LESSONS
From the Attempted Hardwood Check-off
The U.S. Endowment for Forestry & Communities, Inc. (Endowment) is a not-for-profit corporation established at the request of the governments of the United States and Canada in accordance with the terms of the Softwood Lumber Agreement 2006 (SLA) between the two countries. The Endowment is one of three entities designated to share in a one-time infusion of funds to support “meritorious initiatives” in the U.S. The Endowment received $200 million under the terms of the SLA.

U.S. Endowment for Forestry and Communities
908 E. North Street
Greenville, SC 29601
www.usendowment.org
© 2016

<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Summary</strong> / 3</td>
</tr>
<tr>
<td><strong>1 :: Background</strong> / 4</td>
</tr>
<tr>
<td><strong>2 :: Recent Successes</strong> / 6</td>
</tr>
<tr>
<td><strong>3 :: Timeline</strong> / 7</td>
</tr>
<tr>
<td><strong>4 :: Lessons</strong> / 10</td>
</tr>
<tr>
<td><strong>5 :: Conclusion</strong> / 15</td>
</tr>
<tr>
<td><strong>Appendices</strong> / 16</td>
</tr>
</tbody>
</table>
Lessons From the Attempted Hardwood Check-off

EXECUTIVE SUMMARY

USDA RESEARCH AND PROMOTION PROGRAMS (A.K.A. “COMMODITY CHECK-OFFS”) ARE USED BY VARIOUS SEGMENTS OF THE AGRICULTURAL COMMUNITY TO GROW MARKETS FOR THEIR PRODUCTS.

From beef to blueberries and mangos to milk, agricultural producers have voted to assess themselves and use the funds to conduct consumer and product research as well as promote the benefits of their products.

Private markets are foundational to advancing the U.S. Endowment for Forestry and Communities (Endowment) mission, and we believe check-offs—long-term programs founded on a shared and equitable funding base—have tremendous potential to help grow markets for sustainably produced forest products. Our earliest work led to the first-ever USDA check-off for a forest product, softwood lumber (2011); later we helped develop one for paper and paper-based packaging (2013).

Domestic Hardwood, Lumber, Flooring, & Plywood Producers

In 2010 the Endowment launched a third check-off effort with a group of domestic hardwood lumber, flooring, and plywood producers. This segment of America’s forest industry produced some 16 billion board feet (BBF) of product just prior to the Great Recession. At the bottom of the market, sales had fallen by half. Today, years into the recovery, the hardwood segment hasn’t recovered even to the 10 BBF level, and competing products are rapidly chipping away at the hardwood base. Nevertheless, the check-off idea did not catch fire, and in October 2015, USDA terminated the order, thus sending the project back to the starting gate. With the industry divided and weary from time and financial commitments that had not yielded fruit, the industry panel that had nurtured and promoted the check-off disbanded.

We at the Endowment do not regret our lengthy engagement or our matched quarter-million-dollar investment in this effort. Our initial $400,000 investment in prior check-offs is today returning 10 times that amount annually: $40 million a year to promote softwood lumber and paper products. Had the hardwood check-off succeeded, it could have yielded as much as $10 million more, and without doubt it would have brightened the future for America’s hardwood producers.

We take seriously the importance of learning from our failures just as much as we take pride in our successes. Thus, this report delves into the hardwood check-off work and gleans lessons to help inform future work for both ourselves and others. We think the problem had five roots:

- the makeup of the industry;
- the makeup of the check-off committee;
- an overly complex check-off formula;
- a mix of competing hardwood products that widened natural divisions; and
- anti-government feeling that tainted a government-sanctioned yet private initiative.

Domestic Hardwood, Lumber, Flooring, & Plywood Producers

Pre-Great Recession

Great Recession

Post-Great Recession

16 BBF*

8 BBF

10 BBF

*Billion Board Feet
BACKGROUND: Rationale For Check-off Programs

CHECK-OFF PROGRAMS CAN PROVIDE MULTIPLE BENEFITS TO THEIR INDUSTRIES:

- generating significant funding for grow-the-market promotion;
- ensuring funding stability over time;
- addressing the free-rider problem;
- unifying the industry;
- improving the business operating environment;
- changing perceptions among target audiences by highlighting stewardship and sustainability;
- supporting research on markets, product development, end-use application, safety, and sustainability; and
- supporting other industry organizations for grading, technology, promotion, sustainability, certification, and research.

Congress first allowed for the generic promotion of farm products in the 1930s. Thanks to a provision in the Commodity Promotion, Research, and Information Act of 1996, today programs are enacted administratively via the United States Department of Agriculture (USDA) Agricultural Marketing Service. USDA Research and Promotion Programs (a.k.a. “commodity check-offs”) have been successful for various segments of the agricultural community. “Beef: It’s What’s for Dinner,” “Got Milk?” and “Cotton, the Fabric of Our Lives” are among the better-known national promotion program slogans.

Check-off authority helps an industry address sustainability objectives, conduct research on public perceptions, and influence those perceptions. Funds may also be used to conduct research on technical issues and product development, and to fund activities of an industry’s technical organizations. Check-off programs are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. Accordingly, program funds can be used to promote the industry’s image, support research, provide consumer information, and conduct product promotion. They cannot be used for influencing any legislation or governmental action or policy, or for promoting individual company names. Check-off programs—which must be agreed to by a majority of producers in the market segment—are governed by industry but enabled by government. Government involvement ensures funding equity and stability over time, lack of which was a major shortfall of the voluntary forest products marketing programs of the past: none proved sustainable. From the decision to pursue a check-off to the first meeting of a new board typically takes 24 to 36 months.
Lessons From the Attempted Hardwood Check-off

Recent Successes: The Softwood Lumber and Paper Check-offs

At the U.S. Endowment for Forestry and Communities (Endowment), we often express our mission in shorthand as “working to keep forests as forests and advancing family-wage jobs in rural, forest-rich communities.”

Although our focus is the United States, our organic documents state that everything we do should “ultimately support the North American forest industry.” That, and our roots in the 2006 Softwood Lumber Agreement between the United States and Canada, compels us to look for ways to strengthen collaboration across the border for growing healthier forests and a more robust forest products sector.

As part of that 2008 study, we surveyed Canadian and U.S. industry leaders representing softwood lumber production and found that a majority were open to exploring a check-off program. Industry executives generally support generic promotion as an opportunity to improve business conditions, grow the market, secure stable funding, eliminate free-riding, develop new products and applications, reduce costs, consolidate existing programs, and position the industry’s sustainable and renewable resource and products as part of the solution to climate change.

In November 2008 the Endowment convened about 50 CEOs representing the majority of North American softwood lumber and panel production. In addition to sharing more details from the study, the event featured representatives of successful agricultural check-off programs. As a result of that meeting, and with financial support from a sister organization—the BiNational Softwood Lumber Council—the Endowment in April 2009 established a diverse and geographically representative group of softwood lumber CEOs as the Blue Ribbon Panel on Softwood Lumber Check-off, which ultimately led to a successful vote and adoption of the Softwood Lumber Check-off in May 2011.

Softwood lumber’s success in creating the first-ever USDA check-off for a forest product was a breakthrough for the forest sector.

Among the Endowment’s first projects was a review of the successful commodity check-off programs long used by segments of the agricultural community to provide long-term, equitable funding streams to conduct consumer and product research and promote domestic and international markets. In July 2008 we released results of a study, Commodity “Check-off”: The Potential for North American Softwood Lumber†, that explored and confirmed the applicability of USDA check-offs for forest products. Although Canada has nothing comparable to a check-off, the U.S. legislation is sufficiently flexible to allow imported production to be included, with proportional representation on the program’s governing board.

† For reference website, refer to Appendix II
Lessons From the Attempted Hardwood Check-off

RECENT SUCCESSES: The Softwood Lumber and Paper Check-offs (continued)

Softwood lumber’s success in creating the first-ever USDA check-off for a forest product was a breakthrough for the forest sector, and it confirmed that the industry could work together in ways that had heretofore been impossible. In 2009, even before the vote, the paper industry approached the Endowment seeking financial and technical support that might lead to a check-off for its industry segment. That led to another effort, and in 2013 a second forest products segment, paper and paper-based packaging, voted for its own check-off.

/TIMELINE:
The Hardwood Check-off effort

JUST PRIOR TO THE GREAT RECESSION, THE HARDWOOD LUMBER SEGMENT OF AMERICA’S FOREST INDUSTRY PRODUCED SOME 16 BILLION BOARD FEET OF PRODUCT.

At the bottom of the market, sales had fallen by half. The slow pace of recovery from that nadir was alarming: a robust hardwood industry is vital to forest retention and health because markets for high-value wood support hardwood forest ownership and management. Compared with paper and softwood lumber, the hardwood industry is highly fragmented, with hundreds of small facilities. Most facilities are privately owned and, while small in total numbers of employees, are vital to their rural communities.

In April 2010, in Raleigh, representatives from America’s hardwood producers approached the Endowment with a request for $500,000 to support a hardwood marketing initiative. Although this beleaguered industry needed to market itself, Carlton Owen, the Endowment’s president and CEO, said the Endowment had no interest in a short-term marketing project that would require on-going support: if a marketing initiative was important to the industry, he said, it should be funded by the industry. However, if the representatives were open to co-investing to consider a long-term, sustainable option like a check-off, the Endowment might be willing to help.

In August 2010, Owen participated in a Charlotte meeting with more than 100 industry leaders, all of whom agreed that sustained promotion of hardwood was essential. The sponsor of this Hardwood Leaders Forum, Hardwood Review, had indicated strong support for a hardwood check-off and expanded promotion. Many participants viewed the forum as an informal kickoff of the check-off idea, and a committee was formed.

In November 2010, the Endowment’s Board of Directors approved matching funding to pursue development of the Hardwood Lumber and Hardwood Plywood Check-off. The Blue-Ribbon
TIMELINE:
The Hardwood Check-off effort (continued)

Committee matched the Endowment's funds, and the formal work began. The original idea was to create a sustained, $10 million per year program to support product and consumer research as well as promotion programs designed to showcase the advantages of hardwood lumber, solid hardwood flooring, and hardwood plywood.

Meanwhile, American Christmas tree growers, hoping to counter artificial trees’ market growth, voted to approve a Christmas tree check-off. In November 2011, the conservative Heritage Foundation derided it as a “Christmas tree tax.” The anti-tax, anti-government message was picked up by Fox News, right-wing talk radio, and other conservative outlets. The Wall Street Journal called the check-off corporate welfare. Although the Christmas tree growers denied that their voluntary self-assessment was a new tax, the criticism led to USDA rescinding the rule.

Throughout 2012 and into 2013, work on the hardwood check-off proceeded. Although Owen had urged inclusiveness, the Blue-Ribbon Committee decided to cover only domestically produced products because of concerns about distinguishing American hardwoods from tropical products. The hardwood check-off proposal was first published in the Federal Register in November 2013 and covered the following producers:

- hardwood lumber producers (anticipated 1,340) with more than $2 million in annual sales; and
- hardwood plywood producers (anticipated 10) with more than $10 million in annual sales.

The proposal accommodated differences in the value of individual tree species and their products (e.g., low-grade red maple versus high-grade cherry and walnut) by addressing three product classes:

- hardwood lumber, green or kiln dried, assessed at $1/$1,000 in sales;
- plywood, assessed at $3/$1,000 in sales; and
- finished products (flooring), assessed at $0.75/$1,000 in sales.

But the flap over the Christmas tree check-off had had a chilling effect. Owen and members of the Blue-Ribbon Committee faced growing opposition as they made presentations at trade association meetings and took questions. The comment period was extended, then closed, then reopened. Opponents calling themselves the Hardwood Lumber Coalition had several main objections:

- Hardwood plywood competes directly with hardwood lumber and should be excluded.
- Imports should be included.
- The threshold level for exemption should be reduced from $2 million in sales to $50,000.
In January 2014, Owen addressed a meeting of the Appalachian Lumbermen’s Club in Hickory, North Carolina, and found the battle lines drawn. The club had the largest turnout in its 100-year history. (“I’m a good speaker,” he recalls thinking to himself, “but come on...”). The large lapel buttons reading NO worn by three-quarters of the hundred-plus in attendance were another omen. Owen pitched the benefits and importance of the check-off to the future of the segment of the industry and took dozens of heated questions. Then a man in the back stood up and said, “I’ll fight this thing to my death as long as hardwood plywood is in it!” When Owen asked why a product made from the same tree was a problem, given that plastics, laminates, glass, and metal were eating away at hardwood lumber’s global market, the reply was, “Plywood competes for the same log I need to make my lumber.”

A revised proposal was published in the Federal Register in June 2015. This proposal also drew criticism. Just as the comment period on this proposal was closing, the Blue-Ribbon Committee proposed substantive changes: restricting the check-off to kiln-dried lumber at a rate of $0.50/thousand board feet of production. This major reduction in scope and rate would have vastly simplified the system and yielded perhaps $3 million to $4 million a year. But USDA, saying that the divisions in the sector needed to be resolved before the process could advance to a vote, on October 27, 2015, terminated further consideration of the check-off.

After five years and nearly $600,000 in direct investments by industry leaders and the Endowment, the effort came to an end. Although USDA’s termination decision, rather than moving to a vote that might have failed, allows a “restart” and further consideration of the simplified system, those who had worked so hard and so long had little appetite to continue. It will likely be a generation or more—if ever—before a check-off is considered again, and meanwhile, this vital segment of the forest industry continues to shrink.
Lessons From the Attempted Hardwood Check-off

Lessons

We at the Endowment don’t regret our lengthy engagement or our quarter-million-dollar matching funding for the hardwood panel.

Our previous $400,000 investment in prior check-offs is returning 10 times that amount annually, generating $40 million to promote softwood lumber and paper products. A hardwood check-off could have yielded up to $10 million more, thus ensuring a brighter future for America’s hardwood producers and their products.

But we consider it important to learn from the disappointing outcome. Why did the hardwood check-off not go forward?

As reported in the Endowment’s 2008 study, Commodity “Check-off”: The Potential for North American Softwood Lumber¹, past voluntary promotion efforts have fallen short for many reasons, some of which are applicable here. Among them:

- Change requires long-term commitment. Changing public opinion is particularly costly; it requires sustained effort and continual reinforcement to prevent the erosion of gains. Support for new campaigns is initially high but erodes with both market cycles and industry consolidation and turnover. It usually takes three to five years to show substantive change, and longer to have an enduring effect; most efforts do not survive two or three years.

- Promotion must be proactive, not reactive. Industry’s generic promotions have been crisis driven, and the absence of a pool of funds to get out ahead of an issue or crisis has significantly reduced their effectiveness. Further, crisis-driven programs are simply that, and as soon as the crisis passes, funding stops. Industry tends to rework a program’s goals, shifting its focus and reducing expectations, often because of funding deficiencies, changing market conditions, or the emergence of a new crisis.

- CEO support is critical for success. Ambitious programs require strong leadership to get off the ground, and without sustained CEO support, programs decline, retention suffers, and the number of free-riders grows.

- Voluntary industry promotion programs create resentments, dampening commitment. The many free-riders who withhold support from voluntary programs frustrate fundraising and discourage those companies that, justifiably, do not wish to carry the burden for the entire industry.

¹ Commodity “Check-off”: The Potential for North American Softwood Lumber

Lessons From the Attempted Hardwood Check-off
The Aborted Effort to Establish a Hardwood Check-Off Also Faced Five Specific Problems:

- the makeup of the industry;
- the makeup of the check-off committee;
- an overly complex check-off formula;
- a mix of competing products that widened natural divisions; and,
- anti-government feeling that tainted a government-sanctioned yet private initiative.

The makeup of the industry

Unlike both softwood lumber and paper and packaging, where relatively few companies produce the lion’s share of products, the hardwood industry comprises hundreds of small producers tied to a local geography or a specific product. This fragmentation can be seen in the vast array of trade associations, like the American Walnut Manufacturers Association, Appalachian Hardwood Lumber Manufacturers, and Maple Flooring Manufacturers Association.

Although many hardwood producers market their products globally, they appear to be less concerned with growing the market. All too often, it seems, they focus just on outlasting a competitor across town or over the mountain. Even though individual producers may be doing well, an industry segment that dropped by more than half in the Great Recession and has since recovered by only about 25 percent is in trouble no matter how you parse the data.

We believe that exploiting the differences within this segment of the forest products sector hastens its decline. Success will come only from banding together to grow the market pie.

The makeup of the check-off committee

When softwood lumber pursued a check-off, the study panel was broadly representative of the industry—large and small, East and West, public and private, domestic and import—to ensure that all stakeholders could see themselves and their views being represented. In the case of the hardwood check-off, the study committee consisted of “self-nominated” members—those with a sense of urgency about the need and opportunity, the vision to see what check-
Lessons From the Attempted Hardwood Check-off

Lessons From the Attempted Hardwood Check-off (continued)

off offered, and a willingness to work toward success. All had been or were active leaders – most serving as past-presidents of one or more of the major hardwood associations.

The committee’s members served with honor and integrity. They gave deeply of themselves financially—and perhaps even more importantly in their time—to build a brighter future for their industry. That said, the committee was not as diverse or inclusive as it should have been. Sadly, rather than focusing on the check-off vehicle and its merits, many of the opponents waged personal attacks on those who sought a growth-the-pie consensus path forward.

An overly complex check-off formula

“Keep it simple, stupid.” The KISS design principle may be the key to developing a successful check-off. To address the wide variety of products produced by the hardwood industry—from lower-value products like pallet stock and railroad ties to higher-value flooring and furniture stock—panel members crafted an assessment system based on dollar-value sales. Although this approach made technical sense, the resulting formula was confusing and raised questions about favoritism: whose ox was being gored?

After nearly five full years of effort, dozens of presentations at association meetings to explain the program and its benefits, and two full rounds of vetting in the Federal Register, the committee proposed a simplified check-off that eliminated all specialty products and settled on a straightforward assessment covering only kiln-dried lumber at $0.50/thousand board feet. Although it is impossible to know whether the outcome would have been different, in hindsight, we believe that starting with a simple design—kiln-dried lumber only—would have substantially increased chances for success.

**ORIGINAL ASSESSMENT PLAN**

as Included in 2013 Version of Draft Order

<table>
<thead>
<tr>
<th>COVERED PRODUCERS – U.S. ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood Lumber producers &gt;$2M annual sales</td>
</tr>
<tr>
<td>--anticipated 1340 producers</td>
</tr>
<tr>
<td>Hardwood Plywood producers &gt;$10M annual sales</td>
</tr>
<tr>
<td>--anticipated 10 producers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COVERED PRODUCTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood lumber green/kiln dried $1/$1000 sales</td>
</tr>
<tr>
<td>Plywood $3/$1000 sales</td>
</tr>
<tr>
<td>Finished products (flooring) $.75/$1000 sales</td>
</tr>
</tbody>
</table>

**FINAL RECOMMENDED ASSESSMENT PLAN**

Recommendations of Blue Ribbon Panel in comments to 2015 Version of Draft Order

<table>
<thead>
<tr>
<th>COVERED PRODUCERS – U.S. ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood lumber producers &gt;$2M annual sales</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COVERED PRODUCTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood lumber kiln dried $.50/$1000 sales</td>
</tr>
</tbody>
</table>

1Complexity designed to address significant value differences of individual species of trees and the products they yield (e.g. low-grade red maple vs. high-grade cherry or walnut, etc.)
A mix of competing products that widened natural divisions

Those outside the hardwood industry likely think of it as monolithic: all producers take a hardwood tree and make a hardwood product. Within the industry, however, the picture is very different. Some take a maple tree and make lumber that then will be converted to flooring, furniture, or pallets. Others take a walnut tree and slice it into veneer to make hardwood plywood faces. Still others make railroad ties, and on and on. The differences show up in the hundreds of small, specialized mills scattered across every region of the country.

These and other structural and geographic divisions in the U.S. industry—big-small, foreign-domestic, East-West, public-private, paper-wood, funders-free-riders—hampered efforts to attract a critical mass of industry support. Perhaps the most stark division was between hardwood lumber (in its many forms) and hardwood plywood. There are perhaps only a dozen or more hardwood plywood producers, versus literally hundreds of hardwood lumber producers.

The softwood check-off panel faced a similar problem. Initially, it planned to include all softwood building products, both lumber and panels (e.g., plywood, oriented-strand board, etc.), but some of the largest producers in the more consolidated panel production segment made it clear that they would not support that approach. To find a path to success, the check-off team early on opted to cut the program nearly in half by eliminating softwood panels. It was a hard choice that undoubtedly helped lead to success.

It is difficult to craft a check-off under the best of circumstances, when the majority of the producers are making the same product. When, on the other hand, they use the same raw material to make a range of distinctive products, it is exponentially more difficult. Distrust, competition, and fear of not being appropriately represented take over.
Anti-government feeling that tainted a government-sanctioned yet private initiative

The forest products industries in other countries operate under very different laws and circumstances than is the case in the United States. Here it is very difficult for competitors to collaborate in a grow-the-market program without running afoul of antitrust laws and regulations. USDA Research and Promotion Programs were developed, with government oversight, to afford U.S. interests a way to somewhat level the playing field.

Check-offs have been in existence for decades. They entail no public funding. Producers choose, without government compulsion, to “self-assess” to promote their own businesses. And almost all businesses that have benefited from check-offs vote to renew them every five to seven years. These facts suggest that when it comes to check-offs, the relationship between the private sector and Uncle Sam works well.

Yet, thanks to the ill-timed, unfounded criticism of the Christmas tree program, it became almost impossible to talk about the hardwood check-off without hearing charges of “government intrusion,” “government control,” “the camel’s nose in the tent,” and even “Obamacare!” These over-the-top allegations bedevil every proposal for any problem in America. It seems we are unable to talk about a problem, possible solutions, and the merits or demerits of various options without a left–right shouting match. Off-shore competitors must watch with glee.
CONCLUSION

THE ENDOWMENT HAS ADOPTED A WIDE-RANGE OF PROGRAMMATIC INVESTMENTS, ALL DESIGNED TO ULTIMATELY SUPPORT THE NORTH AMERICAN FOREST INDUSTRY.

To the extent that any of these initiatives keep working forests as forests and advance family-wage jobs in rural, forest-rich communities, we are ecstatic.

Perhaps none of our investments have had the potential to advance our mission more and to provide greater return over the long term than our work in promoting commodity check-offs.

The softwood lumber and the paper and paper-based packaging programs are new tools to help grow the market and create a brighter future for the industry segments they represent. The Endowment’s financial investments in four check-offs—softwood lumber, paper, hardwood, and wood-to-energy (not referenced here)—exceed $750,000 to date. More important than even the financial investment has been the investment in staff time and leadership necessary to keep this important work moving forward.

Although one of the more challenged segments of the U.S. forest products industry—hardwood—didn’t see the potential that check-off held for its producers and their communities, we don’t regret our lengthy engagement or our matched quarter-million-dollar investment. Had the hardwood work been successful, it could have yielded as much as $10 million more for the greater cause and without doubt have helped paint a brighter future for America’s hardwood producers.

In a sad twist, as this report was going to print, we learned that a new line of competing, non-wood products (“luxury vinyl tile”) was being introduced into the flooring sector and had effectively stolen the show at the annual flooring exposition. Ironically, this prompted some check-off opponents to call on the Blue-Ribbon Committee leaders to develop another hardwood promotion funding idea.

We can only hope that in the not-too-distant future a group of leaders will again emerge from within the sector and, building on these collective experiences and lessons, do what we were unable to accomplish.

Had the hardwood work been successful, it could have yielded as much as $10 million more for the greater cause.
APPENDIX I

MEMBERS OF THE BLUE- RIBBON COMMITTEE ON HARDWOOD LUMBER & HARDWOOD PLYWOOD CHECK-OFF*

- Jim Howard (Co-Chairman), Atlanta Hardwood Corp.
- Ted Rossi (Co-Chairman), Rossi Lumber
- Victor Barringer, CLC Hardwoods
- Chris Bingaman, Bingaman & Son Lumber, Inc.
- Bill Buchanan, Buchanan Hardwoods
- John Crites, Allegheny Wood Products
- Don Finkell, American OEM
- Jamey French, Northland Forest Products, Inc.
- Pem Jenkins, Turn Bull Lumber
- Jeff Meyer, Baillie Lumber Co., Inc.
- Brad Thompson, Columbia Forest Products
- Chris Zinkhan, The Forestland Group LLC

*Nancy Arend, Weyerhaeuser Company; and Jack Shannon, JT Shannon Lumber Company, served as members of the initial Committee.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2010</td>
<td>Industry representatives meet with Endowment seeking funding</td>
</tr>
<tr>
<td>August 10-11, 2010</td>
<td>Hardwood Leaders Forum, Charlotte, NC</td>
</tr>
<tr>
<td>October 2010</td>
<td>Blue Ribbon Panel formed/holds first meeting</td>
</tr>
<tr>
<td>November 2, 2010</td>
<td>Endowment’s Board approves funding to support check-off</td>
</tr>
<tr>
<td>November 13, 2013</td>
<td>After extensive outreach draft order printed in Federal Register</td>
</tr>
<tr>
<td>January 13, 2014</td>
<td>Public Comment period set to close</td>
</tr>
<tr>
<td>February 18, 2014</td>
<td>Extended Comment period closes</td>
</tr>
<tr>
<td>January 15, 2014</td>
<td>Owen speaks to Appalachian Lumbers Club, Hickory, NC</td>
</tr>
<tr>
<td>May 2014</td>
<td>USDA calls for revisions and second round of comments</td>
</tr>
<tr>
<td>June 9, 2015</td>
<td>2nd Version of draft order printed in Federal Register</td>
</tr>
<tr>
<td>September 7, 2015</td>
<td>Blue Ribbon Committee submits proposal to limit scope</td>
</tr>
<tr>
<td>September 7, 2015</td>
<td>Public comment period closes</td>
</tr>
<tr>
<td>October 27, 2015</td>
<td>USDA publishes decision to terminate further consideration</td>
</tr>
</tbody>
</table>
Lessons From the Attempted Hardwood Check-off

APPENDIX I

BACKGROUND INFORMATION ON THE CHRISTMAS TREE CHECK-OFF

Concerned about declining sales of cut Christmas trees due to growth in artificial trees primarily sourced from China, a group of Christmas tree growers in 2008 began studying the potential of a commodity check-off to turn the tide.

<table>
<thead>
<tr>
<th>Year</th>
<th>Live/Cut</th>
<th>Artificial</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>38%</td>
<td>39%</td>
</tr>
<tr>
<td>2012</td>
<td>17%</td>
<td>56%</td>
</tr>
</tbody>
</table>

THE SAGA OF THE CHRISTMAS TREE CHECK-OFF:
WASHINGTON MOVES AT THE SPEED OF LIGHT!

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2008</td>
<td>Check-off Study Team begins review of check-offs to help grow sales</td>
</tr>
<tr>
<td>March 2009</td>
<td>Group decides to pursue a draft order via USDA AMS</td>
</tr>
<tr>
<td>November 8, 2010</td>
<td>Draft order published in Federal Register</td>
</tr>
<tr>
<td>February 7, 2011</td>
<td>Comment period closes after an extension</td>
</tr>
<tr>
<td>February 22, 2011</td>
<td>Comment period re-opened</td>
</tr>
<tr>
<td>March 9, 2011</td>
<td>2nd comment period closes</td>
</tr>
<tr>
<td>November 8, 2011*</td>
<td>Draft order approved by USDA</td>
</tr>
<tr>
<td>November 17, 2011</td>
<td>Draft order rescinded by USDA</td>
</tr>
<tr>
<td>January 29, 2014</td>
<td>Farm Bill approved including provision reinstating check-off</td>
</tr>
<tr>
<td>April 8, 2014</td>
<td>Rescinding order officially rescinded</td>
</tr>
<tr>
<td>January 15 2015</td>
<td>Secretary of Agriculture names Christmas Tree Board</td>
</tr>
</tbody>
</table>

* “On the same day the new rule was published in the Federal Register, David S. Addington, writing for a Heritage Foundation blog, labeled the new rule a “tax” and criticized it in his column. Conservative commentators began to attack the proposal, particularly after a link to the Heritage Foundation piece was featured on the highly trafficked website Drudge Report. The moniker “Christmas tree tax” was applied in numerous media outlets. The Wall Street Journal criticized the program as “corporate welfare”. Despite the criticism the Obama administration and the NCTA [National Christmas Tree Association] denied that the program featured a new Christmas tree tax. In addition, some media outlets, such as Agence France Presse, immediately characterized the program as a “tax that’s not a tax”. By the end of the day on November 8, the rule was rescinded, officially it was “stayed”. The notice concerning the rule’s cancellation was published in the Federal Register on November 17, 2011; the stay took effect that same day.”

SOURCE: https://en.wikipedia.org/wiki/Christmas_Tree_Promotion,_Research,_and_Information_Order
**APPENDIX II**

(continued)

**REFERENCE URLs**

<table>
<thead>
<tr>
<th></th>
<th>Reference URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td><a href="http://www.wsj.com/articles/SB10001424052970204224604577028364218075668">http://www.wsj.com/articles/SB10001424052970204224604577028364218075668</a></td>
</tr>
</tbody>
</table>