THE CUTTING EDGE

WOOD MACHINERY MANUFACTURERS OF AMERICA

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Update on OSHA and Ergonomics

By Michael Gililland, Engineering Systems Inc.
Chair, ASC 01

This past May I had the privilege of traveling to San Antonio and attending the 2002 Woodworking Industry Conference. Ken Hutton, in his wisdom, requested that I present a short program on ergonomics. It was while preparing my presentation, in March of this year, that I realized I was starting to sound like a modern day crusader, off to slay non-existent dragons. You see, although the Occupational Safety and Health Administration (OSHA) had adopted ergonomic regulations back in late 1999, Congress rescinded those same regulations in 2001. So what was I complaining about? The industry sighed a collective breath of relief and we all went about recovering from a notably bad business year. Yet here I was, preparing one more time to tell you the sky was about to fall; OSHA wasn't going to give up that easily. At least that was my story in March.

April came and OSHA saved me. But don't take my word for it. Take OSHA's words. On April 5, 2002, they announced a new program aimed at "reducing the number of MSD injuries..." (MSD means MusculoSkeletal Disorder. Only OSHA can explain what that means). Read the press releases for yourself. Listed with this article are several Web links to OSHA press releases and other information. Bear with me, now, because these people are very good at speaking out of both sides of the mouth. Remember, they have been thinking about ergonomics and how to regulate your workplace for over 30 years; they are very good at that, too.

Again, don't take my word for it, take theirs. OSHA will not cite you for failing to comply with their guidelines. OSHA will cite you for failing to have an ergonomics program in your workplace, and it must be effective for them to accept it. Of course, they don't tell us what "effective" means. If you were of the mind that ergonomics was off the table, you were mistaken. If you are of the mind that this can wait, you are again mistaken.

As of January of this year (2002) all MSD's may be reportable under OSHA's injury reporting requirements. If you don't know about the new forms and requirements, talk to your safety manager today and get yourself up to speed. Virtually every soft-tissue injury occurring in the workplace may be reportable. Once reported, as required by law, the information will be used by OSHA to target companies (not industries, but individual companies) for enforcement of ergonomic "guidelines."

As an employer, you should be implementing an ergonomics program today. You should be collecting MSD injury data today. You should not be waiting for OSHA to publish specific guidelines for your industry. They

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probably won't get around to creating guidelines for the woodworking industry, but they will expect you to create and implement your own.

If you design, manufacture, or distribute machinery for use in industry, you should be preparing yourself and your products for the inevitable questions about ergonomics.

You cannot make a machine that complies with OSHA's ergonomic standards; there are no standards. But you can anticipate ergonomic hazards associated with the use of your machines. You can look for ways to design those hazards out. You can analyze the ergonomic hazards and suggest how users can minimize the impact of hazards that cannot be designed out.

All of these things can be done. It will require you to hire, assign, and/or train your people in the field of ergonomics. The training need not be expensive, but the people asked to do this job must be trained. Don't assign without training. Don't hire without experience, education and/or training. It will require you to rethink many of your designs, and maybe make changes. It will require you to rethink your marketing strategies.

Many of you will look at the situation and believe it's overstated; a potent argument for doing nothing. Many of you will cry out with exasperation, as did Dorothy in Oz, who cried "Lions, Tigers, and Bears, Oh My!" Those of you who survive and prosper will see this opportunity for what it is.

For official OSHA information on Ergonomics, visit these websites:

Ergonomics Frequently Asked Questions:
http://www.osha.gov/ergonomics/FAQs-external.html

April 5, 2002, Press Release:
http://www.osha.gov/media/oshnews/apr02/national-20020405.html

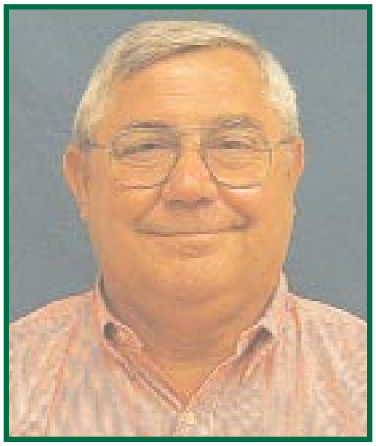
Other April, 2002, Press Releases:
http://www.osha.gov/media/oshnews/apr02/index.html

OSHA's new '300' forms can be found on the Web at www.osha300online.com

If you have questions or comments about this article, or the ergonomics issue, contact Mike Gililland at 636/240-6095 or mgililland@esi-mo.com. You can also e-mail WMMA headquarters at wmma@fernley.com.

A Message From the President

After approximately 11 years in WMMA, I want everyone to know how pleased I am with the opportunity to lead this



association for the next two years. The wood market, if nothing else, has changed dramatically over the last 5 years and isn't for the faint of heart. In all my 36 years of association with this industry, I don't think we will ever see what was, as we are now experiencing what will be.

We have issues, as well as opportunities, that abound in today's time of change:

- ☆ Government regulations
- ☆ The strong dollar
- ☆ The onslaught of imports (particularly to our market and to our users' market)
- ☆ The difficulty with exporting and being competitive with our dollar's strong position.

So you may say, "What are the opportunities with all of these issues staring at us?" Government regulations are a double-edged sword. They create not only problems but also opportunities. The Ergonomics challenge can help us improve design and push replacement equipment to comply.

The strong dollar isn't something that affects just small business. It affects everyone, big and small. And I can assure you that if affects even the big ones, including the company I work for, who are fighting like the devil to create a valued dollar that makes sense. So, the opportunity exists for us to partner with each other and continue the push.

Imports are slowing in comparison to the last few years. The importers are now competing directly with many of their past customers in the furniture business, while these same customers are now reevaluating their positions as it pertains to these vendors. We also are experiencing large furniture companies stating publicly that they want to compete and not just roll over to these importers.

The exporting opportunity is alive and well. Even with the dollar's strength, we have to remember that only 30% of the wood market is in the USA. That leaves, even with my poor math, a 70% opportunity. If we are creative and lead technology, we can win against this dollar. As stated previously, things are different and won't ever be the same. That doesn't mean they are bad, just different. With these issues come opportunities and as such we can all benefit from being actively involved.

Our association needs to improve and to provide more of what you want and less of what you don't want. We spend approximately $1 million providing you with what we think you want, but only about 20% of our members use what we provide. We must do better spending our monies on what you say you want. The key to this is you have to tell us what that is!!

We plan this year to build a Strategic Plan that will address these issues and we really need your input to help us understand the direction you want us to go in. Shortly you will receive a "member's needs" survey. Please, and let me reemphasize the word please; take some time to respond to this. This will be the basis for building the strategic plan

Thank you again for this opportunity and please know that I'm always open for your call at 336-888-3275 or e-mail at cagranger1@mmm.com. Or, if you're in the High Point, NC area, stop by for a personal visit.

WMMA President Chuck Granger wants to hear from you! Use the e-mail address above to send a message.

Three Cheers for the Red, White and Blue!

WMMA unveils new Logo

At the Woodworking Industry Conference in May, the WMMA Board of Directors approved a new logo for the Association. The new design, a red, white and blue graphic with a stylized rendition of the American flag, was created to reflect the proud and profitable past, present and future of this U.S. association.

WMMA
WOOD MACHINERY MANUFACTURERS OF AMERICA
MACHINERY, CUTTING TOOLS AND SUPPLIES

The new logo will effectively:

- Convey the message that WMMA includes manufacturers of machinery and tooling, as well as suppliers
- Be easily recognizable when representing the Association around the world
- Retain the distinguished name of WMMA, a woodworking machinery association with a rich history for more than 100 years
- Portray the colors symbolic of that which the Association most stands for- Profit Through American Technology

The new logo has been e-mailed to all members and the trade press. It can also be downloaded from the WMMA website by visiting www.wmma.org/members/promote.htm (Note: The logo is in the Members only section of the website; contact headquarters at 215/564-3484 or wmma@fernley.com if you do not know the password).

All members are encouraged to promote WMMA membership by incorporating the WMMA logo into company communications. Here are some suggested uses:

COMPANY STATIONERY

The personalized written message and the stationery on which it is written are among the most vital forms of communication. There is no better way to communicate your company's membership in WMMA and to show your support for the American wood products industry than when you are addressing customers or prospects directly.

ADVERTISEMENTS

Why not make the most of your advertising dollars? Incorporating the logo into your advertising designs is an ideal and cost effective way to communicate your support for the American manufacturing to the largest number of present and prospective customers.

Remember that logos can be "dropped" into existing ads at little or no cost to the advertiser. Why not include the logo in your scheduled ads right now?

Additional uses for the WMMA logo include:

Price Sheets	Company newsletters	Promotional Pieces
Quotation Forms	Press Releases	Trade Shows
Memo Pads	Advertisements	Direct Mail Pieces
Business Cards		

The WMMA logo should not be used on any product or packaging. The Association does not endorse any products. Should you require any further clarification of its uses, please contact WMMA Headquarters.

As WMMA members, you know the value of an association dedicated to promoting American technology. Now, demonstrate pride in YOUR association by incorporating the WMMA logo into your business today!

Let us know what you think about the new WMMA logo! E-mail us at wmma@fernley.com.

IWF 2002 Foreign Buyer Program Update: Seven Foreign Reps Selected

By Harold Zassenhaus, WMMA Export Director

In partnership with the AWFS®, the WMMA will be inviting up to 20 foreign representatives and end users of woodworking equipment and/or furnishings to visit the IWF as our guests. Seven foreign representatives have accepted our invitation. To learn more about each award recipient (to include contact information, lines represented, number of employees, capabilities and interests in attending IWF) go to http://www.wmma.org/members/mpdf/iwf_invguest.zip. In the coming weeks we will be inviting additional end users and foreign dealers. Information on each recipient will be added to the above page as invitations are accepted.

IWF Activities in support of the program: The IWF has generously set aside a block of rooms for the recipients. The International Business Center, located near the registration area will be their "home away from home" where you can meet in private or ask the center assistant to arrange a meeting. On Wednesday, August 21, following a brief orientation, recipients will be invited to join the WMMA press tour to see what's new from members. Following the tour, recipients will be escorted to their appointments with members. This is an ideal time to introduce yourselves and your product line. On Saturday August 24 from 12:00 – 1:00 pm the WMMA and AWFS® will hold a press conference in Room B215 (level 2 of Building B) to welcome award recipients, present a suitable memento of the occasion, recognize the sponsoring WMMA/AWFS® members and present the recipient with his/her $2,000 award.

Recipients will be wearing a distinctive visitors badge ("International VIP") so members will be able to quickly spot them.

Again, this program is a way for members to meet with foreign representatives and end users who have been active in their regions, well respected by WMMA/AWFS® colleagues and interested in U.S. equipment. It is an easy and effective way for members to gain a foothold in foreign markets. So, go to http://www.wmma.org/members/mpdf/iwf_invguest.zip and begin making contact with our invited guests! (Note: This information is in the members' only section, if you do not know the members' password, contact headquarters.)

If you have questions contact Harold Zassenhaus, Export Director, WMMA at tel: (301) 652 0693; fax (301) 986 1389 or Email: zemg@erols.com.

Don't Forget! Important Dates for WMMA Members

June 10
Deadline for returning your update forms for the 2003 Buyer's Guide and Directory (to debut at the IWF 2002). If you have not yet returned your updated information to headquarters, contact Karen Boyle at WMMA immediately: kboyle@fernley.com or call 215/564-3484 x238. For more information on your Buyer's Guide listing, visit the website at www.wmma.org/members/whatsnewmo.htm.

June 21
Deadline to submit rooming lists and deposits for reserved blocks of 10 rooms or more at Atlanta Hotels for IWF 2002. Any rooms without a deposit and name will be released for sale. To reserve a block of rooms or for more information contact the IWF Housing and Travel Desk: 1-888-843-7808.

July 16
Deadline for signing up for the WMMA Press Tour, to be held Wednesday, August 21, just prior to the opening of IWF. This is a unique opportunity for FREE press coverage of your new products. Let WMMA bring the press to your booth!
Space is limited and sign up deadlines will be strictly enforced. Visit the WMMA website http://www.wmma.org/members/whatsnewmo.htm for complete details.

August 21
WMMA Press Tour of member booths from 1:00 P.M. – 3:00 P.M. Free publicity on new products for WMMA members. Advance registration is required and space is limited. (See details above).

August 22 – 25
IWF 2002, Georgia World Congress Center, Atlanta, GA. For more information, visit the website at www.iwf2002.com

August 23
Seminar at IWF on "Attaining Target Profitability" will be held from 1:00 P.M. – 3:00 PM. The seminar is co-sponsored by WMMA, WMIA and AWFS®.

Xylexpo Reflects Global Market

By Harold Zassenhaus, WMMA Export Director

Officially, Xylexpo 2002 (Milan, Italy May 21-25) attracted 85,500 visitors (over 50% from outside Italy and down only 7,000 from 2001). It occupied 70,000 sq. meters of space (down less than 1,000 sq. m.) with 1,442 exhibitors (including its sister event Sasmil). Unofficially, the fair was not so upbeat. It reflected the uncertainty in the European market. Further affecting the event was the absence of two Italian giants, Biesse and SCM. Biesse held an open house event during the same period in a facility close to the Milan fairgrounds and SCM held a 50th anniversary open house in Rimini, the entire week of the fair. The above reasons no doubt explained the feeling that the halls were not as crowded as in 2000. The first two days were especially slow.

Many exhibitors stated they did not expect a successful event and they were not disappointed. The European market is flat at best, according to many and would only show modest improvement once the U.S. economy returned to sound footing. Few dealers or end users from Southeast Asia were spotted. While visitors from South and Central America were evident again, the numbers did not seem anywhere near the numbers witnessed in 2000.

According to my count there were eight WMMA members exhibiting, all through their European offices. There were an additional three U.S. companies on the floor.

Although Xylexpo did not witness any growth, it is important to remember that it only reflected the times and to emphasize that it is a significant fair, one in which members should always consider participation as a long term international marketing strategy.

US Import and Export Trade Statistics

By Harold Zassenhaus, WMMA Export Director

The following is a summary of major trends of U.S. import and exports for the 1st quarter of 2002. Statistics are reported for all woodworking equipment and its three component parts: machines, cutting tools and, accessories and parts.

(WMMA members: to view detailed tables on U.S. imports and exports of machinery, cutting tools and parts and accessories, click here http://www.wmma.org/members/mpdf/1st_ei_2002.zip You will need your user name and password. If you don't have one or forgot it, contact WMMA Headquarters at 215-564-3484 or email wmma@fernley.com).

Exports

Exports of woodworking equipment (machines, cutting tools plus parts and accessories) fell by 19%, closely paralleling the 15% drop in total U.S. exports for the period and continuing to reflect the effects of an overvalued dollar and flux in most overseas markets. Within the group, exports of machinery were down 27%, year on year, cutting tools dropped 13% while parts and accessories dropped by 3% from 2001 levels.

The following chart highlights the value and percentage changes in exports to the industry's major trading regions of the world.

US Exports, Woodworking Equipment
January – March

	$ Millions 2002	% Share 2002	%Change 02/01
World	59.2	100	-19
Canada	26.8	45.2	0.9
Western Europe	11.7	19.8	-30.2
Mexico	6.2	10.5	5.2
South/Central America	5.1	8.6	10.5
East Asia-9	4.7	8.0	-27.5
Eastern Europe	0.7	1.2	-26.5

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NAFTA
The region was a bright spot for U.S. exports in the 1st quarter, as exports to Canada and Mexico bucked the trend and increased. The two countries accounted for 55% of U.S. exports.

Western Europe
Sales to the region continued to drag. Shipments to our two largest clients, the UK and Germany, fell by 59% and 37%, respectively.

East Asia-9
Exports to the region (China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand) suffered a reversal of the modest increases it made in 2001. Exports to China (including Hong Kong) dropped by about 50%.

Central/South America
While exports increased during the period they still lagged considerably when compared to exports during the 1st quarter of 2001.

Eastern Europe
Shipments to Poland, which account for about 1⁄2 of the sales to the region, dropped by 39%.

Imports
Imports continued their double-digit decline first registered in 2001. Imported machinery dropped 28% from 2001 levels, cutting tools imports declined by 4% and parts and accessories fell by 17%.

US Imports, Woodworking Equipment
January – March

	$ Millions 2002	% Share 2002	% Change 02/01
World	227.9	100.0	-19.8
East Asia-9	96.2	42.2	-3.6
Western Europe	82.0	36.0	-34.1
Canada	18.2	8.0	-10.4
Eastern Europe	2.1	0.9	116.0
Mexico	1.3	0.6	-49.9
South/Central America	1.1	0.5	19.8

East Asia
The region continued to supply over 42% of total imports. China fought the trend once again, increasing shipments to the US by 41%. It is now our third largest supplier behind Taiwan and Germany.

Western Europe
Imports from the region continued to decline, with imports from both Germany and Italy declining by 39%.

Canada
The country gained a little market share in the 1st quarter. However, cutting tool shipments decreased by 27%.

Eastern Europe
Imports from Eastern Europe increased dramatically for the period as shipments from The Czech Republic increased by 125%.

Harold Zassenhaus is available to provide US export and import data on specific product categories. For more information, contact him at (301) 652 0693; fax (301) 986 1389 or e-mail: zemg@erols.com

U.S. Production Policy

By John Satagaj
London & Satagaj

At the WMMA Public Policy Committee meeting at the Woodworking Industry Conference, WMMA members once again confirmed the importance of U.S. trade policy to our industry. On issues ranging from the value of the dollar to the long-term outlook for U.S. based manufacturing, the committee directed the association to vigorously participate in the effort to preserve American based production.

WMMA is a participant in a coalition urging the Administration to pursue a policy of getting the dollar more in synch with other world currencies. The challenge in establishing a sound dollar value is finding the right policy buttons to push. It is not just a matter of Congress passing legislation fixing a certain dollar value or the President issuing a simple edict. Rather, it takes a number of actions by the President and the Federal Reserve as well as the cooperation of international monetary officials to force a change in the value of the dollar. For example, the coalition believes the Administration should announce clearly that exchange rates are not reflecting economic fundamentals, that the Treasury is adopting a sound dollar policy of benign neglect, and that the U.S. will not intervene in exchange markets to maintain the value of the dollar.

The coalition believes the governments needs to seek cooperation with other major economies in obtaining common agreement and public statements that their currencies need to appreciate against the dollar and make clear that the United States will resist, and take offsetting action as necessary, foreign country interventions designed to retard movement of currencies toward equilibrium. It should seek agreement that the G-8 countries should state their intention to work together, as they stated in 1985 when the dollar was badly overvalued, and to make a clear and unambiguous announcement at their next meeting that external imbalances have become too great and are contributing to protectionist pressures which, if not resisted, could lead to serious damage to the world economy; and exchange rates should play a role in adjusting external imbalances and in order to do this exchange rates should better reflect fundamental economic conditions than has been the case.

So far the Administration has been unwilling to take an aggressive posture. United States Treasury Secretary Paul O'Neill has the lead responsibility and he has been quite clear that he believes it is a matter best left to the market place. "As long as we continue to have the best investment climate in the world, people in other nations will send their savings here, where those resources fuel our economic growth and job creation. I believe we should strive in both the private and public sectors to always be the best place on earth to invest. As long as we are the most productive economy in the world, our nation will continue to be prosperous." Ironically, the dollar's value has been dropping on its own lately without any governmental intervention.

The more challenging task is articulating a policy to preserve a U.S. production policy. Finding someone in Washington who has such a vision is almost a near impossibility at this point. We all know what is happening in consumer goods markets and furniture manufacturing is no exception to the general rule. For those of you whose primary market is furniture manufacturing you have first hand knowledge. Furniture Today reports that China's imports increased by 13 percent last year to $4.2 billion. That's estimated to be one-third of all furniture imports. While it was the smallest increase in seven years, there is little comfort that can be drawn from that figure.

The question is what do we do about it? As long as China has an almost unlimited supply of labor it is not clear what national policies can be put in place to stop the flow. The issue isn't just the cost of employing skilled machinists either. China now has an ample supply of engineers and other technical personnel drawing salaries at a fraction of levels here in the U.S.

Even if we shoot all the lawyers, drive the cost of prescription drugs down, and restore common sense, will we be able to get ourselves close enough in price that quality will make the difference? It will probably take more than that. We need to articulate a blue print and we need your help. If we made you king or queen for a day, what edicts would you hand down so there would be a vibrant American-Made machinery sector a decade from now? What does the federal government need to do?

This is a good time to ask yourself these questions. Before you know it, it will be Labor Day and candidates for Congress will be asking you for a donation or your vote. Ask them what they plan to do for you, your company, your employees and your community.

If you have questions or comments about this article, or other Public Policy issues, contact John Satagaj at e-mail@lonsatlaw.com or 202/639-8888. You can also e-mail WMMA headquarters at wmma@fernley.com.

Focus on Residential Construction & Remodeling

By Art Raymond, A.G. Raymond & Company

In macroeconomic terms, housing production and remodeling account for about 14% of U.S. gross domestic product. Not only is housing a critical component of our economy, but it's also a key driver of wood products usage. Given that connection to the wood machinery industry, this month's focus is on the future prospects for housing and remodeling.

Wood in New Homes

Let's look at the wood products found in the typical 2,000 square foot (ft2) home…

- 16,000 board feet of lumber
- 6,000 ft2 of structural panels
- 1 patio door
- 13 kitchen cabinets and 2 vanities
- 2 exterior doors
- 12 interior doors
- 2 garage doors
- 7 closet doors

If the home has wood siding, add another 2,325 ft2 of wood materials. Wood flooring, stairs, and decks add even more. Lots of saws, presses, tenoners, sanders and tooling go into the production of these housing elements.

And homes are getting larger. In 1950 the average new home contained 1,500 ft2. Last year a new home averaged nearly 2,300 ft2. This increased space is employed for more bedrooms, bathrooms and special use rooms. Four bedrooms are found in 35% of new homes; 56% have 2-1/2 baths.

All of this new space creates demand for furnishings. Within one year of purchase the owners spend about $8,900 on furnishing, decorating, and improving their new home. About one-third of that amount goes for furniture. Spending by new homeowners in that first year is more than double the amount spent by non-movers. So housing activity is also good for another wood user – the furniture industry.

Forecast for New Home Construction

Since the recession officially was proclaimed in March 2001, housing activity has thankfully been a stalwart of the economy. What are the long-term prospects for this critical sector?

The key drivers for housing activity are mortgage rates and demographics. Since January 2001 interest rates have been favorable for housing. Low interest rates enable more families to become homeowners and buy more expensive homes than affordable otherwise. The homeownership rate now at a record 68% will exceed 70% by the end of the decade. Add the predicted annual increase in household formation of 1-1.2 million, and housing demand totals about 1.6 million new units each year through 2010. That's 1.2 million new homes, 343,000 multifamily units and 276,000 mobile homes – and lots of wood products.

Don't Forget Remodeling

Each year 26 million owners make improvements to their homes. Total spending by homeowners on maintenance and improvements in 2001 was $135 billion. About 80% of that amount was spent on remodeling projects – room additions, kitchen and bath upgrades and other major improvements. In each of the past 15 years about one million homeowners spent more than $10,000 on a major interior alteration. This activity means about 1-1/2% of all single family homes are modified in any given year.

What's driving this remodeling activity? The primary reasons are easy money and the age of most houses. With 30-year fixed mortgage rates around 6-1/2%, owners can refinance with lower monthly payments and tap the equity in their homes. Americans pulled $90 billion in cash from their home equity in 2001. With home prices having risen by 43% nationally from 1996 to 2001, home equity has replaced the stock market as a source of cash for many consumers.

Homeowners spend more on improvements as their houses age. Spending typically ramps up quickly on homes 5 to 10 years old and peaks between year 25 and 30. Home building driven by baby boomer demand peaked in the 70's at 31 million starts. Now between 22 and 32 years old these homes fall in the peak improvement period. And these homes are smaller and simpler with fewer bathrooms, bedrooms, and garages. Along with a new kitchen, more bathrooms and bedrooms are the interior upgrades of choice by most owners.

About 25% of the dollars spent on remodeling are do-it-yourself (DIY).

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Professional contractors complete the majority of these projects. Materials represent 100% of the DIY projects and between 35-40% of professionally installed improvements. As with new homes, remodeling consumes a lot of wood products. Remember that about 75% of all kitchen cabinets built are used in remodeling.

With the population aging and the number of dual income families increasing, more remodeling projects will be completed by pros. People simply do not have time to handle major projects. This trend shows in the decline of DIY share since 1997. The major home improvement retailers like Home Depot and Lowe's now have installed sales programs that use qualified, local remodeling contractors. As noted in the sector report on the cabinet industry below, Masco – the big cabinetmaker – is growing their installation services business in this fashion.

Each year new homes represent less and less of the U.S. housing stock. Given the number of houses in their peak improvement years, expenditures on remodeling are forecasted to equal new home construction by the end of this decade. Remodeling will then be a $250 billion business.

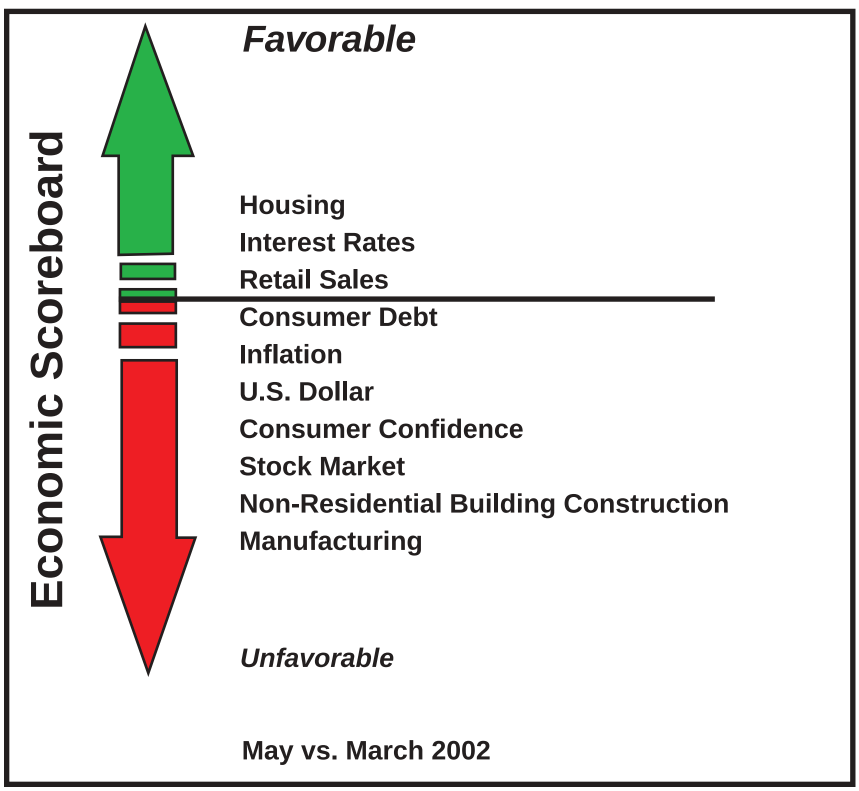
The Short Term
Housing news is mixed…

- Housing starts were down in April but predicted to show 0.4% growth in 2002 vs. 2001.
- New home sales were up in April but forecasted to fall by 4.4% in 2002 vs. 2001.
- Existing home sales were up in April to third highest level on record and forecasted to grow by 0.3% in 2002 vs. a year ago.
- The inventory of new and existing homes for sale ticked up in April.
- Remodeling was down 9% in the last half of 2001 but forecasted to rise this year.

The key factor for housing and the economy at large is the consumer whose spending comprises two-thirds of the U.S. economy. Consumer confidence was up slightly in April, but the Expectations Index that looks out six months fell slightly. As noted above the consumer tapped their home equity last year to the tune of $90 billion. No one knows with certainty where that money went. Keep your fingers crossed that some of that cash remains in reserve. Until higher business profits enable a boost in capital investment, the consumer will remain the engine of our economy.

Notes:

The Economic Scoreboard compares the most recent data with the data presented in the last Cutting Edge Business Briefing (April 2002). Definitions of the indicators used in the Economic Scoreboard can be obtained via email at info@raymondnet.com. More extensive economic data can also be found at www.raymondnet.com/statistics.htm



Sector Situation Report

Latest news from the industry by sector…

Office Furniture – Shipments of office furniture fell by 28% in March vs. the same month last year. Incoming orders have shown double-digit declines for 13 consecutive months. Total shipments of $10.1 billion over the last 12 months have fallen to a level last seen in January 1997.

Industry giants Steelcase and Herman Miller reported shipments down 34.9% and 37.2% respectively for the quarter ending last February, true indications of the worst industry slump in 30 years.

From 1977 to 2001 shipments of office furniture grew at a compound annual growth rate of 7.6% vs. 7.0% for the gross domestic product (GDP), a premium of nearly 10%. Analysts now expect that the industry's growth rate will fall back to that of the GDP given slower labor force expansion and the lack of product innovations such as ergonomic seating and systems furniture. If so, 2000 shipments of $13.29 billion will not be regained until 2006.

About 25% of office furniture products are wood by value.

Look for more news following the important NEOCON trade show in early June.

Kitchen Cabinets – Cabinet sales jumped by 12.5% in April vs. the same month last year according to the KCMA's Trend of Business Survey. For the first four months of 2002 cabinet sales has grown by nearly 11% vs. the same period last year.

Industry giant Masco, whose brand names include Merillat, KraftMaid, and Mill's Pride, reported 1Q2002 cabinet sales up 8.4% and an operating margin of 10.9%. Interestingly Masco also noted that their cabinet installation service is emerging as a growth business and will drive higher sales of their cabinets especially in new home construction. In expanding this service, Masco is following a popular growth strategy – assuming an unwanted task in the value chain that previously was handled by your customer.

Home Furniture – The latest AFMA forecast shows a 4.3% increase in industry shipments in 2002 with the wood segment growing by 5%. Wood shipments will, however, remain below the level achieved in 1999.

Retail buyers at the April International Home Furnishings Market in High Point were upbeat. Most furniture manufacturers were pleased with traffic and orders. But further analysis of their order books showed that imports outsold domestically produced goods in most cases. The ongoing battle between foreign and domestic wood furniture makers is driving prices lower and squeezing margins for U.S. manufacturers. In most product categories domestic manufacturers simply cannot provide value in scale and appearance comparable to imports.

Furniture imports fell 1% in 2001, the first decline since 1991. But remember that shipments by U.S. furniture producers dropped over 10% last year. The truth buried in the import data is that Chinese furniture makers continued their double-digit growth with a 13% rise in shipments to the U.S. market. That gain – $490 million – is larger than the annual sales of all but seven U.S. furniture manufacturers.

The good news for publicly owned U.S. furniture producers is the rise in their share prices. Since mid-2000 BB&T Capital Markets' home furnishings index has risen by an amazing 64%. Analysts now predict that raising public equity is becoming a viable financing alternative for these companies. As these companies seek to strengthen offshore sources and/or expand into retail, little of this new capital will find its way into modernizing U.S. wood furniture factories.

Questions? Comments? Author Art Raymond can be reached at info@raymond.net or 919/831-0070. You can also e-mail WMMA headquarters at wmma@fernley.com.

Editor's Correction: The April Cutting Edge "Business Briefing: Focus on Cabinetmaking" by Art Raymond originally contained a typographical error in the first paragraph. When it first appeared on the website, the article incorrectly stated that imports grew by 21.6%. The correct figure should be 216%. This error occurred in the editing stage. This has since been corrected on the April issue that is on the website. Check out the complete article at www.wmma.org/newsletter.htm. The Cutting Edge editorial staff apologizes for this error

Balance issues relating to shank tools

By John Schultz, Super Thin Saws

Member, WMMA Product & Engineering Standards Committee

The Tooling Subcommittee of the Product and Engineering Standards Committee has been primarily discussing issues that affect safety and potential standards for addressing some of the concerns. Balance is one issue that can have a dramatic effect on safety. Not just balance of the tool itself, but overall balance of the spindle/chuck/tool system. In fact, balance can have a dramatic effect on quite a bit more than safety. The purpose of this brief article is to talk, just a little bit and not too technically, about some of the other reasons to go to the trouble to balance tools. It should be noted that the “balanced/unbalanced” issue is not really a “yes/no” question. The question really is “How out of balance is appropriate/acceptable for a given situation.”

Factors that magnify the effects of being out of balance

RPM obviously is important. The whole issue is rather minor for the hands of a clock! And yet it is critical for modern, high-speed router spindles. Most woodworking tools operate at high enough speeds that balance should be considered. The higher the RPM the better the balance requirements.

The larger the diameter, the longer the tool and the more overhung the tool is past the support bearings; the more scope there is for balance to become a problem.

Factors contributing to out of balance

When you have a rotating object, it has an axis of rotation. There is a second important axis that is hard to describe technically, but your intuitive idea of “an extended line representing the center of mass” should be close enough to serve. These two lines are supposed to coincide and when they don’t, the system is out of balance. For non-technical purposes you can think of this as concentricity, but do remember that it is actually a little more complicated than that. There is also the issue of whether the two axes are parallel.

We are accustomed to thinking of this lack of concentricity as being in the tool and we tend to put the entire onus on the tooling manufacturer. Well, poorly built tools are all too common, but there are other causes of out-of-balance as well. The chuck and the spindle are subject to the same concentricity needs. It is also critical that the tool/chuck fit and the chuck/spindle fit maintain the concentricity and parallelism of the two axes.

But… other than safety issues, what problems are caused by out of balance?

Better-balanced tools leave much better finish on the work piece. Better-balanced tools run longer between sharpening; sometimes much longer. Better-balanced tools reduce the wear and tear on bearings, and even on the rest of the machine. Better-balanced tools even draw a little less horsepower, and allow for an easier feed, although these effects are less dramatic than the others.

Any tooling or machinery manufacturer who has been ignoring balance should take a second look for those reasons alone, but if you need even more reason, see this column at a later date for a discussion of safety issues.

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