Trying times but opportunity on the horizon

Our company recently held its annual board meeting and the mega issue highlighted was, “Is our industry facing a normal business cycle or fundamental change?” Perhaps it’s a combination of both. According to the Hardwood Market Report annual report, eastern hardwood production in 2007 fell below ten million board feet of production for the first time since 1985. Some hardwood grade and species pricing are also seeing ten year historical lows. Export lumber shipments were down, but log exports increased. The United States has become the number one exporter of logs and a net importer of forest products. Despite being an ardent proponent of free trade, I am concerned about the long-term ramifications facing our industry. For several generations, my family was cotton farmers in south Georgia. We still grow some cotton on the family farm, but unlike 50 years ago, few value-added cotton manufacturers are found in any southern towns. The US textile industry, along with hosiery mills and the garment industry, are virtually gone.

Will our industry share the same fate? Western European sawmills have only been niche players for decades. For the most part, the last fifteen years has been a period of unprecedented growth in North America. Our industry enjoyed the good times. Until this recent downturn, we participated in the largest housing boom since the Second World War. Fifteen years ago, the hardwood industry was predominantly a domestic industry. Now, in an unprecedented period of rapid globalization, all hardwood market sectors except for railroad ties have lost market share to imports. Yet despite the lowest consumer confidence in 35 years, I do believe that we have an overall resilient economy. Due to new household formation, a Harvard study just released predicts the next decade will be the best one ever for housing growth. Remodeling is expected to increase dramatically and equal new construction expenditures by 2015.

How can we adapt to embrace the changing economy? Utilize the resources within the industry. For me, NHLA is a tremendous resource for networking and brainstorming ideas. Hardwood Matters Magazine is a forum to discuss our industry’s future, share ideas and learn from one another. The CEO Corner in this edition discusses ways to attract and keep good employees and thus reduce turn over and help with the bottom line. A feature story on the United Arab Emirates talks about the emerging market opportunities for hardwoods in the Middle East. And don’t forget this September Ted Rossi and his task force are hosting an NHLA Summit on certification. Down markets do foster clarity; eliminate dead wood and focus on reducing expenses.

Don’t let market depression upset your vacation plans. Enjoy a summer getaway. The markets will improve in time. The challenge for all of us is finding new ways to create customer value in adapting to the stronger, but different, future marketplace.

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