

Testimony for the Subcommittee on Conservation and Forestry of the
House Agriculture Committee
"The U.S. Wood Products Industry: Facilitating the Post COVID-19 Recovery"
Caroline Dautat, Co-Owner
Rex Lumber
July 21, 2021

I would like to thank the Committee for holding this hearing on the impact that the COVID-19 pandemic has had on lumber supply and demand. I would also like to thank the Committee for your ongoing work in support of the forest products sector to provide benefits for the American people, including essential forest products such as lumber and packaging, habitat for wildlife, carbon sequestration, recreational opportunities, and economic growth.

Company Background

I am Caroline Dautat, a fourth-generation owner of Rex Lumber, along with my brother and two sisters. Rex Lumber operates four Southern Yellow Pine lumber mills in Graceville and Bristol, Florida; Brookhaven, Mississippi; and Troy, Alabama. I am also a member and past director of the Southeastern Lumber Manufacturers Association (SLMA). SLMA is a trade association that represents sawmills, lumber treaters, and their suppliers throughout the Southeast. SLMA's members produce more than 4.5 billion board feet of solid sawn lumber annually, employ over 12,000 people, and responsibly manage over two million acres of forestland. These sawmills are often the largest job creators in their rural communities, having an economic impact that reaches well beyond people that are in their direct employment. Additionally, I serve as the current chair of the Softwood Lumber Board.

My family has been involved in the lumber industry since the early 1900s. Rex Lumber Company was founded by my great grandfather, W.D. McRae in 1926 in Graceville, Florida as a cypress sawmill, which later became an oak flooring manufacturer. In 1971, my grandfather, Robert McRae and his children, including my father Finley McRae, acquired full control of the company and proceeded to add a Southern Yellow Pine mill in Graceville. In 1980, the Graceville mill was sold and the family constructed a new sawmill in Bristol, Florida under the name North Florida Lumber. In 2001, my family bought the original Rex Lumber mill in Graceville out of bankruptcy and proceeded to completely rebuild the mill, restarting production in 2003, marking the return of the Rex Lumber name. In 2009, in the depths of the Great Recession, our family decided to purchase another sawmill in Brookhaven, Mississippi and upgraded the facility for improved high quality, high volume lumber manufacturing that is now leading the industry in safety, quality and production. In 2017, we made the decision to invest in a greenfield mill in Troy, Alabama, which is now a state-of-the-art mill that continues to increase production as additional equipment comes online and our workforce continues to grow.

In total, our sawmills employ more than 650 hardworking men and women while on track to start producing over 800 million board feet of lumber per year in 2022. The lumber we produce is used primarily in residential and commercial construction applications. In addition to lumber mills, our family owns Apalachee Pole Company, Inc. which manufactures utility poles and pilings, North Florida Woodlands, Inc., a timber procurement company, and Rex Transportation,

which is a flatbed and boom trucking company that transports our lumber and poles to customers. We also own timberland in Florida, Georgia and Alabama.

The forestry and forest products sectors directly support over 1 million American jobs. That number increases to 2.9 million jobs if you include the indirect jobs supported by the industry.¹

COVID-19 Impact and Unexpected Demand Increase

Like the rest of the world, the pandemic and proceeding market volatility took us by surprise. Our mills were operating at maximum production before the pandemic hit. When governments ordered the economy to shut down, we scrambled to keep our employees safe while simultaneously preparing for a recession. Fortunately, COVID infections within our company were not widespread. However, when employees were unable to work due to COVID infection or exposure, we found the tax credits provided for in the *Families First Coronavirus Response Act* helpful in offsetting the cost of providing income and benefits, on a temporary basis. Additionally, while Rex Lumber is too large by Small Business Administration standards to have participated in the Paycheck Protection Program, it was a very useful Program for our trucking and pole companies and other smaller lumber producers to maintain payroll at the initial uncertainty of the pandemic, before lumber prices bounced back and began the drastic increase we witnessed over the last year. While there were some issues around implementation of the Program, it was helpful overall.

Our industry received “essential industry” status and we implemented strict COVID protocols within our operations, so we faced minimal disruptions in lumber production. With the continued ramp up of our new Troy mill and upgrades to our existing mills, we were able to produce 689 million board feet from June of 2020 to May of 2021 compared to 575 million board feet over the same time period in the prior year, an increase in production of 20%. As a whole, the North American lumber industry increased production by 1.4 billion board feet last year. Most of this growth was in the U.S. South, where production increased 1.1 billion board feet, marking a 5% increase over 2019.²

In spite of this increase, new home construction was up nearly 12% in 2020 vs 2019.³ According to the U.S. Census, the demand for new housing continued into 2021, as seasonally adjusted housing starts were up 37% in March 2021 compared to March 2020.⁴ In addition to new housing starts, the DIY and home renovation markets also unexpectedly increased more than 20%, when people began quarantining due to COVID-19.⁵ This unforeseen market demand reduced lumber inventories while mills were adjusting production levels in response to the economic slowdown and government mandated restrictions at the on-set of the pandemic.

¹ <https://www.forest2market.com/blog/new-report-details-the-economic-impact-of-us-forest-products-industry>

² https://forisk.com/wordpress/wp-content/assets/Press-Release_Mill-DB_20210518.pdf

³ <https://www.marketwatch.com/story/new-home-construction-activity-soars-to-highest-level-in-over-a-decade-as-builders-rush-to-produce-single-family-homes-2021-01-21>

⁴ <https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

⁵ <https://www.cnbc.com/2020/08/18/home-depot-hd-q2-2020-earnings.html>

Recently, we have seen lumber demand and supply begin to balance, and prices drop accordingly. In fact, prices are now down more than 60% since the May highs.⁶ While we have no way of knowing whether this down trend will continue, we do know that lumber production capacity continues to increase with new greenfield mills and expansions across the Southeast while new single family home permits are 37% higher in May 2021 compared to May 2020.⁷

Sawmill Infrastructure Constraints

As the country and the economy slowly return to normal, sawmills have continued to manufacture lumber as quickly as possible to meet on-going high demand. However, we have been constrained by manufacturing limits, and increasing production is more complicated than simply deciding to make more lumber. Sawmill infrastructure declined significantly when the Great Recession began in 2007. In the South, for example, the total number of pine mills operating in 2007 was 276. In 2017, the total was only 240.⁸ Production of Southern Yellow Pine's previous peak was 19 billion board feet in 2005. The industry did not return to this level until 2019.⁹ Meanwhile, housing starts grew almost 200% between the fourth quarter of 2010 and first quarter of 2021.¹⁰

Adding additional capacity through expansion of existing mills or building new mills takes eighteen months to three years to complete. Equipment manufacturers are also experiencing high levels of demand, leading to higher prices for concrete and steel to build the new equipment and structures. Another ongoing factor is the regulatory burdens, such as long permitting processes for air and water. For example, the Rex Lumber mill in Troy, AL, which employs 175 people, broke ground in 2018, started limited operations in 2019, produced over 100 million board feet in 2020, and is on target to produce 175 million in 2021. Upcoming 2022 projects at our Troy mill will increase production to 300 million board feet annually. In total, projects that are currently underway across the South are expected to increase Southern Yellow Pine production by more than two billion board feet over the next two to three years.¹¹ Lumber manufacturing expansion projects will increase the supply of lumber in the long term while creating more markets for timberland owners.

Workforce shortages, rail car availability and trucking capacity constraints are also hindering our ability to increase lumber supply. Our industry requires a variety of skill sets ranging from hourly mill production and maintenance positions to salaried supervisors, managers, and administrative personnel. Hiring qualified people to fill these various roles is always difficult but has become more challenging during the economic recovery. As enhanced unemployment benefits have subsided in the states where we operate, we are seeing capable individuals begin to apply for work again. Rex Lumber, in addition to other members of SLMA, are taking various

⁶ <https://markets.businessinsider.com/commodities/news/lumber-price-today-outlook-august-analyst-commodities-prices-2021-7>

⁷ <https://eyeonhousing.org/2021/07/may-single-family-permit-gains/>

⁸ <https://www.forest2market.com/blog/making-more-lumber-is-not-so-simple>

⁹ Southern Forest Products Association. May 6, 2021.

¹⁰ <https://www.forest2market.com/blog/making-more-lumber-is-not-so-simple>

¹¹ Ibid.

approaches to find qualified candidates. For example, we have coordinated with local community colleges to manage paid internship programs in hopes of finding qualified people that are able to quickly move up the company ladder. Additionally, SLMA has worked with sawmill members to design outreach materials for high school students that want to go directly into the workforce.¹²

Rail car availability along with trucking capacity was problematic before the pandemic and has become increasingly difficult to manage. At Rex Lumber, we are planning to increase our truck fleet over the next few years as we are unable to find outside companies to move our products in a timely fashion. This is another issue that is widespread in our industry. For example, another SLMA member in South Carolina had seven million board feet of sold lumber sit at his mill for a week last month because he could not secure trucks to transport finished products to customers.

Economic and Environmental Sustainability for Forest Products

The impact of the Great Recession has been long felt in the lumber industry, while the impact from the pandemic appears to be a shorter term phenomenon as it relates to forest products supply and demand. To make the industry more resilient to future market volatility, diversification will be critical. Housing, both single family and multi-family is a large majority of our markets, and we expect that to continue to be the case for the foreseeable future. However, we do believe that looking at other opportunities for our products throughout the built environment would help offset the drastic impact that another housing recession might have on sawmill infrastructure capacity. Additionally, using more wood products for construction purposes has the benefit of being a more environmentally friendly building product than competing building materials.¹³

Innovative building materials, such as mass timber, have the potential to open new markets in the commercial, defense, and other infrastructure sectors. Thanks to updated 2021 International Building Code changes that allow 18 story mass timber buildings,¹⁴ on-going efforts by the forest products industry, support for research and innovation grants from this Committee as well as the Forest Service, along with increased societal demand for greener building products, we are seeing growth in the utilization of mass timber. Recent examples include Wal-Mart's new 2.4 million square foot headquarters in Arkansas that will be constructed of cross laminated timber and glulam mass timber composed of southern yellow pine and the five cross laminated timber hotels built through the Privatized Army Lodging (PAL) program on bases in different regions of the country. We are also excited about the potential for mass timber bridges, sound barriers, and other infrastructure research that is being supported through the U.S. Forest Products Lab and academia.

To encourage continued growth for these innovative new markets, Congress and the Administration should support utilization of these products through the government procurement process. The General Services Administration (GSA) owns and leases over 376 million square

¹² <https://www.lumber.works/>

¹³ <https://www.thinkwood.com/blog/4-things-to-know-about-mass-timber>

¹⁴ <https://www.awc.org/pdf/education/des/AWC-DES607A-TallWood2021IBC-190619-color.pdf>

feet of space.¹⁵ GSA's Green Building Advisory Committee has recommended "a whole building life cycle assessment approach for larger projects (over \$3 million), requiring that buildings be designed in such a way that life-cycle carbon assessment shows that the selected design results in a 20 percent carbon reduction."¹⁶ Utilizing forest products in place of traditional more carbon intensive building materials can help GSA meet this ambitious goal.¹⁷ Additionally, the Department of Defense spends billions of dollars per year on military construction. Mass timber was accepted into the Unified Facilities Code in 2016, but we have seen very little utilization of mass timber in military construction beyond the PAL hotels. Given the positive data surrounding these hotel projects, we would like to see the Department of Defense look for additional opportunities for mass timber construction.¹⁸ Given the impact of Hurricane Michael on the Florida Panhandle, the rebuilding of Tyndall Air Force Base is one example where mass timber could be deployed.

In addition to encouraging the GSA and DOD to prioritize forestry products as an environmentally friendly domestic building material, we request strong support for the Forest Service's Forest Products Lab and Wood Innovation Grants to continue needed research and experimental projects to continue finding new and innovative markets for wood products.

Conclusion

In conclusion, lumber mills continue to produce lumber as quickly as possible to meet on-going demand and as the industry invests in greenfield mills, new supply will rise to meet future demand. To dampen the impact of the next housing recession on sawmill infrastructure capacity, we hope to diversify markets beyond the traditional housing sector, which we believe fits with on-going societal demands to decrease the carbon footprint of the built environment. Continued efforts by the industry with continued support of the Committee will play a critical role in meeting these economic and environmental goals. Thank you for the opportunity to participate in this important hearing.

¹⁵ <https://www.gsa.gov/real-estate/gsa-properties>

¹⁶ <https://rmi.org/press-release/the-us-federal-government-takes-the-lead-on-low-embodied-carbon-buildings/>

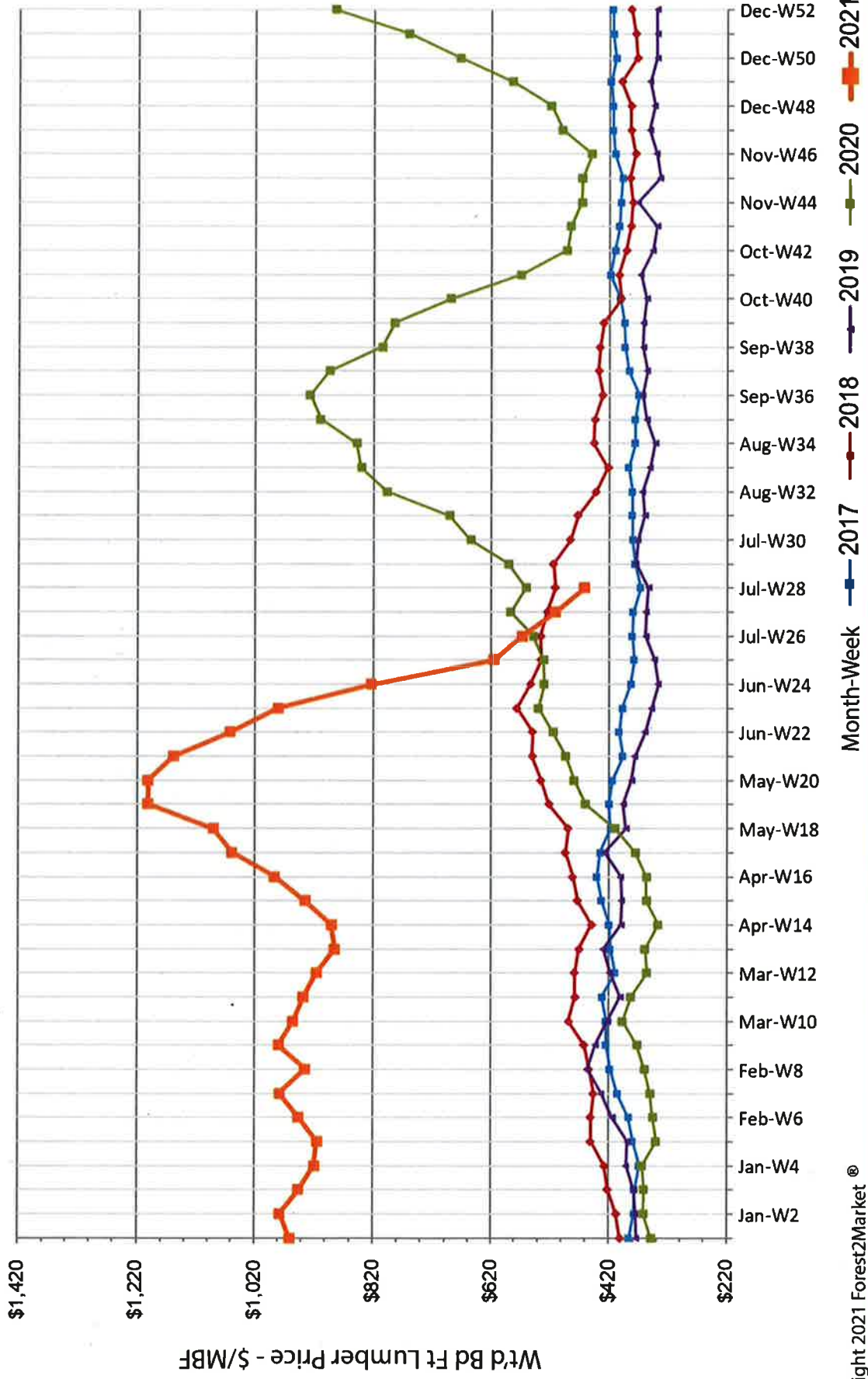
¹⁷ https://www.researchgate.net/publication/344694854_Wood_buildings_as_a_climate_solution

¹⁸ <https://www.woodworks.org/wp-content/uploads/4-Story-CLT-Hotel-WoodWorks-Case-Study-Redstone-Arsenal-01-05-16.pdf>



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All SYP KD Lumber Volume Weighted MBF Lumber Price 2017 - YTD 2021



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Caroline McRae Dauzat

Co-Owner
Rex Lumber

Caroline Dauzat is a fourth-generation owner and manager of Rex Lumber. Rex owns and operates four state of the art southern yellow pine sawmills with locations in Graceville and Bristol, Florida, Brookhaven, Mississippi, as well as our newest mill in Troy, Alabama. As the co-owner for these operations, Caroline oversees all finances, risk management, succession planning, human resources, safety and sales. She has been involved in the 90+ year old family owned and operated business since 1998. In that time, she has also assisted with the acquisition and startup of three sawmill locations, the transition of ownership from one generation to the next, and focused all locations on safety.

Caroline is a 1993 graduate of the University of Florida and a 1998 graduate of Loyola University in New Orleans with an M.B.A. focus on Finance and Taxation.

She is the current Chair of the Softwood Lumber Board and has been a board member since 2018. She is also a newly appointed board member for the U.S. Endowment for Forestry and Communities. She has served as past President of the Mississippi Lumber Manufacturers Association. An organization she has been involved with since 2010 that represents 20+ sawmills located throughout the state of Mississippi. Caroline has also held the role of Secretary of the Northwest Florida Manufacturers Council. This organization started in 2013 with a mission to address manufacturers concerns and increase the competitiveness of this Council's 12-county region. Additionally, Caroline has been an active member of the Southeast Lumber Manufacturers Association since 1998. She served as a board member from 2013 to 2016. Other organizations in which she is involved include the Florida Forestry Association, Federal Forest Resource Coalition, and Mississippi Forestry Association.

In 2015, in honor of her grandparents, Caroline, her father and her siblings established the Robert and Kathryn McRae/Rex Lumber Scholarships for the Engineering Technology Program at Chipola College in Marianna, Florida. The scholarships are awarded to up to 10 recipients each year from local area high schools. In addition, she serves on the Chipola College, Engineering Technology Advisory Committee, a two-year degree program designed to provide students with manufacturing employer-ready skills. The Rex Lumber Mississippi management team initiated a program of outreach to local high schools with the "Get the Job" competition. In 2015, Caroline and her HR Managers adopted this same program, with great success, at the Florida mill locations. This program teaches high school seniors entering the workforce about soft skills such as filling out applications, resumes, professional appearance and interview techniques. Caroline has been a supporter of Habitat for Humanity in Walton County and the Destin Charity Wine Auction since 2013. And, in 2016, the Rex Graceville facility sponsored a Habitat for Humanity home in Graceville, Florida. She is an ongoing supporter of Florida Forestry Teacher's Tour, Florida Project Learning Tree, as well as other local schools and community organizations.

Caroline has shown a strong commitment to the softwood lumber industry.

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: Agriculture

Subcommittee: Conservation and Forestry

Hearing Date: 07/21/2021

Hearing Title :

The U.S. Wood Products Industry: Facilitating the Post COVID-19 Recovery

Witness Name: Caroline McRae Dauzat

Position/Title: Co-Owner

Witness Type: ☐ Governmental ☒ Non-governmental

Are you representing yourself or an organization? ☐ Self ☒ Organization

If you are representing an organization, please list what entity or entities you are representing:

Rex Lumber, LLC

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

Southeast Lumber Manufacturers Association, Member
Softwood Lumber Board, Chair
U.S. Endowment for Forestry and Communities, Board Member

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

PPP Loan Recipient - Apalachee Pole Company, Inc. - \$182,400
PPP Loan Recipient - North Florida Woodlands, Inc. - \$280,900
PPP Loan Recipient - Rex Transportation, LLC - \$162,400

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Not Applicable

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

- ☐ I have attached a written statement of proposed testimony.
- ☒ I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(iii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.