



December 2017

More than just talk

By Linda Jovanovich

HMA Executive Vice President

Not long ago, just about when the leaves of our beloved hardwoods were beginning to don their glorious colors, *The Wall Street Journal* ran an essay adapted from Walter Isaacson's new biography, "**Leonardo da Vinci.**" It was an eye-opening read about "history's most creative genius" who made mistakes, left projects unfinished, and was not "superhuman." He was nonetheless, brilliant!

Isaacson wrote that:

- "His genius came from being wildly imaginative, quirkily curious and willfully observant. It was a product of his own will and effort, which makes his example more inspiring for us mere mortals and also more possible to emulate."
- His ability to "blur the line between reality and imagination was a key to his creativity."
- He envisioned what innovators would invent centuries later, and by refusing to churn out works that he had not perfected, he sealed his reputation as a genius, rather than a master craftsman."

It seems that if da Vinci had had a mantra, it could have been "be curious, observe attentively, and indulge fantasy." And while **we** may "never be able to match Leonardo's talents, we can try to cultivate, in ourselves and in our children, the skills that he used to put imagination to productive use."

The bottom line for me ...

During this holiday season, I'll be spending precious time with my children, grandchildren and dear friends. And I've vowed to find the opportunity to encourage them all to be more curious, observant, and whimsical. I agree with Isaacson when he says that following da Vinci's "methods can bring great intellectual rewards to anyone. And all of us have something to learn from him about how to lead a more creative and intellectually satisfying life." To you and to all those near and dear to you, **Happy Holidays** ... !

Mentoring our NextGen Council members

Because discerning business owners see financial statements as important decision-making tools, it makes good sense that HMA's NextGen Leaders understand the basics and more, when it comes to analysis of these all-important documents. To that end, the Council's most recent Conference Call learning session, conducted by Virginia Tech Associate Professor,

Henry Quesada, addressed "**Basic Analysis of Financial Statements.**" (Thank you, Henry.)

The Conference call, so beneficial to our young members, included discussion on:

- the importance of financial statements in business management.
- analysis of income statements, balance sheets, and cash flow statements.
- using ratio analysis to understand the financial situation of a firm.

As a reminder

The purpose of the **HMA NextGen Leaders Council** is to engage the next generation of leadership in HMA member companies and the industry, and to seek their input as to how the HMA can better serve the professional development of future leaders. Membership is open to anyone currently employed in an HMA member company, who is under the age of 40 and has been recommended by an HMA member.

So, if there is an up-and-coming leader in your organization, **January 1** is the time to make HMA aware of your shining star. Simply submit their name for consideration to Council Coordinator, Julio Alvarez, jalvarez@bhlumber.com, or HMA Executive Vice President, Linda Jovanovich, ljovanovich@hadwood.org.

For more information about HMA's NextGen Leaders Council, visit www.Hmamembers.org.

Recognizing our Hardwood Promotion Contributors

The American Hardwood Information Center, sponsored by the **Hardwood Manufacturers Association**, is the authoritative resource for consumers and building professionals seeking factual information about American Hardwoods. Many informative and creative tools – **videos, reference sheets, brochures** - are available there. And it is the financial support of the HMA membership, along with the 'extra' support of many industry stakeholders and contributors to HMA's Education/Promotion Campaign, that makes it all happen.

For the period November 1, 2016 through October 31, 2017, 'thank you' to these generous contributors:

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If your company name does not appear here, but going forward you would like it to, simply call the HMA office - 412.244.0440 - or send an email to ljovanovich@hardwood.org to get on board.

Conference offering key business sessions

The agenda for HMA's 2018 **National Conference and Expo**, March 21-23, at the Hyatt Regency, Greenville, South Carolina has been 'etched in stone,' and you'll not want to miss one moment of it. And here's why.

In addition to economist Dr. Alan Beaulieu, cyber/information security experts Ross Moore and Doug Hoyle from Pennsylvania Lumbermens Mutual Insurance Company, and the HMA member panel that will be discussing recent upgrades to their facilities, plan on hearing from:

- **Steve Nail** – Dean of the College of Business at South Carolina's Anderson University. A Human Resource and Business professional with a Juris Doctor degree for the University of Baltimore School of Law, Nail will be discussing "Transforming the Workplace," and overcoming the issues that are impeding its advancement.
- **Dan Meyer** – Industry analyst and editor/writer for Charlotte-based Hardwood Publishing - who will be discussing domestic and international hardwood lumber trends, log exports, and much more.
- **Dana Lee Cole** – Executive Director of the Hardwood Federation – with a hardwood industry priorities update, a close look at what is 'hot' in our nation's Capital, and a close-up look at legislation efforts regarding cross laminated timber (CLT).

Time to finalize your plans to attend

Next month's issue of *The Link* will provide even more 'agenda' information. But in the meantime, why not finalize your Conference plans!

Conference Registration for HMA (and SCMA) members can be finalized online at www.HMAmembers.org. Act now and take advantage of the '**Early Bird**' \$395 registration rate, because after January 5, member registration is \$445.

Room reservations at The Hyatt Regency Greenville, 220 N. Main Street, can be made by calling 1.402.592.6464. Mention the HMA National Conference & Expo to secure the discounted room rate of \$199. Reservations can also be made **online** at www.greenville.regency.hyatt.com. The hotel reservation deadline is February 27, 2018.

You'll find all of the other Conference details - a listing of participating exhibitors, available event sponsorships, and the complete Conference agenda - at www.HMAmembers.org. So get cracking. Looking forward to seeing you in Greenville.

Additional Sponsors for NatCon 2018

HMA's 2018 National Conference and Expo is fast approaching. And as we go to press, **thanks** are in order for the following Conference Sponsors.



At the **Platinum Sponsor** level is Anderson-Tully Company, Vicksburg, Mississippi! They will again be advertising in the Conference Events Guide. Look for their latest information on the inside front cover of the Guide, and be sure to thank them for their ongoing support of the HMA. (www.andersontully.com)



Thank you to **Platinum Sponsor** UPG/Unified Purchasing Group, South Jordan, Utah! In addition to participating as a Strolling Supplier, UPG is also sponsoring the Mobile Device charging station and a food station for the Vendor Expo Café. Be sure to track them down and give them a hearty HMA 'thank you!' (www.upg.org)



At the **Silver Sponsor** level is Bill Hanks Lumber Company, Inc., Danbury, North Carolina! HMA past president, Jeff Hanks, and the fine folks at Bill Hanks Lumber will be sponsoring the Thursday Morning Coffee Break. Ahhhh! (336) 593-2022

BTW - If you've yet to make your Conference Sponsorship commitment, it will soon be 'last call.' Take the 'next step' and contact the HMA office – 412.244.0440 – to discuss how you too can participate.

Text Message Alerts on their way to You!

Concerned that an important HMA communication may have gotten lost in cyberspace? No worries! HMA is now offering **Text Message Alerts** to our membership, vendors, and industry associates. Those opting to participate will receive text message reminders for HMA meetings, HMA publications, industry updates, and more.

This texting service - to your cell phone – is optional. So, if you would like to begin receiving Text Message Alerts from the HMA, please click [here](#) to complete the 'sign-up' process. It's that easy. (Note: Your carrier's standard message and data rates may apply. Please check with your service provider.)

Hardwood Federation Update

By Dana Lee Cole

Hardwood Federation Executive Director

Federal Forest Management reform efforts continue to slowly work their way through the legislative process. On November 1, meaningful legislation that would address the wildfire funding crisis which is hamstringing the Forest Service, and give the Service more tools to execute on critical federal forest thinning and other forest management project work, passed the House of Representatives.

Known as **The Resilient Federal Forests Act**, H.R. 2936:

- allows the President to declare wildfires a "disaster" and allow these fires to be fought with emergency funding, instead of forcing the Forest Service Chief to borrow funds from other critical mission areas within the Forest Service budget.
- gives the Forest Service new authority to move quickly on forest management projects to improve forest health, so that wildfires are less likely.

Additionally, a manager's amendment was approved that adds a new twist to the bill - provisions of the Timber Innovation Act - legislation that would promote research and development into using wood in tall buildings.

The focus of the legislation is **cross laminated timber** (CLT), which is growing in popularity among architects because of its strength, fire resistance and carbon sequestering properties. At present, CLT is primarily a softwood product. There is potential, however, for

low grade hardwoods to be incorporated in the future, pending necessary testing and code revisions.

Although the House has passed H.R. 2936, its path forward in the Senate is less certain. Hardwood Federation will continue to work with Congress and remain fully engaged in moving these efforts forward.

New Chief of the U.S. Forest Service

In August, long time U.S. Forest Service (USFS) Chief Tom Tidwell announced he would be retiring after more than four decades at the agency. This news was quickly followed with the placement of Tony Tooke as incoming Chief. Mr. Tooke, a career employee of the Forest Service, is extremely well versed in USFS activity on the ground and in Washington. In his new post, Tooke will likely be tasked with helping USDA Secretary Sonny Perdue expand timber production in national forests.

In a welcome statement, Perdue said Tooke will "oversee efforts to get our forests working again, to make them more productive, and to create more jobs. His focus will be on ensuring we are good neighbors and are managing our forests effectively, efficiently, and responsibly, as well as working with states and local governments to ensure the utmost collaboration."

Two other Confirmations

The Senate confirmed Ted McKinney, former director of the Indiana State Department of Agriculture, as the Undersecretary for Trade and Foreign Agricultural Affairs at USDA. This is a new position created by USDA Secretary Sonny Perdue to increase attention to the trade issues that are so important to the agricultural industry. Mr. McKinney has pledged to work closely with U.S Trade Ambassador Lighthizer and the Trade Council to ensure that farmers and ranchers are protected in the renegotiation of NAFTA, and in any new or revised free trade deals.

The Senate also confirmed Stephen Censky as the Deputy Secretary of Agriculture. Mr. Censky will work to focus USDA on critical issues like the expansion of trade agreements to benefit U.S. agricultural exports, the importance of crop insurance to farmers, and the impacts of climate change on farming operations.

Undersecretaries are essential in managing the Department divisions and agencies under their purview, and in driving the priority policy initiatives identified by the Secretary. As they assume their new roles, we are looking forward to working with both Undersecretary McKinney and Undersecretary Censky.

A key excerpt from *TrendTracker Update*

By Art Raymond

Winding Down the Stimulus Program

Albeit slow, growing the economy has exhibited sturdy legs. While averaging annual growth of only 2.2 percent, the 100-month long expansion following the Great Recession is now the third longest since the end of World War II. Of immediate concern is the matter of recovering the \$2 trillion the Federal Reserve pumped out to stimulate the abysmal economy of 2008-2009.

The Fed was created to achieve its so-called dual mandate: maximizing employment and stabilizing prices. Its primary tool is the manipulation of interest rates to manage the amount of money in the banking system. To encourage lending and kick start growth during the ten downturns prior to 2008, the Fed responded by cutting the interest rate at which member banks borrowed funds overnight. In that and the following year slashing the overnight rate to nearly zero failed to spark a much-needed recovery. The Fed then

experimented with a rarely-used tool called *Quantitative Easing* and often referred to as *QE*. While *QE* had been employed in Japan, this solution was new to the U.S.

How did *QE* work? First the Fed began pumping massive amounts of cash into the banking system by purchasing securities of various kinds from its member banks. The banks then put the proceeds from these sales to work in the capital markets. The credit which enabled the Fed's purchases of securities was created out of thin air by fiat. The Fed also lowered the federal funds rate, which is the basis for most other interest rates; auctioned large amounts of U.S. government debt, which was used to pay for the expansionary fiscal policies authorized by Congress; and purchased mortgage-backed securities to strengthen banks' balance sheets.

The first phase of *QE* began in December 2008 and ended in June 2010 when the economy showed signs of improvement. When the economy weakened two months later, the Fed stepped in with more purchases. Four more phases of *QE* were employed before the Fed ended *QE* in October 2014. This process more than doubled the debt on the Fed's balance sheet from \$2.1 trillion to nearly \$4.5 trillion.

Did *QE* succeed? At best, the program was partially successful. Yes, the economy stabilized, confidence was restored, and the stock market rose by about 140 percent. However, as mentioned above, during the current expansion GDP has grown at a weak 2.2 percent annual rate, and inflation remains stubbornly below the Fed's 2 percent target. Bank lending never reached intended levels. The Fed's balance sheet is now nearly 24 percent of GDP. By comparison, Canada did not deploy *QE*. Its economy has performed better than ours, and the balance sheet of its equivalent to our Fed is only 5 percent of its GDP.

Economists will spend years studying *QE* and its utility for fighting deep recessions. **The immediate question is can *QE* be unwound without damaging the economy?** The answer is *no one knows*.

The Fed has announced a program that allows bonds to 'roll off' i.e., mature without re-investment of the proceeds. Starting with roll-offs of \$10 billion per month, the planned amount will grow in a year to \$50 billion per month. The target is to reduce the Fed's balance sheet to between \$2 trillion and \$3 trillion. That's still at least \$1 trillion more than pre-2008.

Implementing *QE* in 2008-2014 lowered bond yields, stocks rose, and the dollar weakened. Logically one can hypothesize that reversing *QE* will cause bond yields to rise, stocks to fall, and the dollar strengthen. *But no one knows with certainty.*

For the complete *TrendTracker Update*, please visit www.HMAmembers.org.

AHEC's 'snapshot' on the Furniture Market

A recent market report from the American Hardwood Export Council (AHEC) included a 'quick view' on the furniture market from the eyes of AHEC European Director, David Venables, who had travelled to Vietnam to visit furniture factories, participate in an AHEC seminar, and "gain a better understanding of the relationship between Vietnam's sizeable and expanding furniture industry."

According to the report:

- "Vietnam is now the world's fifth largest producer of wooden furniture, of which over 80 percent is exported, making it the second highest exporter, behind China.
- About 15 percent of those exports go to Europe, of which half is accounted for by the UK.

- The designs and finishes used by furniture industries in Vietnam are therefore heavily influenced by decision makers – designers and retailers – in those export markets.”

Also, the country’s furniture industry consumes large volumes of low-grade **tulipwood**, which accounts for over 55 percent of all U.S. hardwood exports to Vietnam. It is used in “lower value products and is stained or lacquered, and exported mainly to the U.S.

White oak lumber is the second most important U.S. hardwood after tulipwood, accounting for 15-20 percent of total lumber exports. Very little red oak is currently used by the furniture industry, as most of it finds its way into flooring products and is then exported back to the U.S.

AHEC South East Asia is planning a series of promotion activities around red oak to make industries in Vietnam more aware of its potential. AHEC Europe is increasing activity around red oak, targeting designers and retailers, as these decision makers could play a vital role in which species are used in future product ranges.”

About AHEC

From Washington, DC and six overseas offices, AHEC conducts a worldwide non-profit promotion program with activities in more than 5 countries. All programs “are run through the joint efforts of the U.S. hardwood industry and the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA), and they aim to give members the sharp competitive edge needed to meet the growing worldwide demand for American hardwood products.” Visit www.americanhardwoods.org to learn more.

Business & Personal Tax Information

*By Paul Impellicceiri
A.F. McGervey & Co., LLC*

It's very hard these days to escape the news regarding tax reform. The proposals seem to change minute-to-minute, making it difficult for corporate and individual taxpayers to make important financial decisions. It doesn't appear that tax legislation, if passed, will be made retroactive to the beginning of 2017. With that being the most likely outcome, it is important to review the current tax law for its implications and planning opportunities.

Business provisions under current law:

- 50 percent bonus depreciation is available for eligible property and will continue at lower rates of 40 percent in 2018, and 30 percent in 2019 before expiring.
- Section 179 expensing limit is set at \$510,000 and begins to phase out when purchases of eligible property reach \$2.03 million for 2017. These limits will continue to be indexed for inflation.
- The failure of Congress to repeal the provisions of the Affordable Care Act means that more businesses will continue to deal with the reporting and withholding requirements of the legislation. As companies receive renewals of their employee benefit plans for 2018, they will need to make sure their plans continue to adhere to the provisions of the ACA, in the absence of new regulations.
- The tangible property and repair regulations as finalized continue largely unchanged. The de-minimis safe harbor amount was increased in 2016 to \$2,500 (\$5,000 with an Applicable Financial Statement), providing businesses with an opportunity to expense more purchases.

Individual provisions that were extended or made permanent include the following:

- The ability to make a charitable contribution directly from an IRA and exclude the distribution from income
- The state and local sales tax deduction particularly important for taxpayers in states with no income tax was made permanent.
- The American Opportunity Tax Credit, available for payments of qualified tuition and related expenses, has been made permanent.
- The tax provisions of the ACA, including the additional Medicare withholdings of .9% on salaries in excess of certain thresholds and the Medicare Surtax of 3.8% on net investment earnings, continue.

Those business owners or individuals with some ability to control the timing of their income and deductions may want to pay particular attention to the outcome of some of the tax provisions being proposed. Both the House and the Senate have proposed reducing the corporate tax rates for C-corporations and providing tax relief for pass-through entities as well.

In addition, various proposals have included reductions in individual tax rates, eliminating the deduction for state and local taxes, capping certain itemized deductions, eliminating the alternative minimum tax, and repealing provisions of the ACA. The possibility of deferring income or accelerating certain deductions may become even more important as this year-end approaches.

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AIA 2017 Small Project Awards

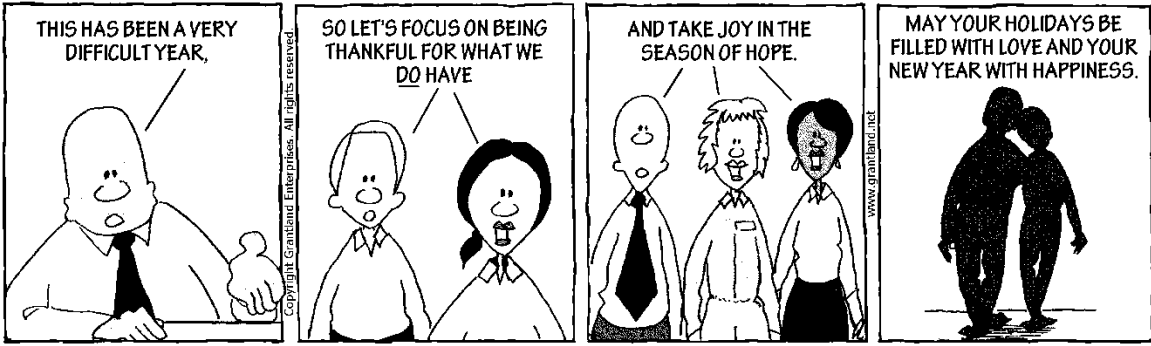
The **Small Project Awards Program** of the American Institute of Architects (AIA) “was established to recognize small-project practitioners for the high quality of their work and to promote excellence in small-project design.” The program, now in its 14th year, “strives to raise public awareness of the value and design excellence that architects bring to projects, no matter the limits of size and scope.”

A jury of five architects, hailing from California, Chicago and New York, made the 2017 award decisions. And one of the award recipients in the Program’s Category 1 classification - which recognizes “work of environmental art or architectural design element up to \$150,000 in construction cost- was a unique project known as the **Colorado Outward Bound Micro Cabins**.

- Located in a forest 10,000 feet above sea level, the 21 unique cabins are an exploration in micro housing.
- The initial 14 cabins were designed as seasonal housing for temporary staff. The second set of seven cabins was designed as year-round housing for permanent staff.
- Each set of cabins was completed in three weeks of on-site construction by 28 graduate students from the University of Colorado College of Architecture and Planning, Colorado Building Workshop.
- Cedar clad porches create private spaces. The hot-rolled steel rainscreen blends with the trees, minimizing visual impact. Prefabricated **birch** plywood brings warmth to the interiors and connects to the surrounding environment.”

For information on all of the 2017 project winners, visit www.aia.org.

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