cologne show in May in Germany. AHMI will participate in this show with the American Hardwood Export Council.

"There is a record number of people registered early for this show," Crowley said. "They are mostly from European countries and if you are interested in reaching this market, you should plan to attend and meet new customers there."

Crowley said more U.S. companies are considering exports but are wary of unknown customers. He advised that Irish importers must pay a tax on the lumber which is collected when it is sold. He encouraged exporters to ask for tax identification numbers from their customers because that is a sign that they are legitimate business people.

Crowley Hardwoods Ltd. is based in Ennis (Co. Clare, Ireland) and deals with the import, sales and distribution of hardwood all over Ireland. It was established in 2001 and has become one of the leading companies in the hardwood distribution market.

Membership Increases, Budget Declines Slightly

Appalachian Hardwood Manufacturers, Inc. held its Annual Meeting during the 2011 convention. AHMI Chairman Mike Parton presided over the session and reported that the association was sound financially and was hard at work promoting the log, lumber and products from the region.

Vice Chairman of Finance Mark Vollinger reported that revenues were down slightly in 2010 and expenses decreased accordingly. The association ended the year with a deficit of \$492. He said the budget for 2011 was adjusted to reflect projected income.

AHMI President Tom Inman gave the membership report with an increase of nine companies from 2010. The association has 204 active members in five divisions.

Inman recapped the promotion and education activities of the association. He participated in dozens of trade shows and speaking events, published the annual Resource Guide and maintained

the association's websites.

Inman presented the plan for 2011 which includes expansion of the Appalachian Hardwood Verified Sustainable program, international and domestic trade events, advertising and direct contact with hardwood consumers to promote AHMI member companies.

Special thanks to the following 2011 meeting sponsors:

General Sponsor - U*C Coatings

Business Session Refreshments - BB&T Insurance Services

Business Session Speakers - Pennsylvania Lumbermen's Mutual Insurance

Friday Reception Co-sponsor - LUA

Golf Tournament Refreshment - SII Dry Kilns

Golf Tournament Prizes - Corley Manufacturing

Sporting Clays Tournament - ISK Biocides

Hardwood Federation Fundraiser and Publicity - Hardwood Market Report

Federation Lobbies Congress For Industry

The Hardwood Federation held its Board meeting in Washington, DC, in February and also sponsored a Breakfast Meet & Greet on Capitol Hill for Political Action Committee participants.

More than a dozen lawmakers, from both sides of the aisle, came to meet with Hardwood Federation representatives. They shared some of their early experiences and impressions of the 112th Congress, and HF members told them about several HF priorities.

Finding a solution to the EPA BoilerMACT overregulation was a principal concern, as was preserving funding for the USDA's Market Access Program and Foreign Market Development program. One of the messages that rang loud and clear from all the members of Congress who stopped by was that they appreciate the Hardwood Federation and appreciate hearing from Federation members in their home districts.

BoilerMACT

A months long campaign by HF and other industrial boiler sectors resulted in an announcement by the EPA that proposed Boiler MACT rules will be significantly revised. The EPA and the administration has made repeated statements of support for the use of biomass and the need for greater regulatory flexibility for biomass boiler operators.

Specifics as the Hardwood Federation understands at this time:

1) biomass boilers under 10 million btu will be alleviated from having to face costly engineering requirements altogether, required instead to do "tune ups" every two years.

2) Larger biomass boilers will no longer be required to meet carbon monoxide rules, and have revised particulate matter limits which will require testing every three years.

3) Larger boilers will also have to under go a one-time energy assessment. EPA believes this will avoid the need for total boiler replacements in industries such as hardwood lumber, cutting compliance costs down significantly.

4) Biomass boilers are defined as those burning at least 15% wood or other biomass fuel.

Chris Keziah, AHMI vice chairman, meets with U.S. Rep. Scott DesJarlais TN-4, at Hardwood Federation event



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HARDWOOD
FEDERATION

AHMI Trustees Commit To 100% Participation

The Appalachian Hardwood Manufacturers, Inc. Board of Trustees recently committed to 100 percent participation in the Hardwood Federation Political Action Committee. The action is one of the first for Federation association members. AHMI Vice Chairman Chris Keziah, who serves on the Federation board, asks AHMI members to consider following their example by contributing to the PAC in 2011. The next election will be crucial for industry in the U.S. and specifically forest products. To contribute, please visit www.hardwoodfederation.com.

Compliance date for the new rule was not announced but is expected to be within the first half of 2011.

For more information on this issue and the ruling please go to the Hardwood Federation's Issues page at www.hardwoodfederation.com.

Unified Hardwood Promotion Adopts Brand

The Unified Hardwood Promotion group recently unveiled a new logo and tagline promoting American Hardwoods.

The American Hardwoods campaign was developed to give the hardwood industry a unified identity and to elevate American Hardwoods as the building material of choice. With research showing that 93% of consumers like hardwood as a material for furniture, flooring and cabinets, UHP knows it has a compelling story to tell and a captive audience to hear it.

This campaign is a great opportunity for inspiring increased consideration and sales of American Hardwoods among consumers and professionals, and educating audiences on the value of choosing hardwood over other materials.

The success of this campaign starts with hardwood companies using this logo on company websites, packaging, brochures, sales tools, branded merchandise, etc. This branding should not replace the marketing efforts of your organizations and associations, but should be a supplement to enhance your business messaging and reinforce our joint promotion of American Hardwoods as a choice material.

To help roll out the campaign, the industry has also engaged a communications firm, New York-based Gibbs & Soell (G&S). The G&S team led the research and branding effort and is currently helping develop a new branded website and sales tools, including but not limited to, a research backgrounder about consumer preferences for hardwood, FAQ sheet, and supporting literature.



The team will also assist with media relations efforts to help bring the message to professionals and consumers.

With the assistance of American hardwood companies, UHP believes they have an opportunity to make a big impact in the industry and to reinvigorate the image of American Hardwoods.

Finally, a few important things to note when using the logo (as outlined in the brand guidelines):

- The color logo without a border is the official signature to promote American Hardwoods and the preferred version.
- The tagline, Treasured for Generations, should be used in conjunction with the logo. However, it is not necessary to always use the logo with the tagline.
- The border version may be used on packaging and materials that may not have a white background or when appearing in conjunction with other brand marks.

For more information, please contact the AHMI office.

Appalachian Hardwood Promotion Plans For 2011

Appalachian Hardwood Manufacturers, Inc. will participate in or sponsor the following events:

March 14-16 - Hardwood Manufacturers Association, Charleston, SC

March 17-18 - Going Green Conference, Indianapolis, IN

April 3-9 - High Point Furniture Market, High Point, NC

May 16 Penn York Lumbermen, Champion, PA

May 25-28 - Interzum Cologne, Germany

July 24-26 - AHMI Summer Conference, The Nemaquin, Farmington, PA

Sep. 21-24 - NHLA Convention, Nashville, TN

Oct. 23-28 - High Point Furniture Market, High Point, NC

For more information, please contact the AHMI office at (336) 885-8315.