Wooden Cabinets and Vanities from China

Inv. No. 701-TA 620 and 731-TA-1445 (Prelim.)

March 27, 2019

On Behalf of

The American Kitchen Cabinet Alliance

International
Economic
Research
LLC

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Overview

Conditions of Competition

Injury

Threat

Overview

Conditions of Competition

Injury

Threat

Conditions of Competition

- The wooden cabinet and vanity (WCV) industry is cyclical in nature.
- Domestic and subject WCVs compete head-to-head on product characteristics.
- Domestic and subject WCVs compete head-to-head across the same channels of distribution, regions and end users.
- WCVs are sold primarily on the basis of price.
- The WCV industry is labor intensive.

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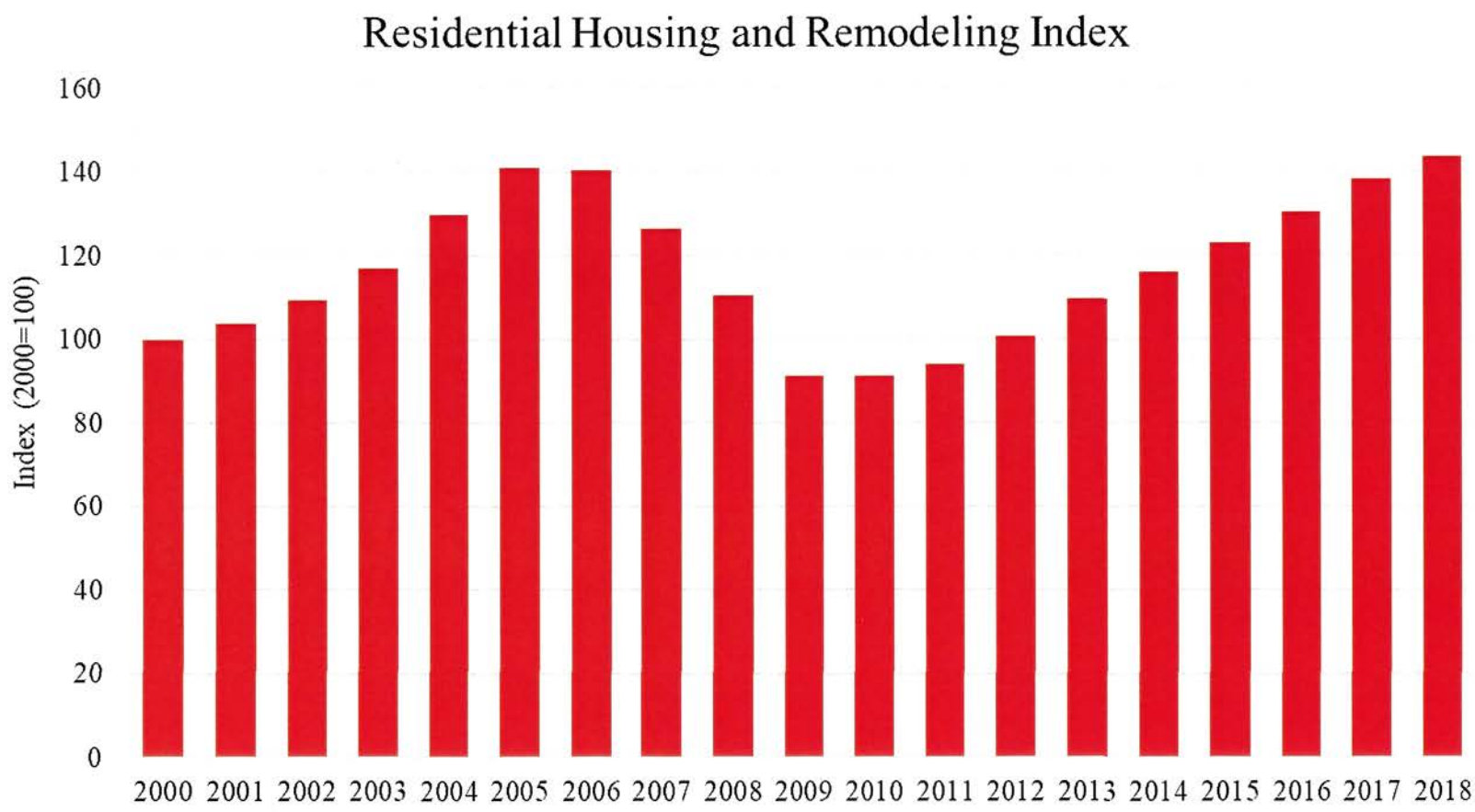
Cyclical

Demand is Cyclical



Sources: U.S. Census Bureau and U.S. Department of Housing and Urban Development, Housing Starts: Total: New Privately Owned Housing Units Started [HOUSTNSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/HOUSTNSA, March 22, 2019. U.S. Census Bureau, Retail Sales: Building Material and Supplies Dealers [MRTSSM4441USN], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MRTSSM4441USN, March 23, 2019. Henceforth – FRED Housing Starts and Building Materials.

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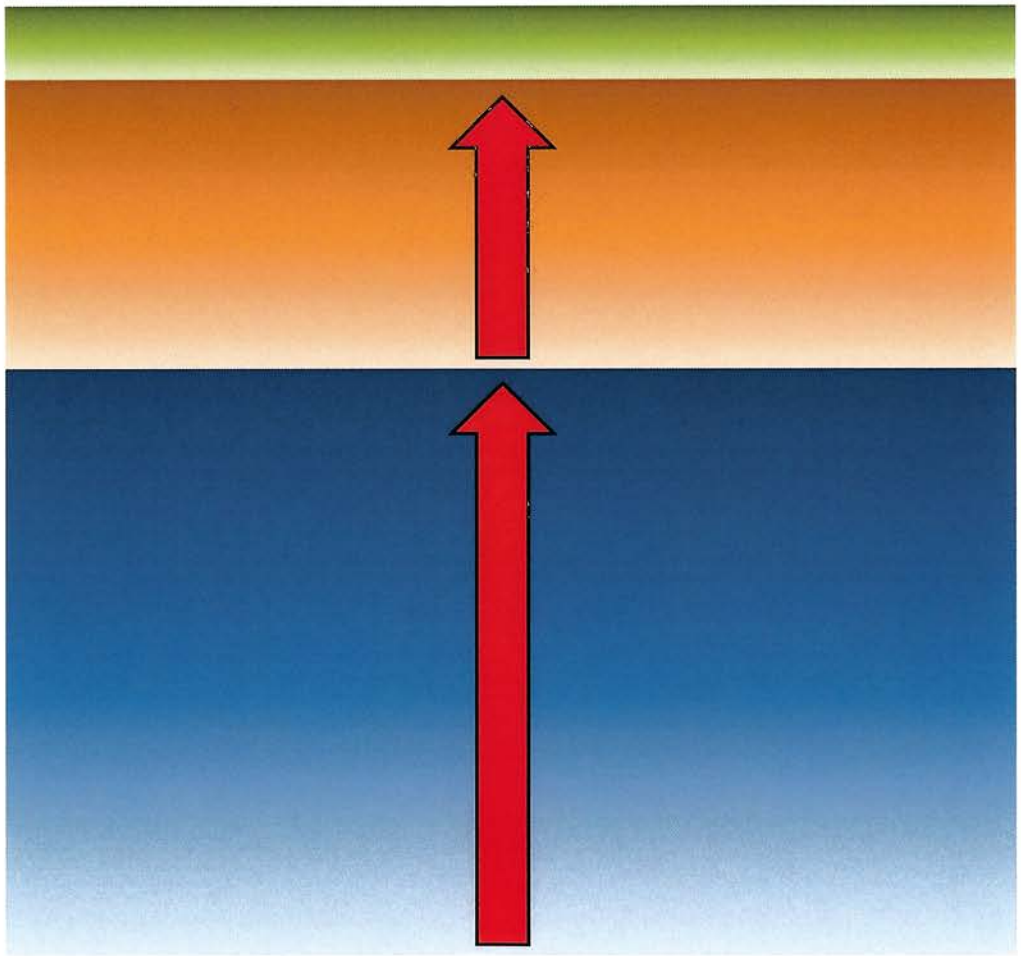
H2H Products

Subject Imports Compete in all Grades

Custom

Semi-Custom

Stock



C of C

H2H Products

Subject Imports Compete in Semi-Custom Cabinets

ALL WOOD CABINETRY SEMI-CUSTOM

30% OFF

OFFER ENDS 3-31-19

COSTCO WHOLESALE

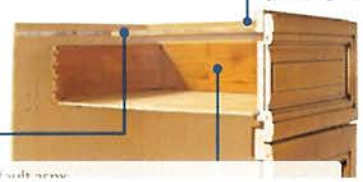
FREE DESIGN SERVICE
1-866-763-9455
EMAIL YOUR PLANS

Order Samples | Galleries | Free Design Service | Advanced Resources | Shop Now | Track Order | Contact U

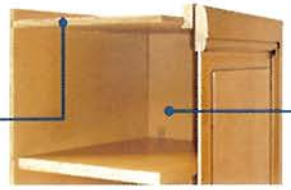
QUALITY CABINETS

Assembled Semi-Custom cabinets are individually built to order, to satisfy the most discerning home remodelers. Each cabinet is factory built, by a dedicated team of experienced cabinet builders, thoroughly inspected and carefully wrapped before being shipped quickly direct to the jobsite. Cabinets feature sturdy hardwood face frames and all-plywood box construction, including 3/4" thick adjustable shelves.

BASE CABINETS



WALL CABINETS



Source: All Wood Product Quality. https://www.allwoodfast.com/Quality.aspx Accessed 3/22/2019.

Subject Imports Compete on Quality

	Shekia	J and K	All Wood	Fabuwood	CNC
ANSI Certification	✓	✓	✓	✓	✓
Environmental Certification	✓		✓	✓	✓
Industry Standard Warranties	✓	✓	✓	✓	✓

Source: Importer Websites.

C of C

H2H Products

Subject Imports Compete Head-to-Head on Style

Domestic

American Woodmark Reading Collection Shaker Style Cabinet

Subject

CNC Elegant Shaker Style Cabinet

Source: CNC Elegant Cabinet. https://cnccabinetry.com/kitchen-cabinets/elegant/. Accessed 3/22/2019.
American Woodmark Reading Collection. https://www.woodmarkcabinetry.com/collections/kitchen/reading

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H2H Markets

Subject Imports Compete in All Channels of Distribution

Menu

Login DEALER SIGN UP

"Our major clients are distributors, independent dealers, retailers, builders, contractors, designers, and home centers."

Homeowners:

Even though our major clients are distributors, independent dealers, retailers, builders, contractors, designers, and home centers, we encourage homeowners to visi our dealer in their area. If you are unable to find a dealer near you, you may want to locate a kitchen dealer you trust and ask that they apply for an account with J& Cabinetry.

Sources: J&K Homeowner Q&A. https://jandkcabinetry.com/support/. Accessed on 3/21/2019

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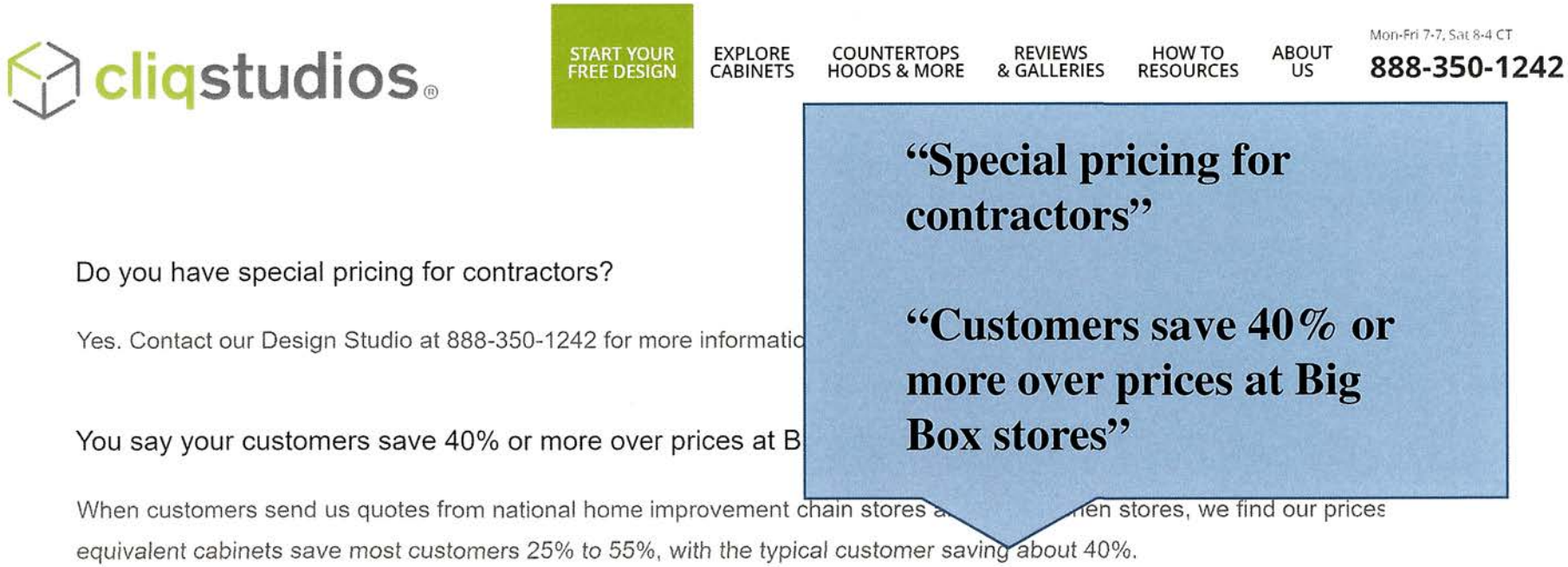
H2H Markets

Subject Imports Compete in All Channels of Distribution



"Special pricing for contractors"

"Customers save 40% or more over prices at Big Box stores"

Sources: CliqStudios FAQ. https://www.cliqstudios.com/faq/. Accessed on 3/21/2019.

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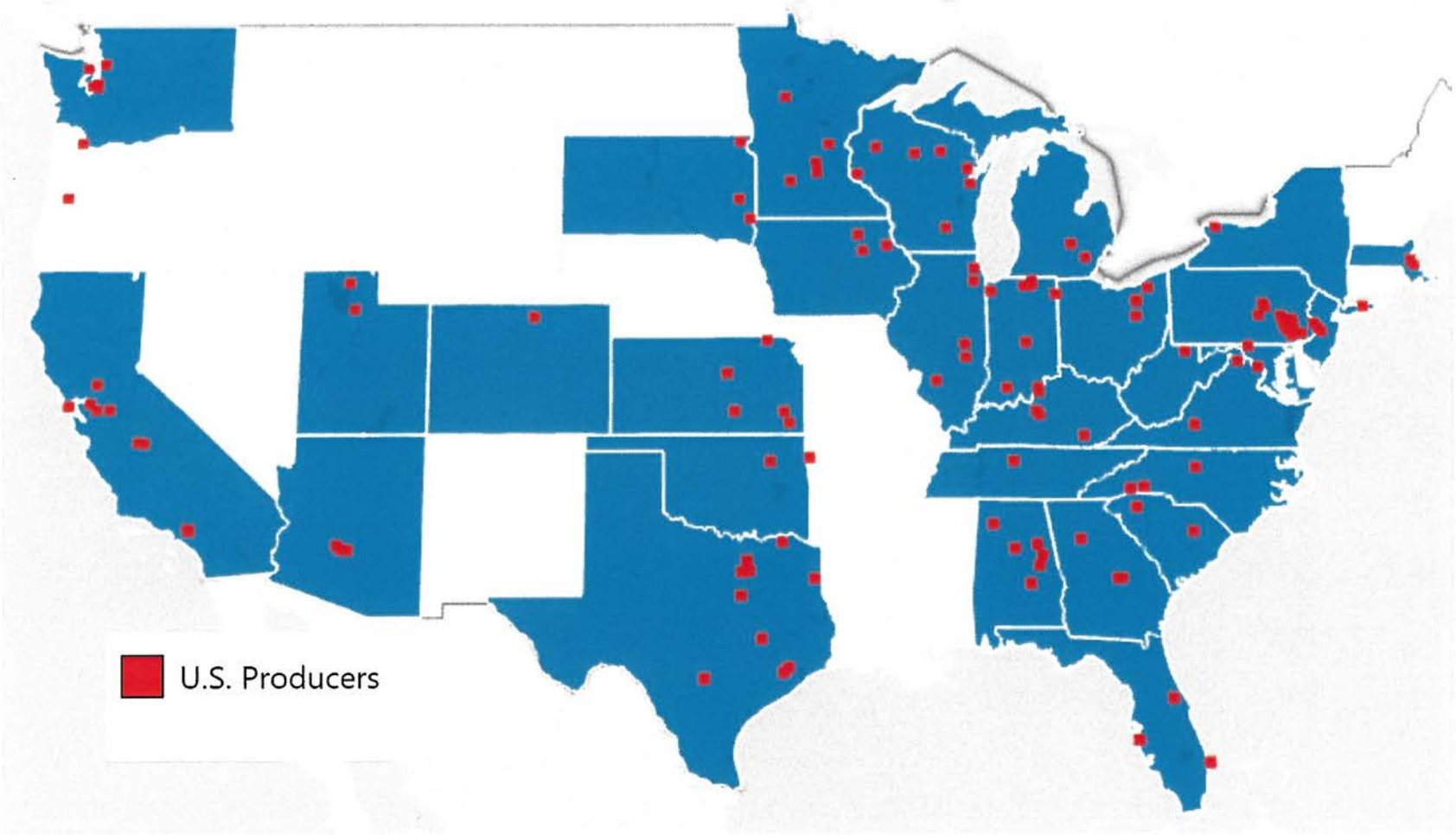
H2H Markets

U.S. Producers



140 of the Largest Producers

Source: Petition

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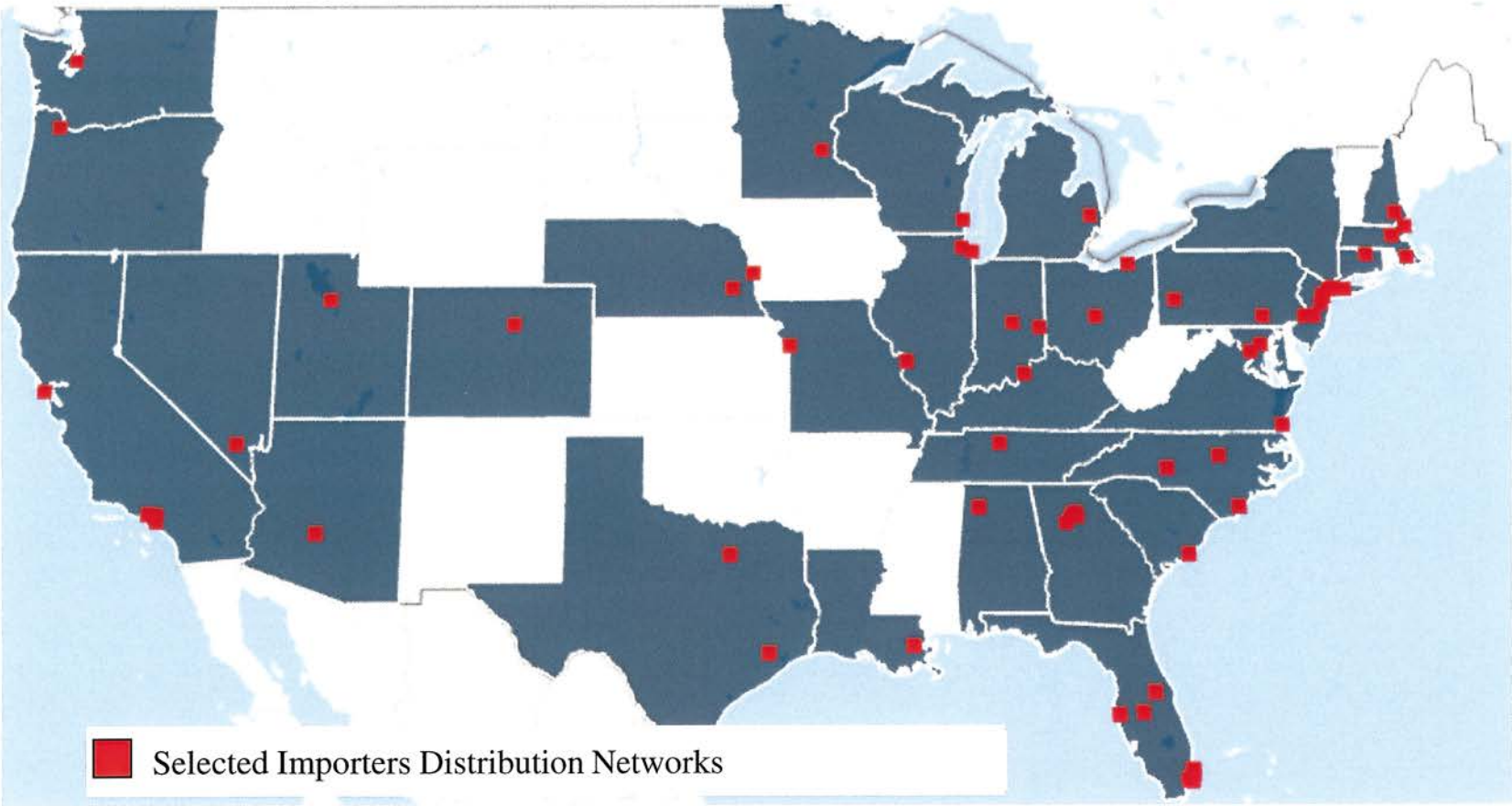
H2H Markets

Subject Imports are in All Regions



Sources: Petition

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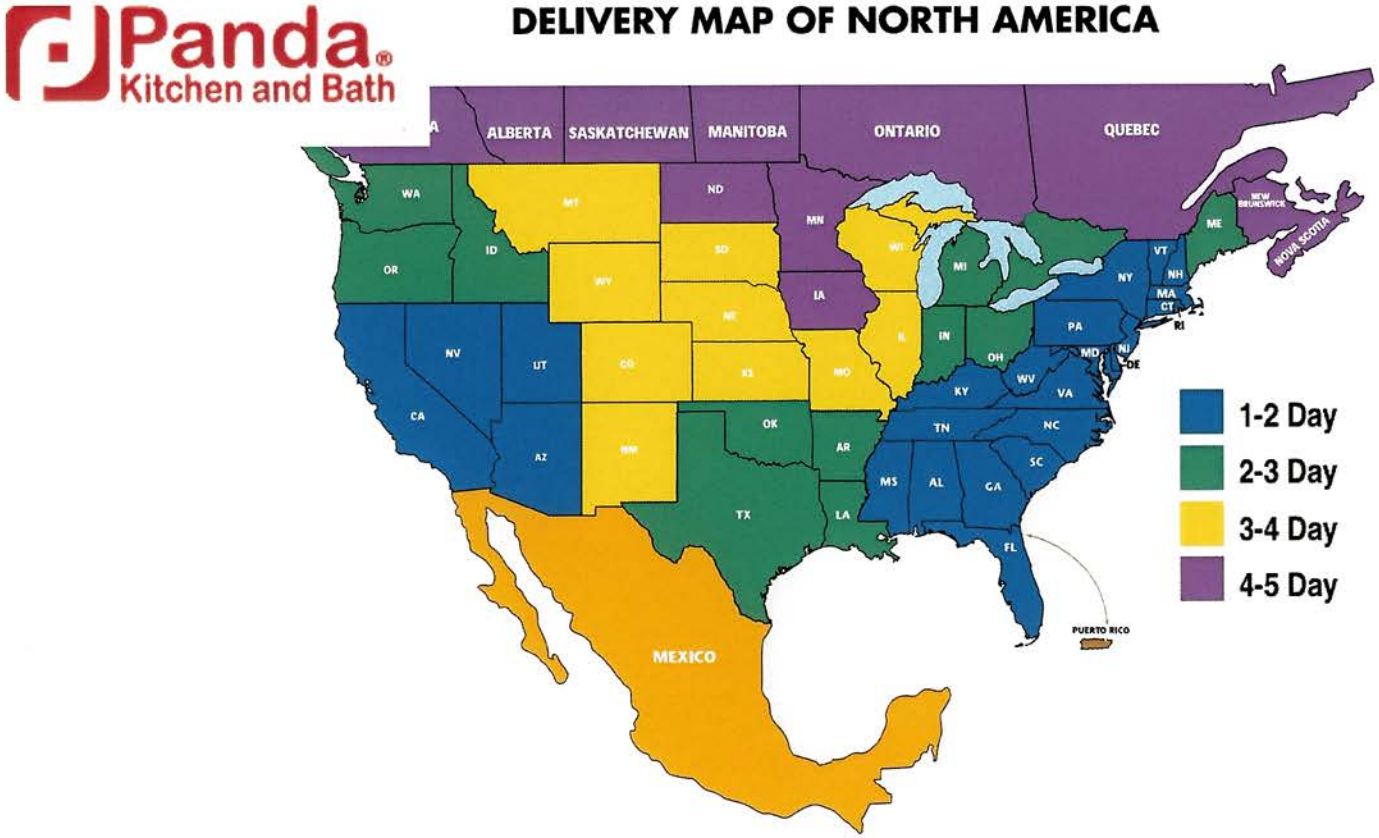
H2H Markets

Subject Imports Deliver Quickly



Some outlying zip codes may require additional day(s) transit.

Sources: Panda Brochure 2018. https://www.pandakitchen.com/pub/static/frontend/Pandakitchen/default/en_US/media/brochure_2018.pdf. Accessed 3/22/2019

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H2H Markets

Importers Have Increased in Presence at Industry Trade Shows

[1]Data Unavailable for 2012, 2014, 2016

Subject Imports Compete Within and Across End Markets

- "We…offer customers…the highest industry grade cabinets at [1/3 of the MSRP] of the lowest grade cabinets from major home-centers." – *Grand J and K*

- "Grand JK…offers extensive discounts to accommodate multi-unit projects, such as tract-homes, condos, apartments, etc."

Source: GrandJK. https://www.grandjk.com/. Accessed 3/25/2019.

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Price-Based

Sales are Made Primarily on the Basis of Price

- "Price stands out as the leading factor when homeowners are considering a kitchen cabinet." – *NKBA U.S. Residential Kitchen Cabinet Study*

- "We believe that competition in this industry is based largely on product features and selection, product quality and price." – *Masco 2018 10-K at pp. 4.*

- "Price is a significant factor for consumers as well as our trade customers…We also face increasing pressure from imported 'flat pack' cabinets. – *FortuneBrands 2018 10-K at pp. 4*

- "Some of our competitors may resort to price competition to sustain or gain market share and manufacturing capacity utilization, and we may have to adjust the prices on some of our products to stay competitive." – *American Woodmark 2018 10-K at pp. 4*

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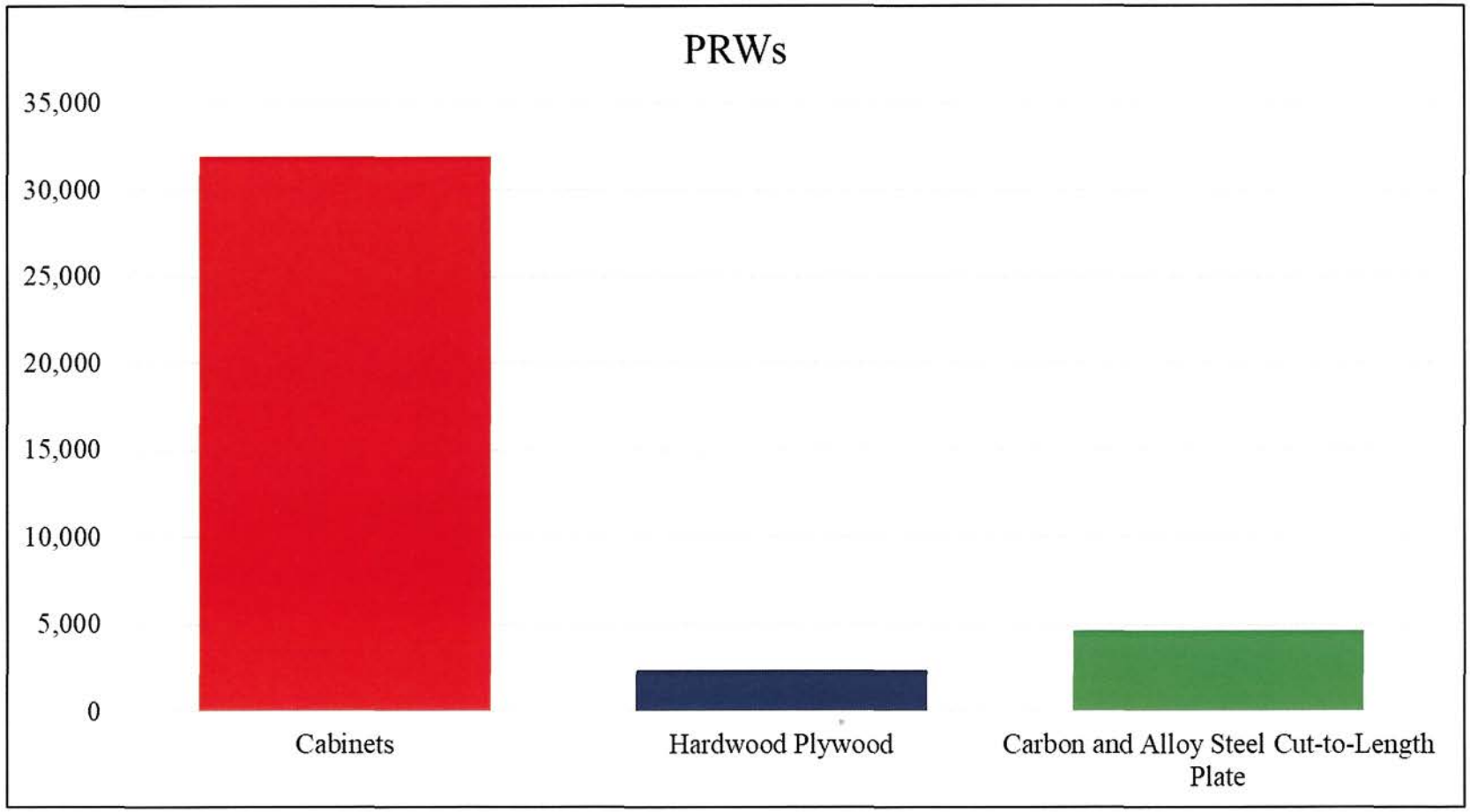
Labor Intensive

The WCV Industry Employs Tens of Thousands of Workers



Sources: U.S. Producer Questionnaires.
USITC Prehearing Report Investigation Nos. 701-TA-565 and 731-TA-1341 (Final), p. VI-3, Table VI-1.
USITC Prehearing Report Investigation Nos. 701-TA-560-561 and 731-TA-1317-1328 (Final), p. VI-2, Table VI-1

Overview

Conditions of Competition

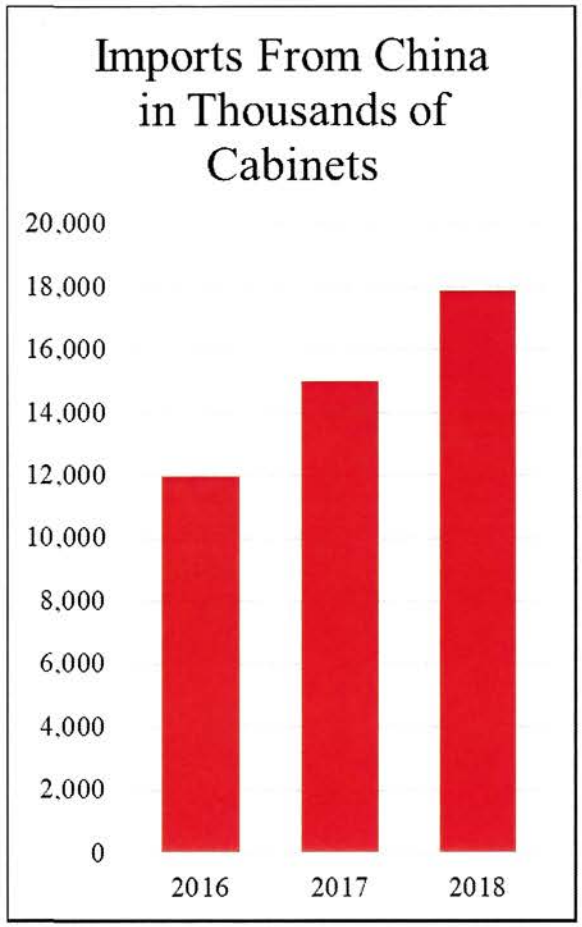
Injury

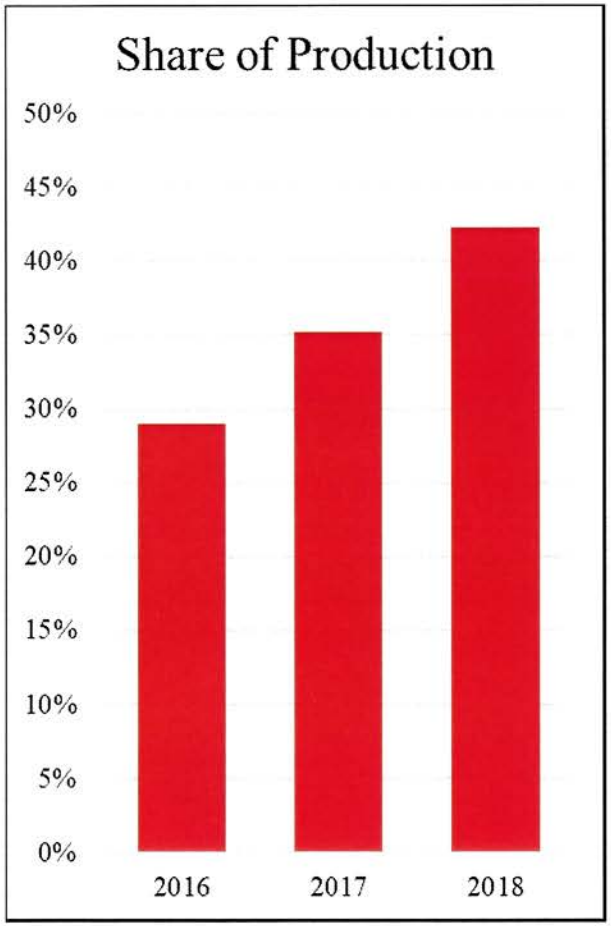
Threat

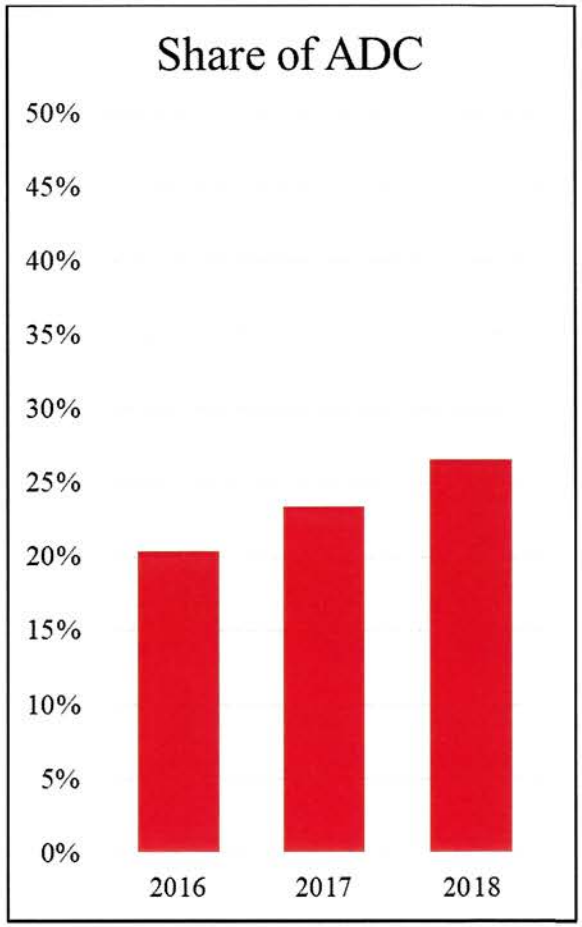
Injury

Volume

Imports have Risen Over the POI Absolutely, as a Share of Production and as a Share of ADC





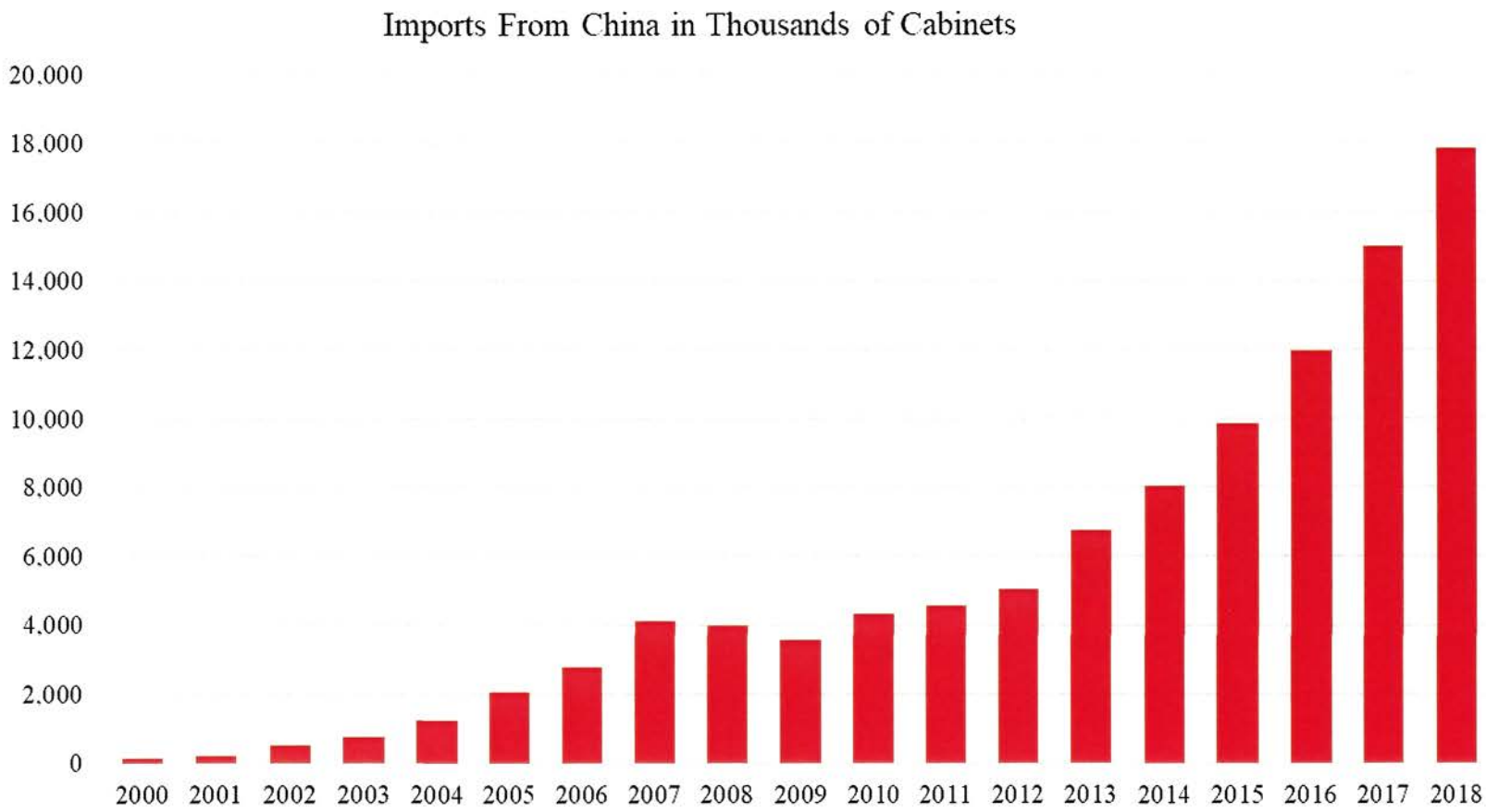


Source: *US Producer Questionnaires, Importer Questionnaires, Petition Exhibit I-4., ITC Dataweb.*

Injury

Volume

Subject Imports Have Increased Exponentially since 2000



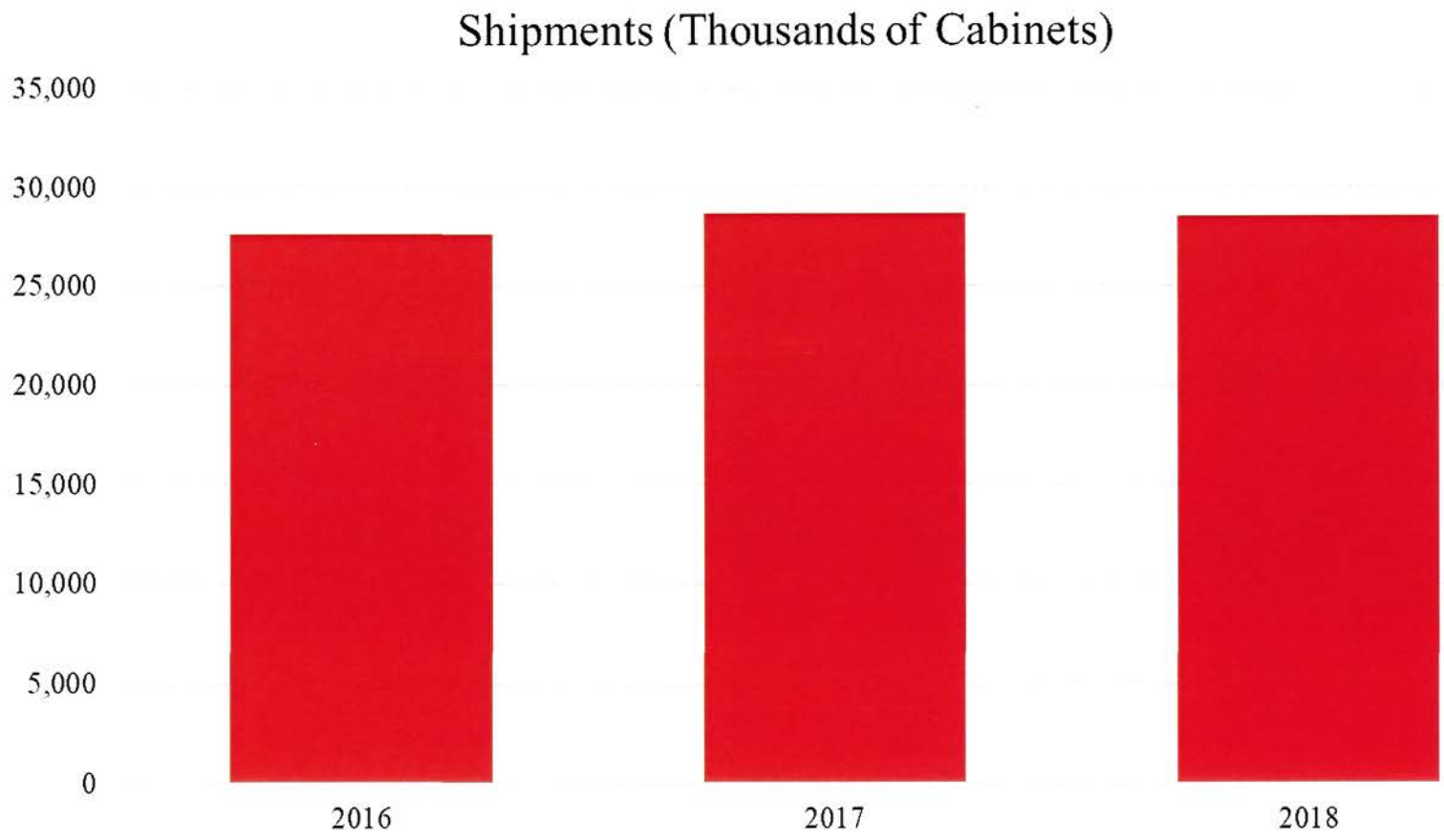
Source: *USITC Dataweb, Importer Questionnaires.*

Underselling

- Subject imports undersold the domestic pricing products in 75% of instances
- Underselling margins generally increased for the pricing products
- Lost revenues due to underselling
- Lost profits due to underselling
- Cost Price Squeeze

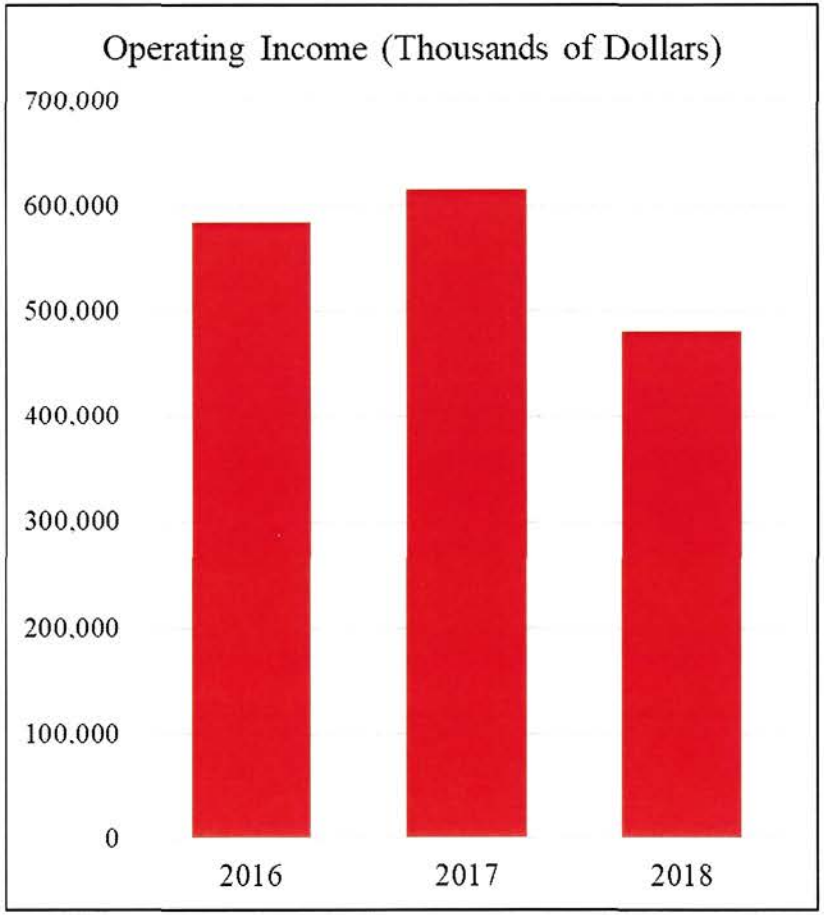
Source: *Importer Questionnaires.*

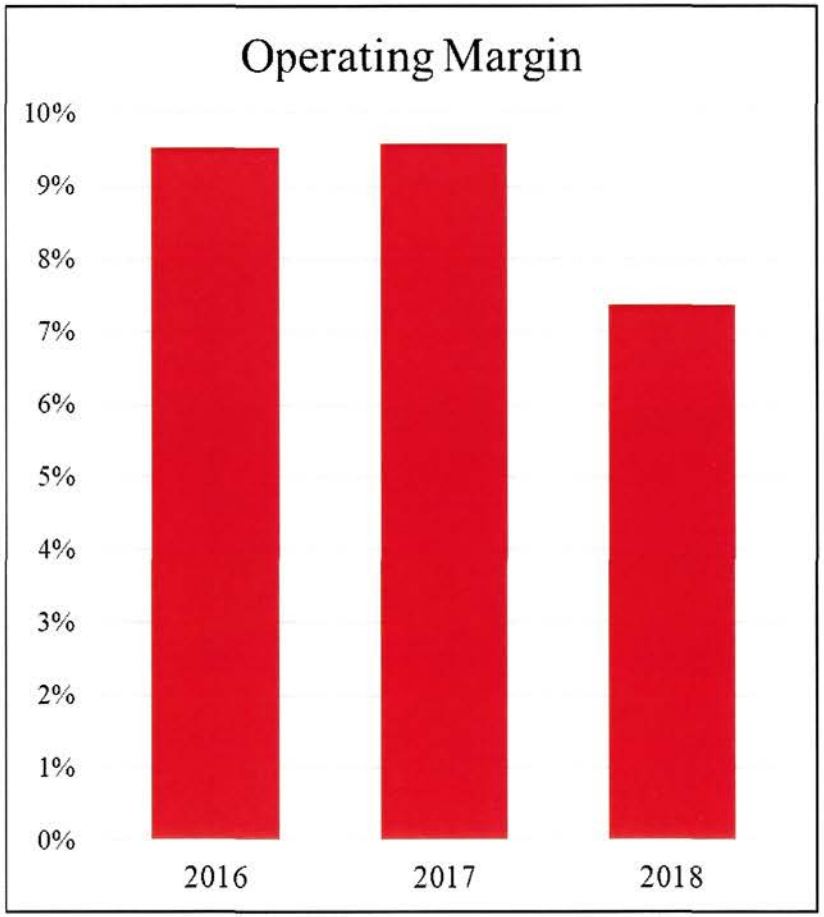
U.S. Shipments Remained Flat in a Growing Market



Source: *US Producer Questionnaires.*

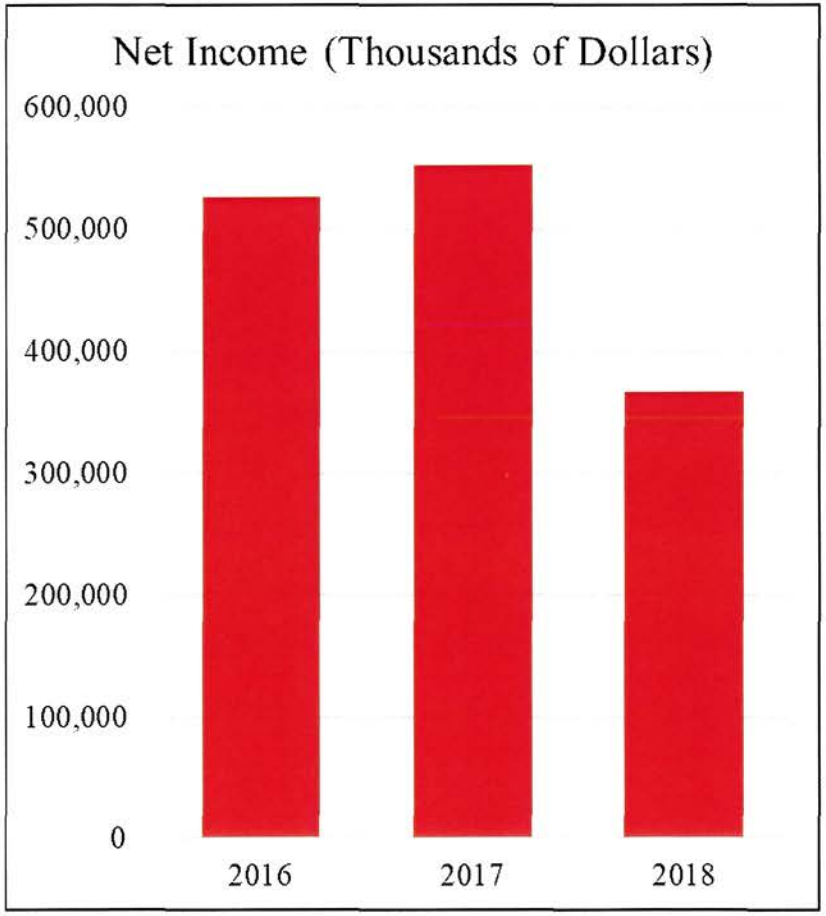
Operating Income and Margins are Down

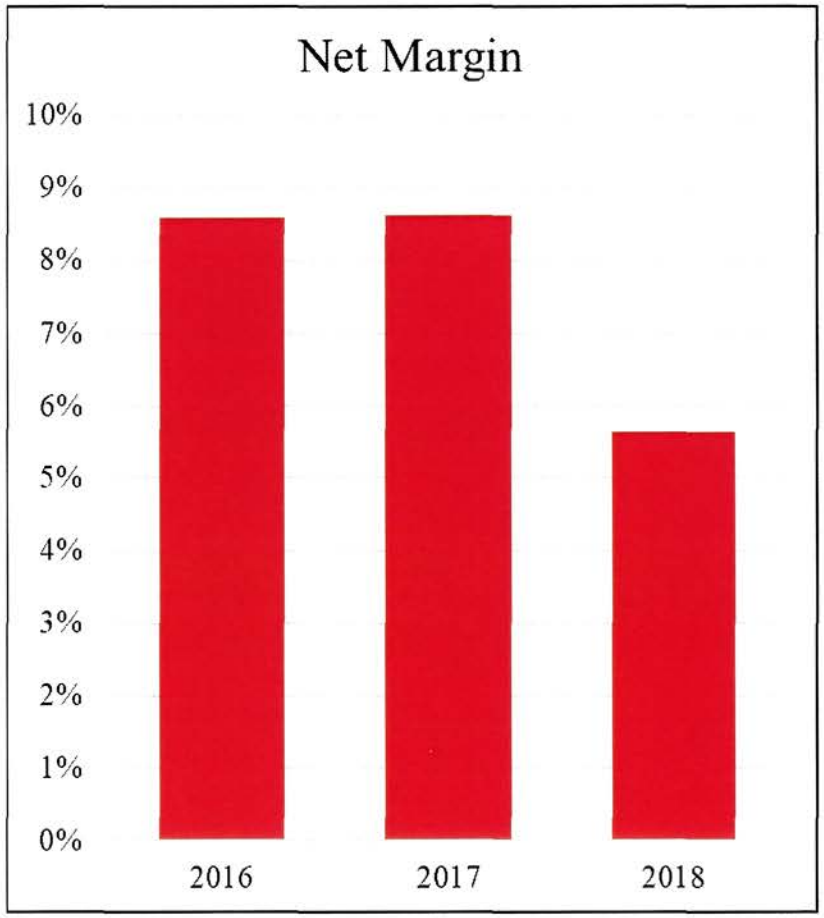




Source: *U.S. Producer Questionnaires.*

Net Income and Margins are Down





Source: *U.S. Producer Questionnaires*

Injury

Effects

Return on Assets is Down

Source: *U.S. Producer Questionnaires*

Changes in Operation

Negative Effects of Imports on the Industry	
Plant Closings	✓
Consolidations	✓
Prolonged Shutdowns or Curtailments	✓
Revised Labor Agreements	✓

Source: *U.S. Producer Questionnaires*

Changes in Investment

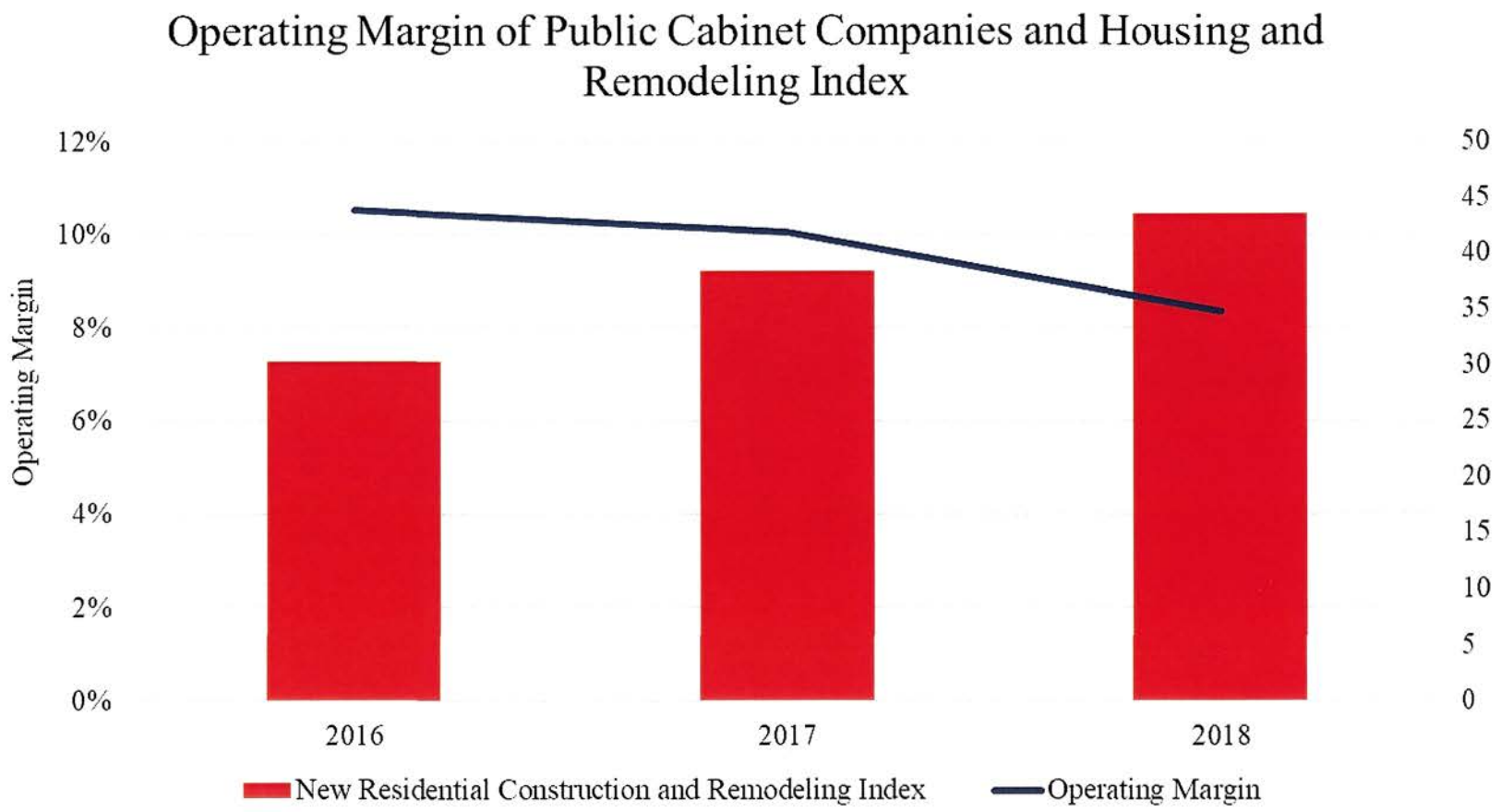
Negative Effects of Imports on the Industry	
Cancellation, postponement, or rejection of expansion projects	✓
Denial or rejection of investment proposal	✓
Reduction in the size of capital investments	✓
Return on specific investments negatively impacted	✓

Source: *U.S. Producer Questionnaires*

Injury

Cycle

The Industry is Injured in the Context of the Business Cycle

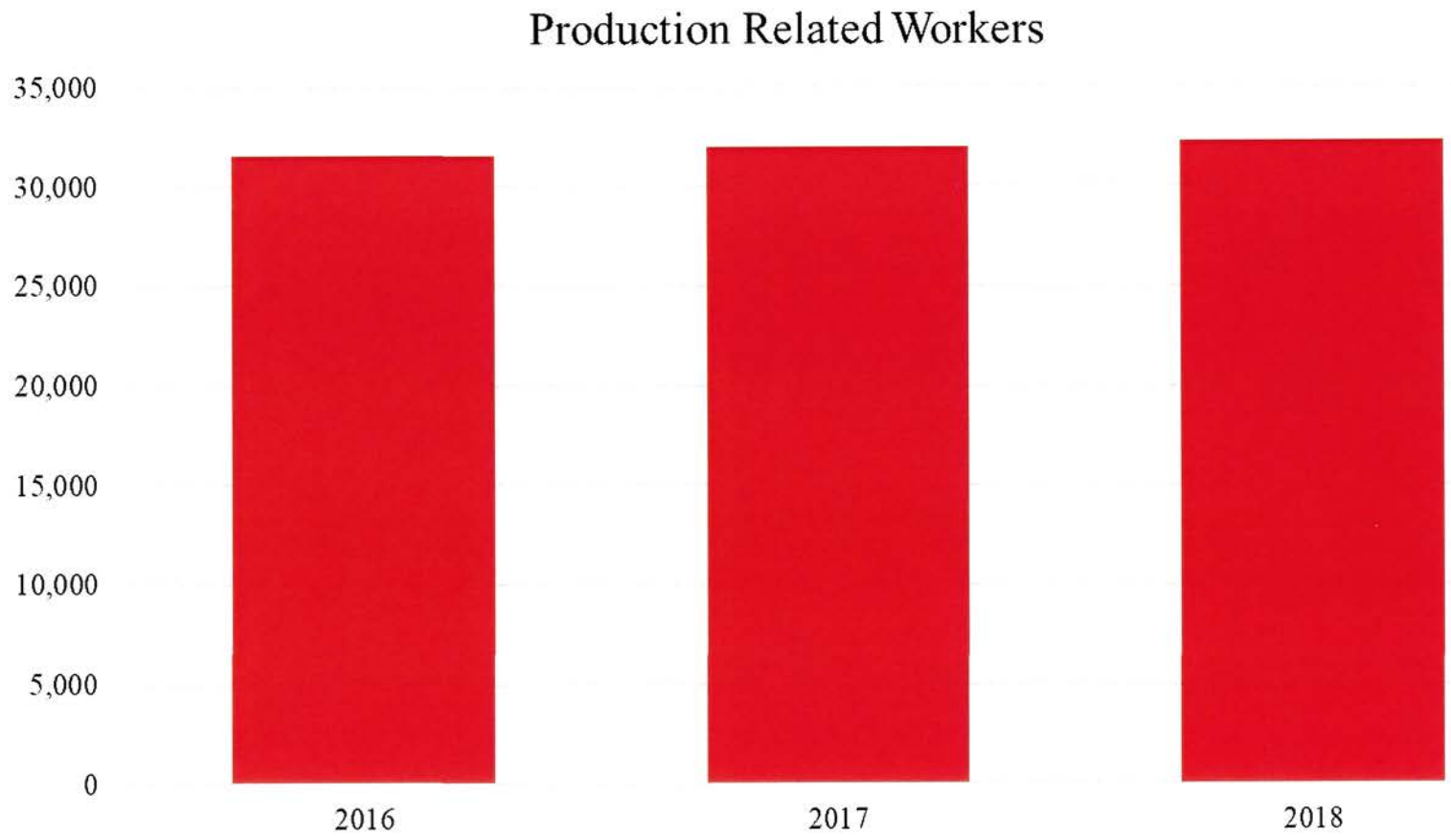


Source: MASCO, American Woodmark and Fortunebrands 10-K Filings.
FRED Housing Starts and Building Materials.

Injury

Cycle

Employment is Flat in a Rising Market



Source: *U.S. Producer Questionnaires.*

Overview

Conditions of Competition

Injury

Threat

Threat

Subject Imports Threaten Further Material Injury to the U.S. Industry

Threat Factors	
Countervailing Subsidies	✓
Unused Production Capacity	✓
Import Volumes and Market Penetration	✓
Price Suppression and Depression	✓
Inventories	✓
Derivative or advanced products	✓
Negative effects on domestic industry	✓
Other adverse trends	✓

Source: *Section 771(7)(B) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(B))*

Threat

Subject Imports Threaten Further Material Injury to the U.S. Industry

- "Our new headquarters is a one-million square foot…superstructure. With this extraordinary advancement Fabuwood is destined for exponential growth."

- "CNC has grown from a local cabinetry wholesaler to a leading national corporation with 3 main sites in key locations throughout the country."

- "[Cliq] is currently increasing our team size as well as investing in and installing new equipment in the Connersville facility."

Sources: About Fabuwood. https://www.fabuwood.com/about/ Accessed 3/25/2018.
About CNC. https://cnccabinetry.com/about/. Accessed 3/25/2018
Wayzata Home Products Announces Connersville Job Fair. https://www.cliqstudios.com/news/wayzata-home-products-announces-connersville-job-fair/. Accessed 3/25/2018