

**Hearing Testimony of  
Sam Du, Export Manager, Dehua TB New Decoration Material Co., Ltd.  
Before the U.S. International Trade Commission**

**Hardwood Plywood from China**

September 19, 2013

Good afternoon. My name is Sam Du, Export Manager for Dehua TB New Decoration Material Co. Dehua has been producing plywood since 1993 and started exporting to the United States around 2002. Dehua is one of the largest plywood producers in China and has a high market share in China. Dehua considers itself to be the highest quality plywood producer in China because we use higher quality veneers, including cherry, oak and maple face. Most Chinese producers use birch for the face veneer.

However, our company is a very small part, 1 or 2 percent, of Chinese exports to the United States and, like other Chinese producers, our focus is on the thinner face veneer products that are not competing with U.S. producers. None of Dehua's plywood is over 0.6 mm in face veneer thickness, which is what the U.S. industry produces. To my knowledge, no U.S. producer makes plywood with a face veneer under 0.4mm.

I want to talk today about why we are concentrated in the thinner veneers and why we cannot compete for the thicker veneers, where the U.S. and Canadian producers dominate. We have looked at making thicker face veneers over 0.6 mm

but have never produced any. We concluded that it simply was not cost efficient to produce such products in China. The production of the thicker veneers is more efficiently done by machinery, which is what U.S. producers do. In addition, to produce veneers above 0.6 mm in China would cost more than in the United States because we do not have suitable raw material in China and it would not be cost effective to peel veneers in those thicknesses from the small plantation logs available to Chinese producers. In addition, we have longer lead times for delivery to our customers and would face an 8 percent duty on non-birch face veneers together with ocean freight costs.

On the other hand, it is not efficient for U.S. producers to produce the thinner veneers under 0.5mm, which their machines cannot handle and given the labor intensive production process and resulting higher labor costs. For the future, we will use our resources to increase sales in the home market and other markets for our existing products, rather than attempting to enter markets for thicker face veneers where we do not have a cost advantage. We expect that the same is also true of the U.S. industry, which is why they do not sell plywood with such thinner face veneers, where they do not have a competitive advantage.

I agree with the testimony you heard earlier regarding differences in the production processes in China and the United States. The production machinery and technology in China is less automated than what is used in the United States

and is designed to be used with the smaller logs available in China. We also do air drying in China rather than using the drying machines used in the United States, which consume electricity. U.S. producers have better equipment than Chinese producers and those machines are significantly more expensive than the machinery used by Chinese producers. In China, the production process is also more labor intensive as you have already heard.

These differences in available materials, cost, and production processes make the Chinese advantage different from the U.S. advantage. That will not change anytime soon. Dehua has analyzed making thicker veneers but has determined that it does not have a cost advantage in the thicker product. If Dehua, which is the highest quality producer in China, has not been able to expand beyond its current market segment for thin face veneer plywood, it is highly unlikely that any other Chinese producers could do so.

I will be happy to answer any questions you may have.