



Pennsylvania Forest Products Association

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Testimony of Norm Steffy

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On Behalf of the Pennsylvania Forest Products Association

House Environmental Resources and Energy Committee

April 7, 2021

Since 1929, four generations of the Cummings Family have been producing hardwood lumber in Troy, Bradford County, Pennsylvania. The mill was built close to a road and stream to utilize steam engines for power since electricity was not available. Logs were skidded with horses and lumber was shipped on rail cars. The business has expanded and prospered through the years. I mention this because many sawmill businesses in Pennsylvania have a similar story; they are generational family businesses.

What was true in 1929 is also true today; sound forest management practices were the foundation to ensure abundant natural resources for the future. Logs being the life blood of a sawmill, it was imperative that proper silvicultural practices were implemented for the overall health of the forest ecosystem. Cummings Lumber isn't unique in this aspect, our PFPA member companies are committed to supporting sustainable forestry, believing it is the key to protecting the environment and the natural resources our industry depends upon.

We depend on forests for their material and economic contributions, totaling \$21.6 billion annually from timber, veneer, pulpwood, chips and pellets. And there are many non-monetized values the forest provides such as water quality protection, wildlife habitat as well as clean air and carbon sequestration. Pennsylvania forests are our unique competitive advantage, we cannot outsource the benefits and values they produce.

The Forest Products Industry is accustomed to utilizing and marketing the wood fiber of the entire log. It is no different at Cummings Lumber, we utilize all the fiber from a log on-site. Our sawmill operation produces hardwood lumber for domestic and export markets. We utilize all grades of lumber; the higher grade is sold for Molding/Millwork and Cabinetry. And a large percentage of our low-grade lumber is manufactured into hardwood flooring for domestic sales. Our manufacturing building and kilns are heated with wood waste from the sawmill, and the remaining woodchips and sawdust is manufactured into wood pellets. Annually, we produce approximately 36,600 tons of pellets and 2.4 million SF of Flooring. The term "Forest Product Utilization" is embraced here at our company.

PFPA members need a vital and robust forest economy, including a thriving marketplace into which they can sell their products. In recent months we have experienced robust sales for most hardwood products. Today's market is supply-side driven – or I should say *lack* of supply.

The annual rate of sawmill production is at a 20-year low. Broadly speaking, sawmills, concentration yards, and end users would like to see hardwood production climb substantially. However, several

obstacles are preventing a meaningful increase in output. Weather is normally one of the main factors on the supply side and spring breakup is hampering logging activities. Also, the volume of timber being offered in the marketplace is relatively low. What is more, labor availability is highly constrained. COVID-19 cases have complicated the labor situation for many months due to infections and subsequent contact tracing and quarantines that kept employees out of work. Many mills in Pennsylvania are experiencing labor issues and have noted labor as being their greatest challenge. Many in the industry believe the labor market success depends on the success of the vaccines. So, essentially, if the vaccines keep increasing, expect the labor market to heal rapidly in the 2nd or 3rd quarter of 2021.

Based on the feedback from our customers in the kitchen & bath industry; the housing starts in 2020 exceeded most of their projections and was mostly driven by single-family starts. Housing starts increased in most regions; Mid-West, West and South, the only exception was the Northeast which fell over 30%. COVID-19 pushed Americans to reexamine their housing preferences, as many are now in need of a permanent workspace at home. Bigger homes in the suburbs are now the ideal living space for many. While the trend of population shifting to the suburbs is not new, there is growing evidence that the pandemic has accelerated the transition. Single-family home sales have outperformed housing starts through 2020 by a large margin, supporting the idea that construction has room to grow and could increase to bridge the gap. A prolonged sellers' market will, however, continue to fuel high construction activity, which will keep domestic demand for hardwood lumber and products strong in 2021.

The hardwood industry has experienced several years of uncertainty with the retaliatory Chinese tariffs and the recent pandemic. Hardwood exports of logs and lumber have become an essential part of the playbook for hardwood lumber companies. China is the number one destination for Pennsylvania hardwoods with Red Oak, Ash, Walnut, Cherry and White Oak accounting for the bulk of the exports. The Chinese market consumes more U.S. hardwood than all other export destinations combined. Hardwood lumber companies have become very dependent on the Chinese market. U.S hardwood lumber exports were down 5% in volume in 2020, and 7% in total value. Shipment volumes fell in 2020 in 6 of the 10 largest markets, though exports to Vietnam reached a new annual high. Vietnam was the fastest growing Asian market in 2020, by volume. Vietnam is now the 2nd largest global export destination for US hardwoods, consuming mostly Poplar and Red Oak. 2021 has brought stronger demand from export buyers in all regions with notable upticks from Germany and the UK.

In a carbon footprint study provided by the American Hardwood Export Council (AHEC), U.S. companies can ship hardwoods anywhere around the globe and the lumber will arrive carbon negative. In other words, we can harvest, saw, kiln dry and ship lumber around the world that will arrive at its destination with a negative carbon footprint. Hardwoods are the true carbon success story.

Biomass fuel (pellets) is made from organic material, which is a renewable and sustainable source of heat. The fiber is waste residue or scrap wood, mill residual and forest resources. A properly managed forest will always have more trees, and we will always have residual biological matter. The supply of raw material is not a concern moving forward. The pellets are produced by compressing the wood material which has first passed through a hammer mill to provide a uniform dough-like mass. This

mass is fed to a press, where it is squeezed through a die. The high pressure of the press causes the temperature of the wood to increase greatly, and the lignin plasticizes slightly, forming a natural “glue” that holds the pellet together as it cools. Our “Barefoot” Brand high efficiency pellets are rated with the highest BTU and lowest ash content as rated by the Pellet Fuel Institute (PFI). Our pellets are marketed for both heating and BBQ grilling.

The industry needs to support a comprehensive marketing campaign to drive consumer demand. We as an industry are good at telling our story to ourselves but we recognize the need to improve our messaging with people outside our industry. Year-in and year-out the Hardwoods Development Council at the Pennsylvania Department of Agriculture does an excellent job promoting hardwoods both domestically and overseas. They have the full support of the industry and we believe their continued funding through the Hardwoods Research and Promotion line item is necessary to keep our environmentally sound and economically important industry competitive in today’s global marketplace. PFPA, the HDC, and the Hardwood Utilization Groups (HUGs) are currently working as leaders in a national effort with other industry associations to further drive demand for American Hardwoods.



Real American Hardwood is a material that has meaning. That has history. That is unique down to its very cells. It's beautiful, warm and one of a kind. It's the most beautiful building product out there, the one that other imitation products strive to be. It pulls everything together just by being itself. It's simple in its ingredients and it's strong and durable at its core. It's a powerful display of the wonder of nature. Hardwood is pure - grown with purpose and naturally renewing. Hardwood is authentic, without even having to try. It's just built that way, naturally.

Additionally, the Hardwoods Development Council and the Hardwood Utilization Groups continue to work in a coordinated manner to address the common issues that face our industry: workforce needs, recruitment, education and outreach, promotion of sustainable best practices, and response to the many invasive plants and insects that threaten our resource, including Spotted Lanternfly, Emerald Ash Borer, multiflora rose, buckthorn, and knotweed, among others.

Thank you very much for the opportunity to share our perspective with you today. I am happy to answer any questions you may have.