

# Status Report for the Southeastern Lumber Manufacturers Association

July 17, 2010



**Blue Ribbon Commission  
for Check-off**

# Today's Report

- **Quick review:**
  - What is a check-off?
  - Softwood check-off origins.
  - Who is working on it?
- **Why check-off?**
- **BRC Results and Recommendations:**
  - How big a program? How might the funds be used? What can industry hope to accomplish?
  - How much will it cost?
  - How will it be governed?

# Today's Report

- **How will it work?**
  - Hands on board
  - Limits on admin
    - Lean structure
    - Outsourcing
  - Sunset clause
  - Role of government

# Direct Industry Participation--Check Off

## **Check-offs: Funded and governed by industry, enabled by government:**

- Generic marketing and research programs aimed at growing markets.
- Established by Congress, USDA's Agricultural Marketing Service (AMS) has primary oversight.
- Directed by industry boards appointed by USDA.

# Blue Ribbon Commission for Check-off

21 North American CEOs Heads of Business:  
14 U.S. and 7 Canadian

Regionally Balanced by Production

7 from South

6 from West / Intermountain

1 from Northeast / Lake States

4 from Western Canada

3 From Eastern Canada

# BRC Demographics

## Size Breakdown (mmbf)

<250	250-400	400-2000	2000-3000	>3000
7	3	4	3	3

# BRC Demographics

- BRC members:
  - represent 43% of NA production
  - are 80% independent family owned
  - 50% are small independents
  - 35% are under 250mmbf
- BRC members:
  - nominate the first Check-off Board

# BRC Committees

- Five CEO committees
  - Marketplace Programs
  - Governance and Nominations
  - Assessments and Exemptions
  - Organization and Structure
  - Outreach

# Blue Ribbon Commission

## **Chairman**

**Jack Jordan**

Jordan Lumber & Supply Inc. (NC)

## **Vice-Chair**

**Duncan Davies**

Interfor (BC, Canada)

# BRC: US Members

**Aubra Anthony**

Anthony Forest Products (AR)

**Michael E. Case**

The Westervelt Company (AL)

**Kevin Hancock**

Hancock Lumber (ME)

**Shannon Hughes**

Weyerhaeuser Company (WA)

**Fritz Mason**

Georgia-Pacific (GA)

**Hank Scott**

Collum's Lumber (SC)

**Steve Zika**

Hampton Affiliates (OR)

**Marc Brinkmeyer**

Riley Creek Lumber (ID)

**George Emmerson**

Sierra Pacific Ind. (CA)

**Patrick Harrigan**

Harrigan Lumber (AL)

**Andrew Miller**

Stimson Lumber (ID)

**Dale A. Riddle**

Seneca Sawmill (OR)

**Jim Walsh**

Roseboro (OR)

# BRC: Canadian Members

**Adrian Blocker**

West Fraser (BC)

**David J. Paterson**

AbitibiBowater (Quebec)

**Charles Tardif**

Maibec (Quebec)

**David Gray**

Mill & Timber (BC)

**James F. Shepard**

Canfor (BC)

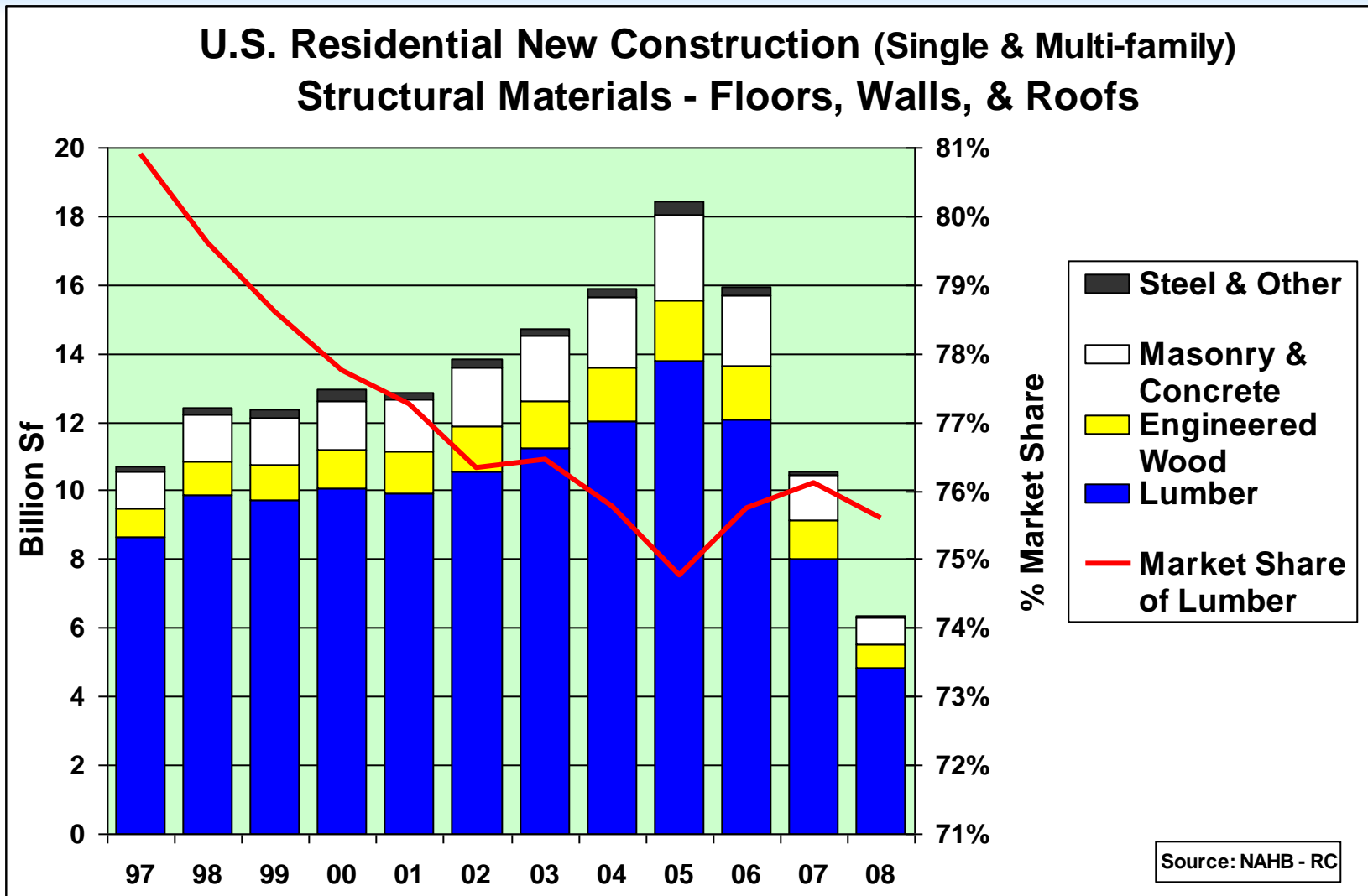
**Al Thorlakson**

Tolko Industries (BC)

# Why check-off? Our challenges

- Market share erosion even during periods of solid sales
- Well-funded, aggressive campaigns by competitors
- **“Green”** message usurped by others
- Fragmented--no industry wide voice

# 2008 Low Point for Lumber



# Cement Wants Our Share

What kind of construction makes more sense?  
Wood frame and drywall... Or concrete block?



BENEFITS:



BENEFITS:

- Block is competitively priced.
- Block prevents heat loss which makes it energy-efficient.
- Block is quieter.
- Block manages moisture.
- Block does not burn.
- Block prevents the spread of fire to adjacent dwellings.
- Block greatly reduces the chances of structural collapse.
- Block does not produce toxic gas, smoke or fumes.
- Block can help lower insurance premiums.
- Block costs less to maintain, with no periodic testing or inspection required.
- Block eliminates mold growth.

## You decide.

When it comes to construction — residential, commercial, industrial — concrete block makes (dollars and) sense. Concrete block is stronger and safer than wood. It is a more effective sound barrier. It retains its value, yet is easy to maintain — and is environmentally friendly.

If you want it built to last,  
make sure it's built with Block.

[www.ccmipa.ca](http://www.ccmipa.ca)  
[information@ccmipa.ca](mailto:information@ccmipa.ca)  
1-888-495-7497

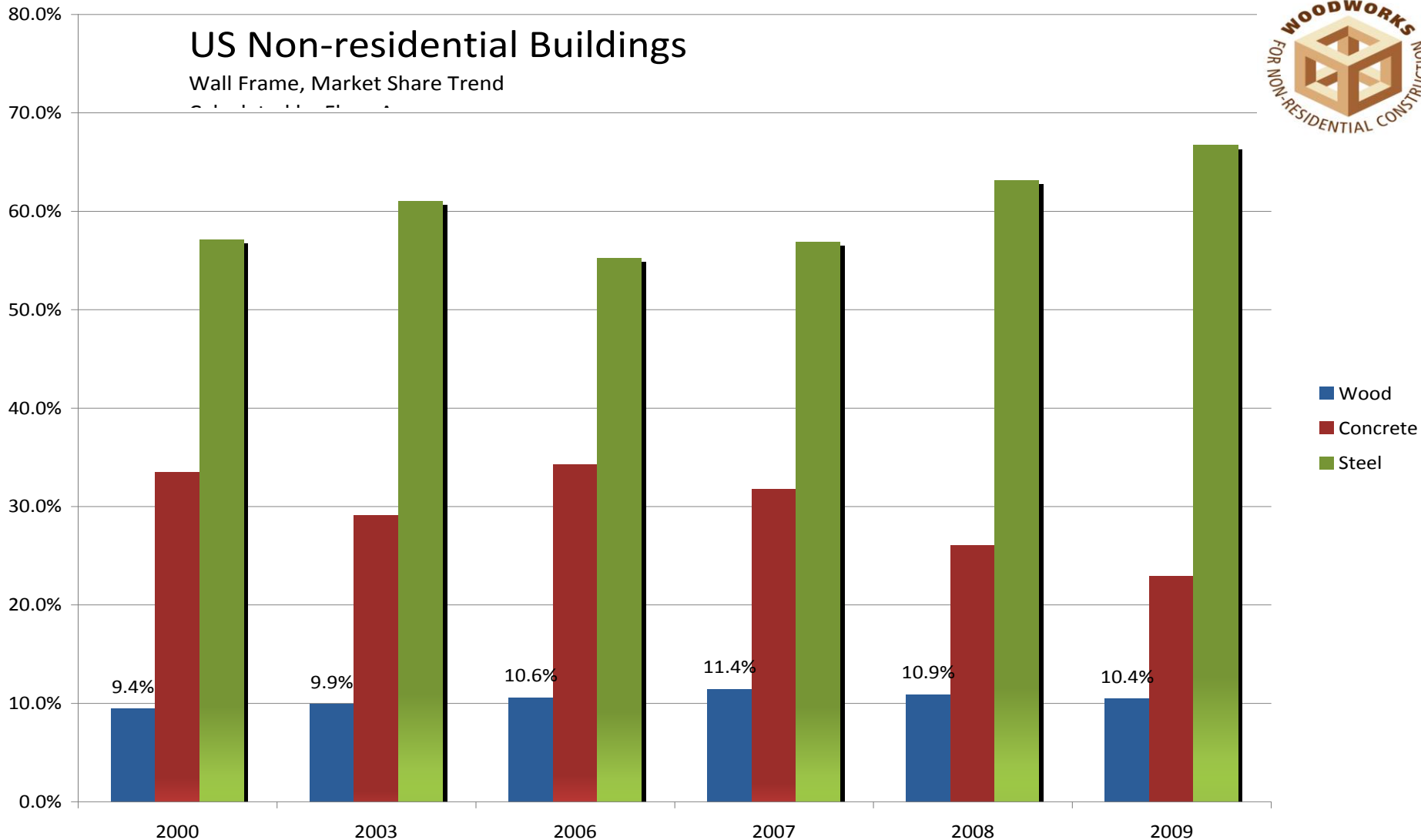
Canadian Concrete Masonry  
Producers Association  
Region 6 of the National  
Concrete Masonry  
Association



# Non-Residential Market Share Four Stories or Less

## US Non-residential Buildings

Wall Frame, Market Share Trend



# Program Recommendation

## **Program Size**

Need \$20 million to make a difference

## **Goals: Increase – Maintain – Defend**

Grow markets for softwood lumber

Reverse declining market share

Capture the environmental advantage

## **Build on BSLC's Work**

Goals supported by:

- Codes and engineering
- Pro-wood: green/carbon positive messaging
- Consistent dissemination of messages

## **Focus:**

Practicality, Affordability, Sustainability

# Tremendous Opportunities Exist

## **BRC Objectives:**

- **Stop** further erosion of market share –  
single family residential markets
- **Increase** wood's market share –  
multi-family residential construction
- **Significantly increase** wood use –  
non-residential markets
- **Defend and rebuild** share –  
outdoor living market

# Tremendous Opportunities Exist

- FPL puts market conservatively at 8 bbf
- Potentially \$3 billion annually
- At early stage BS LC ROI is 30:1
- Continuing BLSC efforts with check-off has potential to create a game-changing investment for softwood lumber

# Assessment & Exemption

- **Recommendation #1**
  - Based on survey feedback, an assessment range of \$0.35 to \$0.50 / mbf with the first two years fixed at \$0.35 / mbf
- **Reason:**
  - Optimal level to be effective yet not create a burden for companies

# Assessment & Exemption

- **Recommendation #2**
  - Exempt companies that manufacture less than 15mmbf per year
  - Exempt the first 15 mmbf per year from the assessment for all participants
- **Reason**
  - Strong feedback that this approach is considered fair by those being assessed

# Governance & Nominations

- Board of 18 members, all manufacturers
- Seats apportioned regionally and internationally by production
- 12 US: from: US South (6), US West (5), NE and Lake States (1)
- 6 importers from: Canadian West (BC/Alberta) (4) and Eastern Canada (2)
- Reapportionment every 5 years

# Governance & Nominations

- Executive Committee of 5 Board members elected by the Board
- Open nominations process managed by BRC for first Board and then by the Board
- Nominations and appointments to include companies of all sizes, with emphasis on balance; seats for small independents

# How will the check-off work?

- Hands on board
- Limits on administrative costs
  - Lean structure
  - Outsourcing
- Sunset clause
- Role of government
  - Appoint board
  - Approve budgets and work plans
  - Ensure compliance—no free riders

# Summary of Recommendations

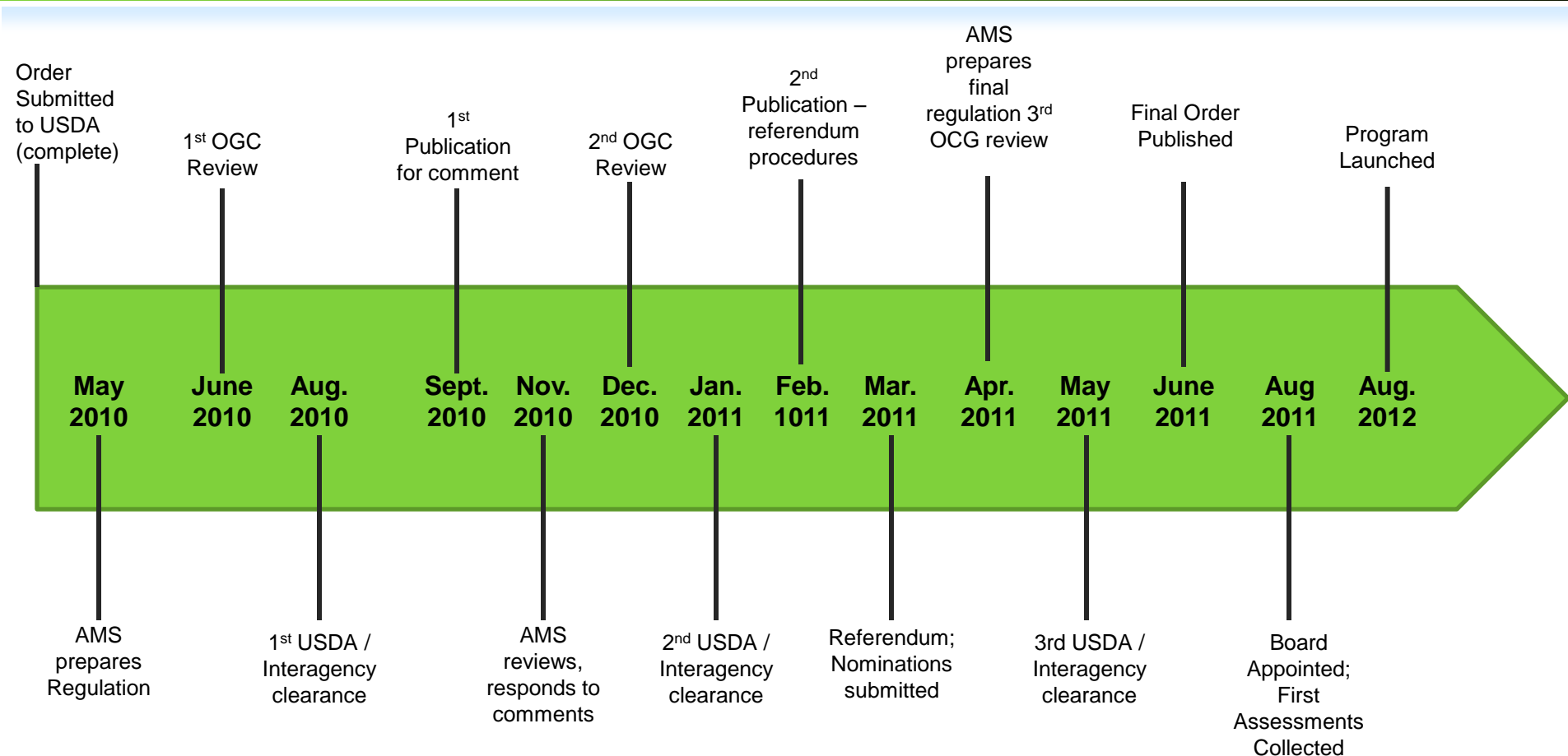
- Product coverage: 2006 SLA definitions
- \$20 million program
- Assessments: \$0.35-\$0.50
- Exemption: first 15 mmbf
- Regionally balanced Board of 18

# Check-Off Timeline

Key Event	Date
Order submitted to USDA	Complete
USDA published order for comment	Aug '10
USDA published final proposed order	Nov '10
USDA holds referendum	Q1 '11
Board nominations submitted to USDA	April '11
USDA appoints board; first meeting	Q3 '11
Core funds collected	Q2 '11 – Q3 '12
Board launches promotional program	Oct '12

# Check-Off Timeline

Stretch Goal: assumes no delays. Desired completion dates shown.



# SLMA BRC Members

For further information:

Jack Jordan, BRC Chairman

Hank Scott

Patrick Harrigan

Aubra Anthony / Kerlin Drake

Fritz Mason



**Blue Ribbon Commission  
for Check-off**

# Questions and Discussion

For further information:

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