Does Anyone Know Just How The First 100 Days Will Go?

By Dana Cole, Hardwood Federation

Having just barely avoided yet another potential government shutdown—at a time when people trust the government less than ever—the House and Senate managed to come together at the last minute in 2016 to pass a continuing resolution budget to fund the government until the end of April 2017.

The Trump administration continues to refine policy positions and strategies. Congress is getting itself back in order and, hopefully, moving forward with the people’s business. These facts point to a very busy first few months of the 115th Congress in 2017, should we see an actual flurry of activity.

Tax Reform

Revamping the voluminous and overly complicated Internal Revenue Code—which has fostered a tax preparation industry that now generates over $8 billion in earnings—is a top priority in both houses of Congress as well as the administration.

Whether this means a comprehensive tax overhaul remains to be seen, but Mr. Trump has been quite vocal on the elimination of the Estate Tax, or more commonly the “Death Tax,” which would save American families billions of dollars a year.

House Speaker Paul Ryan and House Ways and Means Committee Chairman Kevin Brady have shared the broad outlines of a comprehensive tax reform plan that they are now molding into legislative text. One of the key concepts of their plan is “border adjustability,” which would reduce taxes exponentially on businesses that export product. Proponents argue that such an approach would encourage domestic manufacturing as taxes on imports would increase—essentially shifting U.S. tax policy from a production-based assessment to one based on consumption.

We are awaiting specifics, but will obviously be close to this effort.

Regulatory Reform

Both the Trump Administration and members of Congress have been clear about their desire to implement regulatory reform measures that will give relief to the business community.

As is the case with most administrations, the Obama team offered a flurry of last-minute regulatory changes in the last months of their term.

Between the election and Dec. 31, 145 new regulations were issues. For comparison, 39 were issued in March 2015, 55 in May, and 57 in November. Under the 1996 Congressional Review Act, Congress can rescind new federal regulations on a simple majority vote within 60 working days of being final. The trick will be to find the time to introduce and pass the number of bills Congress, and the president, have targeted.

A bill has passed out of the House that would allow multiple bills to be struck down in a single vote; its chances of passing the Senate are limited. Even more tricky will be eliminating rules already on the books; these will require extended public review and comment periods, and there will doubtlessly be legal challenges once decisions are made.

The Hardwood Federation will be working with our champions in Congress to address those regulations that are most burdensome to the industry.

Infrastructure

The need for major public investment in deteriorating roads and bridges, as well as improving ports and other public works, was a campaign battle cry for President Trump, and that team is looking to make good on that pledge.

While most would agree that spending on these priorities is badly needed, the hang-up in Congress will be how to pay for the exorbitant price tag and prioritization of projects. The Senate Environment and Public Works Committee has jurisdiction over these issues in the upper chamber, and that panel is under new leadership with Sen. John Barasso (R-WY) taking over the gavel from Sen. Jim Inhofe (R-OK).

Mr. Barasso has been somewhat cool to the levels of spending that have been floated by the Trump team. In any event, your Hardwood Federation team will be following developments on this issue closely. The umbrella of “infrastructure spending” is potentially all encompassing and could include spending in areas that may directly—and indirectly—help our hardwood manufacturing facilities.

Trade

Trade was a big topic of discussion during the campaigns and debates last year, and there is no reason to think this won’t be one of the major areas of focus for the Trump Administration.

With debate over China, Mexico, TPP and NAFTA just the tip of the iceberg, trade decisions will be an early barometer for the 100-day plan for the Trump Administration.

The Hardwood Federation will keep a close eye on proposed policies or changes to current trade agreements that will help or hinder the industry’s ability to export.

Obamacare

President Trump and Senate Majority Leader Mitch McConnell (R-KY) have messaged continually on Republicans’ desire to repeal the Affordable Care Act (ACA), known colloquially as Obamacare.

This will not be an easy or a short fight, as Democrats will oppose this effort.

The other challenge is that simply repealing current law without replacing it with an alternative could have dire political consequences. A considerable portion of the population has enrolled for benefits under the ACA, including many that support President Trump. Eliminating those benefits without backfilling with something comparable—as least as a bridge solution—could be problematic.

Hardwood Federation has not, and does not intend to, get involved in this issue beyond tracking to assess if any specific proposals impact our industry specifically, but it will be a major point of note for 2017.

Friends In High Places

A positive development in the commencement of the new Congress is change in some.
of the key leadership posts on committees of interest to the hardwood sector.

Most notable of these is the promotion of Rep. Greg Walden (R-OR) to chair the all-powerful House Energy and Commerce Committee.

This panel has jurisdiction over energy and environmental policy matters. We spend a lot of time and effort with members of this committee and committee staff. Mr. Walden is a strong supporter of our policy agenda. We look forward to working with him and his team in the 115th Congress.

Another positive development is Sen. Steve Daines (R-MT) moving over to the Senate Agriculture, Nutrition and Forestry Committee. Sen. Daines has been a leading advocate in the upper chamber for meaningful federal forestry reform.

As you may recall, House-passed federal forest reform legislation was referred to and reported from the Senate Agriculture Committee last year. So, this is a panel that could play a pivotal role on that issue, as well as obviously the development of the next Farm Bill.

While the current Farm Bill does not expire until 2018, efforts will begin shortly to put together this critical five-year farm program authorization that will encompass many of our policy priorities.

Sawmill Issues In The News

No Gypsy Moth Spraying Needed In Washington This Year

OLYMPIA, Wash.—After conducting its second largest gypsy moth eradication effort ever last spring, the Washington State Department of Agriculture (WSDA) announced that no spraying will take place in 2017.

In its 30,000 traps placed last summer, WSDA caught 25 European gypsy moths. Subsequent searches did not find signs of established populations. None of the more destructive Asian gypsy moths were found this year and no moths were found in the areas where WSDA treated for gypsy moths earlier this spring.

Because neither Asian gypsy moths nor reproducing European gypsy moths were found, WSDA will not need to spray for gypsy moths next year.

WSDA continues its decades-long effort to protect Washington’s trees from the gypsy moth next summer, when trappers will place 20,000–30,000 traps statewide. Visit www.agr.wa.gov/gypsy moth to learn more about this pest and track efforts to prevent it from infesting Washington State.

U.S. Lumber Imports Forecast In 2016 To Touch 8-Year Highs

According to Wood Resource Quarterly (WRQ), U.S. lumber imports were likely to touch eight-year highs in 2016.

The increased lumber demand in the United States and China will result in significant rise in softwood lumber trade during the year. WRQ forecasts 13.6 percent growth in global lumber trade during the year.

The global lumber trade will remain resilient to the forecasted slowness in global trade by the WTO.

All key lumber importing countries have reported significant rise in imports during the initial three quarters of the year. It must be noted that global trade of softwood lumber had increased by 10.2 percent in 2015.

The resurging U.S. housing markets have led to increased production by domestic lumber mills.

The volume of imported lumber has also risen considerably. During the initial eight months of 2016, the U.S. domestic lumber production has registered 3.6 percent increase, when compared with the corresponding eight-month period in 2015. However, the domestic industry has failed to entirely meet the country’s total lumber demand. Consequently, the imports of lumber have surged higher by almost 31 percent during this period.

The total lumber imports by the U.S. are expected to exceed 40 million cubic meter, thereby hitting eight-year highs. Also, lumber prices have remained buoyant throughout the year. For instance, prices for southern yellow pine have surged higher by over one-third during the past year.

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