

**The Hardwood Federation**  
**Testimony before the U.S House of Representatives Committee on Agriculture**  
**Subcommittee on Livestock and Foreign Agriculture**  
**The Next Farm Bill: International Market Development**  
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**Petersburg, West Virginia**  
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Good Afternoon. Thank you Chairman Rouzer, Ranking Member Costa and Members of the Subcommittee for inviting me to testify before you today. My name is Dean Alanko and I am the Vice President of Sales & Marketing of Allegheny Wood Products Headquartered in Petersburg, WV. Allegheny Wood Products was founded in 1973 by John and Patricia Crites and continues to be a family owned and operated company, directly employing over 900 people at 9 sawmills, 5 drying facilities 1 hardwood pellet mill, and a dimension plant. There are additional jobs created in support industries for our manufacturing operations...loggers, truckers, and construction workers to name a few. We sell products worldwide, with export sales in excess of \$63 million in 2016. We have shipped products to over 28 countries.

The U.S. wood products industry, including hardwood, softwood and paper products is an important contributor to the U.S. economy, accounting for approximately 4 percent of the total U.S. manufacturing GDP. Wood products companies are among the top ten manufacturing sector employers in 47 states, producing \$210 billion in products annually. The industry as a whole employs nearly 900,000 people; more than the automotive, chemicals and plastics industries. And most of them are in rural areas where employment opportunities can be limited.

My focus today is on the hardwood lumber and veneer industries. The U.S. hardwood lumber industry produced more than 8.3 billion board feet in 2016, a solid number for this industry, but still well below our 1999 peak of 12.6 billion. For some perspective, that is approximately one million truckloads of hardwood lumber.

The U.S. hardwood industry is not made up of big Fortune 500 companies. It is very much a rural based industry made up of small and medium sized family-owned operations, on both the resources and manufacturing sides of the business. A great example of this highly fragmented industry is my own company....while we are one of the top three volume producers of US hardwoods, we represent LESS THAN 2% of the total market.

In addition to the saw-millers such as myself, this industry also represents millions of private, non-industrial forest owners. Strong markets for hardwood lumber products help maintain strong ties between the hardwood industry and these private forest owners. The revenue stream resulting from limited, selective harvesting of mature trees creates the economic incentive to maintain forestland as forestland.

Many hardwood companies are heavily reliant on exports for their livelihood. Approximately 40% of all hardwood lumber production and nearly 60% of the highest value-added grades of hardwood are now exported, totaling \$2.4 billion in 2016. Exports of hardwood veneer totaled \$280 million in 2016, which is more than 55% of domestic production. The U.S. also enjoys a healthy trade surplus of \$1.3 billion in hardwood lumber, up from \$1.1 billion in 2015. With the migration of the U.S. domestic furniture and wood products manufacturing industries, and less than robust new housing demand, international promotion has never been more important to the US hardwood industry. The U.S. is by far the world's largest exporter of hardwoods, accounting for nearly one-quarter of all global trade. US hardwood exports have more than *doubled* in the past five years.

For the U.S. hardwood industry, “globalization” is much more than just an abstract concept; it is a concrete reality that influences business decisions on a daily basis. However, globalization has meant not only the migration of manufacturing, but has also led to unprecedented growth in global purchasing power. Indeed, it has now become clear that much of the increased demand for hardwood products—including finished products—is coming from outside the U.S., especially in the rapidly growing economies of Asia. In terms of promotion, therefore, it is very important that our industry recognize and target not only the high-volume re-export manufacturing sectors of today and tomorrow, but we must also identify new market opportunities and niches within well-established, so-called “mature” markets such as the EU. With the help of MAP and FMD, the American Hardwood Export Council (AHEC) programs are designed to do both, by providing a wide array of information to overseas importers, distributors, specifiers and end users of wood products.

It is vital that markets remain open for these businesses and the men and women they employ. This is where the work of the American Hardwood Export Council, or AHEC, jointly funded by the Market Access Program (MAP), Foreign Market Development (FMD) program and industry dues plays such an important role.

AHEC has laid out a four-part strategy designed to “grow the pie” in overseas markets for US hardwood exporters. Adequate funding from the MAP and FMD programs is essential to our success. With continued and hopefully increased funding, AHEC will do the following to promote U.S. hardwood products to the world:

**1) Seek out new markets for hardwood products:**

In areas of the world where there is limited understanding of US hardwoods, most notably inland China, India and the Middle East, AHEC will continue to increase demand by providing technical information, trade servicing and technical seminars to the importing and manufacturing industries overseas. In more mature markets, the focus will be on demonstration projects, design/architectural seminars, and a targeted PR campaign.

**2) Promote new uses and applications for hardwood within existing markets:**

In 2017 AHEC will continue to be actively involved in identifying and growing potential new market segments, such as hardwood use in structural applications found in high rise building construction - most notably Cross-Laminated Timber (CLT) engineering, or the potential for thermally-modified or treated hardwoods to gain a foothold in the exterior applications market.

**3) Continue to extoll environmental credentials:**

With the introduction of illegal logging and trade policies across the globe and the development of policies to reduce CO2 emissions, especially in the building sector, the need to promote the strong environmental benefits of American hardwoods is more important than ever. 2017 marked the official launch of the American Hardwood Environmental Profile (AHEP), an environmental profiling tool that will combine legality information, sustainability data from the US Forest Service and LCA impacts from MAP-funded research.

**4) Create Networking Opportunities for US Exporters:**

In 2017 AHEC will create a number of opportunities for US exporters to engage with overseas buyers, manufacturers and specifiers in more than 20 building, furniture and design trade shows around the globe. USDA funds help to offset the booth costs but each U.S. company is responsible for their own travel expenses creating direct industry contributions to the programs. AHEC will also sponsor Conventions in China and Mexico and host dozens of seminars and strategic networking opportunities tied to major target market industry events.

Let me reiterate, how critical exports and export markets are to my company, to rural communities and to the hardwood industry as a whole. Companies like Allegheny Wood Products benefit significantly from the MAP and FMD program every day. I can say without hesitation that without these programs our business would be smaller, produce fewer goods and employ less people.

One important concrete example of where MAP funding has proven absolutely critical to my company as well as the rest of our industry was the *US Illegal Logging Risk Assessment* study commissioned by AHEC. Recent legislation to combat illegal logging in the EU, Japan and Australia require wood suppliers to show that their raw material was legally sourced—a difficult task for a fragmented industry that purchases logs from millions of private landowners. The peer-reviewed study showed that on a national level the risk of US hardwood being illegally harvested was negligible. This has provided reassurance to foreign governments and has kept open many of the world's highest-value markets to US exporters. As a private company, it would have been next to impossible to produce such credible reassurance.

Thank you for allowing me to address the Subcommittee. I am happy to respond to questions either today or in writing.