



November 2014

Taking the stage in Nashville

Kicking off **Day One** of HMA's 2015 National Conference and Expo is economist, author and former president of the National Association of Manufacturers and the Manufacturing Institute, **Jerry Jasinowski**. A recognized expert on manufacturing in this country, his **Keynote** presentation, "**The Skilled Labor Crisis in the U.S.,**" will focus on the action needed to ease the skills crisis for our industry.

A popular speaker and frequent guest on Bloomberg, Fox Business and CNBC, Jasinowski brings to the table a deep understanding of the issues facing manufacturing. Make plans to be in Nashville to find out why "our ultimate goal should be to prepare people for good jobs that exist in the real world."

Industry Outlook

Also joining us in Nashville is economist, forest products industry analyst and president of consulting firm, Strategic Economic Analysis, LLC, **Dr. Lynn Michaelis**. With nearly 40 years of experience in the forest products industry, many of those years spent with industry leader, Weyerhaeuser, Dr. Michaelis' presentation, "**Economic Outlook for the Hardwood Industry,**" will include what's next for our industry and much, much more.



Kicking Things up a Notch

A significant number of HMA members have already registered to attend. They know this annual event provides them the perfect venue to reconnect with industry friends and associates; gather important industry information, and make significant business contacts. But they also know that the networking opportunities in Nashville will be even greater than usual, because ...

Three other industry groups are heading to the Omni Nashville, March 25-27. The Southern Cypress Manufacturers Association (**SCMA**) and the Wood Component Manufacturers Association (**WCMA**) will be conducting their annual events in conjunction with HMA's Conference. And the Wood Flooring Manufacturers Assembly of **NWFA/NOFMA** will be convening at the Omni as well.

What an Opportunity!

This is a **high-priority** event designed for Hardwood professionals **serious** about our industry. Visit www.HMAmembers.org for Registration, Hotel, Exhibitor, Sponsorship and Conference Agenda information. And remember, all industry stakeholders are welcome to attend.

2015 National Conference & Expo Sponsorships

Looking to “**spotlight**” your company + assist the HMA in providing quality learning sessions and networking events at the 2015 National Conference & Expo? Sign on as a Conference Sponsor. You and the HMA will have an opportunity to shine.

Why be a Conference Sponsor?

- HMA will “spotlight” **you**. All printed Conference materials, HMA’s monthly newsletter, *The Link*, as well as www.HMAmembers.org will recognize your extra effort as a Conference Sponsor.
- Enhanced Member Services. Sponsorships help underwrite the high-level, knowledgeable presenters and the quality event(s) HMA members have come to expect.
- If you are unable to be with us in Nashville, being a sponsor will get you there in spirit. Your company name will be displayed throughout the event, establishing your ‘presence’ without having to step away from your desk.

A variety of sponsorship levels are available. Take a look to determine which option works best for you. Then call the HMA office today, 412.244.0440, to lock in your preferred level. We look forward to hearing from you!

Welcoming Back Gutchess Lumber & Quality Hardwoods, INC!

Gutchess Lumber Co., Inc., with sawmills and concentration yards in New York and Pennsylvania, is back on HMA’s membership roster. Executive Vice President Matthew Gutchess, Cortland, NY location, will be HMA’s main contact. Send him a hearty HMA “Welcome” at mfgutchess@gutchess.com and suggest he meet up with us all at the National Conference in March.

Quality Hardwoods, Inc., Sunfield, Michigan, has again joined the ranks of the HMA. President Luke Brogger, no stranger to the industry or to HMA members, will be HMA’s main contact. He can be reached at luke@qualityhardwoodsinc.com, if you’d like to extend a “Welcome Back!” Hope to see you in Nashville, Luke.

NatCon 2015 – Destination Nashville

Strategically located along the Cumberland River and home to Andrew Jackson, Nissan of North America and the Grand Ole Opry, Nashville offers practically everything, from Moon Pies and Goo Goo Clusters to *The Hermitage* and the infamous Tootsie’s Orchid Lounge. One of the fastest-growing areas of the Upland South, this historically diverse city features an assortment of entertainment, dining, cultural and architectural attractions not to be missed.

And in the heart of the city - just steps from the Country Music Hall of Fame and Museum and the famed Jack’s Bar-B-Que on Broadway - sits the **OMNI Nashville**, one of *Music City’s* newest hotels and the site of HMA’s 2015 National Conference and Expo, March 25-27. Rooms are at a premium and today is a great time to make your hotel accommodations.

Reservations can be made [online](#). Or you may call **1.800.843.6664**. Be sure to mention/include the **Hardwood Manufacturers Association** to secure the \$229/single, \$239/double discounted room rates. Looking forward to seeing you in *Music City*! So please, respond today.

More than just Talk

By Linda Jovanovich
HMA Executive Vice President

If you've been thinking of being a **National Conference Sponsor**, but are kind of "fuzzy" as to how that extra effort will ultimately benefit you? Know that it's a **win-win** for everyone and here's why:

- Conference sponsorships assist in providing the quality learning sessions you have come to expect. The thought-provoking information they provide is geared to increase your bottom line, and the take-home value is immediate.
- The networking opportunities in Nashville will be more lucrative than ever. Three other industry associations - the Southern Cypress Manufacturers Association (**SCMA**), the Wood Components Manufacturers Association (**WCMA**) and the **NWFA/NOFMA** Wood Flooring Manufacturers Assembly – will be convening with us in Nashville. Your sponsorship will assist in defraying the costs of the evening receptions. Plan to meet and greet **potential customers**, as well as "catch-up" with long-time HMA associates.
- We will be welcoming new vendors this year. Sponsor the Roundtable Technology Session and Refreshment Bar and get the scoop on that new piece of equipment you've been contemplating.
- Should a scheduling conflict make it impossible for you to attend, a conference sponsorship will keep your company top-of-mind, for sure. You'll receive mention throughout the year in HMA publications and on the homepage of www.HMAmembers.org.

So, as you consider which sponsorship level works best for you - details have been distributed via email and are also available at www.HMAmembers.org – don't delay in making plans to join us in Nashville! Early-Bird Registration is up and running. The hotel room block is quickly reaching capacity and the Expo is nearly sold-out!

It's exciting! HMA's 2015 National Conference & Expo is looking to be a blockbuster!

'Early Birds' will \$ave

If you register to attend HMA's National Conference and Expo now, your wallet will feel a little bulkier. **Early Bird** registrants pay only \$395! That's a \$50 savings over the regular Registration cost. But you have to act now. The "**Early Bird Special**" is for a limited time, only. Tick ... Tock ...

HMA TrendTracker Update

By Art Raymond

U.S. economic news continues to be mixed as we recap 3Q2014. First and foremost are the perplexing messages received from the **labor market**.

Some **positive**:

- The headline unemployment rate dropped below 6 percent to the lowest level since July 2008 with employers adding 248,000 jobs in September.

- Jobless claims fell to its lowest level since April 2000 while continuing claims for unemployment benefits fell to a new recovery low.
- The August JOLTS data reported that job openings rose to 4.8 million, the highest since January 2001. The net employment gain during the twelve months ending in August was 2.5 million, a monthly average of 208,000.

Some **negative**:

- The broadest measure of employment reflecting the huge number of people only able to find part time jobs remains high at 11.8 percent. Fewer than half of all U.S. adults are working full time. This ratio has ranged from 6.8 percent in October 2000 to 17.2 percent in April 2010.
- The labor force participation rate fell again to 62.7 percent, while only 59 percent of the population is employed. The latter ratio was 63.4 percent in December 2006.
- Average hourly earnings dropped by a penny to \$24.53 and have increased by only 2 percent in the last twelve months. The average work week edged up a tenth to 34.6 hours, the highest since the recession ended.

By any measure, millions of people remain not employed in productive activities in the U.S. Quite simply; ***the economy will not grow faster until more people are working.***

Housing

As always, the health of the housing economy remains critical to the hardwood economy:

- Sales of **new** homes surged to 504,000 in August. At 4.6 months of supply, the low inventory of new homes is reportedly limiting sales. On the positive side, new home prices have only risen by 8 percent over the last year.
- **Existing** home sales disappointed the experts in August by declining 1.8 percent. Year-on-year sales are down 5.3 percent. Remember that the purchases of existing homes drive remodeling, an important market for hardwood flooring, cabinetry, and millwork.
- Housing **starts** rebounded in September to 1.01 million, 17.8 percent year-on-year. The multi-family category now accounts for 36 percent of starts versus only 20 percent ten years ago.

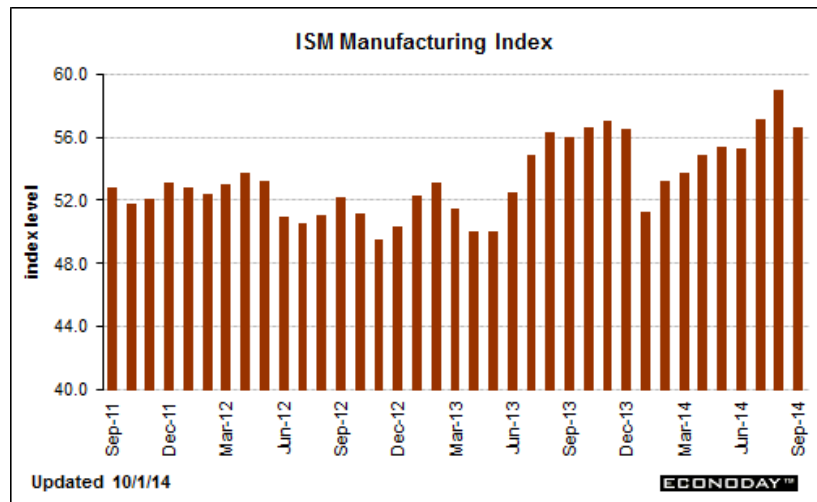
While mortgage rates are low, lending standards remain strict. Even borrowers who qualify to obtain government-backed loans are being rejected. Given the heavy fines for loans that failed to meet standards, bankers have learned no loan is risk-free.

Another barrier to home sales is the level of student loan debt typical of recent college graduates. The average 25-year-old grad with debt has a credit score of 626, below that acceptable for a home loan. As a result, the homeownership rate for 25-to-34-year olds has fallen from 49 percent in 2003 to less than 42 percent. Slower income growth for that age group is also hurting. Indirectly, fewer twenty-to-thirty something homeowners means less demand for furniture, cabinets, and flooring.

Manufacturing

While goods production employs fewer workers these days, its contribution to GDP remains important. Domestic manufacturers pay their workers about 30 percent higher wages than those in the service sector. Their average work week is just over 40 hours versus 33.3 hours for service workers. Importantly too, manufacturers contribute significantly to exports.

For that reason *Trendtracker* recommends following the **Purchasing Managers Index** (now referred to as the PMI) as an indicator of the health of the manufacturing sector. The PMI looks at new orders, inventory levels, production, supplier deliveries, and employment to establish a monthly index. An index over 50 means manufacturing **expansion**; less than 50, contraction.



The PMI fell from 59 in August to 56.6 in September. Importantly however, manufacturing continued its 16-month expansion. Included in that growth are the Wood Products and the Furniture & Related Products sectors. Those sectors also saw growth in new orders, production, and employment. In total, **15 out of the 18 industries covered by the PMI grew, and new orders remained strong.**

As manufacturing employment strengthens, wages are beginning to rise, especially in major industrial states. *The Wall Street Journal* reported in early October that wage growth exceeded the national average of 1.6 percent in Texas, Michigan, Indiana, Washington, and Oregon. Bigger pay increases are likely to spread to other parts of the country as skill shortages develop. Affected job categories include machine operators, electricians, and maintenance workers, plus highly skilled specialties like welders.

Bottom Line: The economy muddles along. Now stretching 63 months, the current recovery now surpasses the average economic expansion experienced since World War II. Unfortunately GDP has averaged only 1.8 percent a year, compared to double that rate in the past three recoveries. Positive, yes; satisfactory, no!

Ashley Swims against the Import Tide

By Art Raymond

Not all domestic furniture makers are shrinking in the face of imported competition. Ashley Furniture, ranked as the number one U.S. source for furniture, is now producing case goods in a 250,000 square foot section of its Advance, NC, manufacturing/distribution complex. The new operation is manufacturing four-piece bedroom groups set to retail from \$599 to \$999.

The plant site also contains a 250,000 square foot upholstery operation as well as 1.9 million square feet of warehousing and distribution and 100,000 square feet of mattress production. Another million square feet of building can be added for expansion purposes. The current site employs 600 workers.

Hardwood Federation Update To the Election and Beyond

By Dana Lee Cole

Hardwood Federation Executive Director

With the mid-term elections upon us, the focus has been on the U.S. Senate and which party will control the upper chamber next year. Will Republicans net the 6 seats they need to take control or will Democrats hold on? We may not know the answer to that question until December, as races in Louisiana and even Georgia look like they will be headed toward a pre-Christmas runoff.

But what non-stop media coverage and analysis of this election have largely overlooked is the fact that whichever party controls the Senate next year, it will be by the slimmest of margins, perhaps one or two seats - enough to qualify for a majority, yes, but not by a margin large enough to be considered a governing majority. If Republicans prevail, there will be new leadership and a different slate of committee chairmen with new priorities, but the fact remains that the **parties will have to work together** to forge a governing coalition in which legislation can pass. There has not been a lot of evidence of that kind of cooperation the last few years, but we are hopeful that we will turn a new page in 2015.

The issues that we are working on now will largely remain our focus.

- An “endangered” listing of the **Northern Long Eared Bat** and the implications such an action may have for forest management in the bat’s 39 state range loom large. We continue our Congressional outreach that prompted numerous letters from the Hill to the Interior Department and the Fish & Wildlife Service (FWS), urging them to look at the best available science and avoid an endangered listing. As we look toward April 2015 and a final decision from FWS on this issue, we will be contemplating other legislative actions as well.
- Passing legislation that will promote **better management of our publicly-owned forests** will also be a priority. Legislation passed the House this year, but died in the Senate, where legislators seem most focused on problems in the West. The bottom line is that we need a national federal forest reform bill that will result in better forest management so that we prevent our public lands - and the valuable timber on them - from being consumed by wildfire, insects and disease!
- And finally, it appears likely now that **EPA** is going to **hold off** on releasing its carbon accounting framework for biomass energy until early next year. This document will determine how carbon emissions from biomass combustion will be treated under the Clean Air Act. ***Will the biomass energy we use in our mills get a free pass and be considered carbon neutral or will they be treated similarly to coal and other fossil fuels and require costly new air permits?***

This issue has been a bit of a sleeper here in Washington, amidst some of the larger regulatory packages affecting electric utilities, but it has huge implications for our industry and the entire biomass value chain. We anxiously await release of this document—called the **Biogenic Framework**—and have primed the pump with our forest industry partners to engage quickly on the communications and lobbying front, should this document come out in a manner that is harmful to our interests.

I’ll close by wishing you and yours a delicious and happy Thanksgiving holiday. And remember, you can contact me at Dana.Cole@hardwoodfederation.com. I’d love to hear from you.

Are you making a Profit doing that?

The Wednesday evening dinner reception at HMA's Northeast Regional Meeting in Williamsport included a short presentation by, **Gerry Roskovensky** of Koppers, Inc., a leading manufacturer of pressure-treated wood products for the electric/communications and railroad industries. His comments dealt with how our industry has and continues to change, and he left his listeners with these parting words.

"Business is fantastic in the low grade sectors. My associates in the pallet business can't get enough wood. They have increased their prices 37 percent in the last year. Mat buyers have increased their prices by 46 percent. Crossties now consume over 12 billion feet, annually. Prices have increased approximately 36 percent, and most likely are going to continue escalating, due to demand being projected to increase for the next several years, at least. The largest operation on the east coast now cuts over 200,000 ties. Why? **Profit!** Is your boss interested in production or profit?"

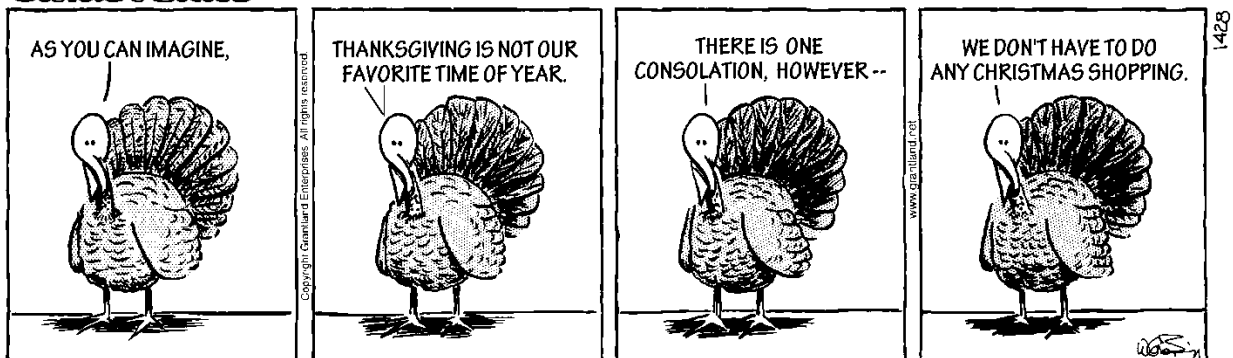
Investing in our future – HMA scholarship updates

Congratulations to the 2014-2015 recipients of the University of Wisconsin-Madison College of Agricultural and Life Sciences **Robert B Hendricks Memorial/Hardwood Manufacturers Association Scholarships**. In their thank you letters to the HMA:

- Forest Science major **Logan Wells** said, "I first became interested in forestry as a career through an introductory agriculture and natural resources class in high school. From there I got involved with FFA (Future Farmers of America) and even started my own portable sawmill business, as my FFA project. Thank you for your willingness to make a positive difference in the lives of students."
- Recipient **Michael Reitz**, also a Forest Science major, said, "I was always interested in the environment and working outside. The scholarship will be put to good use. I hope to seek a profession with either the Department of Natural Resources or the National Park Service. Thank you."

And congratulations to **Page Clayton**, recipient of the 2014-2015 **Virginia Tech** College of Natural Resources and Environment **Hardwood Manufacturers Association Scholarship**. In her letter to the HMA, Page said, "I can't thank you enough for helping me continue my education. My major is in Packaging and Systems Design. And my career focus is to bring more sustainable solutions to packaging companies to help them produce their current products in a more efficient way. By reducing the natural resources consumed, we're all working towards a greener Earth."

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