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President, NHLA

Atlanta Hardwood Corporation (www.hardwoodweb.com) represents a family of forest products companies consisting of ten operating facilities including Crystal Spring Hardwoods, Huntersville Hardwoods, North Georgia Hardwood Corporation, and White County Moulding in addition to distribution centers in Georgia, Alabama and Tennessee. Atlanta Hardwood has more than 55 years of experience in the hardwood lumber business and ships quality hardwood lumber throughout the world.

1. How would you characterize the overall state of the hardwood industry today?

“We used your article from the 2007: The Year at a Glance, ‘*1992-2007: Normal Business Cycle or Fundamental Change?*’ as the basis for discussion in our recent company board meeting, I think we’re seeing both a cyclical downturn and fundamental change in our industry. I have little doubt that our industry is in a recession. We saw it beginning 18 months ago in Canada when NHLA had six graders in Quebec. Today there is only one. The loss of the furniture industry clearly represents a fundamental change for hardwood markets, but, looking back, I think the effects of that change were somewhat dampened by an historic upswing in the housing market. The change in timberland ownership (i.e. Timos), globalization and the flood of imports, the green movement and potential biomass energy are all fundamental changes in the marketplace.”

“My immediate concern is how long will the current economic downturn last and how deep will it be? I spent time on the Federal Reserve Board and, while I tend to be an optimist, our savings rate, decreasing home equity and the many mortgages yet to be reset are ominous signs for the economy. Consumer confidence is now the lowest in the past 35 years. However, Harvard’s housing studies project strong growth in the remodeling industry, which I see as a very good sign for the hardwood industry. According to the study, remodeling expenditures will exceed new construction expenditures by 2015. The next decade, due to demographics and new housing formation, could be another stellar housing market.”

2. Using current conditions as a benchmark, where do you see the North American hardwood industry in the short term (3-8 quarters) and long term (2+ years)?

“Some are predicting market improvements as early as next year; I’m not sure I see indicators suggesting significant improvement that soon. Long term, hardwood lumber production has to decrease further, below 10 billion feet, and, unfortunately, I think we’re going to lose more sawmills and distributors in the process. In five years, our supplier base for our two concentration yards in GA has decreased from roughly 25 to less than 10.”

“Long term, I think we’re going to see increased timberland owner fragmentation as the average private forest owner is over 55 years of age. I’m concerned that the younger generation of private forest owners will be what I call ‘Starbucks Environmentalists’ (those who profess environmentalism while they drive their big SUV to Starbucks for a coffee they could brew at home). We often give lip service to being environmentally friendly, but our actions say otherwise. Will the next generation be as stewardship-minded as the previous one? I’m not convinced that they will. The green revolution is here, but often public perception is not based on science. What will the impact of estate taxes be on private forestland holdings? The American public still believes we are running out of trees, yet they will sell the trees to pay taxes.”

“I also see emerging markets as very important to the industry moving forward. In the latest ‘Forbes 100,’ few of the wealthiest people were Americans. Consumerism in the emerging markets could help drive demand for forest products.”

3. What would you prescribe for the North American industry as a mechanism(s) to secure its continued viability? What do you think is needed in the future that specifically is not being accomplished today or has not been in the past?

“Effective, collective hardwood promotion is needed, but the industry associations are too fragmented. The Hardwood Council, thankfully, spends about \$300,000 on industry promotion. A \$10 billion dollar industry should be spending much more on promotion, \$300,000 is a pittance given the size of our industry. I should point out that AHEC has had a great deal of success with promotion in China and other overseas markets.”

“One of my last goals in my role this year with NHLA is to propose the idea of a united association hardwood web portal, an internet ‘backbone’ if you will. We could combine our association resources to create a web-based clearing house for information regarding the industry conferences, webcasts, webinars, technical information, etc. It wouldn’t be owned by any one association and any potential ad revenue would be allocated to hardwood promotion.”

4. Do you believe that North American hardwood manufacturers and distributors truly understand downstream consumers of hardwood products, who they are, how they make product selection decisions, and their perception of the hardwood industry?

“I’m not sure. I think we understand that hardwoods are viewed as fashion, not particularly by species, but by look, color, etc. We need to understand the downstream hardwood consumer in as much as we have to be able to create demand that fits the resource we have. Today, we are competing globally with multiple imported species. Fashion doesn’t care where the wood comes from.”

5. Conventional wisdom is that the US is “going green.” What are your thoughts regarding the industry’s continued effort to brand itself green in the eyes of the consumer?

“I think, fortunately, the benefit of forest management is better understood by the average person today than it was in the past. I don’t think loggers are ‘enemy number one’ as they once were. The wild fires out west have highlighted the risk of decades of fire suppression. Managed timberlands are vital to a healthy forest.”

“I think we have more work to do with LEED and we need more studies focused on life cycle analyses of wood products compared to other materials such as concrete. Of all the source countries for wood, the US is a very ‘low risk’ country regarding legality and sustainability. We recently sourced some Maple for a LEED job in Atlanta, which we could have gotten from the Appalachians, but we had to go to Canada to find FSC certified Maple.”

“Ultimately, I think the green movement could bring us full circle back to the days when materials sourced locally were preferred. The price of fuel and freight might help drive that change. North American hardwoods from a carbon footprint should always be preferred to imported lumber.”

6. What unique challenge(s) do you think the North American hardwood industry will face moving forward in an increasingly global economy?

“I have concerns regarding business practices in some parts of the world; specifically, the suspect ethics that are a normal part of business. The undermining of NHLA grade rules will make us all less competitive. In addition, with growth in export markets, I am concerned about the future increases of freight costs. We’ve seen ocean freight to Italy increase from \$500 to \$1,200 per container in a short period of time. We have been notified of further increases in July. Furthermore, as container availability continues to tighten, lumber often gets bumped off of ships to make room for higher-paying customers. Everyone in the industry who is exporting has dealt with this problem; overseas customers are waiting weeks or even months for their orders. I think it’s important to diversify your supply chain as well; we’ll have to hedge our bets to secure more green lumber in the future.”