



February 2015

On the agenda – Hardwood Market Trends

HMA's National Conference and Expo is just around the corner and it's touting an agenda of business and learning sessions that will not disappoint. Day **One** of the event spotlights:

- Keynote presenter, Jerry Jasinowski and his presentation, "**The Skilled Labor Crisis in the U.S.**"
- Attorney Lauren Anderson discussing "**Succession Planning, What are YOU waiting for?**"
- Hardwood Federation Executive Director Dana Cole on "**Federal Legislative Outlook 2015: Challenges and Opportunities for the Hardwood Industry**"
- Hatton-Brown Publishing Executive Editor, D.K. Knight, discussing "**Paul Bunyan is Dead and some of his Descendants are down with the Flu: Addressing the Logging Dilemma**"
- **Industry Confab** of round table discussions led by industry suppliers and Expo participants

The business sessions of Day **Two** will focus on 'what is' and 'what will be' for the hardwood industry. Getting the morning started will be, "**Hardwood Market Trends and Global Consumption**," presented by industry analyst and *Hardwood Publishing* editor Dan Meyer. A familiar face to those in the forest products industry, Dan has been part of the *Hardwood Publishing* team, a trusted source of industry information, for over 14 years.

Taking the podium after Dan, and bringing HMA's 2015 NatCon to an end, will be economic advisor and President of consulting company, Strategic Economic Analysis, LLC, Dr. Lynn Michaelis. Coming from a strong housing and wood products background – many of you will remember him from his Weyerhaeuser days - and often on the road advising business owners and managers on issues critical to operating and strategic decisions, his presentation, "**Economic Outlook for the Forest Products Industry**," will provide a glimpse of what lies ahead for us, at home and globally.

Plan on joining us in *Music City*! All Conference details – complete **Program Schedule**, **Registration**, **Hotel** reservation information, and a current listing of **event sponsors** and **industry suppliers** participating in the Expo – are available online at www.HMAmembers.org.

Here's what we're talking about

Still "on the fence" about participating in HMA's 2015 National Conference, thinking it will be just another "been there; done that" industry event? Not a chance! There's a lot in store, this time around. Here's what we're talking about.

'New' Business Contacts

The networking opportunities in Nashville will be over-the-top as three other industry groups head 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. Don't miss this opportunity to make significant 'new' business contacts, plus reconnect with 'old' industry friends and associates.

Investing in the Future

As a prelude to Wednesday evening's Opening Reception and Expo, HMA's nine member **Millennial Council** will be hosting a '**Next-Gen**' reception for other next generation Conference attendees. It's this '**next gen**' that will take our industry, companies, and association to the next level. So if there is a promising 'Millennial' in your organization, make sure they are accompanying you to Nashville. The benefits of interacting with our energetic group will be legion.

Continuing the Conversation

We've taken a different approach to this year's **Industry Confab**. There will still be three roundtables for attendees to participate in, but this time around, each will be led by an industry supplier. **Weinig USA** will address solid wood processing solutions. **Troy Corporation** will focus on impending EU regulation changes to biocidal products and treated articles. **Pennsylvania/Indiana Lumbermens Mutual insurance Company** will discuss managing your property and casualty insurance.

What this all boils down to is a **high-priority** event designed for Hardwood professionals **serious** about our industry. All industry stakeholders are welcome to attend. Finalize your registration, today.

Nashville just got a lot more exciting!

On a normal day, Nashville is a popular destination because, well, it's Nashville. But *Music City's* extreme tourist appeal got kicked up - more than a few notches - after 8-time Entertainer of the Year, Kenny Chesney, decided to kick off his *The Big Revival Tour*, at Nashville's Bridgestone Arena. Yes, the announcement sent shock waves across the U.S. and as a result, hotel rooms in the *Music City* are at a premium.

Who would have thought that a country music concert could have such an impact on the hardwood industry? But if you've been rather "slow on the draw" in making hotel accommodations in Nashville, you know exactly what we're talking about!

Hotel rooms, in and around the city, are available. Visit www.HMAmembers.org for **Over-Flow Hotel** information.

Even more National Conference Sponsors

The response to HMA's 'call-to-sponsor' has been GREAT and we'd like to recognize those who have most recently stepped up to the plate. Thank you! Your support and 'extra' vote of confidence are greatly appreciated.



At the **Platinum Sponsor** level is Beal Lumber Co., Inc., Little Mountain, South Carolina! To HMA's current president, Skipper Beal, and his lovely wife, Betsy, thank you for your guidance, support, and friendship. Looking forward to seeing you in Nashville! (803) 932-2100



At the **Silver Sponsor** level is Bill Hanks Lumber Company, Inc., Danbury, North Carolina! To HMA past president, Jeff Hanks, and all of the fine folks at Bill Hanks Lumber, thank you for going the extra mile, again. (336) 593-2022

More than just Talk

By Linda Jovanovich

HMA Executive Vice President

You may recall that last month we expressed appreciation to all who contributed to HMA's **Education and Promotion Campaign**. As you know, these generous gifts enable HMA to continue our focused, promotional efforts via www.HardwoodInfo.com, as well as our Continuing Education learning sessions.

In 2015, we will expand our efforts to include the (re)production of the ever popular wood sample kit, **Sustainable American Hardwoods**. Offered to architects, designers and students in the U.S. and Canada, the kit contains 20 hardwood species samples - each 3" x 6" - as well as a stain simulator, and the very informative American Hardwoods Sustainable Solutions brochure, which includes a species profile for each of the hardwood samples contained in the kit.

Since the sample kits first became available, close to 5000 have been distributed to the build community, providing them the opportunity to see and feel the natural beauty of American hardwoods, while considering four different stain options for the projects they are specifying. And while we've also made available a mobile App for this, we've been told time and again, "there is nothing like the look and the feel of the real deal."

There are several ways **you** can get involved in this, and other HMA promotional and educational projects.

- We will soon be issuing a call for volunteers to **donate** approximately 125 BF of each of the 20 species contained in the kit. Why not consider donating?
- Spread the good news about American Hardwoods to the specifying community by **hosting** a Continuing Education "Lunch and Learn" session in your local area. You'll have the opportunity to meet and greet influential architects and designers in your community, and at the end of the presentation, you'll have 10 minutes to feature your company's specific products and services, ideal for members supplying finished products to secondary manufacturers or distributors.
- Soon you will be receiving your 2015 HMA dues recalculation form. Should you choose to "go the extra mile" and **make a contribution** to HMA's Education and Solid Hardwood Promotion efforts, either annually or monthly, indicate your intention directly on the form.

HMA is committed to providing quality tools to assist in your marketing efforts. Thank you in advance for your confidence and support.

Calendar of Events at your fingertips

Did you know that the Home Page of www.HMAmembers.org includes a tool that can assist with your planning and scheduling efforts? We're talking about an **Industry Calendar** that includes HMA events, and a whole lot more.

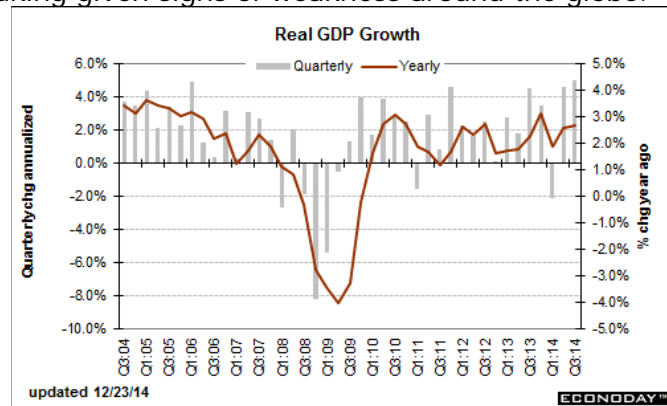
Did you know, for example, that the details of the Mid-Atlantic Forest Products Expo are posted there? Or that you can find the specs on IWPA's Convention in March or NWFA's Wood Flooring Expo in April? And yes, you'll find the details of HMA's Spring Regional in May. It's all about providing value to our members, as well as being a good neighbor.

We encourage you to use the **calendar**. And by all means, keep us in the loop if we've inadvertently omitted an important industry happening.

HMA TrendTracker Update Economy Shows Positive Signs

By Art Raymond

As 2014 came to a close, signs of healthier growth emerged 62 months after the official end of the Great Recession in June 2009. Led by the Commerce Department's revision of 3Q2014 GDP to 5 percent, many economists are optimistic that the U.S. economy is ready to shift into high gear. The broadest measure of economic activity covers every sector of our economy. Its latest performance is the strongest in eleven years. But others fear that the economy may be peaking given signs of weakness around the globe.



What are the key indicators followed by *TrendTracker* saying at year end?

Housing

Overall this important sector for wood products is muddling along well below the peak reached in 2007. **Starts** in November came in at 1.028 million, down 1.6 percent following a relatively strong October but up 7 percent versus a year ago. The single-family component dropped 5.4 percent, thankfully offset by 6.7 percent growth in the multi-family sector.

With an annual sales rate of 438,000 in November, **new home sales** also declined 1.6 percent from the previous month. The supply of new homes rose slightly with the inventory at 5.8 months. The median price of a new home fell to \$280,000, down 3.2 percent. Year-on-year that price is up only 1.4 percent. Needless to say, home builders reading these numbers are disappointed going into 2015.

Existing home sales, which drive remodeling activity, plunged a steep 6.1 percent in November to 4.93 million. Weakness was felt in all regions. The good news is that the supply of existing homes for sale remained steady at 5.1 months. The median price fell for

the fifth straight month to \$205,300. Year-on-year the median price is up by 5.5 percent. Sadly, low mortgage rates and a stronger job market have not combined to strengthen this market.

Experts are blaming the higher price of new homes for the poor performance of that sector. Running at \$70,000, the differential between the median-priced new and existing homes is the widest since 1968 when this metric was first reported. This situation is forcing first-time buyers to forsake the purchase of a new home, thus reducing the number of prospective buyers for new homes.

Jobs

The December *unemployment rate* came in 5.6 percent, down from 5.8 percent in the prior month. Much of the decline was driven by workers exiting the job market and falling out of the calculation. The labor force participation rate fell back to 62.7 percent, a decline of 0.1 percent. The average work week remained steady at 34.6 hours, and hourly earnings fell 0.2 percent to \$24.57.

Wages are ticking up as the ranks of the unemployed with specific skills are shrinking. In the manufacturing sector, employers in states like Washington and Oregon are paying wages 4 percent above a year ago. Across the U.S. many companies are resorting to cash incentives and establishing apprentice programs to attract qualified workers. Insurer Aetna recently announced a wage floor of \$16 per hour for its lowest-paid workers, to improve recruiting and reduce turnover. Many economists have highlighted that wage growth has lagged behind other metrics that show an improved economy. This situation, they say, will not last forever.

The latest JOLTS Report covering the last business day of November found 4.972 million **job openings**. For the twelve months, openings increased by 846,000 over a wide range of industries and businesses across the U.S.

For the week of January 10, **initial jobless claims** jumped sharply to 316,000, the highest rate since last September. The four-week moving average rose to 298,000, up 2.2 percent from the prior week. Although well above the November 1968 all-time low of 162,000, the moving average is approaching the April 2000 interim low of 266,250.

Retail Sales

Many are wondering if the sharp drop in gasoline prices will be a net positive for the U.S. economy. With the average price per gallon of regular down to \$2.09 from \$3.30 a year ago, the average American has more money to spend on other items.

Hopefully the December **retail sales** report is not defying that logic as it declined 0.9 percent from the previous month. The drop is the most severe since last January when poor weather kept people away from the malls. Weakness cut across a broad base of retailers selling cars, electronics, and appliances. Increasing by 0.8 percent, furniture sales and food services moved against the tide. Some experts say that the latter is benefiting from lower gas prices.

With a portion of holiday shopping occurring in December, one would expect healthy retail sales in that month. In fact, the National Retail Federation reported that holiday sales, including both November and December, jumped 4 percent year on year, its largest increase since 2011.

Confusing? Yes, but just another reminder that it takes more than one data point to make a trend. With the consumer making up nearly two-thirds of the U.S. economy, the next few retail sales reports warrant our attention.

Bottom Line

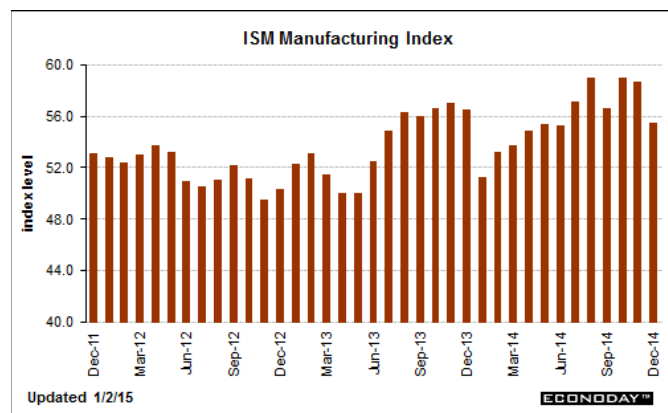
As 2015 gets underway, our economy continues to show confounding signs. On the positive side, GDP is sharply higher, unemployment is dropping, companies are hiring, manufacturing remains a plus and don't forget falling gas prices. Negative signs include a weak housing sector and declining retail sales. Stay tuned...

And What About Manufacturing?

By Art Raymond

U.S. manufacturing growth slowed in December with the ISM Manufacturing Index falling to 55.5 from 58.7 in the prior month and retreating to the lowest number since last June. The index has remained above 50 denoting growth through 2014. Survey respondents reported slower growth in new orders and production, but a pick-up in hiring. Also negatively impacting the latest results are the West Coast dock slowdown and weakness in exports.

Despite the much-ballyhooed news of a U.S. manufacturing renaissance, the hopes for a significant return of production from offshore are not supported by the numbers. Consultants A.T. Kearney found that imports of manufactured products have outpaced gains in domestic production over the last five years. Since 2009, U.S. production grew nearly 6 percent annually, versus an 8 percent gain in imports from 14 low-cost Asian countries.



More on this story in the May *TrendTracker Update*...

Hardwood Federation Update Off and Running in 2015

By Dana Lee Cole

Hardwood Federation Executive Director

The 114th Congress has reconvened and priorities are starting to emerge as Committee chairs welcome members and finalize staff selections. Of particular interest are two **Senate** Committees: The **Environment and Public Works Committee**, chaired by Senator Lisa Murkowski (R-AK), and the **Energy and Natural Resources Committee**, chaired by Senator James Inhofe (R-OK). Both committees deal with issues impacting the hardwood industry and Hardwood Federation (HF) has reason to believe there will be significant action on several of our top priorities.

The Energy and Natural Resources Committee

While Energy issues may get the headlines, Chairwoman Murkowski recently signaled her intent to take on **federal forest management** - an issue that has been of particular concern for many HF members for years. Early in January, during comments on the Senate

Floor, she stated, "forest management reform was left on the table in the last Congress and we must get back to work on it. There is bipartisan agreement that we must improve the management of our forests. That includes getting the timber harvest up, to get a handle on the wildfire problem, protect our water supplies, and sustain our rural economies. Although there may be a need for some place-based solutions, it is my view that we need nation-wide forestry reform legislation." Working with Senator Murkowski on this issue will be a top priority in 2015.

Senator Murkowski is also supportive of reviving 2014's **Shaheen-Portman Bill**, which included language supporting the use of wood and wood products in energy efficiency programs and guidelines. A watered down version of this effort is attached to the currently debated Keystone Pipeline legislation, but we anticipate that the more robust bill of 2014 will be introduced later in 2015, and we're prepared to support efforts to get it passed.

The Environment and Public Works (EPW) Committee

Chairman Inhofe has laid out an aggressive agenda for EPW and has stated his intention to guide the Committee work based on five principles: effective bureaucracy, fiscally responsible policy, costs versus benefits, sound science and "on-the-ground" effects.

The **top priority** for EPW is passing a long-term transportation bill - the current short-term highway and transit law expires at the end of May. HF has a long standing interest in transportation policy, particularly increasing truck weights on interstate roadways. Although many believe such an increase is a long shot, a long-term highway bill, with solid infrastructure improvements, would be of benefit to the U.S. business community, including the hardwood industry.

The **second priority** for Chairman Inhofe is oversight of the Environmental Protection Agency's (EPA) regulatory activity, including recently proposed rules governing ozone emissions, biomass and expanded scope of the Clean Water Act. HF has been actively engaged with EPA on biomass emissions, encouraging the agency to clearly acknowledge that biomass is a carbon neutral fuel and needs to be regulated as such. The recently proposed Waters of the U.S. regulation (WOTUS) has also been a priority for us. We've expressed our concern to EPA officials **and** on Capitol Hill that the WOTUS proposal reaches far beyond the intent of the Clean Water Act and seeks to regulate temporary and seasonal water sources that have not previously required onerous permitting.

Stay tuned!

We look forward to working with Senators Murkowski and Inhofe, as well as the Ranking Members of the Minority Party, Senator Maria Cantwell (D-WA) on Energy and Natural Resources and Senator Barbara Boxer (D-CA) on EPW.

AHEC's update on EU Ash derogation

American Hardwood Export Council Executive Director, Mike Snow, recently provided all AHEC members the following update regarding the EU's ruling on Ash.

"The derogation on American ash was officially enacted on 16 December 2014. This allows application of phyto rules applying prior to October 2014 - with some minor modification - until the end of 2015. The rules now in force in the EU, until 31 December 2015, are summarized as follows:

The wood must be accompanied by a phytosanitary certificate, issued in the USA or Canada, to demonstrate that it either originates in an area established by APHIS as being free from *Agilus planipennis* Fairmaire, or is squared so as to remove entirely the round surface.

The phytosanitary certificate must include the following under the 'Additional declaration':

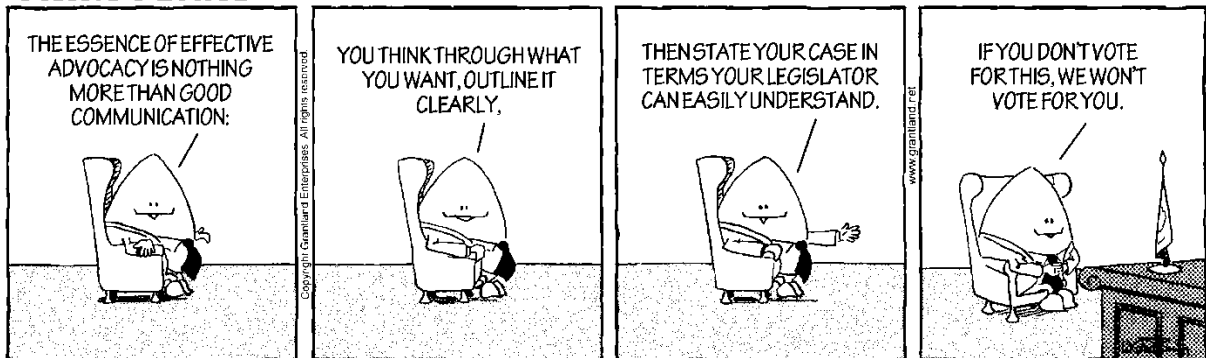
- a statement 'In accordance with EU requirements laid down in Commission Implementing Decision 2014/924/EU (OJ L363, 18.12.2014, p. 170)
- an indication of which of the above two conditions is satisfied (i.e. whether from a pest free area or square edged)
- where applicable, the name of the pest free area

The derogation also requires that the ash wood may only enter into the EU after being 'subject to visual inspections, sampling and testing as appropriate to the properties of those plant products and other objects, to ensure that they are free from *Agrilus planipennis* Fairmaire in accordance with the International Standard for Phytosanitary Measures No 23 on guidelines for inspection.'

**Please note that this "visual inspection" is not the responsibility of EU authorities, at point of import, but of USDA/APHIS who must declare compliance with this additional requirement on the phytosanitary certificate."

For additional information, please contact the American Hardwood Export Council at (703)435-2900.

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