

Plastic Decorative Ribbon from China

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Presentation at the United States International Trade Commission

On Behalf of

Berwick Offray LLC

**International
Economic
Research
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Conditions of Competition

Injury

Threat

Conditions of Competition

- Onshoring of Production
- Price-based Competition
- Customer Concentration
- Seasonal Business
- Other Conditions
 - U.S. industry has excess capacity to supply the market.
 - Demand is relatively stable.
 - The Section 301 tariffs do not cover the vast majority of subject imports.

Conditions

Berwick Onshored Production from Mexico to the United States

- Commitment to domestic production
- Hollywood acquisition moved jobs to the United States
- Expectation of Performance without Unfair Trade

Conditions

Competition Is Based Primarily on Price Substitutability

- The Commission found that products are highly substitutable.
- The Staff found a high degree of substitutability.
- The majority of purchasers report that products are “comparable” along a range of factors including availability.
- The majority of importers and purchasers report that the products are “always” or “frequently” interchangeable.
- Product samples demonstrate comparability.

Conditions

Competition Is Based Primarily on Price

Price Is the Most Important Factor

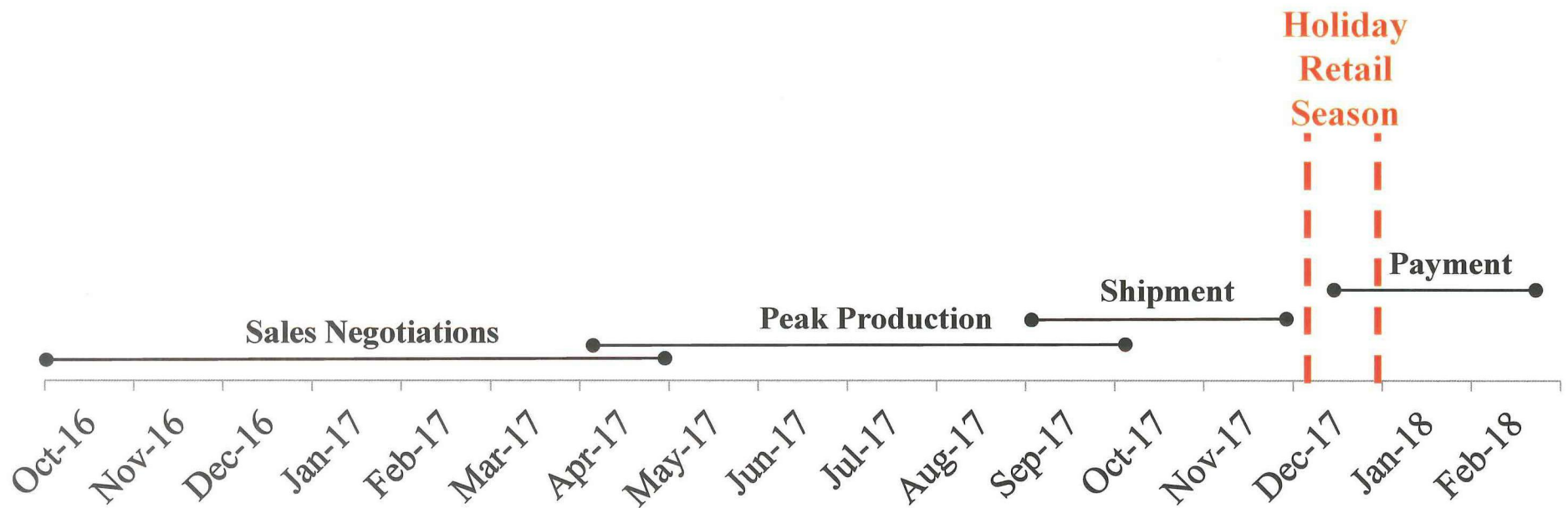
- The Commission found that price is an important factor in purchasing decisions.
- Purchasers report that price is a very important factor in purchasing decisions.
- The majority of importers and purchasers report that differences other than price are only “sometimes” or “never” significant.
- Customers have excellent price visibility.

Customer Concentration

- Large retailers are the most important channel of distribution for both both domestic producers and importers.
- Large retailers have significant bargaining power.
- Negotiations are typically for yearly program sales.
- The loss of a single customer or a significant share of a single customer can be injurious.

Conditions

Seasonal Business Timeline



- Annual performance influenced by decisions made a year in advance
- Lag between expenses and payment
- Potential distortion of trends using interim comparisons

Subject Imports Have Increased Absolutely and Relative to Production

- Subject import levels are significant
- Subject imports increased significantly over the POI.
- Subject imports increased relative to production.
- Subject imports increased relative to consumption.

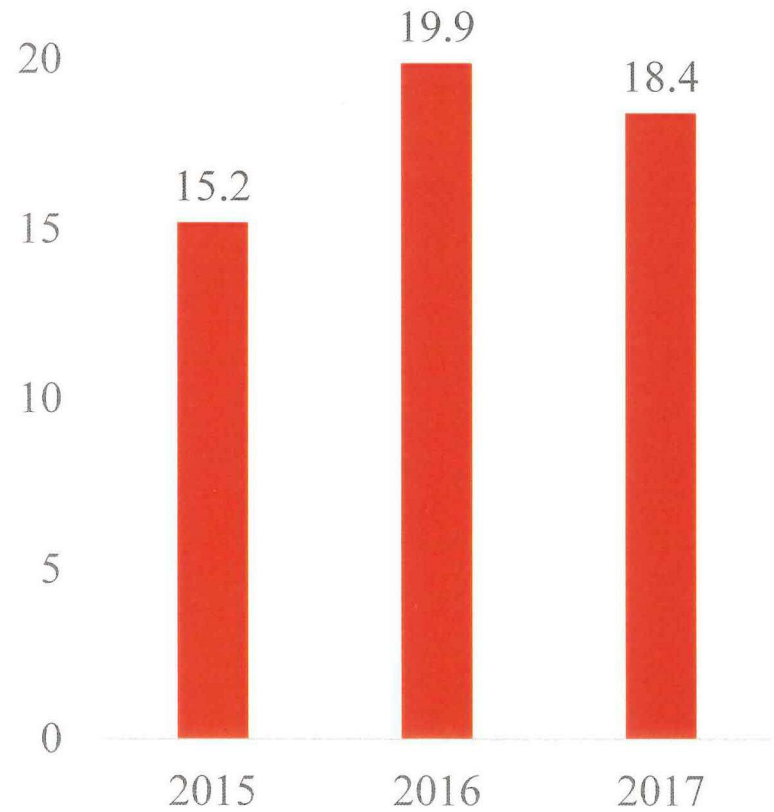
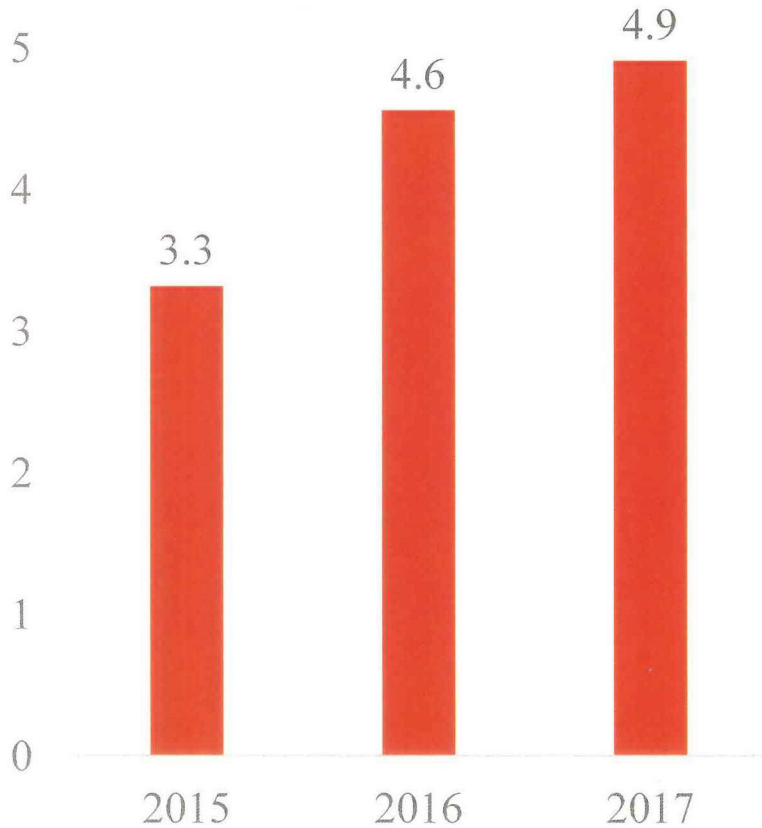
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Volume

Subject Import Quantity Increased by 48% and Value Increased by 21%

6 Million Pounds

25 \$ millions



■ Subject Import Quantity

■ Subject Import Value

Injury

Price

The Subject Imports Caused Negative Price Effects

- **Underselling**
 - Significant underselling in all data collected by the Commission
 - Purchasers confirm underselling by subject imports
- **Price Depression**
 - Virtually all unit values declined.
 - Purchasers confirm price-depressing effects of subject imports
- **Price Suppression**
 - Cost-price squeeze
 - Gross profits declined

Injury

Price

Subject Imports Undersold

The pricing data allow for the following comparisons of quarterly AUVs for the three pricing products:

U.S. Producers'	Importers'	
U.S. Commercial Shipments	<i>China Price</i>	Sales by Distributors
	<i>China Cost</i>	Direct Imports by Retailers
	<i>Combined</i>	The sum of Price & Cost Data

vs.

Each of these comparisons demonstrates significant underselling.

Sales by Distributors: U.S. Commercial Shipments of Imports from China

Direct Imports by Retailers: Direct import purchase costs (landed, duty-paid value), adjusted to include U.S. supply chain costs

Injury

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Injury

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Purchasers Confirm Underselling

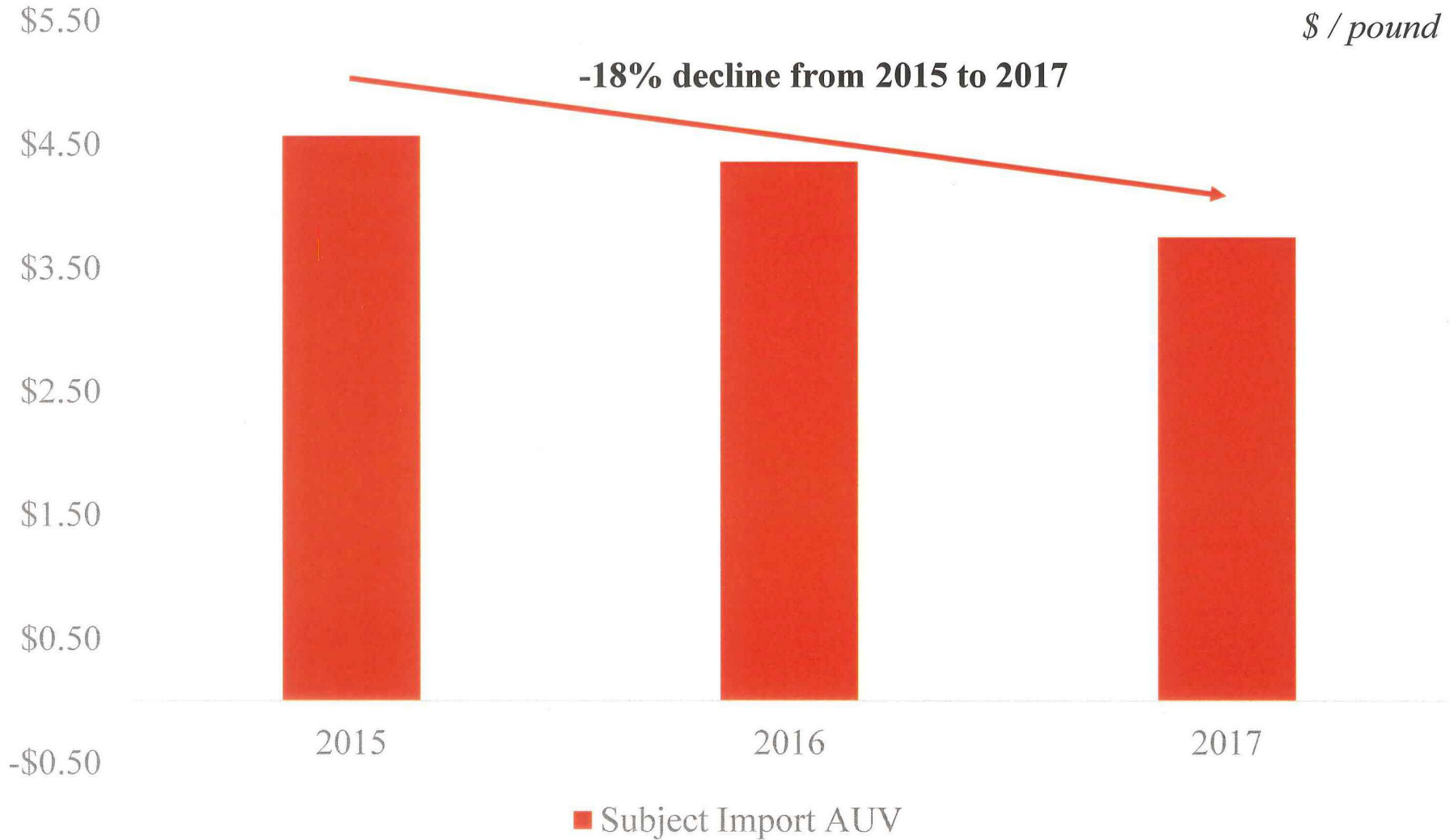
Purchasers confirm:

- Underselling
 - 83% of responding purchasers report that subject imports are lower priced than domestic product.
 - These purchasers are a large share of U.S. ribbon market.
- Lost sales
 - Purchasers purchased subject imports instead of domestic because of low prices.
- Lost revenue
 - U.S. producers were forced to lower prices to compete with subject imports.

Injury

Price

Subject Imports AUVs Declined



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Price

Subject Imports Depressed U.S. Prices

- Virtually all annual AUVs declined over the POI.
 - U.S. producers' shipments, net sales, and pricing product AUVs
 - Subject importers' imports, shipments, and pricing product AUVs
- Purchasers confirm price depression.
- Product mix does not explain declining trend.
 - Declining AUVs across a range of narrowly defined products

Injury

Price

Subject Imports Suppressed U.S. Prices

- The domestic industry experienced a cost-price squeeze
 - Rising costs (raw materials and overall COGS)
 - Declining prices
- Compressed gross profits

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Price

Price Conclusions

- Underselling
- Price Depression
- Price Suppression

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Impact

Domestic Trade Performance Declined

From 2015 to 2017 :

- Production declined
- Capacity utilization declined
- Shipment quantity and value declined
- Market share declined (by quantity and value)
- Unit values declined

Injury

Impact

Domestic Financial Performance Declined

- Domestic industry operating and financial performance has declined since 2015, the year Berwick Offray acquired Hollywood Ribbon.
- From 2015 to 2017 :
 - Net sales value, quantity, and unit values declined
 - Gross profits, operating income, and net income declined.
 - Gross margins, operating margins, and net margins declined
 - COGS increased as a share of net sales
 - Return on assets declined

Domestic Employment Declined

Declining shipments from 2015 to 2017 led to:

- Declining number of production workers
- Declining hours worked
- Declining annual wages

Threat

The Domestic Industry Is Threatened: Vulnerability

- The conditions of competition conspire to make the domestic industry especially vulnerable to injury:
 - Intense price competition, high price visibility, and increasing importance of direct Internet sales.
 - Customer base is concentrated
 - Seasonal disconnect between production expenses and payment for final goods
- Trade, financial, and employment indicia all demonstrate vulnerability.
- The domestic industry is unable to fully pass on increases in material costs.

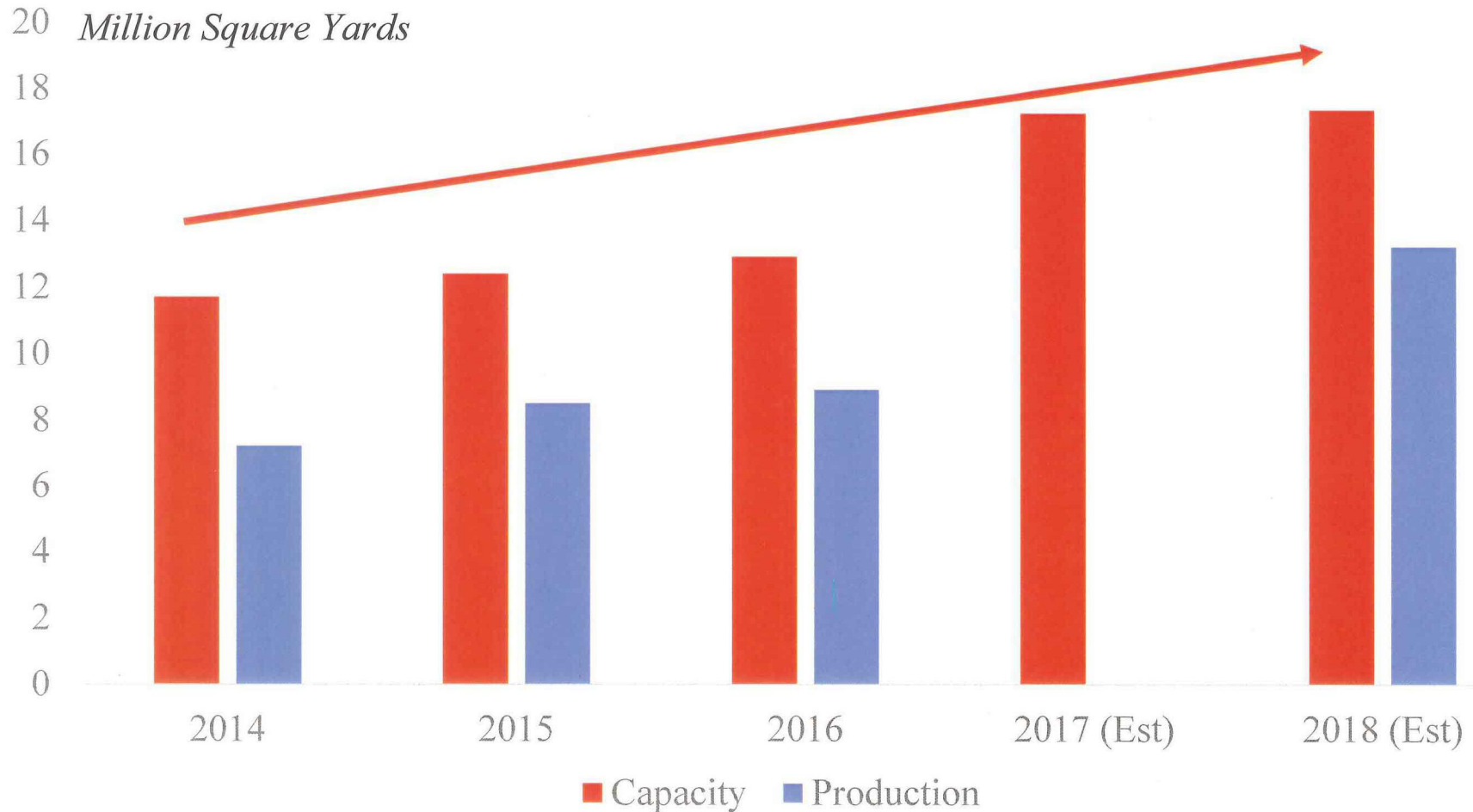
The Industry in China

The industry in China:

- Declined to participate in these investigations
- Is export oriented
- Has significant excess capacity
- Is projected to increase capacity

Threat

Capacity in China Increased by 39 Percent



Source: Prehearing Report Table D-1 (based on data collected in the preliminary phase). Estimates based on responses to Foreign Producers' Questionnaires. (2017 estimated production is BPI.)

Threat

The Domestic Industry Is Threatened: Statutory Factors

Volume

- ☑ Increases in production capacity, or existing unused capacity, in the exporting country likely to result in increases in imports to the U.S.
- ☑ Rate of increase of the volume or market penetration and likelihood of further increases in subject imports.
- ☑ Information regarding the countervailable subsidy and whether imports are likely to increase.

Price

- ☑ Whether prices are likely to cause significant price depression or suppression and increased demand for further imports.

Impact

- ☑ Actual and potential negative effects on the production efforts of the domestic industry.
- ☑ Any other demonstrable adverse trends indicating the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).