



# HAPPY NEW YEAR

January 2018



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No. 586  
January 2018

### WHA Board of Directors- Officers

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Member



**The WHA annual convention** is scheduled for September 19-21, 2018. Secondary manufacturers will be the target audience for the speaker program on September 20th at Portland's Arlington Club. Also, at the Arlington Club, will be the annual dinner and auction/raffle. The 19th will feature the popular Salmon Fishing Derby on the Columbia River, followed on the 21st with the annual WHA Golf Classic again at the beautiful Langdon Farms.

## Dues

**2018 Dues were mailed out December 1st**, due January 1st. Already, many have mailed them in or paid online. If you don't remember seeing the invoice, please let us know and we will email another. We need everyone to renew so we can expand our activities to help the industry and maintain the hardwood infrastructure. The Board has committed to each getting one new member, so all of you could help in this membership project.

Our main focus is on resource, resource, resource by coordinating with other groups to work closely with federal land managers (USFS, BLM), Washington and Oregon forestry departments, and Washington and Oregon small landowners.

But we are continuing our college scholarship program initiated last year for students in forestry and ancillary majors. New this year, are two additional programs to highlight western hardwoods: first, a "hang tag" for secondary manufacturers to show their finished product made from sustainable western hardwood; and second, a design contest to interest college students in designing and producing their products from western hardwoods. All are designed to get substantial publicity through the trade press, university publications, and social media.

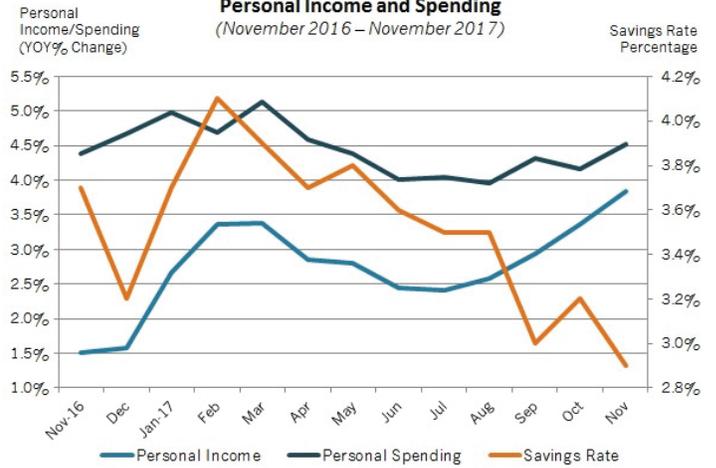
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**Conference Board Consumer Confidence Index, 2007–2017**

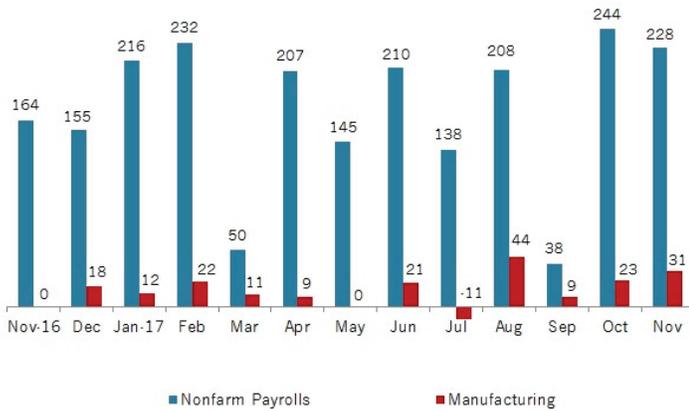


**Year-Over-Year Growth in Personal Income and Spending**  
(November 2016 – November 2017)



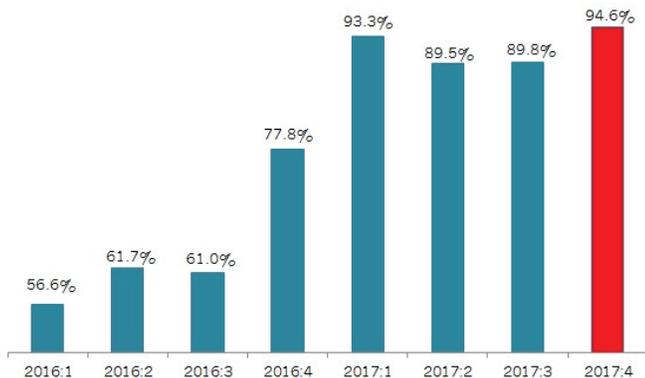
**Monthly Changes in Employment**

(November 2016 – November 2017, in Thousands of Employees)



**NAM Manufacturers' Outlook Survey by Quarter**

Percentage of Respondents Who Characterized the Current Business Outlook as Somewhat or Very Positive  
(First Quarter 2016 – Fourth Quarter 2017)



# Outlook

Consensus for the West Coast region hardwood market is mixed. Wildfires in California have devastated over 47,000 acres of timber. Sawmills are replenishing their inventory as logs are drying out following seasonal rainfall and transportation remains tight.

A **California** lumber manufacturer was in disbelief at the amount of horrendous destruction from the fires. He reported that the current hardwood market has definitely picked up in his area and that customers in Japan are starting to want more claro walnut.



In **Oregon**, a hardwood representative noted that there isn't much change from six months ago in the marketplace. In his general opinion, the market is flat overall in his area and not as robust as he'd like or expect for this time of year.



A contact in **Washington** reported a busy market, but overall is fragmented with constantly moving targets. Some inventory items are sitting while others are moving quickly.



**The Bureau of Labor Statistics** reported that manufacturers added 31,000 workers in November, extending the gain of 23,000 in October. More importantly, the sector has added an average of 15,545 employees on net per month so far in 2017—quite a turnaround from the loss of 16,000 workers in 2016 as a whole. This is a sign that firms have stepped up their hiring as a result of a stronger economic outlook and increased demand and production activity.

Moreover, manufacturers continue to say that the



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# Bringing the beauty of nature indoors.

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inability to attract and retain a quality workforce is one of their top concerns, which is further proof that the labor market has tightened considerably. Meanwhile, nonfarm payrolls also grew stronger than expected, up 228,000 in November and better than the consensus estimate of around 195,000. - *excerpted from* Moultray, Chad, Ph.D.,DBE. "Monday Economic Report- December 11, 2017" | NAM. National Association of Manufacturers.: n. pag.

**The latest NAM Manufacturers' Outlook Survey** reflected continued optimism in the sector, with the headline index rising to unprecedented heights. Indeed, 94.6 percent of respondents said they are positive about their own company's outlook, the highest in the survey's 20-year history. Optimism has been at historically high levels throughout the year, averaging 91.8 percent in the four quarters of 2017, up from a 64.3 percent average in 2016. Manufacturers have reported a robust turnaround in activity over the past 12 months, and they are very upbeat in their assessment of demand and output moving forward. Both sales and capital spending are anticipated to increase over the next 12 months at the fastest rates since mid-2011, and employment continues to trend strongly upward.

In addition, the data indicate continued strength in the labor market. Full-time employment is expected to rise 2.6 percent over the next year, up from 2.2 percent in the previous survey. This is just shy of the 2.7 percent pace recorded in June, which was the fastest rate in the survey's history. Nearly 62 percent of manufacturers anticipate an increase in employment over the next year, with 22.8 percent predicting a jump of at least 5 percent. Along those lines, the inability to attract and retain a quality workforce topped the list of primary business challenges, with 72.9 percent of respondents citing this as their biggest concern. This was closely followed by rising health care and insurance costs at 72.3 percent. - *excerpted from* Moultray, Chad, Ph.D.,DBE. "Monday Economic Report- December 18, 2017" | NAM. National Association of Manufacturers.: n. pag.

**The Bureau of Economic Analysis said** that the U.S. economy grew by an annualized 3.2 percent in the third quarter, down marginally from the previous estimate of 3.3 percent. Of course, the bottom line is that the U.S. economy has expanded for two straight quarters by at least 3 percent, and if the current forecast holds, that streak should extend to three consecutive quarters.

New housing starts jumped to a 13-month high in November. New residential construction rose 3.3 percent from 1,256,000 units at the annual rate in October to 1,297,000 in November, its fastest pace since October 2016. More importantly, the increase in the latest data came from a significant uptick in activity for single-family construction, up from 883,000 in October to 930,000 in November, its best reading since September 2007. Moreover, single-family starts have risen by 13.0 percent over the past 12 months.

Existing and new home sales were also higher in November, up 5.6 percent and 17.5 percent, respectively. The current levels are the highest since before the Great

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Recession, with existing home sales at levels not seen since December 2006 and new home sales at their best rate since July 2007. - *excerpted from* Moultray, Chad, Ph.D.,DBE. "Monday Economic Report- December 26, 2017" | NAM. National Association of Manufacturers.: n. pag.

## Legislative News

### Key provisions in the Tax Cuts and Jobs Act final bill that passed this week.



- Corporate tax rate: The conference report settled on a 21 percent tax rate for C Corporations, a notch higher than the 20 percent rate in both the House and Senate-passed versions. The corporate alternative minimum tax or AMT is also repealed.
- S Corporations and Pass Throughs: Creates a 20 percent deduction for the non-wage portion of pass-through income. Senators Daines and Johnson had negotiated a 23 percent deduction, but this was ratcheted back to 20 percent, coupled with a lowering of the top individual rate to 37 percent. This blended approach creates an effective tax rate for these entities of 29.6 percent.
- Estate Tax: Current exemption limits are doubled.
- Net Operating Losses: NOLs are limited to 80 percent of income with indefinite carry forward. Carry backs are disallowed.
- Expensing/cost recovery: 100 percent full expensing for investments in new and used property made after Sept. 27, 2017 and before January 1, 2023. A five-year phase down of full expensing begins in 2023.
- Sec. 179 Expensing Limits: Increased to \$1 million, with phase-out beginning at \$20 million in total qualified property placed in service. The provision is expanded to include property used to furnish lodging and improvements to nonresidential real property including roofs, heating, ventilation and air-conditioning property, fire protection and alarm systems, and security systems.

- State and Local Property Tax Deductions: Repealed except for property and sales taxes incurred in operating a trade or business, and for up to \$10,000 in other property taxes (not indexed) prior to 12/31/2025.

## News

**The worldwide manufacturing sector** continues to trend in the right direction, with the J.P. Morgan Global Manufacturing PMI in November growing at its fastest pace since March 2011. In addition, all of the top-15 markets for U.S.-manufactured goods expanded in November, led by strength in Europe and an improving outlook. For manufacturers in the United States, better economic data—combined with a weaker dollar so far this year—have led to healthier export numbers. Using non-seasonally adjusted data, U.S.-manufactured goods exports have risen 3.8 percent year to date through October relative to the same time last year. That is a welcome development after declines across the past two years.

In addition to optimism on the policy front, especially for passage of comprehensive tax reform, the global environment has boosted spirits among business leaders in the United States. The NAM Manufacturers' Outlook Survey for the fourth quarter recorded another all-time high in sentiment for the second time in 2017. In the latest data, 94.6 percent of manufacturers felt either somewhat or very positive about their company's outlook, with sales and capital spending expectations both at six-year highs.

Mexico, which contracted for the first time in October since July 2013, largely in the aftermath of the September 19 earthquake in Mexico City, expanded modestly once again in the most recent data. Mexico remained very upbeat about future output, which should bode well for strong gains in production over the next six months. - *excerpted from* Moultray, Chad, Ph.D., DBE. "Monday Economic Report - December 14, 2017" | NAM. National Association of Manufacturers.: n. pag.

**The President is moving to shrink monuments** and one report recommends reducing the size of Cascade-Siskiyou. On Monday, December 4th, President Trump moved to shrink previously declared National Monuments in Southern Utah. The Grand Staircase-Escalante, declared by former President Bill Clinton, and Bear's Ears, proclaimed

by former President Barack Obama – had encompassed more than 3 million acres, and the latter occupied nearly half of the Manti-LaSal National Forest. Trump's move removes the monument designation (which really does nothing to change land ownership, it just makes it harder to legally allowed uses such as mining, logging, and grazing to take place) from 85 percent of the 1.35-million-acre Bears Ears and nearly half of the 1.9 million acres in the Grand Staircase-Escalante.



"Some people think that the natural resources of Utah should be controlled by a small handful of very distant

bureaucrats located in Washington, and guess what, they're wrong," said Trump, who signed the proclamations inside the Utah State Capitol. "They don't know your land, and truly they don't care for your land like you do," he added. "But from now on that won't matter."

"Our public land is for the public to use and not special interests," Secretary of Interior Ryan Zinke said. "As important, is this is about us. This is about giving rural America a voice — in giving the great state of Utah a voice — on how and when and what and why we love our lands and giving the local voice back to America."

Also Monday, the Department of the Interior recommended modifying both the Cascade-Siskiyou National Monument proclamation and its boundary. The Obama Administration nearly doubled the Cascade-Siskiyou Monument, encompassing hundreds of thousands of acres of productive forests, including BLM's O&C lands, which have a statutory mandate to produce timber revenues. - *excerpted from* Imbergamo, Bill. "FFRC Weekly Report." 8 Dec. 2017.

**U.S. demand for kitchen cabinets** is expected to grow 5.9% per year to \$17.1 billion in 2021. Experts state that tall kitchen cabinets, the fastest growing style, should grow 7.7% each year to reach \$3.2 billion in 2021. Tall cabinets are becoming more and more popular as they provide additional storage and can make smaller kitchens appear larger. - Koenig, Karen M. "What's driving the cabinet & countertop industries? Trends & statistics." Woodworking Network, 6 Dec. 2017, [www.woodworkingnetwork.com/news/almanac-market-data/whats-driving-cabinet-countertop-industries-trends-statistics](http://www.woodworkingnetwork.com/news/almanac-market-data/whats-driving-cabinet-countertop-industries-trends-statistics).

**In a 4-0 vote on December 7**, the U.S. International Trade Commission ruled that Canadian subsidies of softwood lumber injure the U.S. lumber industry. Duties on Canadian softwood lumber have been effect since earlier this year. The Forest Products Association of Canada said that the higher price of wood and insatiable demand from U.S. builders minimizes the impact of the duties. Demand for Canadian softwood lumber in the U.S. fell by 6% in the first 9 months of 2017. In contrast, Chinese import volumes have grown 21% vs. year ago.- Sobek, Stephen Anthony. "Commission rules in favor of US lumber industry." KTVZ, KTVZ, 7 Dec. 2017, [www.ktvz.com/news/national-world/commission-rules-in-favor-of-us-lumber-industry/669258069](http://www.ktvz.com/news/national-world/commission-rules-in-favor-of-us-lumber-industry/669258069).

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## Crushing the Competition

by Larry W Dennis

### Slow down to speed up

Kelly, Vice President for a sheet metal company in Clackamas, Oregon, told session three of the Leadership Development Lab...

"Back in fall 2007 while with my former employer an opportunity arose to perform a large demo project for Solar World at the old Kumatsu plant in Hillsboro, Oregon. It was a large, fast-paced, bid job with more than the usual severe risk and damage clauses. I knew we could do the work! While I was putting the bid together I saw that we needed to be creative in our approach. We needed to somehow differentiate ourselves from the other contractors who would likely take a conventional approach in trying to secure the work.

"So, on a stormy Saturday morning I had all the bid request job details spread out on my living room floor trying to figure out the best way to put the bid together. One of the most challenging aspects of this job was figuring out how we would dispose of the enormous amounts of scrap metal the demo would generate.

The idea occurred to me of using a portable car crusher to compact and dispose of all of the scrap metal including old hangers, duct pipe, and so on. This would allow us to contain waste, control litter, and simplify removing scrap from the site. My bid also included a provision that the first \$10,000 from recycling scrap metals was donated back to the client as a value engineering idea.

"We won the job and we used the portable car crusher. The car compactor saved us countless man hours of material handling and disposal costs to help us be more competitive, successful, and efficient.



"The lesson I learned from this experience is when faced with unique and challenging opportunities, move outside the box. The car crusher 'beat the bid' idea may have never come to me sitting in my chair at my desk in the office. Try to envision how other industries and businesses would solve your problem and innovative ideas will come. I discovered 'When I challenge myself, creative ideas come to me.'

"The action I call you to take is change your surroundings, allow yourself time and permission to brainstorm, explore alternative responses, and exercise the courage to think outside the box.

"The benefit you will gain is your creative juices will kick in and you are more likely to come up with cost-crushing, better ideas that will leave your competitors behind scratching their heads."



Kelly has given us the challenge of breaking out of conventional thinking. What ever the best practices of your industry are today, they were created by breaking paradigms and now are thought of as best practices. They may not be best practices tomorrow. Someone will find a better way. If you will trust yourself and be open to the crushing ideas your team bring to you, you will set the new norm. And in the process make record setting profits. - Dennis, Larry. "Dish, Dish, Dish" The Turbo Charger 662 (31 October. 2017): n. pag. Turbo Leadership Systems. Web.



## Upcoming Events

**January 12-16, 2018**

**Western Pallet Association Annual Meeting**

Rancho Mirage, CA

Email: [wpa@westernpallet.org](mailto:wpa@westernpallet.org)

**January 24, 2018**

**Sawmilling 101: Introduction to Softwood Sawmill Operations and Financial Performance**

Vancouver, WA

Email: [richard@westernforestry.org](mailto:richard@westernforestry.org)

**January 25, 2018**

**Mapping the Course: Timberlands, Forest Products Processing and Fiber Issues for 2018**

Vancouver, WA

Email: [richard@westernforestry.org](mailto:richard@westernforestry.org)

**March 20, 2018**

**Western Hardwood Association Board Meeting**  
TBD

Email: [wha@westernhardwood.org](mailto:wha@westernhardwood.org)

**March 21, 2018**

**Applied Forest Finance and Timber Forecasting**  
Portland, OR

Email: [richard@westernforestry.org](mailto:richard@westernforestry.org)

**September 19-21, 2018**

**Western Hardwood Association Annual Convention**  
Portland, OR

Email: [wha@westernhardwood.org](mailto:wha@westernhardwood.org)

## Classifieds

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