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Wooden Cabinets and Vanities from China

Inv. Nos. 701-TA-620 and 731-TA-1445

Presentation of the Domestic Industry

February 20, 2020

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Introduction

- The prehearing report demonstrates that imports of wooden cabinets and vanities from China are materially injuring, and threaten, the domestic industry
- Subject imports increased by 54 percent during the POI, reaching about 21.6 million cabinets and $1.6 billion in 2018
- U.S. demand is strong and growing, but Chinese imports are taking market share at the direct expense of the domestic industry
- Chinese imports consistently undersell domestic products
- Domestic producers' financial performance has declined significantly

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Single Domestic Like Product Coextensive With the Scope

- Includes both wooden components and full units
  - All components are dedicated for use in a full unit
- Includes both kitchen cabinets and vanities
  - Questionnaire responses establish both products as having similar physical characteristics, end-uses and channels of distribution
  - Sold as a single continuum of product
- Includes furniture style vanities
- Includes cabinets and vanities sold to the hospitality industry

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Price is the Number One Purchasing Factor

74 % of responding purchasers named price/cost as the 1st or 2nd purchasing factor

Table II-7
WCVs: Ranking of factors used in purchasing decisions, as reported by purchasers, by factor

Item	1st	2nd	3rd	Total
	Number of firms			
Price / Cost	18	7	9	34
Quality	7	15	4	26
Lead time / Delivery	6	8	9	23
Availability / Supply	4	6	4	14
Product features/range	4	2	3	9
Value	2	0	2	4
Service	0	1	6	7
All other factors[1]	3	2	3	8

Note: Other factors included RTA, domestic, and supplier reputation for first factor, dependability and (contracts, assembled, capacity, and management team) combined for second factor, and standard brand items, credit, and options for third factor.

Source: Prehearing Staff Report Table II-7, p. II-17.

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U.S. and Chinese Product Are Similar On Most Factors Except for Price

Table II-13
WCVs: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. China			U.S. vs. Nonsubject			China vs. Nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	9	24	7	5	12	2	4	12	2
Reliability of supply	9	26	4	3	14	1	4	12	2
Product consistency	6	26	6	4	14	1	5	13	---
Quality of finish	7	25	8	3	11	4	4	13	1
Quality meets industry standards	7	32	1	4	13	1	3	15	---
Price	1	6	33	2	6	11	10	6	2
Lead time - assembled	12	14	12	10	6	2	4	8	4
Technical support/service	17	20	1	7	10	1	3	14	---
Packaging	8	28	4	4	13	2	3	14	1
Delivery terms	7	26	7	4	11	3	4	11	2
Form (assembled or RTA flat pack)	3	18	14	1	10	5	7	10	---
Lead time - RTA flat pack	4	10	19	5	6	3	7	8	2
Quality exceeds industry standards	9	28	2	2	14	2	3	15	---
Discounts offered	3	18	17	3	10	5	6	11	1
Wood type or material	9	26	4	3	13	2	2	16	---
U.S. transportation costs	6	26	6	5	10	3	4	12	2
Product range	17	21	2	6	11	2	3	13	2
Payment terms	5	29	4	4	14	1	4	14	---
Minimum quality requirements	10	24	5	6	10	1	5	9	4
Provision of other products and services	10	21	---	3	14	1	3	14	---
Customization	20	16	3	8	10	1	3	14	1

Note: A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.
Note: S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

Source: Prehearing Staff Report Table II-13, p. II-23.

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KBIS 2019

- Chinese producers are targeting the US market

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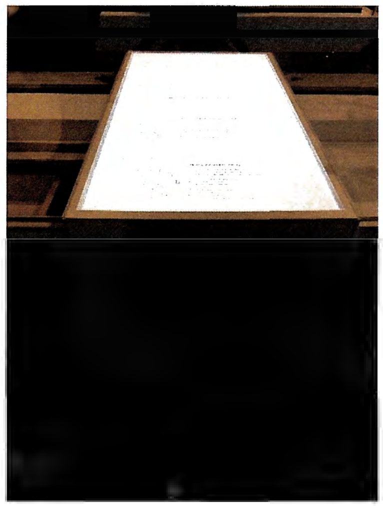
FABUWOOD



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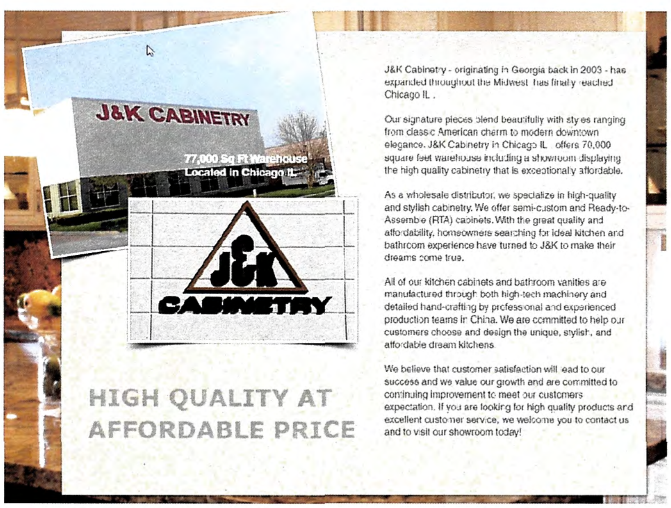
J&K CABINETRY



"We offer semi-custom and Ready-to Assemble (RTA) cabinets."

J&K is the affiliated and exclusive importer for Dalian Meisen – dumping margin **262.18%**

Source: https://www.jandkcabinetrychicago.com/about.

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SAME DAY CABINETS / ECO WOOD

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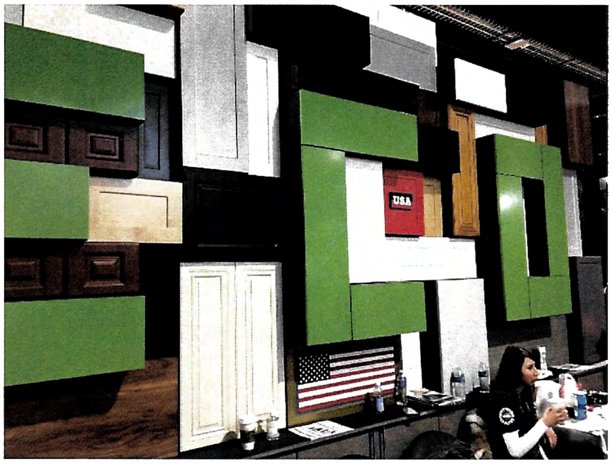
SAME DAY CABINETS/ECO WOOD



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SAME DAY CABINETS/ECO WOOD

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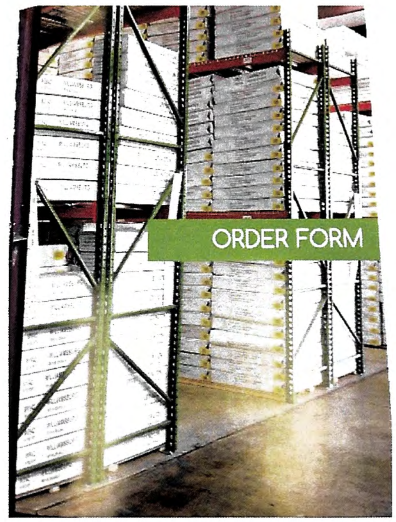
SAME DAY CABINETS/ECO WOOD



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Chinese and U.S. Product Compete Head-to-Head on All Cabinet and Vanity Types

Table II-11
WCVs: Availability of custom, semi-custom, and stock WCVs, by source

Cabinet/vanity type	United States		China		Nonsubject	
	No	Yes	No	Yes	No	Yes
Custom	0	39	19	16	5	12
Semi-custom	0	40	11	26	4	14
Stock	5	35	0	38	4	16

Source: Compiled from data submitted in response to Commission questionnaires.

Source: Prehearing Staff Report Table II-11, p. II-21.

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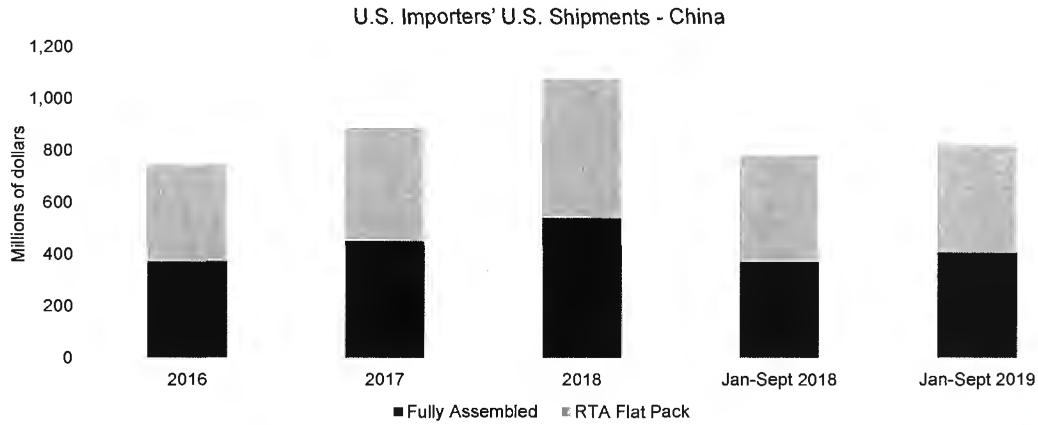
RTA Flat Packs Compete Head-to-Head with Domestic Product



Source: Prehearing Staff Report Table IV-5, p. IV-12.

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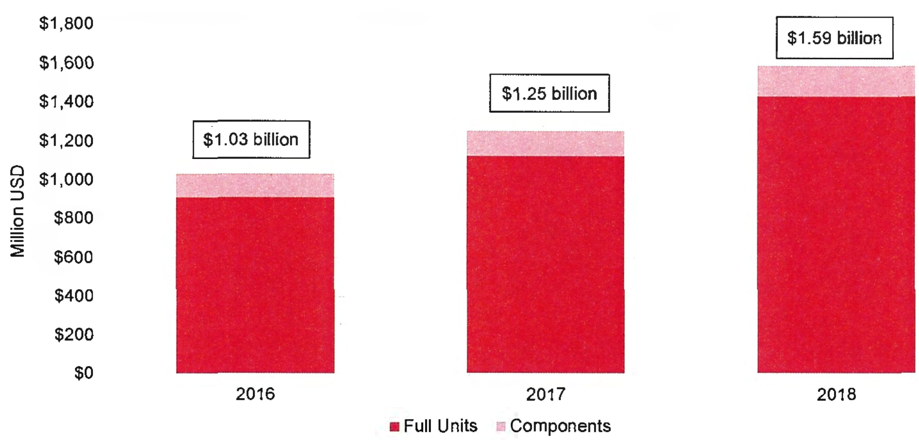
Subject Imports Grew 54% During the POI



Source: Prehearing Staff Report Table IV-2, p. IV-6.

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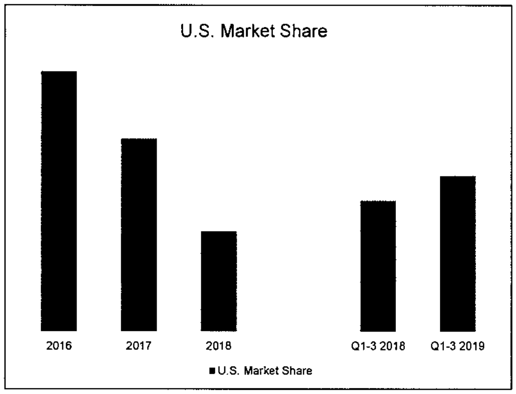
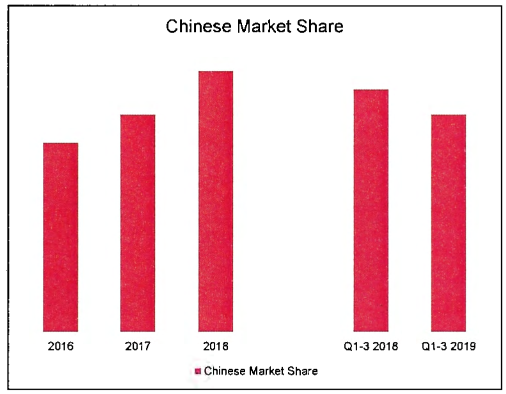
The Domestic Industry Lost Market Share to Subject Imports





Source: Prehearing Staff Report Table C-1, p. C-3.

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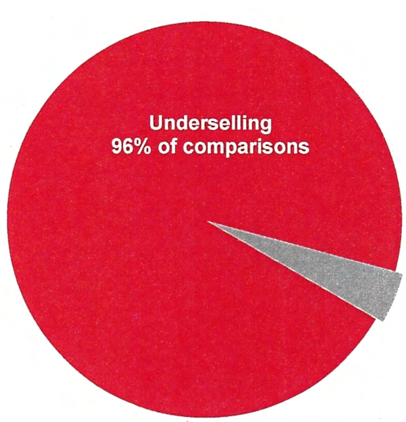
Chinese Product Predominantly Undersold the Domestic Product During the POI



- Chinese product undersold the domestic product in 115 of 120 comparisons
- Average underselling margins were very substantial

Source: Prehearing Staff Report Table V-12, p. V-28.

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Purchasers confirmed they purchased Chinese instead of US product because of lower price

Purchased Chinese product instead of domestic since 2016?	**59%** (24 out of 41)
Chinese product lower priced?	**92%** (23 out of 25)
Price was a primary reason for purchasing Chinese product? (Total $ amount BPI)	**75%** (18 out of 24)

Source: Prehearing Staff Report Table V-14.

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Preliminary Margins

Antidumping Duty Margins	
The Ancientree Cabinet Co., Ltd.	4.49 percent
300 Chinese producers	**39.25 percent**
Foremost Worldwide Company Limited	80.96 percent
Dalian Meisen Woodworking Co., Ltd.	262.18 percent
China-wide entity	262.18 percent
Countervailing Duty Margins	
Countervailing duty margins	Between 10.97 and 229.24 percent

Source: Prehearing Staff Report at Table I-1, p. I-4 and Appendix D.

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All Major Trade and Financial Indicators Declined During the POI

Indicator	Change 2016-2018
Production	⬇
Capacity Utilization	⬇
U.S. Shipment Quantity	⬇
Net Sales Quantity	⬇
Gross Profit	⬇
Operating Income	⬇
Net Income	⬇
Capital Expenditures	⬇

Source: Prehearing Staff Report Table C-1, p. C-3.

The Domestic Industry's Financial Performance Has Declined

- Demand for wooden cabinets and vanities increased during the POI
- Despite strong demand, dumped and subsidized Chinese imports deprived the domestic industry of increased shipments
- The financial performance of the industry suffered and U.S. producers have shuttered facilities
  - Operating income and margins declined significantly

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Negative Effects Highlighted in Public Financial Statements

AMERICAN WOODMARK
2019
ANNUAL REPORT

"We also face competition with respect to some of our products from competitors in countries with lower regulatory, safety, environmental, and other costs, such as China. These competitors may also benefit from certain local government subsidies or other incentives that are not available to us."

2018 ANNUAL REPORT
Fortune Brands
A home and security company

"We also face increasing pressure from imported 'flat pack' cabinets."

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Actual Negative Effects Caused by Subject Imports

MasterBrand

- U.S. manufacturing operations have been discontinued, closed or idled
- Canceled participation in recent trade shows
- Capital investment spending is down
- Unable to invest in R&D or other strategic initiatives

American Woodmark

- Dumped imports impacted their decision not to invest in a next generation plant
- Forced to make investments in a lower cost acquisition

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Actual Negative Effects Caused by Subject Imports

ACPI

- 2016 expansion at Mt. Union, PA facility did not meet anticipated growth levels, particularly in multifamily and distributor channels

Showplace

- Did not proceed with cabinet production expansion due to slowing sales and significant margin erosion
- Lost showroom space to Chinese product lines. Must now heavily discount its products and include, as standard, options and features that were once charged a premium

Kitchen Kompact

- Declining sales has not allowed investments in new equipment and machinery

Wellborn

- Operating profit declined in part by pricing concessions, due to the impact of low priced import product in the market. The profit erosion is impacting the overall return on capital of the business

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Chinese Imports Threaten the Domestic Industry with Further Injury

- Declining profitability and loss of market share have rendered the domestic industry **vulnerable**
- The **subsidies** received by the Chinese wooden cabinet and vanity industry encourage exports
- The Chinese industry has large amounts of **available capacity**, is adding capacity and can expand production
- Chinese imports **undersell** the domestic product consistently and by significant margins
- Competition with Chinese imports has **harmed and discouraged investments** in new equipment and technology by the domestic industry

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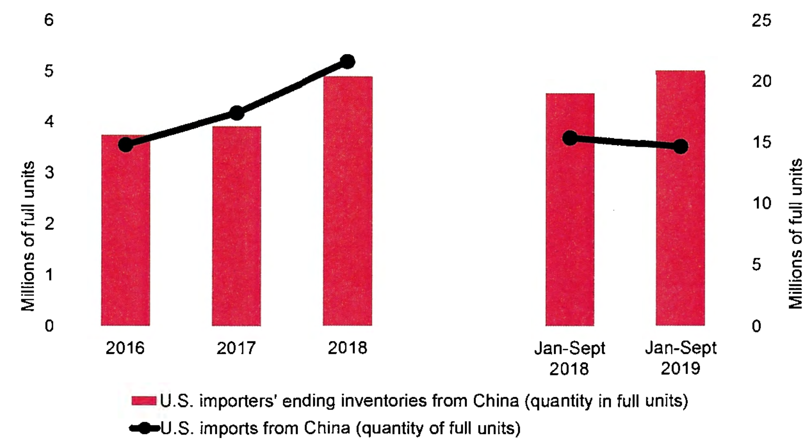
U.S. importers' inventories of Chinese product increased by 30 percent during the POI



Source: Prehearing Staff Report Table VII-8, p. VII-18; and Table IV-2, p. IV-6.

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All Major Trade and Financial Indicators Declined During the POI

Indicator	Change 2016-2018
Production	↓
Capacity Utilization	↓
U.S. Shipment Quantity	↓
Net Sales Quantity	↓
Gross Profit	↓
Operating Income	↓
Net Income	↓
Capital Expenditures	↓

Source: Prehearing Staff Report Table C-1, p. C-3.

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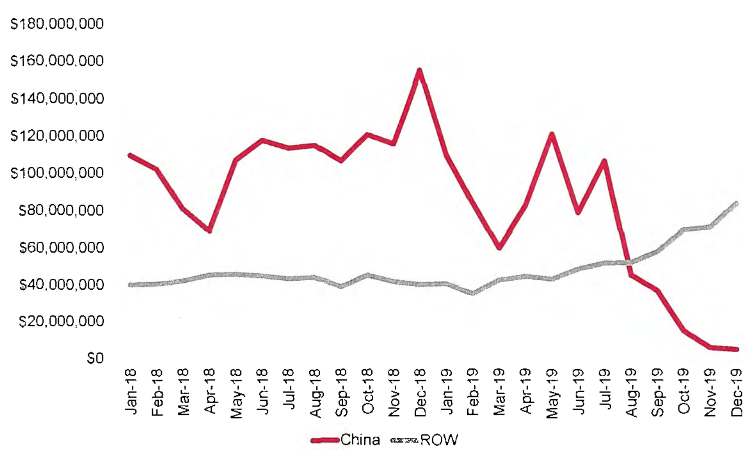
Chinese Imports Have Been Significantly Impacted by the Filing of Trade Cases



Source: USITC Dataweb, HTS 9403.40.9060.

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Cabinets and Vanities are Fully/Mostly Comparable

Table F-1
WCVs: U.S. producers', U.S. importers', and U.S. purchasers' comparisons of cabinets and vanities

Factor	U.S. producers				U.S. importers				U.S. purchasers			
	F	M	S	N	F	M	S	N	F	M	S	N
	Count of firms											
Physical characteristics	28	13	2	2	12	17	23	21	10	12	10	3
Interchangeability	24	15	3	3	12	8	21	31	9	10	11	4
Channels	34	7	1	—	37	19	12	3	19	11	5	—
Manufacturing	37	5	1	—	46	14	5	5	21	5	4	—
Perceptions	26	16	2	—	28	18	16	10	15	11	6	3
Price	28	15	1	—	25	18	15	14	11	11	10	2

Note: F = Fully comparable, M = Mostly comparable, S = Somewhat comparable, N = Not-at-all comparable

Source: Prehearing Staff Report at Table F-1, p. F-3.

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Furniture Style Vanities are Fully/Mostly Comparable

Table F-5
WCVs: U.S. producers', U.S. importers', and U.S. purchasers' comparisons of furniture style vanities and all other full-unit cabinets/vanities

Factor	U.S. producers				U.S. importers				U.S. purchasers			
	F	M	S	N	F	M	S	N	F	M	S	N
	Count of firms											
Physical characteristics	8	24	4	1	2	4	23	15	3	10	15	5
Interchangeability	10	24	2	1	4	5	20	16	4	8	13	8
Channels	18	15	2	—	11	10	15	4	7	10	15	1
Manufacturing	14	18	2	1	8	8	14	11	7	10	8	1
Perceptions	8	26	1	1	5	9	17	10	6	9	14	5
Price	6	24	5	—	3	5	17	13	3	6	16	6

Note: F = Fully comparable, M = Mostly comparable, S = Somewhat comparable, N = Not-at-all comparable

Source: Prehearing Staff Report at Table F-5, p. F-21.

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Hospitality Style Cabinets and Vanities are Fully/Mostly Comparable

Table F-9
WCVs: U.S. producers', U.S. importers', and U.S. purchasers' comparisons of hospitality style cabinets and vanities and all other full-unit cabinets/vanities

Factor	U.S. producers				U.S. importers				U.S. purchasers			
	F	M	S	N	F	M	S	N	F	M	S	N
	Count of firms											
Physical characteristics	9	19	3	1	4	5	11	8	2	6	11	1
Interchangeability	11	17	3	1	4	5	8	11	2	6	10	1
Channels	12	16	2	2	3	7	6	11	—	6	11	1
Manufacturing	11	17	2	1	5	7	9	5	2	7	6	1
Perceptions	6	20	5	2	3	7	8	9	1	7	9	1
Price	6	22	4	—	2	5	8	10	—	6	10	1

Note: F = Fully comparable, M = Mostly comparable, S = Somewhat comparable, N = Not-at-all comparable

Source: Prehearing Staff Report at Table F-9, p. F-38.

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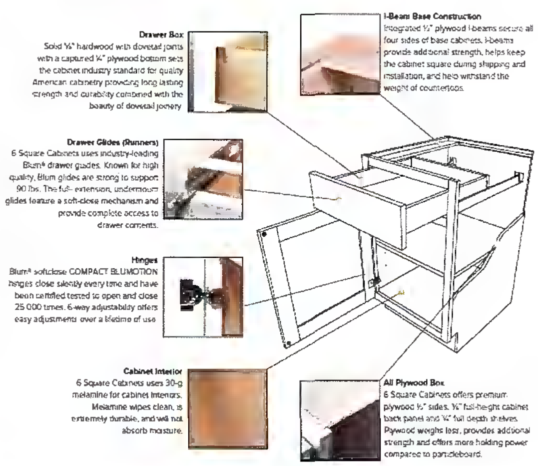
6 SQUARE CABINETS

- construction



Sides:	1/2-inch plywood; never particleboard
Back Panel:	3/8-inch plywood; never particleboard
Faceframe:	solid hardwood
Door Construction:	Solid hardwood stiles & rails
Wood Species:	maple, cherry, oak, birch
Drawer Box:	5/8-inch hardwood; dovetail joints
Interior:	Easy-to-clean Melamine
Drawer Glides:	Blum® soft-close, full-extension undermount
Hinges:	Blum® soft-close, steel, 6-way adjustable
Shelves:	full-depth plywood; never particleboard
Customization:	Built-to-fit with option to customize
Assembly:	Factory-assembled
Shipping:	Free on most orders*
Warranty:	Limited Lifetime warranty

Source: https://www.6squarecabinets.com/construction/.

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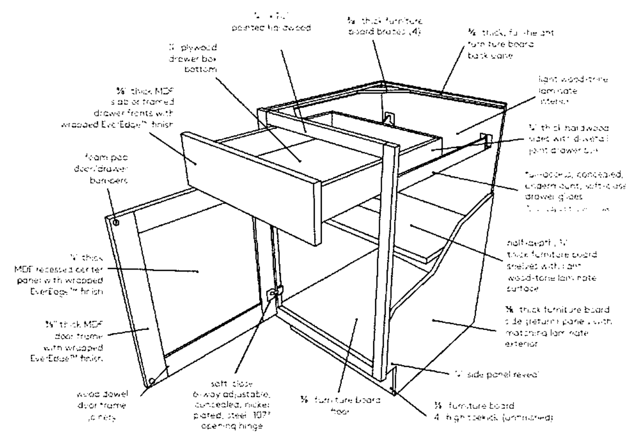
CLIQSTUDIOS

CLASSIC LINE AT A GLANCE

Our value construction to meet anyone's budget



Source: https://www.cliqstudios.com/construction-specifications/

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ANAHEIM KITCHEN & BATH

White Shaker

- All wood construction. No Particleboard
- Full overlay doors with high quality multi coat stain finish
- 1/2" Plywood all sides and back panel with Furniture veneer
- Exterior matching door color
- 3/4" Plywood full-depth banded Shelf w/Furniture veneer. Natural finish
- 6-way Adjustable concealed hinge
- Epoxy white under mount glide
- Vast line of accessories to make your kitchen more flexible and unique
- Soft-closing hardware upgrade is standard on most cabinet styles

Source: https://kovillecabinetry.com/white-shaker/

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