

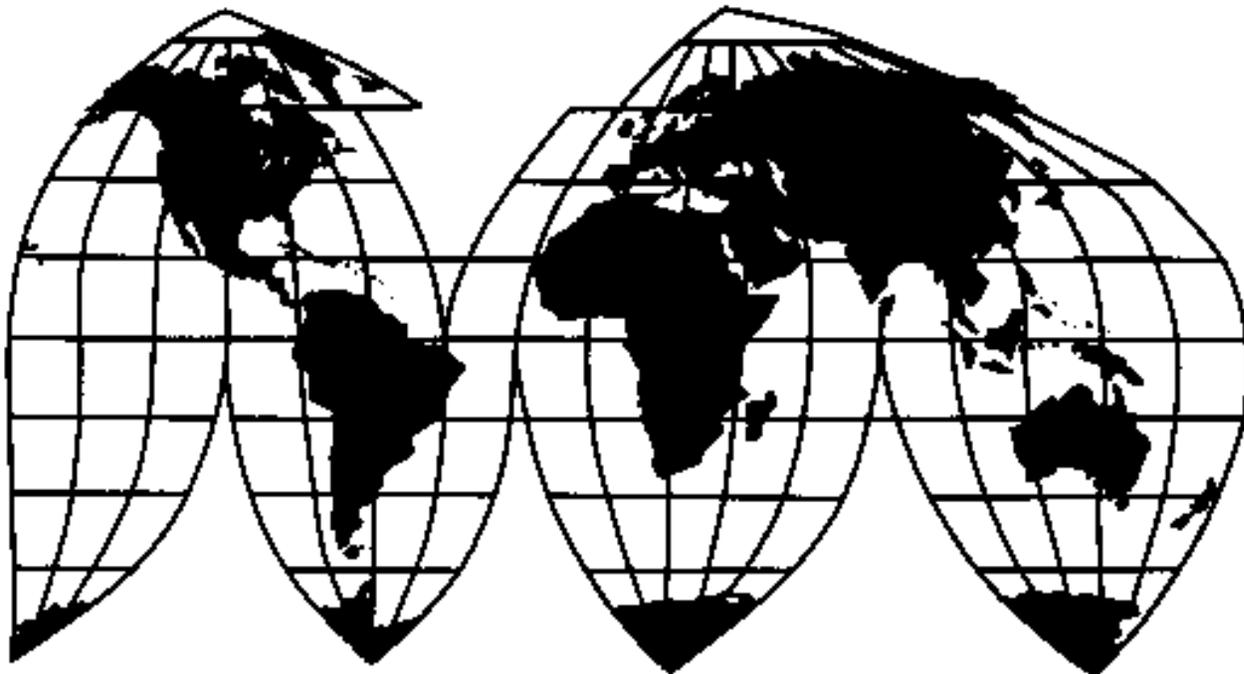
# Wooden Bedroom Furniture From China

Investigation No. 731-TA-1058 (Preliminary)

Publication 3667

January 2004

U.S. International Trade Commission



# U.S. International Trade Commission

## COMMISSIONERS

**Deanna Tanner Okun, Chairman**  
**Jennifer A. Hillman, Vice Chairman**  
**Marcia E. Miller**  
**Stephen Koplan**  
**Charlotte R. Lane**  
**Daniel R. Pearson**

---

Robert A. Rogowsky  
*Director of Operations*

---

### *Staff assigned*

Fred Fischer, *Investigator*  
Gerald Benedick, *Economist*  
Josephine Spalding-Masgarha, *Industry Analyst*  
Justin Jee, *Accountant/Auditor*  
Mara Alexander, *Statistician*  
Neal Reynolds, *Attorney*  
George Deyman, *Supervisory Investigator*

**Address all communications to**  
**Secretary to the Commission**  
**United States International Trade Commission**  
**Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436  
*www.usitc.gov*

## Wooden Bedroom Furniture From China

Investigation No. 731-TA-1058 (Preliminary)

Publication 3667



January 2004



## CONTENTS

	<b>Page</b>
<b>Part I: Introduction</b> .....	I-1
Background .....	I-1
Previous investigations .....	I-2
Organization of the report .....	I-2
Summary of data presented in the report .....	I-2
The nature and extent of alleged sales at LTFV .....	I-3
Summary of market participants .....	I-3
The subject product .....	I-4
Scope .....	I-4
U.S. tariff treatment .....	I-5
Domestic like product issues .....	I-6
Physical characteristics and uses .....	I-7
Common manufacturing facilities and production employees .....	I-8
Interchangeability and customer and producer perceptions .....	I-9
Channels of distribution .....	I-10
Price .....	I-10
<b>Part II: Conditions of competition in the U.S. market</b> .....	II-1
Channels of distribution .....	II-1
Market characteristics .....	II-3
Supply and demand considerations .....	II-6
U.S. supply .....	II-8
Subject imports .....	II-10
Nonsubject imports .....	II-11
U.S. demand .....	II-11
Substitutability issues .....	II-18
<b>Part III: U.S. producers' production, shipments, and employment</b> .....	III-1
U.S. producers .....	III-1
U.S. capacity, production, and capacity utilization .....	III-3
U.S. producers' shipments .....	III-4
U.S. producers' purchases .....	III-5
U.S. producers' inventories .....	III-6
U.S. employment, wages, and productivity .....	III-7
<b>Part IV: U.S. imports, apparent consumption, and market shares</b> .....	IV-1
U.S. importers .....	IV-1
U.S. imports .....	IV-1
U.S. producers' imports .....	IV-4
Apparent U.S. consumption and U.S. market shares .....	IV-4

**CONTENTS—Continued**

	<b>Page</b>
<b>Part V: Pricing and related information</b> .....	V-1
Factors affecting pricing .....	V-1
Raw material costs, fit, finish, and size/scale .....	V-1
Tariff rates and transportation costs to the U.S. market .....	V-4
U.S. inland transportation costs .....	V-4
Exchange rates .....	V-6
Pricing practices .....	V-7
Price data .....	V-9
Price trends .....	V-13
Price comparisons .....	V-20
Lost sales and lost revenues .....	V-27
<b>Part VI: Financial condition of the U.S. producers</b> .....	VI-1
Background .....	VI-1
Operations on wooden bedroom furniture .....	VI-1
Investment in productive facilities, capital expenditures, and research and development expenses .....	VI-4
Capital and investment .....	VI-5
<b>Part VII: Threat considerations</b> .....	VII-1
The industry in China .....	VII-1
U.S. importers' inventories .....	VII-4
U.S. importers' current orders .....	VII-4
Antidumping duty orders in third-country markets .....	VII-4
 <b>Appendixes</b>	
A. <i>Federal Register</i> notices .....	A-1
B. Calendar of public conference .....	B-1
C. Summary data .....	C-1
D. The relationships among nominal exchange rates, real exchange rates, and producer price trends, and the impact of changes in their values on prices of exports and imports .....	D-1
E. U.S. retailers' import price data for their imported wooden bedroom furniture from China ...	E-1
F. Alleged effects of imports on U.S. producers' existing development and production efforts, growth, investment, and ability to raise capital .....	F-1

**CONTENTS—Continued**

	<b>Page</b>
<b>Figures</b>	
II-1. Wooden bedroom furniture: Values of total U.S. shipments of domestic and imported Chinese wooden bedroom furniture, by type of customer, January 2000-June 2003 . . .	II-2
IV-1. Wooden bedroom furniture: U.S. imports, by sources, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-3
IV-2. Wooden bedroom furniture: U.S. producers' subject imports as a share of domestically produced U.S. shipments, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-7
IV-3. Wooden bedroom furniture: Apparent U.S. consumption, by sources, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-9
V-1. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced and imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) sold to U.S. retailers, by quarters, January 2000-June 2003 .	V-18
V-2. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced and imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) sold to U.S. retailers, by quarters, January 2000-June 2003 .	V-18
VII-1. Wooden bedroom furniture: China's capacity, production, and capacity utilization, 2000-02, January-June 2002, and January-June 2003 . . . . .	VII-3
E-1. Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities and wholesale selling prices and quantities of imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) imported by U.S. retailers and by firms selling at wholesale, respectively, by quarters, January 2000-June 2003. . . . .	E-6
E-2. Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities and wholesale selling prices and quantities of imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) imported by U.S. retailers and by firms selling at wholesale, respectively, by quarters, January 2000-June 2003. . . . .	E-6
<b>Tables</b>	
I-1. Wooden bedroom furniture: Chronology of investigation No. 731-TA-1058 . . . . .	I-1
I-2. Wooden bedroom furniture: Largest U.S. producers and U.S. importers of the subject merchandise, 2000-02 . . . . .	I-3
I-3. Wooden bedroom furniture: Largest U.S. purchasers of domestically produced product and subject merchandise imported from China, 2000-02 . . . . .	I-3
I-4. Wooden bedroom furniture: Tariff rates, 2003 . . . . .	I-6
II-1. Wooden bedroom furniture: Perceived degree of interchangeability of wooden bedroom furniture produced in the United States, imported from China, and imported from third countries . . . . .	II-18
II-2. Wooden bedroom furniture: Perceived importance of differences in factors other than price between wooden bedroom furniture produced in the United States, imported from China, and imported from third countries and sold in the U.S. market . . . . .	II-19

**CONTENTS—Continued**

	<b>Page</b>
<b>Tables—Continued</b>	
III-1. Wooden bedroom furniture: U.S. producers, locations of corporate headquarters, positions taken with respect to the petition, shares of reported domestically produced U.S. shipments in 2002, and whether firms directly imported the subject merchandise from China in January 2000-June 2003 . . . . .	III-2
III-2. Wooden bedroom furniture: U.S. producers' capacity, production, and capacity utilization, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-3
III-3. Wooden bedroom furniture: U.S. producers' shipments, by types, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-4
III-4. Wooden bedroom furniture: U.S. producers' purchases, by sources, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-5
III-5. Wooden bedroom furniture: U.S. producers' purchases of subject imports, U.S. shipments, and ratio of purchases of subject imports to U.S. shipments, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-5
III-6. Wooden bedroom furniture: U.S. producers' end-of-period-inventories, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-6
III-7. Wooden bedroom furniture: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2000-02, January-June 2002, and January-June 2003 . . . . .	III-7
III-8. Wooden bedroom furniture: U.S. producers reporting union representation of their production and related workers . . . . .	III-8
IV-1. Wooden bedroom furniture: U.S. imports, by sources, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-2
IV-2. Wooden bedroom furniture: U.S. producers' direct imports of the subject merchandise from China, and U.S. producers' shipments of domestically produced product, by firms, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-5
IV-3. Wooden bedroom furniture: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2000-02, January-June 2002, and January-June 2003 . . . . .	IV-8
V-1. Wooden bedroom furniture: Ranges of net U.S. f.o.b. selling prices at the low and high price ends and simple averages of the reported prices for domestic and imported Chinese 4-piece wooden bedroom furniture suites, by quality categories, sold to U.S. retailers during 2002. . . . .	V-3
V-2. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003 . . . . .	V-14
V-3. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced products 2A-2D (Mission style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003 . . . . .	V-15

**CONTENTS—Continued**

	<b>Page</b>
<b>Tables—Continued</b>	
V-4. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003 . . . . .	V-16
V-5. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003 . . . . .	V-17
V-6a. Wooden bedroom furniture: Summary of quarterly U.S. weighted-average net f.o.b. selling price comparisons between the eight specified U.S.-produced and imported Chinese wooden bedroom furniture products based on sales to retailers during January 2000-June 2003, and reported Chinese import quantities involved in the price comparisons. . . . .	V-21
V-6b. Wooden bedroom furniture: Summary of quarterly U.S. weighted-average net f.o.b. selling price comparisons of staff's constructed prices between a U.S.-produced and imported Chinese Louis Philippe style 4-piece bedroom furniture suite and a Mission style 4-piece bedroom furniture suite, which were based on sales of the individual specified furniture pieces in each suite to retailers during January 2000-June 2003 . . . . .	V-21
V-7. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling price of domestic and imported Chinese wooden bedroom furniture products 1A-1D (specified Louis Philippe style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling),by quarters, January 2000-June 2003. . . . .	V-22
V-8. Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling price of domestic and imported Chinese wooden bedroom furniture products 2A-2D (specified Mission style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling),by quarters, January 2000-June 2003. . . . .	V-24
V-9. Wooden bedroom furniture: U.S. producers' lost sales allegations. . . . .	V-28
V-10. Wooden bedroom furniture: U.S. producers' lost revenue allegations. . . . .	V-28
VI-1. Results of manufacturing operations of U.S. producers on wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003 . . . . .	VI-2
VI-2. Results of overall operations (including importing) of U.S. producers on wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003 . . . . .	VI-3
VI-3. Selected data for reporting U.S. producers of wooden bedroom furniture grouped by sales value, fiscal year 2002 . . . . .	VI-4
VI-4. Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003 . . . . .	VI-4

**CONTENTS—Continued**

	<b>Page</b>
<b>Tables—Continued</b>	
VII-1. Wooden bedroom furniture: Data on the industry in China, 2000-02, January-June 2002, January-June 2003, and projections for 2003-04 . . . . .	VII-2
VII-2. Wooden bedroom furniture: U.S. importers’ end-of-period inventories of imports, by sources, 2000-02, January-June 2002, and January-June 2003 . . . . .	VII-5
VII-3. Wooden bedroom furniture: U.S. importers’ orders and shipments, July 1, 2003-December 31, 2003 . . . . .	VII-6
C-1. Wooden bedroom furniture: Summary data concerning the U.S. market, 2000-02, January-June 2002, and January-June 2003 . . . . .	C-3
E-1. Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities of Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, imported by retailers, by quarters, January 2000-June 2003 . . . . .	E-6
E-2. Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities of Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) and constructed 4-piece suite prices, imported by retailers, by quarters, January 2000-June 2003. . . . .	E-6

**NOTE**

**Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.**

**UNITED STATES INTERNATIONAL TRADE COMMISSION****Investigation No. 731-TA-1058 (Preliminary)****WOODEN BEDROOM FURNITURE FROM CHINA****DETERMINATION**

On the basis of the record<sup>1</sup> developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured<sup>2</sup> by reason of imports from China of wooden bedroom furniture, provided for in subheading 9403.50.90 of the Harmonized Tariff Schedule of the United States (HTS),<sup>3</sup> that are alleged to be sold in the United States at less than fair value (LTFV).

**COMMENCEMENT OF FINAL PHASE INVESTIGATION**

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

**BACKGROUND**

On October 31, 2003, a petition was filed with the Commission and Commerce by the American Furniture Manufacturers Committee For Legal Trade, Washington, DC, and its individual members; Cabinet Makers, Millmen, and Industrial Carpenters Local 721, Whittier, CA; UBC Southern Council of Industrial Workers Local Union 2305, Columbus, MS; United Steel Workers of America Local 193U, Lewisburg, PA; Carpenters Industrial Union Local 2093, Phoenix, AZ; and Teamsters, Chauffeurs, Warehousemen and Helpers Local 991, Bay Minette, AL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of wooden bedroom furniture from China. Accordingly, effective October 31, 2003, the Commission instituted antidumping duty investigation No. 731-TA-1058 (Preliminary).

---

<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

<sup>2</sup> Commissioner Pearson makes a determination of threat of material injury.

<sup>3</sup> Subject merchandise may also be provided for in HTS subheadings 7009.92.50 and 9403.90.70.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of November 10, 2003 (68 FR 63816). The conference was held in Washington, DC, on November 21, 2003, and all persons who requested the opportunity were permitted to appear in person or by counsel.

**UNITED STATES INTERNATIONAL TRADE COMMISSION****Investigation No. 731-TA-1058 (Preliminary)****WOODEN BEDROOM FURNITURE FROM CHINA****VIEWS OF THE COMMISSION**

Based on the record in this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of wooden bedroom furniture from China that are allegedly sold in the United States at less than fair value (“LTFV”).<sup>1</sup>

**I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS**

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.<sup>2</sup> In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”<sup>3</sup>

**II. BACKGROUND**

Wooden bedroom furniture is wooden furniture that is designed and manufactured for use in the bedroom. As defined in the scope, wooden bedroom furniture consists of several different types of furniture, including such items as beds, night stands, chests, armoires, and dressers with mirrors. U.S. producers and importers of wooden bedroom furniture ship the large majority of their sales to retailers, and smaller amounts to the hospitality sector and furniture rental firms.

The petition in this investigation was filed on October 31, 2003. The petitioners include the American Furniture Manufacturers Committee for Legal Trade, which is an ad hoc association of 27 U.S. manufacturers of wooden bedroom furniture,<sup>4</sup> as well as the locals of five unions, including the Cabinet Makers, Millmen, and Industrial Carpenters Local 721; the UBC Southern Council of Industrial Workers

---

<sup>1</sup> Commissioner Pearson finds that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of wooden bedroom furniture from China that are allegedly sold in the United States at less than fair value (“LTFV”). See Separate Views of Commissioner Daniel R. Pearson. However, Commissioner Pearson agrees with the Commission’s findings with respect to the domestic like product, the domestic industry and related parties, and conditions of competition, and therefore joins in sections I-V of these views.

<sup>2</sup> 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996).

<sup>3</sup> American Lamb, 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

<sup>4</sup> The Committee includes such manufacturers as Bassett Furniture, Century Furniture, L. & J.G. Stickley, Hooker Furniture, Pennsylvania House, Vaughan-Bassett Furniture, and Vaughan Furniture.

Local Union 2305; the United Steel Workers of America Local 193U; the Carpenters Industrial Union Local 2093; and the Teamsters, Chauffeurs, Warehousemen and Helpers Local 991.

There are numerous producers of wooden bedroom furniture in the United States.<sup>5</sup> The ten largest U.S. producers accounted for more than 68 percent of reported domestic shipments of wooden bedroom furniture in 2002.<sup>6</sup> The U.S. wooden bedroom furniture industry held nearly 60 percent of the wooden bedroom furniture market in 2000 but lost 11.5 percentage points of market share to the subject imports from China through the end of 2002. It lost an additional 4.6 percentage points of market share to the subject imports in January-June (“interim”) 2003.<sup>7</sup>

There are a large number of producers of wooden bedroom furniture in China. The petition identified 133 Chinese producers and exporters of wooden bedroom furniture<sup>8</sup> and the record indicates that there may be over 300,000 producers of all categories of furniture in China.<sup>9</sup> China was the largest source of imported wooden bedroom furniture during the period, and shipped more than twice as much merchandise to the United States, in value terms, in 2002 than Canada, the next largest source of imports.

U.S. producers accounted for a substantial and growing percentage of the subject imports during the period. U.S. producers imported more than one third of the subject imports from China in 2002.<sup>10</sup> Moreover, U.S. producers’ imports of subject merchandise represented an increasing percentage of their shipments during the period, growing from a level equivalent to 6.0 percent of their domestically produced shipments in 2000 to 19.6 percent in 2002.<sup>11</sup>

Several respondent groups participated in the conference and filed briefs with the Commission, including the Furniture Retailers Group, an ad hoc association of 35 retailers and importers of wooden bedroom furniture,<sup>12</sup> the Chinese producers Lacquer Craft Manufacturing Co. and Markor International Furniture (Tianjin) Manufacturing Co., the Committee for Free Trade in Furniture,<sup>13</sup> and the largest U.S. producer of wooden bedroom furniture, Furniture Brands International.<sup>14 15</sup>

---

<sup>5</sup> The petition identified 125 U.S. producers of wooden bedroom furniture.

<sup>6</sup> Confidential Report (“CR”) at I-4, Public Report (“PR”) at I-3.

<sup>7</sup> CR and PR at Table C-1.

<sup>8</sup> CR and PR at VII-1, n. 3.

<sup>9</sup> CR and PR at VII-4.

<sup>10</sup> CR and PR at IV-4.

<sup>11</sup> CR and PR at IV-4.

<sup>12</sup> The Group includes the furniture retailers The Bombay Company, Crate & Barrel, City Furniture, J.C. Penney, Haverty Furniture Companies, Rhodes Furniture, Rooms To Go Furniture Corp., Wickes Furniture Inc., and Pier 1 Imports, among others.

<sup>13</sup> The Committee includes the furniture manufacturers and retailers AICO Furniture, Fine Furniture Design & Marketing, Kemp Furniture, Legacy Classic Furniture, Magnussen Home, Samuel Lawrence Furniture, Schnadig Furniture, and Universal Furniture International.

<sup>14</sup> Furniture Brands manufactures and sells such furniture brands as Lane, Broyhill, Thomasville, Drexel Heritage, Henredon, and Maitland Smith.

<sup>15</sup> Several Chinese producers and U.S. importers of wooden bedroom furniture (including Rui Feng Woodwork, Rui Feng Lumber Development, Naihui Jiantai Woodwork, Yangchun Hangli Furniture Co., Dorbest Ltd., American Signature Inc., Value City Imports, and Value City Furniture) entered appearances in the proceeding but did not appear at the conference or file briefs with the Commission

### III. DOMESTIC LIKE PRODUCT

#### A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>16</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (the Act), defines the relevant domestic industry as the “[w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>17</sup> In turn, the Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . .”<sup>18</sup>

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>19</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>20</sup> The Commission looks for clear dividing lines among possible like products, and disregards minor variations.<sup>21</sup> Although the Commission must accept the determination of the Department of Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>22</sup> The Commission must base its domestic like product determination on the record in the investigation before it. The Commission is not bound by prior determinations, even those pertaining to the same

---

<sup>16</sup> 19 U.S.C. § 1677(4)(A).

<sup>17</sup> *Id.*

<sup>18</sup> 19 U.S.C. § 1677(10).

<sup>19</sup> See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>20</sup> See, e.g., S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess., at 90-91 (1979).

<sup>21</sup> Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>22</sup> Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission’s determination of six domestic like products in investigations where Commerce found five classes or kinds).

imported products, but may draw upon previous determinations in addressing pertinent like product issues.<sup>23</sup>

## B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as “wooden bedroom furniture.” Wooden bedroom furniture is defined in the scope as being:

generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, or bedrooms, in which all of the individual pieces are of approximately the same style and approximately the same material and/or finish. The subject merchandise are made substantially of wood products, including both solid wood and also engineered wood products made from wood particles, fibers, or other wooden materials such as plywood, oriented strand board, particle board, and fiberboard; with or without wood veneers, wood overlays, or laminates; with or without non-wood components or trim such as metal, marble, leather, glass, plastic, or other resins; and whether or not assembled, completed, or finished.

The subject merchandise includes (1) wooden beds, such as loft beds, bunk beds, and other beds; (2) wooden headboards for beds (whether stand alone or attached to side rails), wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds; (3) night tables, night stands, dressers, commodes, bureaus, mule chests, gentlemen’s chests, bachelor’s chests, lingerie chests, wardrobes, vanities, chessers, chifforobes, and wardrobe-type cabinets; (4) dressers with framed glass mirrors that are attached to, incorporated in, sit on, or hang over the dresser; (5) chests-on-chests, highboys, lowboys, chests of drawers, chests, door chests, chiffoniers, hutches, and armoires; (6) desks, computer stands, filing cabinets, book cases, or writing tables that are attached to or incorporated in the subject merchandise; and (7) other bedroom furniture consistent with the above list.<sup>24</sup>

Commerce excluded from the scope a number of categories of furniture that might otherwise be used in a bedroom, such as seats, chairs, benches, couches, sofas, sofa beds, stools and other seating furniture; mattresses, mattress supports (including box springs), infant cribs, water beds, and futon frames; office furniture, such as desks, stand-up desks, computer cabinets, filing cabinets, credenzas, and bookcases; dining room or kitchen furniture, such as dining tables, chairs, servers, sideboards, buffets, corner cabinets, china cabinets, and china hutches; and other non-bedroom furniture, such as television cabinets, cocktail tables, end tables, occasional tables, wall systems, book cases, and entertainment systems.<sup>25</sup>

---

<sup>23</sup> See Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int’l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int’l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int’l Trade 1988).

<sup>24</sup> 68 Fed. Reg. 70228 (December 17, 2003).

<sup>25</sup> 68 Fed. Reg. 70228 (December 17, 2003).

Commerce also excluded from the scope of the investigation any bedroom furniture that is “made primarily of wicker, cane, osier, bamboo or rattan,” or “in which bentwood parts predominate.”<sup>26</sup> Moreover, Commerce excluded from the scope side rails for beds that are made of metal if the rails are sold separately from the head and footboard.<sup>27</sup>

Wooden bedroom furniture includes furniture that is made of wood or wood products and is designed and manufactured for use in the bedroom. As defined in the scope, wooden bedroom furniture consists of a number of different individual items of furniture, including such items as beds, night stands, chests of drawers, armoires, and dressers with mirrors. Each of these items has somewhat different physical characteristics, configurations, and uses, but all share the same physical characteristic of being produced of wood or wood products and of being intended for use in a bedroom. Wooden bedroom furniture is used primarily in residences and lodging, and care facilities, such as assisted living facilities.<sup>28</sup>

### C. Positions of the Parties

*Petitioners.* The petitioners argue that the Commission should find one domestic like product consisting of all wooden bedroom furniture as that term is defined in the scope of the investigation.<sup>29</sup> Petitioners argue that all bedroom furniture – whether beds, night stands, dressers, or chests of drawers – are designed, manufactured, distributed, marketed, displayed and sold in integrated units of furniture known as a “suites” in the industry.<sup>30</sup> Petitioners assert that, while an individual retail consumer of bedroom furniture may choose to purchase individual items of bedroom furniture separately, the furniture retailers who purchase these products from the producers generally purchase and market these pieces as suites. As a result, petitioners contend that the Commission should assess the interchangeability of these products from the perspective of the furniture retailer who purchases these products, that is, as bedroom suites, rather than at the level of the ultimate consumer.<sup>31</sup>

As for the other domestic like product factors, petitioners assert that all wooden bedroom furniture share the same general physical characteristics because they are made of wood or wood products and have characteristics and uses dictated by their use in the bedroom.<sup>32</sup> In addition, petitioners contend that all wooden bedroom furniture is distributed in the same channels of distribution, which consists primarily of sales to retailers,<sup>33</sup> and that wooden bedroom furniture is produced and manufactured in the same facilities and using the same basic production facilities and employees.<sup>34</sup>

---

<sup>26</sup> 68 Fed. Reg. 70228 (December 17, 2003). As used in the scope, the term “bentwood” means solid wood made pliable. It is wood that is brought to a curved shape by bending it while made pliable with moist heat or other agency and then set by cooling or drying. *Id.*

<sup>27</sup> 68 Fed. Reg. 70228 (December 17, 2003).

<sup>28</sup> CR at I-10, PR at I-7.

<sup>29</sup> Petition at 16-24; Petitioners’ Postconference Brief at Ex. 1, pp. 2-18.

<sup>30</sup> Petition at 16; Petitioners’ Postconference Brief at Ex. 1, pp. 3-4.

<sup>31</sup> Petition at 20; Petitioners’ Postconference Brief at Ex. 1, pp.6.

<sup>32</sup> Petition at 20; Petitioners’ Postconference Brief at Ex. 1, p. 5.

<sup>33</sup> Petition at 22; Petitioners’ Postconference Brief at Ex. 1, p. 6.

<sup>34</sup> Petition at 23-24; Petitioners’ Postconference Brief at Ex. 1, p. 7.

*Respondents.* Respondents agree with petitioners that, for purposes of this preliminary investigation, the Commission should perform its analysis on the basis of one domestic like product, consisting of all wooden bedroom furniture as defined in the scope of investigation.<sup>35</sup> However, Respondents Lacquer Craft Manufacturing, Markor International, and the Committee for Free Trade in Furniture have stated that they “want to reserve [their] position” on this issue should the investigation proceed to a final phase.<sup>36</sup> According to the Lacquer Craft Group, it may be inappropriate to treat all of the items covered by the scope as one like product because they have different physical characteristics and end uses,<sup>37</sup> and because they are not always designed, manufactured and sold as bedroom suites, as petitioners contend.<sup>38</sup>

#### **D. Analysis**

For the reasons discussed below, we find that there is one domestic like product in this preliminary investigation, consisting of all wooden bedroom furniture, as that term is defined in the scope of this investigation.

*Physical Characteristics and End Uses.* On a broad level, the individual items of furniture that comprise wooden bedroom furniture can be said to share the same general physical characteristics and end uses. All of these items, whether beds, night stands, chests of drawers, or dressers, are made of wood or wood products and are specifically designed and manufactured for the purpose of being used in the bedroom.<sup>39</sup> Because of their intended use in the bedroom, the products are designed specifically for functions required in a bedroom, such as the storage of clothes and other personal items and providing a place to change clothes and to sleep.<sup>40</sup> Finally, the record of this investigation shows that, because wooden bedroom furniture generally is designed, manufactured, and offered for sale in coordinated groups called bedroom “suites,” all of the individual pieces in the suite will share the same basic design, raw materials, construction, and finish.<sup>41</sup> Given this, the items of furniture included in the wooden bedroom furniture grouping share some broad characteristics and end uses.

However, the individual items of furniture making up the wooden bedroom furniture category also differ with respect to certain physical characteristics and end uses. For example, night stands and dressers do not share the same physical structure as beds, nor do they share the same structure and design with each other, because each article is designed specifically for a different end use. For example, beds generally are designed to hold mattresses and to provide individuals with a place to sleep, night stands generally are designed to hold lamps and other small personal articles used in bed, and chests of drawers

---

<sup>35</sup> Lacquer Craft Postconference Brief at pp. 7-12.

<sup>36</sup> Lacquer Craft Postconference Brief, at p. 7.

<sup>37</sup> Lacquer Craft Postconference Brief at pp. 7-8.

<sup>38</sup> Lacquer Craft Postconference Brief at pp. 7-8. Respondents did not indicate any alternative definitions of the domestic like product for the Commission to explore in any final phase of this investigation. In order to ensure that we collect the data necessary for consideration of any alternative domestic like products proposed by respondents, respondents should identify viable potential alternative domestic like product definitions and any related data collection issues when they submit their comments on draft questionnaires pursuant to 19 C.F.R. § 207.20(b). *See, e.g.*, 61 Fed. Reg. 3718, 37826 (July 29, 1996); Polyvinyl Alcohol from China and Korea, Inv. Nos. 731-TA-1014 and 1017 (Final), USITC Pub. 3634 (September 2003) at 18, n. 99.

<sup>39</sup> CR at I-9, PR at I-7.

<sup>40</sup> Petition at pp. 20-22.

<sup>41</sup> Wood bedroom suites also can be referred to as bedroom collections, bedroom groups, or bedrooms.

and dressers generally are designed to hold clothes.<sup>42</sup> Thus, at a more item-specific level, the individual items of furniture within the bedroom furniture grouping do not share all of the physical characteristics and end uses with the other items of furniture within the grouping.

However, the record in this preliminary investigation does generally support petitioners' contention that the individual items within the wooden bedroom grouping generally are designed, manufactured and sold to retailers as bedroom "suites."<sup>43</sup> Consistent with Commission practice, we find that it is most appropriate to consider whether wooden bedroom furniture shares the same physical characteristics and end uses from the perspective of the entity that first purchases these products, i.e., the retailer. The furniture retailer is interested primarily in these products as "suites" and the furniture retailer purchases and markets them as such. Thus, from the perspective of the furniture retailer, the products being sold are the bedroom suites as such and the differences in physical characteristics and end uses between the individual items comprising the suites are not as relevant as they would be to the end user.<sup>44</sup>

*Interchangeability.* The record of this investigation indicates that wooden bedroom furniture is generally not interchangeable with other types of furniture used in residences, such as dining room furniture, living room furniture, and office furniture.<sup>45</sup> However, as indicated above, the various items of wooden bedroom furniture are also not fully interchangeable with one another because they are used for different purposes within the bedroom.<sup>46</sup> Nonetheless, the Commission routinely has grouped together products within a domestic like product continuum that are not interchangeable with one another for specific end uses.<sup>47</sup> Moreover, from the perspective of the furniture retailer, no individual item of wooden bedroom furniture can be considered interchangeable with a suite of bedroom furniture, given that producers generally design and manufacture, and retailers purchase and market, wooden bedroom furniture as entire bedroom suites.

*Channels of Distribution.* The record of this preliminary investigation shows that most wooden bedroom furniture is sold to furniture retailers, with a small percentage being sold to purchasers in the

---

<sup>42</sup> See CR and PR at I-13; Petitioners Postconference brief at pp. 5-6.

<sup>43</sup> See, e.g., CR at I-10, PR at I-7; Tr. at 37-39 (testimony of Mr. Bassett), 59 (testimony of Mr. Hewitt). See also generally Tr. at 149-183 (testimony of retailer witnesses consistently referencing "bedrooms" and "bedroom suites" as an entity).

<sup>44</sup> However, we note that the record shows that wooden bedroom furniture is not exclusively produced, sold and marketed as bedroom "suites." For example, the record indicates that domestic producers and importers routinely price their wooden bedroom furniture on an individual item basis when shipping and selling their merchandise. See, e.g., CR at V-16 & n. 38, PR at V-10-11 & n. 38; Tr. at 84-86 (testimony of Mr. W. Bassett). Similarly, witness testimony at the staff conference indicated that wooden bedroom furniture is not always stocked in inventory at the retailer level but that it may be produced to order at the request of retail consumers. Tr. at 228 (testimony of Mr. Chipperfield). This indicates that producers may actually produce and ship items of wooden bedroom furniture on an individual item basis, to the extent that the retail consumer orders such an item from the retailer. We intend to examine this issue further in any final phase of this investigation.

<sup>45</sup> CR at I-13, PR at I-9.

<sup>46</sup> Petitioners' Postconference Brief at p. 15.

<sup>47</sup> See, e.g., Certain Carbon Flat-Rolled Carbon Steel Products from Argentina et al., Inv. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-53 & 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993).

hospitality sector (i.e., hotels, motels, and nursing homes) and the furniture rental firms.<sup>48</sup> All of the individual items of wooden bedroom furniture are sold in these same channels of distribution. Given this, the record indicates that all wooden bedroom furniture is sold in the same channels of trade.

*Common manufacturing facilities, production processes, and production employees.* The record indicates that all wooden bedroom furniture is produced in the same manufacturing facilities, using the same production processes and production employees.<sup>49</sup> For example, one witness testified that domestic producers of wooden bedroom furniture generally produce all of their wooden bedroom furniture in the same facilities and using the same employees.<sup>50</sup> Moreover, this witness testified that the individual items of wooden bedroom furniture are sourced from the same lumber yard, and all run through the same rough-in lines, machine room, sanding room, and finishing lines in a producer's plant, so that all employees in the plant work on the individual items of bedroom furniture.<sup>51</sup> Finally, the same witness asserted that, for most domestic producers, wooden bedroom furniture comprises the "vast majority" of their furniture production at these facilities.<sup>52</sup>

*Customer and Producer Perceptions.* The limited record evidence, including witness testimony, in this preliminary investigation suggests that producers, importers, and purchasers generally perceive all wooden bedroom furniture to be a single product category. For example, witnesses for the petitioners testified that all items of wooden bedroom furniture generally are designed, produced and marketed in the form of bedroom suites, rather than as individual items of bedroom furniture.<sup>53</sup> The producers, importers, and retailers who testified on behalf of respondents uniformly gave testimony that was consistent with the notion that these products are sold in bedroom suite groupings or suites.<sup>54</sup> *Price.* The record indicates that there is a very substantial variation and range in the prices of the individual items of furniture that make up wooden bedroom furniture. Because the overall price of bedroom suites can vary from as low as \$200-\$600 per suite to an upper price of \$8,500,<sup>55</sup> the price of a night stand in a more expensive bedroom suite may be substantially higher than that of a bed contained in an inexpensive suite. Given this, the record indicates that there is some overlap in the price ranges of the individual items in the suites within the market.

*Conclusion.* The record indicates that there is a broad similarity of physical characteristics and end uses for all wooden bedroom furniture, that all forms of wooden bedroom furniture are produced in common manufacturing facilities using the same production employees and production processes, and that all wooden bedroom furniture is sold in similar channels of trade. Moreover, the limited record

---

<sup>48</sup> CR at I-14 & II-1, PR at I-10 & II-1. In interim 2003, approximately 92.0 percent of U.S. shipments of domestic and imported merchandise was sold to retailers, while 3.6 percent was sold to the hospitality sector and 2.1 percent was sold to furniture rental firms. CR at II-1-2, PR at II-1.

<sup>49</sup> See CR at I-10-11, PR at I-8-9.

<sup>50</sup> Tr. at 72 (testimony of Mr. W. Bassett). The witness added that he was "not aware of anyone that has a bed plant, a separate dresser plant, a separate mirror plant, a separate armoire plant, [or] a separate night stand plant." *Id.*

<sup>51</sup> Tr. at 72 (testimony of Mr. W. Bassett).

<sup>52</sup> Tr. at 77 (testimony of Mr. W. Bassett).

<sup>53</sup> Tr. at pp. 37-39 & 83 (testimony of Mr. W. Bassett), 86-87 (testimony of Mr. Loring) & 87 (testimony of Mr. Kincaid).

<sup>54</sup> See, e.g., Tr. at 150-158 & 178-82 (testimony of Mr. Seaman), 158, 160 (testimony of Mr. McAlister), 166 (testimony of Mr. Kemp), & 167-177 (testimony of Mr. Chipperfield) (all appearing to assume that bedrooms and bedroom suites are the basis of competition in the market).

<sup>55</sup> CR and PR at Table V-1 & Tr. at 171-182 & 221 (testimony of Mr. Seaman).

evidence suggests that industry participants consider all wooden bedroom furniture to be part of one category of bedroom products that are produced, sold and marketed as a coordinated group, i.e., as bedroom suites. Finally, the record suggests that there is some overlap of pricing between the various items of wooden bedroom furniture.

Accordingly, for purposes of this preliminary investigation, we find that there is one domestic like product in this preliminary investigation, consisting of wooden bedroom furniture, as that term is defined in the scope of investigation.

#### IV. DOMESTIC INDUSTRY

##### A. General

The domestic industry is defined as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>56</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.<sup>57</sup>

In defining the domestic industry, we must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>58</sup> Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each case.<sup>59</sup>

In this investigation, the record indicates that 20 of the 40 responding domestic producers of wooden bedroom furniture imported wooden bedroom furniture from China during the period of investigation, including 14 of the petitioning firms and all ten of the largest domestic producers of

---

<sup>56</sup> 19 U.S.C. § 1677(4)(A).

<sup>57</sup> See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int’l Trade 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

<sup>58</sup> 19 U.S.C. § 1677(4)(B).

<sup>59</sup> Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), aff’d without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), aff’d without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14 n.81.

wooden bedroom furniture in 2002.<sup>60</sup> Accordingly, we have considered whether appropriate circumstances exist to exclude any of these companies from the industry as a related party.

## B. Arguments of the Parties

Petitioners contend that appropriate circumstances exist to exclude only two U.S. producers of wooden bedroom furniture -- \*\*\* -- from the domestic industry as related parties.<sup>61</sup> Petitioners assert that these two producers should be excluded from the industry because both oppose the petition and both companies have made subject wooden bedroom furniture imports a significant and increasing percentage of their total shipments of bedroom furniture during the period of investigation.<sup>62</sup> Petitioners also argue that both companies import in order to benefit from dumped imports rather than as a defensive measure allowing them to continue competing in the market, and that both companies' operating results "deviated substantially" from the performance of the industry as a whole during the period.<sup>63</sup>

Respondents contend that no domestic producers of wooden bedroom furniture should be excluded from the industry as related parties simply because they imported subject merchandise.<sup>64</sup> They assert that all importing domestic producers (both those who support the petition and those who do not) have adopted a "blended production" strategy of importing merchandise from China in order to compete effectively and to continue to produce merchandise in the United States market.<sup>65</sup>

## C. Analysis

We do not find appropriate circumstances exist to exclude from the industry any domestic producer that imported domestic merchandise during the period. As an initial matter, we note that the record indicates it has become common practice for members of the domestic industry to import the subject merchandise from China as a means of supplementing their domestic production in the market place.<sup>66</sup> For example, the record shows that 20 of the 40 responding domestic producers imported Chinese merchandise during the period and that the 12 largest domestic producers of wooden bedroom furniture all imported reasonably substantial and increasing volumes of merchandise from China during

---

<sup>60</sup> For purposes of performing our related party analysis, we have relied on the value, rather than quantity, of the producers' total shipments. As noted in the staff report, CR and PR at III-3, many of the responding domestic producers were unable to report the quantity of their production in the form requested by the staff. As a result, the production data reported consist of data reported by a much smaller number of producers than do the shipment data. Because exports accounted for less than 1.5 percent of the industry's total shipments in 2002, and because inventory levels remained stable during the period, we find that the shipment levels reported by the individual producers provide a reasonable indication of the relative size of the individual producers' production operations during the period.

<sup>61</sup> Petitioners' Postconference Brief at Ex. 1, pp. 20-23.

<sup>62</sup> Petitioners' Postconference Brief at Ex. 1, pp. 20-23.

<sup>63</sup> Petitioners' Postconference Brief at Ex. 1, pp. 20-23. Petitioners contend, however, that no other domestic producer should be excluded as a related party from the industry because they are importing only in order to remain competitive in the marketplace and would prefer to produce wooden bedroom furniture domestically, they are not benefitting disproportionately from their imports of subject merchandise, and they are importing comparatively smaller amounts of merchandise from China than \*\*\* and \*\*\*. Petitioners' Postconference Brief at Ex. 1, pp. 24-25.

<sup>64</sup> Lacquer Craft Postconference Brief at pp. 12-14; Furniture Retailers Group Postconference Brief at p. 2, n.2.

<sup>65</sup> Lacquer Craft Postconference Brief at pp. 12-14.

<sup>66</sup> CR and PR at Tables III-1 & IV-2.

the period of investigation.<sup>67</sup> In fact, the \*\*\* companies within the petitioning group all have imported increasing volumes of subject merchandise from China during the period of investigation.<sup>68</sup>

Focusing more specifically on \*\*\* and \*\*\*, at no point during the period of investigation did \*\*\* or \*\*\* import more merchandise (in terms of value) than it shipped of its own domestically produced merchandise. For example, during the period of investigation, \*\*\*'s importations of subject merchandise in any individual year never equaled more than \*\*\* percent of its total shipments of its domestically produced merchandise.<sup>69</sup> Similarly, at no point in the period did \*\*\*'s importations of subject merchandise equal more than \*\*\* percent of its total shipments of domestically produced merchandise.<sup>70</sup> Given that \*\*\* members of the petitioning group, \*\*\* and \*\*\*, both had comparable -- and even higher -- ratios of subject imports volumes to their total domestic shipments in 2002 and 2003,<sup>71</sup> it would appear that \*\*\* and \*\*\* practices in this regard would not justify excluding them from the industry.

Moreover, the record does not indicate that \*\*\* or \*\*\* benefitted disproportionately from their importations of subject merchandise when compared with the rest of the industry. \*\*\*'s operating margins ranged from \*\*\* percent in 2000 to \*\*\* percent in \*\*\*, which was not disproportionately higher than the industry's average operating margins during those years, which ranged from 10.3 percent in 2000 to 7.8 percent in 2002.<sup>72</sup> \*\*\*'s operating margins ranged from \*\*\* percent in 2000 to \*\*\* percent in 2002.<sup>73</sup> Given the foregoing, it is not clear that either firm benefitted significantly from its imports of subject merchandise or that inclusion of their data would significantly skew the industry data, particularly when viewed in light of the fact that \*\*\* accounted for only \*\*\* percent of domestic shipments in 2002 and \*\*\* accounted for only \*\*\* percent of domestic shipments in that year.<sup>74</sup>

Finally, although both \*\*\* and \*\*\* opposed the petition and were both among the \*\*\* largest U.S. producers of wooden bedroom furniture, the record indicates that both \*\*\* and \*\*\* have reported that they are importing subject merchandise from China not to supplant or displace their domestic production but to supplement their existing domestic product lines. For example, \*\*\*, which was the \*\*\* reporting shipper of domestic merchandise in 2002,<sup>75</sup> stated that \*\*\* and utilizes its domestic factories to:

\*\*\*<sup>76</sup>

---

<sup>67</sup> See CR and PR at Tables III-1 & IV-2.

<sup>68</sup> See CR and PR at Tables III-1 & IV-2.

<sup>69</sup> CR and PR at Table IV-2.

<sup>70</sup> CR and PR at Table IV-2.

<sup>71</sup> The ratio of \*\*\*'s imports of subject merchandise to its domestically produced shipments was \*\*\* percent in 2002 and \*\*\* percent in interim 2003, while the ratio of \*\*\*'s imports of subject merchandise to shipments of its domestic merchandise was \*\*\* percent in 2002 and \*\*\* percent in interim 2003. CR and PR at Table IV-2.

<sup>72</sup> CR and PR at Table C-1.

<sup>73</sup> CR and PR at Table C-1.

<sup>74</sup> CR and PR at Table III-1. Moreover, both firms' operating margins did not vary significantly from those of other similarly sized domestic producers, whether those firms imported Chinese product or not.

<sup>75</sup> CR and PR at Table III-1.

<sup>76</sup> \*\*\* Domestic Producers' Questionnaire Response at question 23a.

Similarly, \*\*\*, which was the \*\*\* reporting shipper of domestic merchandise in 2002,<sup>77</sup> stated that it \*\*\*<sup>78</sup> In other words, both companies report that they are importing to enable them to continue production of their existing lines in the United States.

In view of the foregoing, we do not find that appropriate circumstances exist to exclude \*\*\* or \*\*\* from the industry. We also have considered whether any other domestic producer should be excluded from the industry.<sup>79</sup> Our review of the record does not indicate that any other importing producer's operations or financial results would warrant excluding them from the industry.<sup>80</sup> For purposes of our preliminary determination, therefore, we do not find that appropriate circumstances exist to exclude any domestic industry as a related party.

Accordingly, we define the domestic industry to include all U.S. producers of wooden bedroom furniture.

## V. CONDITIONS OF COMPETITION<sup>81</sup>

Several conditions of competition are pertinent to our analysis in the preliminary phase of this investigation.

### A. Demand Conditions

Demand for wooden bedroom furniture is affected primarily by the overall condition of the U.S. economy, the level of activity in the new housing market, and the level of home mortgage interest rates.<sup>82</sup> As measured by the growth in real gross domestic product, the overall economy grew slowly between January 2000 and June 2003, and actually contracted during the first three quarters of 2001.<sup>83</sup> However, new housing starts remained at historically high levels during the period of investigation, growing consistently throughout the period, while home mortgage rates fell throughout the period, reaching an average of 6.5 percent in 2002 and 5.7 percent in 2003.<sup>84</sup>

---

<sup>77</sup> CR and PR at Table III-1.

<sup>78</sup> \*\*\* Domestic Producers' Questionnaire Response at question 23a.

<sup>79</sup> No party has recommended excluding any other producer from the industry as a related party.

<sup>80</sup> See CR at Tables III-1 & IV-2.

<sup>81</sup> We find that the captive production provision does not apply because the record indicates that domestic producers did not internally transfer significant production of the domestic product for the production of a downstream product, as required by the provision. 19 U.S.C. 1677(7)(C)(iv). The record in the preliminary phase of this investigation indicates that the domestic industry internally consumed or transferred to related companies less than \*\*\* percent of its total shipments during any year of the period of investigation. CR and PR at Table III-3.

<sup>82</sup> CR at II-17, PR at II-11-12.

<sup>83</sup> CR at II-19, PR at II-12-13.

<sup>84</sup> CR at II-19, PR at II-13.

Apparent U.S. consumption of wooden bedroom furniture fluctuated somewhat during the period of investigation, but grew overall between the beginning and end of the period. Measured by value,<sup>85</sup> apparent U.S. consumption fell slightly from \$4.2 billion in 2000 to \$4.1 billion in 2001.<sup>86</sup> It then increased to \$4.4 billion in 2002.<sup>87</sup> Apparent U.S. consumption was slightly higher in interim 2003 (\$2.25 billion) than in interim 2002 (\$2.17 billion).<sup>88</sup>

Demand for wooden bedroom furniture is at least moderately elastic, primarily due to the discretionary nature of the consumer's purchase decision with respect to wooden bedroom furniture.<sup>89</sup> The parties disagree about the extent to which demand for wooden bedroom furniture is elastic, however. Respondents assert that demand is highly elastic,<sup>90</sup> and that the presence of lower-priced imports from China in the market has expanded demand for wooden bedroom furniture in the market.<sup>91</sup> Petitioners assert that respondents have significantly overstated the level of its demand elasticity.<sup>92</sup> We will examine these contentions further in any final phase of this investigation.

The large majority of wooden bedroom furniture is sold by producers and importers to furniture retailers in the U.S. market, with smaller amounts being sold to "hospitality" sector firms<sup>93</sup> and furniture rental firms.<sup>94</sup> Approximately 92 percent of all shipments of domestic and imported wooden bedroom furniture during the period of investigation were sold to furniture retailers while 3.6 percent were sold to the hospitality sector, and 2.1 percent to furniture rental firms.<sup>95</sup>

The record indicates that wooden bedroom furniture is generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, commonly called bedroom "suites."<sup>96</sup> Bedroom suites can include several different items of furniture,<sup>97</sup> but all of the pieces in a suite share the same basic design, raw materials, construction, and finish.<sup>98</sup> Respondents contend that a substantial

---

<sup>85</sup> We note that, to a great extent, we have used value to perform our volume-based analyses primarily because quantity-based volume data are not available or were not provided for a number of the criteria we consider in our analysis, such as import data. The parties agree that value data are best for assessing such issues as apparent consumption and import and domestic market share. See Tr. at 201-202 (testimony of Mr. Greenwald). However, we also recognize that the use of value data for market share calculations may understate actual import volume to the extent it reflects LTFV sales of wooden bedroom furniture.

<sup>86</sup> CR and PR at Table IV-3.

<sup>87</sup> CR and PR at Table IV-3.

<sup>88</sup> CR and PR at Table IV-3.

<sup>89</sup> CR at II-20-23, PR at II-14-15.

<sup>90</sup> Lacquer Craft Postconference Brief at pp. 5, 15 & 21-22; Furniture Brands Postconference Brief at p. 3-4.

<sup>91</sup> Lacquer Craft Postconference Brief at p. 5.

<sup>92</sup> Petitioners Postconference Brief at pp. 20-22.

<sup>93</sup> Hospitality sector firms include hotels, motels, retirement homes, and assisted care facilities.

<sup>94</sup> CR and PR at II-1-4.

<sup>95</sup> CR and PR at II-1.

<sup>96</sup> CR and PR at I-10. One furniture retailer testified at the staff conference that the vast majority of retail consumers, "more than 90 percent," buy wooden bedroom furniture in suites. Tr. at 59.

<sup>97</sup> At a minimum, a bedroom suite includes a bed frame, chest of drawers, and a night stand. A bedroom suite also may include additional items such as an armoire, a dresser with a mirror, and more than one night stand.

<sup>98</sup> CR and PR at I-10.

amount of wooden bedroom furniture is sold as individual pieces of furniture, rather than on a suite basis, both at the retailer and retail consumer level.<sup>99</sup>

U.S. furniture retailers generally display wooden bedroom furniture in designated retail areas, called “slots,” on their display floor.<sup>100</sup> Domestic producers and importers both universally agree that access to these display slots is a critical component in selling their furniture through the retailer to the retail customer.<sup>101</sup> As a result, the gain or loss of “slots” at any retailer can affect the overall volume of merchandise shipped by a producer or an importer.

The market for wooden bedroom furniture can be divided generally into three quality or pricing levels: a low-priced segment (often called the “good” category of bedroom furniture), a medium-priced segment (often called the “better” category of bedroom furniture), and a high-end segment (often called the “best” category of bedroom furniture).<sup>102</sup> The record indicates that the quality or pricing category of a particular bedroom furniture suite is determined by the quality of its materials, its fit and finish, and the size and scale of the furniture.<sup>103</sup> Although most market participants agree that the market is comprised of furniture within these three quality segments, there is no consistent definition within the industry of the furniture quality or pricing that characterizes each segment.<sup>104</sup>

## **B. Substitutability**

The record indicates that there is a moderate to high degree of substitutability between domestic wooden bedroom furniture and the subject imports. The large majority of domestic producers and importers agree that the domestic merchandise and the subject imports are always or frequently interchangeable for one another.<sup>105</sup> Moreover, the record indicates that price is a significant factor in the purchase decision for wooden bedroom furniture, with the large majority of domestic producers and a substantial minority of importers reporting that non-price factors are only sometimes or never a significant factor in the purchase decision.<sup>106 107</sup>

---

<sup>99</sup> Lacquer Craft Postconference Brief at p. 8.

<sup>100</sup> CR at II-5, PR at II-3.

<sup>101</sup> CR at II-5, PR at II-3.

<sup>102</sup> CR at I-11 & V-2-5, PR at I-8 & V-1-3.

<sup>103</sup> CR and PR at V-2.

<sup>104</sup> CR and PR at V-2; see also CR and PR at Table V-1 (showing significant differences in perception of pricing ranges for these three segments).

<sup>105</sup> CR and PR at Table II-1.

<sup>106</sup> CR at II-29-30 & Table II-2, PR at II-19-20 & Table II-2.

<sup>107</sup> Commissioner Pearson notes that the economic consultant for the respondents asserted that the price elasticity of substitution between the domestic and imported Chinese wooden bedroom furniture likely ranges from 3 to 6, suggesting a relatively high degree of substitutability between the domestic and imported subject products. CR at II-28, n. 68; PR at II-II-18, n. 68.

### C. Supply

There are a large number of U.S. producers of wooden bedroom furniture in the United States. The petition identified approximately 125 producers of wooden bedroom furniture in the United States.<sup>108</sup> However, the ten largest reporting domestic producers accounted for more than 68 percent of reported domestic shipments of wooden bedroom furniture in 2002.<sup>109</sup> The industry's capacity fell by 3.8 percent between 2000 and 2002, and its production fell by 10.3 percent during the same period.<sup>110</sup>

The record indicates that U.S. producers accounted for a substantial and growing percentage of the subject imports during the period. Imports of subject bedroom furniture by the domestic producers increased from a level equivalent to 6.0 percent of their domestically produced shipments in 2000 to a level equivalent to 19.6 percent of those shipments in 2002.<sup>111</sup> Petitioners assert that the industry must import the subject merchandise in order to compete with imports priced below the industry's raw materials costs.<sup>112</sup> Respondents, however, assert that the industry has begun importing this merchandise as a means of supplementing their domestic production lines with furniture that is more efficiently and cost-effectively produced in China.<sup>113</sup>

There are also a large number of producers of wooden bedroom furniture in China. The petition identified 133 Chinese producers and exporters of wooden bedroom furniture<sup>114</sup> and the record indicates that there may be over 300,000 producers of all categories of furniture in China.<sup>115</sup> China was the largest source of imported wooden bedroom furniture during the period of investigation, and shipped more than twice as much merchandise to the United States, in terms of value, in 2002 than Canada, the next largest supplier.

The reported capacity of the Chinese wooden bedroom furniture industry has exhibited tremendous growth during the period, with the capacity of the reporting Chinese producers<sup>116</sup> more than doubling during the period of investigation, growing from 1.8 million pieces in 2000 to 4.5 million pieces in 2002.<sup>117</sup> Their reported capacity grew by an additional 32 percent between interim periods.<sup>118</sup> The

---

<sup>108</sup> Petition at Exs. 1 & 2.

<sup>109</sup> CR at I-4, PR at I-3.

<sup>110</sup> CR and PR at Tables III-2 & C-1.

<sup>111</sup> CR and PR at IV-4.

<sup>112</sup> Petitioners Postconference Brief at p. 3 & 25-26.

<sup>113</sup> Lacquer Craft Postconference Brief at p. 2. They also argue that many retailers have resorted to importing from China because the Chinese producers – unlike the domestic producers – are willing to produce “private label” brands for the furniture retailers.

<sup>114</sup> CR and PR at VII-1, n. 3.

<sup>115</sup> CR and PR at VII-4.

<sup>116</sup> The Chinese industry's data are based on the questionnaire responses of 59 firms estimated to account for 57 percent of total Chinese exports of wooden bedroom furniture to the United States in 2002. CR and PR at VII-1.

<sup>117</sup> CR and PR at Table VII-1.

<sup>118</sup> CR and PR at Table VII-1. While the data indicate that the Chinese producers have limited excess capacity, CR at II-16, PR at II-10, they have expanded production by expanding capacity.

reporting Chinese producers project that their capacity will grow by an additional 1.4 million pieces in full year 2003, and by a further 747,000 pieces in 2004.<sup>119</sup>

Finally, imports from non-subject countries have maintained a substantial but stable presence in the U.S. market.<sup>120</sup> By value, the market share of non-subject imports was 29.9 percent in 2000, 31.2 percent in 2001, 30.8 percent in 2002, and 29.5 percent in interim 2003.<sup>121</sup> Canada, Italy and Indonesia were the three largest non-subject suppliers of wooden bedroom furniture in 2002.<sup>122</sup>

## VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS<sup>123</sup>

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.<sup>124</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>125</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>126</sup> In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>127</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>128</sup>

Based on an evaluation of the relevant statutory factors, we find that there is a reasonable indication that the domestic industry producing wooden bedroom furniture is materially injured by reason of the subject imports from China.

---

<sup>119</sup> CR and PR at Table VII-1.

<sup>120</sup> CR and PR at Table IV-3.

<sup>121</sup> CR and PR at Table IV-3.

<sup>122</sup> CR and PR at Table IV-3.

<sup>123</sup> 19 U.S.C. § 1677(24)(A)(I)(I). In this investigation, the subject imports of wooden bedroom furniture from China accounted for substantially more than three percent of the volume of all wooden bedroom furniture imported into the United States in the most recent 12-month period for which data are available preceding the filing of the petition. See CR and PR at Table IV-1. Accordingly, we find that subject imports from China are not negligible under 19 U.S.C. § 1677(24).

<sup>124</sup> 19 U.S.C. §§ 1671b(a) and 1673b(a).

<sup>125</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each [such] factor . . . [a]nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B). See also *Angus Chemical Co. v. United States*, 140 F.3d 1478 (Fed. Cir. 1998).

<sup>126</sup> 19 U.S.C. § 1677(7)(A).

<sup>127</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>128</sup> 19 U.S.C. § 1677(7)(C)(iii).

### **A. Volume of Subject Imports**

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>129</sup>

The volume of the subject imports increased significantly over the period examined, both in absolute terms and relative to consumption in the United States. In value terms, the volume of the subject imports increased by 121.4 percent between 2000 and 2002, growing from \$433 million in 2000 to \$566 million in 2001 and \$958 million in 2002.<sup>130</sup> The volume of subject imports also increased by 54.3 percent between interim periods, growing from \$405 million in interim 2002 to \$625 million in interim 2003.<sup>131</sup> The market share of the subject imports rose steadily over the period as well, growing from 10.3 percent in 2000 to 14.0 percent in 2001 and to 21.8 percent in 2002.<sup>132</sup> Subject imports’ market share grew between interim periods as well, from 18.6 percent in interim 2002 to 27.8 percent in interim 2003.<sup>133</sup>

For purposes of the preliminary phase of this investigation, we find that the volume of the subject imports was significant during the period of investigation, both in absolute terms and relative to consumption in the United States. In this regard, we note that the increases in subject import market share during the period were almost entirely at the expense of the domestic industry.<sup>134</sup>

### **B. Price Effects of the Subject Imports**

Section 771(C)(ii) of the Act<sup>135</sup> provides that, in evaluating the price effects of subject imports, the Commission shall consider whether – (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

As noted above, the record indicates that there is a moderate to high degree of substitutability between domestic wooden bedroom furniture and the subject imports. The large majority of domestic producers and importers agree that the domestic merchandise and the subject imports are always or frequently interchangeable for one another.<sup>136</sup> Moreover, the record indicates that price is a significant factor in the purchase decision for wooden bedroom furniture, with the large majority of domestic

---

<sup>129</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>130</sup> CR and PR at Table IV-1 & Table C-1. As noted earlier, we have used value to perform our volume-based analyses primarily because quantity-based volume data are not available or were not provided for such criteria as import data. However, we recognize that the use of value data for market share calculations may understate actual import volume to the extent it reflects LTFV sales of wooden bedroom furniture.

<sup>131</sup> CR and PR at Table IV-1 & Table C-1.

<sup>132</sup> CR and PR at Table IV-3.

<sup>133</sup> CR and PR at Table IV-3.

<sup>134</sup> As we noted previously, the market share of the non-subject imports remained essentially stable during the period of investigation, ranging between 29.5 percent and 31.2 percent throughout the period. CR and PR at Tables IV-3 & C-1.

<sup>135</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>136</sup> CR and PR at Table II-1.

producers and a substantial minority of importers reporting that non-price factors are only sometimes or never a significant factor in the purchase decision.<sup>137</sup>

The record pricing data in this preliminary investigation show consistent and substantial underselling by the subject Chinese imports throughout the period of investigation.<sup>138</sup> The subject imports undersold the domestic merchandise on 51 of 52 possible quarterly price comparisons for the Louis Philippe-style wooden bedroom furniture pieces examined by the Commission, at margins ranging from 4.9 percent to 65.0 percent during the period.<sup>139</sup> Similarly, the subject imports undersold the domestic merchandise on all 56 possible quarterly price comparisons for the Mission-style wooden bedroom furniture pieces examined by the Commission, at margins ranging from 13.1 percent to 77.2 percent.<sup>140</sup> On a suite-level basis, the subject imports undersold the domestic merchandise on all 26 possible price comparisons for the Mission-style and the Louis Philippe style bedroom furniture, at margins ranging from 22.8 percent to 64.3 percent.<sup>141</sup> Moreover, the record pricing data indicate that, for all of the price comparison products, this consistent underselling was accompanied by significant increases in shipments of the subject imports and declines in shipments for domestic merchandise. Thus, the record data indicate that this underselling led to a substantial loss of sales by the domestic industry to the subject imports on the price comparison products during the period of investigation.<sup>142</sup>

However, the record is more mixed with respect to whether the subject imports suppressed or depressed domestic prices during the period. Although the price comparison data show consistent and significant underselling by imports during the period of investigation, they do not indicate a consistent pattern of domestic price declines during the period as well. For example, although the average price of the bed in the domestic Louis Philippe bedroom suite examined by the Commission declined by more than 28 percent during the period of investigation, the average domestic price of the other three components in the suite (i.e., the night stand, the dresser and the mirror) all declined by less than 3 percent over the period.<sup>143</sup> Similarly, although there was a decline of 10 percent in the average price of the bed in the domestic Mission-style suite during the period of investigation, the prices of the three other pieces in that suite declined by less than 2.5 percent over the period of investigation, with the price of one product (the night stand) actually increasing somewhat during the period.<sup>144</sup>

On the other hand, the record does show that the constructed domestic quarterly selling prices for both the Louis Philippe suite and the Mission-style suite, as a whole, both declined during the period, with the Louis Philippe suite's constructed price being 8.7 percent lower during the second quarter of 2003 than in the first quarter of 2000, and the Mission's style suite's price being 4.0 percent lower

---

<sup>137</sup> CR at II-29 & Table II-2, PR at II-19-20 & Table II-2.

<sup>138</sup> CR and PR at Table V-6a & Figures V-1 and V-2.

<sup>139</sup> CR and PR at Table V-6a & Figures V-1 & V-2.

<sup>140</sup> CR and PR at Table V-6a & Figures V-1 & V-2.

<sup>141</sup> CR and PR at Table V-6a & Figures V-1 & V-2. Because the domestic industry was unable to provide their prices for the price comparison products on a suite-specific basis, the Commission staff constructed aggregate prices for these suites by adding together reported prices for the four individual items within each suite (i.e., for the bed, dresser, mirror and night stand). CR at V-16, PR at V-10-11.

<sup>142</sup> CR and PR at Table V-6a & Figures V-1 & V-2. We note, however, that the companies named in the petitioners' lost sale and revenue allegations did not confirm the allegations. CR at V-45-V-51, PR at V-37-V-39.

<sup>143</sup> CR and PR at Table V-6a & Figures V-1 & V-2.

<sup>144</sup> CR and PR at Table V-6a & Figures V-1 & V-2.

between these periods.<sup>145</sup> In sum, although the pricing data show that the subject imports have had some adverse price-depressive effects on domestic pricing during the period, the data do not show a consistent pattern of significant price effects on a majority of the price comparison products.<sup>146</sup>

On the whole, we find that there has been consistent and significant underselling by the subject imports and there is evidence of some adverse price effects as a result of this underselling. However, the evidence is mixed regarding the subject imports' price-suppressing or depressing effects. We intend to examine the price effects of subject imports more closely in any final phase of this investigation.<sup>147</sup>

### **C. Impact of the Subject Imports**<sup>148</sup>

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."<sup>149</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>150</sup>

During the period of investigation, as the subject imports entered the market in increasing volumes at prices that consistently undersold the domestic industry, the domestic industry experienced substantial declines in almost all of its trade and financial indicia. While the subject imports gained 11.5 percentage points of market share during the period from 2000 through 2002, the industry lost 12.5 percentage points of market share<sup>151</sup> and saw significant declines in its capacity, production, capacity utilization, domestic shipments, net sales values and quantities, employment levels, operating income, operating income margins, and capital investment.<sup>152</sup>

---

<sup>145</sup> CR and PR at V-35, n. 52; CR and PR at Tables V-2-V-5 & Figures V-1 and V-2.

<sup>146</sup> In this regard, we note that the record does not show evidence of a significant cost-price squeeze, with the industry's cost of goods sold only increasing from 77.1 percent of sales revenue in 2000 to 78.5 percent in 2002, and then to 79.7 percent in interim 2003. CR and PR at Tables VI-1 & C-1.

<sup>147</sup> In any final phase of this investigation, we will seek pricing data that will allow us to make price comparisons that more closely reflect different product types and quality. We invite the parties to address this issue when submitting comments on draft questionnaires in any final phase of this investigation pursuant to 19 C.F.R. §207.20(b).

<sup>148</sup> In its notice of initiation, Commerce published estimated dumping margins for China ranging from 158.74 percent to 440.96 percent. 68 Fed. Reg. 70231 (Dec. 17, 2003).

<sup>149</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.") SAA at 885.

<sup>150</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

<sup>151</sup> CR and PR at Tables IV-3 & C-1.

<sup>152</sup> CR and PR at Table C-1.

The industry's reported capacity fell by 3.8 percent from 2000 to 2002, and by 6.9 percent between interim periods.<sup>153</sup> The industry's production volume fell by 10.3 percent from 2000 to 2002 and by 8.2 percent between interim periods, while its capacity utilization rate declined by 7.4 percentage points from 2000 to 2002 and by 3.7 percentage points between interim periods.<sup>154</sup> The number of production workers employed by the industry declined by 17.3 percent between 2000 and 2002 and by 10.6 percent between interim periods, wages paid by the industry fell by 14.0 percent from 2000 to 2002 and by 13.1 percent between interim periods, and hours worked in the industry fell by 18.0 percent from 2000 to 2002 and by 12.6 percent between interim periods.<sup>155</sup>

The value of the industry's domestic shipments declined by 16.9 percent from 2000 to 2002 and by 14.4 percent between interim periods.<sup>156</sup> The industry's net sales values declined by 17.7 percent from 2000 to 2002 and by 15.1 percent between interim periods, while its net sales quantities declined by 10.4 percent from 2000 to 2002 and by 9.4 percent between interim periods.<sup>157</sup> The industry's profitability fell during this period, with its operating income falling by 38 percent from 2000 to 2002 and by 45.3 percent between interim periods.<sup>158</sup> The industry's operating margins declined by 2.5 percentage points from 2000 to 2002, and by 3.5 percent between interim periods.<sup>159</sup> Finally, the industry's capital expenditures fell by 50.4 percent from 2000 to 2002 and by 17.3 percent between interim periods.<sup>160</sup>

For purposes of this preliminary determination, we conclude that subject imports had a significant adverse impact on the condition of the domestic industry during the period of investigation. As discussed above, there were significant increases in the volumes of the subject imports and the subject imports consistently and significantly undersold the domestic merchandise during the period of investigation. The domestic industry lost significant market share to the subject imports, which in turn significantly affected the industry's production, shipments and sales volumes as well as nearly all of its other indicators. Although the industry's operating margin remained positive throughout the period of investigation (it was at 7.8 percent in 2002 and 6.5 percent in interim 2003), the industry's aggregate operating income fell by 38 percent from 2000 to 2002 and by a further 45.3 percent between interim periods. We therefore find

---

<sup>153</sup> CR and PR at Tables III-2 & C-1. The industry's reported capacity fell from 14.82 million pieces in 2000 to 14.26 million pieces in 2002, and was 7.40 million pieces and 6.89 million pieces in interim 2002 and 2003, respectively. Id.

<sup>154</sup> CR and PR at Tables III-2 & C-1. The industry's reported production volume fell from 13.72 million pieces in 2000 to 12.31 million pieces in 2002, and was 6.6 million pieces and 6.1 million pieces in interim 2002 and 2003, respectively. Id. The industry's reported capacity utilization rate fell from 82.7 percent in 2000 to 75.4 percent in 2002. It was 79.1 percent and 75.4 percent in interim 2002 and 2003, respectively.

<sup>155</sup> CR and PR at Tables III-7 & C-1.

<sup>156</sup> CR and PR at Tables III-3 & C-1. The value of the industry's domestic shipments dropped from \$2.5 billion in 2000 to \$2.1 billion in 2002, and was \$1.1 billion and \$959 million in interim 2002 and 2003, respectively. Id.

<sup>157</sup> CR and PR at Tables VI-1 & C-1. The industry's aggregate net sales value declined from \$2.69 billion in 2000 to \$2.16 billion in 2002, and was \$1.18 billion and \$1.0 billion in interim 2002 and 2003, respectively. Id. The industry's aggregate net sales quantity fell from 14.3 million pieces in 2000 to 12.8 million pieces in 2002, and was 7.0 million pieces and 6.3 million pieces in interim 2002 and 2003, respectively. Id.

<sup>158</sup> CR and PR at Tables VI-1 & C-1. The industry's aggregate operating income fell from \$271.3 million in 2000 to \$168.1 million in 2002, and was \$118.5 million and \$64.7 million in interim 2002 and 2003, respectively. Id.

<sup>159</sup> CR and PR at Tables VI-1 & C-1. The industry's operating income as a percentage of net sales fell from 10.3 percent in 2000 to 7.8 percent in 2002, and was 10.0 percent and 6.5 percent in interim 2002 and 2003, respectively. Id.

<sup>160</sup> CR and PR at Table VI-4 & C-1. The industry's capital expenditures fell from \$72.4 million in 2000 to \$35.9 million in 2002, and were \$16.9 million and \$14.0 million in interim 2002 and 2003, respectively.

that subject imports adversely impacted the performance of the domestic industry during the period of investigation.

In making this finding, we have closely examined the arguments of respondents that imports have not harmed, but have indeed benefitted, the domestic industry. For example, respondents argue that the volume of the subject imports increased during the period because many domestic producers have adopted a business strategy of “blending” their sales of domestically produced bedroom furniture with imports of subject merchandise,<sup>161</sup> and that the use of such a “blended” supply strategy has allowed most domestic producers to offer products that cannot be economically made domestically and to maintain reasonable levels of profits during the period of investigation.<sup>162</sup> Respondents also argue that Petitioners were themselves responsible for first leading Chinese companies into the U.S. market and that Petitioners only “lost patience” with the Chinese imports being in the market when large retailers began purchasing directly from the Chinese producers.<sup>163</sup> Finally, respondents contend that the increasing volumes of low-priced Chinese product have created demand for wooden bedroom furniture that would not otherwise have existed.<sup>164</sup> We find that the record in this preliminary investigation, as discussed above, provides a reasonable indication that the significant volume of subject imports have had an adverse material impact on the domestic industry, notwithstanding respondents' arguments. However, we intend to examine these issues further in any final phase of this investigation.

## CONCLUSION

Accordingly, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of wooden bedroom furniture from China that are allegedly sold in the United States at less than fair value.

---

<sup>161</sup> Lacquer Craft Postconference Brief at p. 2; Furniture Retailers Group Postconference Brief at p. 10-13; Furniture Brands Postconference Brief at p. 6-10.

<sup>162</sup> Lacquer Craft Postconference Brief at p. 2. Respondents contend that the petitioners have been less successful than other domestic producers in implementing this strategy. *Id.* at pp. 3-4.

<sup>163</sup> Furniture Retailers Group Postconference Brief at pp. 1 & 4-9; Furniture Brands Postconference Brief at p. 3-4. However, the record provides only very limited evidence to support this scenario.

<sup>164</sup> Lacquer Craft Postconference Brief at p. 32; Furniture Retailers Group Postconference Brief at p. 9-10. While apparent domestic consumption has increased over the period, the record also shows that other factors such as low mortgage interest rates and new housing starts contributed to increased demand.



## SEPARATE VIEWS OF COMMISSIONER PEARSON

Based on the record in this investigation, I find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of wooden bedroom furniture from China that are allegedly sold in the United States at less than fair value (“LTFV”). However, I agree with the Commission’s findings with respect to the domestic like product, the domestic industry and related parties, and conditions of competition, and therefore join in sections I-V of the views of the Commission.

### I. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS<sup>1</sup>

#### A. General Legal Standards

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether “further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”<sup>2</sup> The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole” in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.<sup>3</sup>

In making my determination, I have considered all statutory threat factors that are relevant to this investigation.<sup>4</sup> Based on my evaluation of the record compiled in this preliminary phase of the investigation, I have determined that there is a reasonable indication that the domestic wooden bedroom furniture industry is threatened with material injury by reason of subject imports from China.

---

<sup>1</sup> In this investigation, subject imports from China accounted for more than three percent of the volume of all wooden bedroom furniture imported into the United States in the most recent 12-month period for which data are available preceding the filing of the petition. See CR/PR, table IV-3. As such, I find that the subject imports are not negligible under 19 U.S.C. § 1677(24).

<sup>2</sup> 19 U.S.C. § 1677(7)(F)(ii).

<sup>3</sup> 19 U.S.C. § 1677(7)(F)(ii).

<sup>4</sup> 19 U.S.C. § 1677(7)(F)(i). These factors include: any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country; a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports; whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on the domestic prices and are likely to increase demand for further imports; inventories of the subject merchandise; the potential for product shifting; and the actual and potential negative effects on the existing development and production efforts of the domestic industry. 19 U.S.C. § 1677(7)(F)(i). Statutory threat factor (I) is inapplicable, as no countervailable subsidies are involved, and statutory threat factor (VII) is inapplicable, as no imports of agricultural products are involved. Id.

In addition, I observe that in its notice of initiation, Commerce estimated that dumping margins for the subject imports range from 158.74 to 440.96 percent. 68 Fed. Reg. at 70228.

## B. Analysis of Statutory Threat Factors

The volume and market penetration of the subject imports increased steadily through the period examined, with the increases accelerating during the latter portion of the period. Subject import volume and market penetration were both substantially higher in interim 2003 than in interim 2002. By value, subject imports increased from \$432.7 million in 2000 to \$565.6 million in 2001 and then to \$957.9 million in 2002. Subject imports further increased by 54.3 percent between the interim periods, from \$404.7 million in interim 2002 to \$624.6 million in interim 2003. Subject imports' share of the value of apparent U.S. consumption increased from 10.3 percent in 2000 to 14.0 percent in 2001 and then to 21.8 percent in 2002, and was higher in interim 2003 at 27.8 percent than in interim 2002, when it was 18.6 percent.<sup>5</sup>

The increases in subject import volume and market penetration during the latter portion of the period examined indicate that Chinese producers have both the ability and inclination to increase their exports to the United States sharply. The available data from those Chinese producers that responded to the Commission's questionnaire, whose exports to the United States accounted for 57.0 percent of total subject imports in 2002,<sup>6</sup> indicate that the capacity of producers of subject merchandise in China to produce wooden bedroom furniture increased by 153.9 percent from 1.8 million pieces in 2000 to 4.5 million pieces in 2002, and continued to increase by 31.5 percent between the interim periods. In addition, Chinese producers' capacity is projected to increase by 46.9 percent from 4.5 million pieces in 2002 to 6.6 million pieces in 2004.<sup>7</sup>

Chinese producers' capacity utilization rates were relatively high during the period of investigation, ranging from 85.2 percent to 95.6 percent during the period. However, given the substantial capacity increases, Chinese producers were able to increase production by 167.4 percent from 1.8 million pieces in 2000 to 4.7 million pieces in 2002, and production continued to increase by 29.1 percent between the interim periods. Furthermore, Chinese producers' production is projected to increase by 42.9 percent from 4.7 million pieces in 2002 to 6.7 million pieces in 2004. This indicates that, despite their relatively high capacity utilization rates, the Chinese producers likely have the ability to increase their exports to the United States in the imminent future.<sup>8</sup>

Chinese producers' shipments of wooden bedroom furniture are focused on the U.S. market. Chinese producers exported between 90.5 percent and 96.4 percent of their total shipments during January 2000-June 2003, and project that they will export 96.5 percent of their total shipments in both 2003 and 2004.<sup>9</sup> Chinese producers' exports to the United States, as a share of their total shipments, increased from 80.5 percent in 2000 to 86.8 percent in 2002, and continued to increase between the interim periods from 85.2 percent to 89.0 percent. In addition, Chinese producers' exports to the United States are projected to increase by 54.3 percent during 2002-2004, and to account for 89.5 percent of their total shipments in 2003 and 2004. In light of the importance of the U.S. export market to the Chinese wooden bedroom furniture industry, the historical data showing large recent increases in exports to the

---

<sup>5</sup> CR/PR, Table IV-3.

<sup>6</sup> CR at VII-1. PR at VII-1.

<sup>7</sup> CR/PR, Table VII-1.

<sup>8</sup> CR/PR, Table VII-1.

<sup>9</sup> CR/PR, Table VII-1.

United States, and the projected increases in exports to the United States, I believe that substantially increased subject imports are likely.<sup>10</sup>

I have also considered inventory levels. Inventories of pieces of the subject merchandise in the United States and the ratio of these inventories to imports increased from 2000 to 2002 and between the interim periods.<sup>11</sup> The value of inventories of the subject merchandise in China also increased during 2000-2002 and between the interim periods, as did the ratio of these inventories to total shipments.<sup>12</sup>

The available evidence indicates pervasive underselling by the subject imports during the period examined.<sup>13</sup> The subject imports undersold the domestic like product in 107 out of 108 quarterly comparisons, by margins ranging from 4.9 percent to 77.2 percent during January 2000-June 2003. Given this historical pattern of underselling, it is likely that the subject imports will continue to undersell the domestic like product in the imminent future.<sup>14</sup>

During the period examined, the weighted-average prices of the eight specified U.S.-produced furniture products and four of the specified imported Chinese products fluctuated but generally ended somewhat lower by the end of the period, while the weighted-average prices of the remaining four specified imported Chinese products fluctuated but generally ended measurably higher at the end of the period.<sup>15</sup> However, viewing dis-aggregated price data for each responding U.S. producer and importer indicates that, in most cases, prices of the specified U.S.-produced and imported Chinese products increased or were maintained during much of January 2000-June 2003.<sup>16</sup>

Although the extent to which the subject imports affected price levels for the domestic like product during the period examined is unclear, subject imports did gain market share at the expense of the domestic industry. The subject imports gained 11.5 percentage points of market share between 2000 and 2002, while the domestic industry lost 12.5 percentage points, the bulk of which occurred after 2001. Subject import market penetration was 9.2 percentage points higher in interim 2003 than in interim 2002; by contrast, the domestic industry's market share was 8.8 percentage points lower in interim 2003 than in interim 2002.<sup>17</sup>

---

<sup>10</sup> CR/PR, Table VII-1.

<sup>11</sup> CR/PR, Table VII-2.

<sup>12</sup> CR/PR, Table VII-1.

<sup>13</sup> CR at V-43. PR at V-30. Staff reported that significant differences in reported prices among several of the reporting U.S. producers and among several of the importers for each specified wooden bedroom furniture product likely reflected several factors including differences in physical characteristics within the product specifications provided. CR at V-17-V-19. PR at V-12-V13. In any final phase investigation, I would seek to improve the comparability of the price data.

<sup>14</sup> CR at V-37 and Tables V-7-V-8. PR at V-30 and Tables V-7-V-8.

<sup>15</sup> CR at V-43 and Tables V-2-V-5. PR at V-30 and Tables V-2-V-5.

<sup>16</sup> CR at V-35 and n. 51. PR at V-28 and n. 51.

<sup>17</sup> CR/PR, Table IV-3.

Thus, by pervasively underselling the domestic like product, the subject imports took appreciable market share away from the domestic industry during the latter portion of the period examined. In the immediate future, the subject imports appear poised to enter at prices that are likely to increase demand for further imports, causing the domestic industry to lose sales and market share at even a greater rate than during the period examined.<sup>18</sup>

The domestic industry exhibited reasonably healthy operating results throughout the period examined, notwithstanding its loss of market share. However, the industry did show deteriorating performance in several important indicators. Even with rising apparent U.S. consumption and sufficient excess capacity,<sup>19</sup> the industry's production and U.S. shipments declined during 2000-2002, and between the interim periods.<sup>20</sup> Production and related workers, hours worked, and wages paid all fell during 2000-2002 and between the interim periods.<sup>21</sup> Both the industry's operating income and its ratio of operating income to net sales declined throughout the period examined; the industry's operating margin was considerably lower in interim 2003 than in interim 2002.<sup>22</sup> Industry capital expenditures also declined throughout the period examined.<sup>23</sup>

---

<sup>18</sup> Given the size of this industry, the Commission received relatively few usable lost sales and lost revenue allegations. Staff received 20 usable lost sales and lost revenue allegations. Staff contacted the purchasers named in 16 of these allegations, and received responses from nine purchasers. Seven of these purchasers disagreed with the petitioners allegations, and two could neither confirm nor deny the allegations.

<sup>19</sup> The domestic industry's capacity decreased during the period examined. In terms of pieces, capacity fell by 3.8 percent from 14.8 million pieces in 2000 to 14.3 million pieces in 2002, and fell another 6.9 percent between the interim periods. In terms of pounds, capacity fell by 6.8 percent from 1.12 billion pounds in 2000 to 1.05 billion pounds in 2002, and continued to fall by 8.1 percent between the interim periods. In terms of pieces, capacity utilization fell from 82.7 percent in 2000 to 75.4 percent in 2002, and continued to fall from 79.1 percent in interim 2002 to 75.4 percent in interim 2003. In terms of pounds, capacity utilization fell from 78.9 percent in 2000 to 72.0 percent in 2002, and continued to fall from 74.4 percent in interim 2002 to 72.4 percent in interim 2003. CR/PR, Table III-2.

<sup>20</sup> In terms of pieces, domestic production declined by 10.3 percent from 13.7 million pieces in 2000 to 12.3 million pieces in 2002, and continued to fall by 8.2 percent between the interim periods. In terms of pounds, domestic production declined by 10.6 percent from 1.0 billion pounds in 2000 to 931 million pounds in 2002, and continued to fall by 6.2 percent between the interim periods. CR/PR, Table III-2. The value of domestic producers' U.S. shipments fell by 16.9 percent from \$2.5 billion in 2000 to \$2.1 billion in 2002, and continued to fall by 14.4 percent between the interim periods. CR/PR, Table III-3.

<sup>21</sup> Production and related workers fell by 17.3 percent from 38,687 in 2000 to 31,990 in 2002, and continued to fall by 10.6 percent between the interim periods. Hours worked fell by 18.0 percent from 67,425 in 2000 to 55,311 in 2002, and continued to fall by 12.6 percent between the interim periods. Wages paid fell by 14.0 percent from \$856.6 million in 2000 to \$736.5 million in 2002, and continued to fall by 13.1 percent between the interim periods. CR/PR, Table III-7. In any final phase investigation I intend to further examine the extent to which the recent employment declines are reflective of a longer-term trend in the industry.

<sup>22</sup> Operating income declined by 38.0 percent from \$271.3 million in fiscal year 2000 to \$168.1 million in fiscal year 2002, and continued to fall by 45.3 percent between the interim periods. Operating margins declined from 10.3 percent in fiscal year 2000 to 7.8 percent in fiscal year 2002. The 6.5 percent operating margin in interim 2003 was lower than the 10.0 percent operating margin in interim 2002. CR/PR, Table VI-1.

<sup>23</sup> Domestic producers' capital expenditures fell by 50.4 percent from \$72.4 million in fiscal year 2000 to \$35.9 million in fiscal year 2002, and continued to fall by 17.3 percent between the interim periods. CR/PR, Table VI-4.

The record in the preliminary phase of this investigation indicates that subject import volumes are likely to increase. Persistent underselling by the subject imports will cause the domestic industry to lose sales and market share at an even greater rate than during the period examined. Given the likely lost sales volumes, domestic industry sales revenues would be expected to decline sharply along with concomitant adverse impacts on industry employment and financial performance. Accordingly, I determine that there is a reasonable indication that further subject imports are imminent and material injury by reason of subject imports will occur.

### **CONCLUSION**

For the foregoing reasons, I determine that there is a reasonable indication that the domestic industry producing wooden bedroom furniture is threatened with material injury by reason of subject imports of wooden bedroom furniture from China that are allegedly sold at less than fair value.



## PART I: INTRODUCTION

### BACKGROUND

This investigation was instituted in response to a petition filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) on October 31, 2003, by the American Furniture Manufacturers Committee For Legal Trade, Washington, DC, and its individual members, and the Cabinet Makers, Millmen, and Industrial Carpenters Local 721, Whittier, CA.<sup>1</sup> The petition alleges that an industry in the United States is materially injured, and threatened with material injury, by reason of imports from China of wooden bedroom furniture<sup>2</sup> that are alleged to be sold in the United States at less than fair value (LTFV). Information relating to the background of this investigation is presented in table I-1.

**Table I-1**  
**Wooden bedroom furniture: Chronology of investigation No. 731-TA-1058**

Date	Action
October 31, 2003	Petition filed with Commerce and the Commission
October 31, 2003	Commission institutes investigation No. 731-TA-1058 (Preliminary)
November 10, 2003	Commission publishes notice of institution in the <i>Federal Register</i> <sup>1</sup>
November 21, 2003	Commission's public conference <sup>2</sup>
November 24, 2003	Commerce publishes notice in the <i>Federal Register</i> extending the date of initiation of investigation <sup>3</sup>
December 11, 2003	Commerce initiates investigation
December 17, 2003	Commerce publishes notice of initiation in the <i>Federal Register</i> <sup>4</sup>
January 9, 2004	Date of Commission's vote
January 12, 2004	Commission's transmittal of determination to Commerce
January 20, 2004	Commission's views sent to Commerce
<sup>1</sup> 68 FR 63816, November 10, 2003, presented in app. A. <sup>2</sup> A list of witnesses appearing at the conference is presented in app. B. <sup>3</sup> 68 FR 65875, November 24, 2003, presented in app. A. <sup>4</sup> 68 FR 70228, December 17, 2003, presented in app. A.  Source: Various <i>Federal Register</i> notices.	

<sup>1</sup> On December 4, 2003, the petitioners amended the petition to include four additional labor unions as co-petitioners: UBC Southern Council of Industrial Workers Local Union 2305, Columbus, MS; United Steel Workers of America Local 193U, Lewisburg, PA; Carpenters Industrial Union Local 2093, Phoenix, AZ; and Teamsters, Chauffeurs, Warehousemen and Helpers Local 991, Bay Minette, AL. See letter to the Commission and Commerce from petitioners dated December 4, 2003.

<sup>2</sup> The merchandise subject to this investigation is wooden bedroom furniture, as described in the section entitled *The Subject Product* in Part I of this report.

On November 13, 2003, Commerce notified the Commission of its intent to extend the date for its initiation by 20 days.<sup>3</sup> The purpose of the extension was to poll the domestic industry to determine whether the petitioners had standing. On December 17, 2003, Commerce published its notice of initiation in the *Federal Register*.<sup>4</sup>

## PREVIOUS INVESTIGATIONS

The Commission has not previously conducted antidumping or countervailing duty investigations concerning wooden bedroom furniture.

## ORGANIZATION OF THE REPORT

Information on the subject merchandise, alleged dumping margins, and the domestic like product is presented in Part I. Information on conditions of competition and other economic factors is presented in Part II. Information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment, is presented in Part III. Information on the volume of imports of the subject merchandise, apparent consumption, and market shares is presented in Part IV. Part V presents data on prices in the U.S. market. Part VI presents information on the financial experience of U.S. producers. Information on the subject country foreign producers and U.S. importers' inventories is presented in Part VII.

## SUMMARY OF DATA PRESENTED IN THE REPORT

A summary of data collected in the investigation is presented in appendix C. U.S. industry data are based on the questionnaire responses of 40 firms accounting for approximately 83 percent of known U.S. shipments (based on value) in 2002.<sup>5</sup> Data on U.S. imports are based on official statistics of Commerce, except as noted.<sup>6</sup> Data on the industry in China are based on the questionnaire responses of 59 firms believed to account for approximately 57.0 percent of Chinese exports of the subject merchandise to the United States in 2002.

---

<sup>3</sup> 68 FR 65875, November 24, 2003. *See also* Commerce's memorandum from Edward C. Yang to Joseph A. Spetrini, *Antidumping Petition on Wooden Bedroom Furniture from China: Extension of Deadline*, November 13, 2003.

<sup>4</sup> 67 FR 70228, December 17, 2003. In its notice of initiation, Commerce indicated that "{b}ased on information provided in the Petition, the share of total estimated U.S. production of the domestic like product in calendar year 2002 represented by the Petitioners and the supporting domestic producers equal over 25 percent of total domestic production," and that "the domestic producers of wooden bedroom furniture who support the Petition account for more than 57 percent of the production (by U.S. dollar sales value) of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition." Accordingly, Commerce determined that the industry support requirements of section 732(c)(4)(A) of the Act have been met.

<sup>5</sup> Coverage was calculated using the Commission's total shipment value of \$2.077 billion (*see* table III-3) and the petitioners' estimate of \$2.5 billion. *See* petition, exh. 4. The petition estimated the total value of U.S. producers' domestically produced U.S. shipments to be \$\*\*\* in 2002. However, this figure is marked as confidential because of the source of the data. Counsel to petitioners indicated that the figure of \$2.5 billion can be used publicly and noted that \*\*\*. Staff conversation with Joseph Dorn, counsel to petitioners, December 22, 2003.

<sup>6</sup> The Commission received questionnaire responses from 82 U.S. importers accounting for approximately 87.4 percent of imports of wooden bedroom furniture from China during January 2000-June 2003. The Bureau of Customs and Border Protection (Customs) identifies over 1,100 individual firms as importers of record of the subject merchandise from China during January 2002-June 2003.

**THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV**

On December 17, 2003, Commerce published its notice of initiation in the *Federal Register*.<sup>7</sup> Based on comparisons of export price to normal value, the estimated dumping margins for wooden bedroom furniture range from 158.74 percent *ad valorem* to 440.96 percent *ad valorem*.<sup>8</sup> The period of investigation for Commerce’s dumping investigation is April 2003-September 2003.

**SUMMARY OF MARKET PARTICIPANTS**

Table I-2 presents a list of the largest U.S. producers and importers of wooden bedroom furniture. The top 10 U.S. producers accounted for 68.5 percent of reported U.S. producers’ shipments (based on value) during 2000-02.<sup>9</sup> The top 10 U.S. importers accounted for 54.8 percent of U.S. shipments of the subject imported merchandise during 2000-02.<sup>10</sup>

**Table I-2  
Wooden bedroom furniture: Largest U.S. producers and U.S. importers of the subject merchandise, 2000-02**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

Table I-3 presents a list of the largest known purchasers of domestically produced wooden bedroom furniture,<sup>11</sup> and the largest purchasers of subject merchandise imported from China.<sup>12</sup>

**Table I-3  
Wooden bedroom furniture: Largest U.S. purchasers of domestically produced product and subject merchandise imported from China, 2000-02**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

<sup>7</sup> See 68 FR 70228, December 17, 2003.

<sup>8</sup> See also petition at 15 and exh. 18.

<sup>9</sup> See table III-1 in Part III of this report.

<sup>10</sup> The top ten importers reported U.S. shipments of \$525.3 million in subject merchandise during 2000-2002 while U.S. imports of the subject merchandise were \$957.9 million in 2002.

<sup>11</sup> The Commission did not issue purchaser questionnaires in the preliminary phase of this investigation; therefore, data on U.S. purchasers of domestically produced wooden bedroom furniture are not readily available. Staff requested a list of the top ten purchasers of domestically produced wooden bedroom furniture from counsel to the petitioners. See e-mail from Joseph Dorn, counsel to petitioners, dated December 19, 2003.

<sup>12</sup> The purchasers are based on the value of their purchases of imported wooden bedroom furniture from China.

## THE SUBJECT PRODUCT

### Scope

Commerce has defined the product subject to investigation as the following–

*For purposes of this investigation, the product covered is wooden bedroom furniture (i.e., subject merchandise). Wooden bedroom furniture is generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, or bedrooms, in which all of the individual pieces are of approximately the same style and approximately the same material and/or finish. The subject merchandise are [sic] made substantially of wood products, including both solid wood and also engineered wood products made from wood particles, fibers, or other wooden materials such as plywood, oriented strand board, particle board, and fiberboard; with or without wood veneers, wood overlays, or laminates; with or without non-wood components or trim such as metal, marble, leather, glass, plastic, or other resins; and whether or not assembled, completed, or finished.*

*The subject merchandise includes (1) wooden beds such as loft beds, bunk beds, and other beds; (2) wooden headboards for beds (whether stand-alone or attached to side rails), wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds; (3) night tables, night stands, dressers, commodes, bureaus, mule chests, gentlemen's chests, bachelor's chests, lingerie chests, wardrobes, vanities, chessers, chifforobes, and wardrobe-type cabinets; (4) dressers with framed glass mirrors that are attached to, incorporated in, sit on, or hang over the dresser; (5) chests-on-chests,<sup>13</sup> highboys,<sup>14</sup> lowboys,<sup>15</sup> chests of drawers,<sup>16</sup> chests,<sup>17</sup> door chests,<sup>18</sup> chiffoniers,<sup>19</sup> hutches,<sup>20</sup> and armoires;<sup>21</sup> (6) desks, computer stands, filing cabinets, book cases, or writing tables that are attached to or incorporated in the subject merchandise; and (7) other bedroom furniture consistent with the above list.*

---

<sup>13</sup> A chest-on-chest is typically a tall chest-of-drawers in two or more sections (or appearing to be in two or more sections), with one or two sections mounted (or appearing to be mounted) on a slightly larger chest; it is also known as a tallboy.

<sup>14</sup> A highboy is typically a tall chest of drawers usually composed of a base and a top section with drawers, and supported on four legs or a small chest (often 15 inches or more in height).

<sup>15</sup> A lowboy is typically a short chest of drawers, not more than four feet high, normally set on short legs.

<sup>16</sup> A chest of drawers is typically a case containing drawers for storing clothing.

<sup>17</sup> A chest is typically a case piece taller than it is wide, with or without one or more doors, featuring a series of drawers for storing clothing. The piece can either include drawers or be designed as a large box incorporating a lid.

<sup>18</sup> A door chest is typically a chest with hinged doors to store clothing, whether or not containing drawers. The piece may also include shelves for televisions and other entertainment electronics.

<sup>19</sup> A chiffonier is typically a tall and narrow chest of drawers normally used for storing undergarments and lingerie, often with mirror(s) attached.

<sup>20</sup> A hutch is typically an open case of furniture with shelves that typically sits on another piece of furniture and provides storage for clothes.

<sup>21</sup> An armoire is typically a tall cabinet or wardrobe (typically 50 inches or taller), with doors, and with one or more drawers (either exterior below or above the doors or interior behind the doors), shelves, and/or garment rods or other apparatus for storing clothes. Bedroom armoires may also be used to hold television receivers and/or other audio-visual entertainment systems.

*The scope of the Petition excludes (1) seats, chairs, benches, couches, sofas, sofa beds, stools, and other seating furniture; (2) mattresses, mattress supports (including box springs), infant cribs, water beds, and futon frames; (3) office furniture, such as desks, stand-up desks, computer cabinets, filing cabinets, credenzas, and bookcases; (4) dining room or kitchen furniture such as dining tables, chairs, servers, sideboards, buffets, corner cabinets, china cabinets, and china hutches; (5) other non-bedroom furniture, such as television cabinets, cocktails tables, end tables, occasional tables, wall systems, book cases, and entertainment systems; (6) bedroom furniture made primarily of wicker, cane, osier, bamboo or rattan; (7) side rails for beds made of metal if sold separately from the headboard and footboard; and (8) bedroom furniture in which bentwood parts predominate.<sup>22</sup>*

*Imports of subject merchandise are classified under statistical category 9403.50.9040 of the Harmonized Tariff Schedule of the United States (“HTSUS”) as “wooden...beds” and under statistical category 9403.50.9080 of the HTSUS as “other...wooden furniture of a kind used in the bedroom.” In addition, wooden headboards for beds, wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds may also be entered under statistical category 9403.50.9040 of the HTSUS as “parts of wood” and framed glass mirrors may also be entered under statistical category 7009.92.5000 of the HTSUS as “glass mirrors...framed.” This investigation covers all wooden bedroom furniture meeting the above description, regardless of tariff classification. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.*

### **U.S. Tariff Treatment**

Table I-4 presents current tariff rates for wooden bedroom furniture. The scope includes four HTS statistical reporting numbers; however, most of the subject imports enter under the first two statistical reporting numbers (9403.50.9040 and 9403.50.9080). The other two statistical reporting numbers (9403.90.7000 and 7009.92.5000) are residual or “basket” categories for wooden parts and glass mirrors.

Customs collects quantity data for beds but not for other wooden bedroom furniture; therefore, only value data for official statistics are presented throughout this report.

---

<sup>22</sup> As used herein, bentwood means solid wood made pliable. Bentwood is wood that is brought to a curved shape by bending it while made pliable with moist heat or other agency, and then set by cooling or drying. See Customs’ Headquarters’ Ruling Letter 043859, dated May 17, 1976.

**Table I-4**  
**Wooden bedroom furniture: Tariff rates, 2003**

HTS provision	Article description <sup>1</sup>	General <sup>2</sup>	Special <sup>3</sup>	Column 2 <sup>4</sup>
		Rates (percent <i>ad valorem</i> )		
9403.50.9040	Wooden furniture of a kind used in the bedroom: Other (than bent-wood furniture): Other (than designed for motor vehicle use): Beds	Free	Free	40.0
9403.50.9080 <sup>5</sup>	Wooden furniture of a kind used in the bedroom: Other (than bent-wood furniture): Other (than designed for motor vehicle use): Other (than beds)	Free	Free	40.0
9403.90.7000	Parts: Other: Of wood	Free	Free	40.0
7009.92.5000	Glass mirrors, whether or not framed, including rear-view mirrors: Framed: Over 929 cm <sup>2</sup> reflecting area	6.5	Free <sup>6</sup>	45.0

<sup>1</sup> An abridged description is provided for convenience; however, an unabridged description may be obtained from the respective headings, subheadings, and legal notes of the HTSUS.  
<sup>2</sup> Normal trade relations, formerly known as the most-favored-nation duty rate, applicable to imports from Japan.  
<sup>3</sup> For eligible goods under the Generalized System of Preferences, African Growth and Opportunity Act, Caribbean Basin Economic Recovery Act, Andean Trade Preference Act, Automotive Products Trade Act, Israel Free Trade Agreement, Jordan Free Trade Agreement, and NAFTA-originating goods of Canada and Mexico.  
<sup>4</sup> Applies to imports from a small number of countries that do not enjoy normal or preferential trade relations duty status.  
<sup>5</sup> Customs does not collect quantity data for this statistical reporting number.  
<sup>6</sup> Imports from Jordan enter at a rate of 1.9 percent *ad valorem*.

Source: Harmonized Tariff Schedule of the United States (2003).

### DOMESTIC LIKE PRODUCT ISSUES<sup>23</sup>

The petitioners argue that there is a single domestic like product (wooden bedroom furniture) corresponding to the scope definition.<sup>24</sup> Respondents Lacquer Craft Manufacturing Co., Ltd., Markor International Furniture (Tianjin) Manufacturing Co., and the Committee for Free Trade in Furniture “. . . recognize that for purposes of its preliminary determination the Commission does not have the data it would need to take a different approach to the like product issues raised in this case, but want to reserve our position on these issues” should the investigation proceed to a final phase.<sup>25</sup> The respondents state further that the treatment of varied goods (beds, nightstands, dressers, etc.) “as a single like product may be inconsistent with the Commission’s traditional like product analysis,” that “there are clear divisions among the various items of bedroom furniture in terms of physical characteristics and use, and products

<sup>23</sup> The Commission’s decision regarding the appropriate domestic products that are “like” the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

<sup>24</sup> See petition at 16-24. See also petitioners’ postconference brief at 28.

<sup>25</sup> See postconference brief of Lacquer Craft Manufacturing Co., Ltd., Markor International Furniture (Tianjin) Manufacturing Co., and the Committee for Free Trade in Furniture (joint respondents’ postconference brief) at 7.

such as beds and dressers or nightstands and mirrors are quite obviously not interchangeable,” and that “there are large price differentials between the various products.”<sup>26</sup> Other respondent parties have not taken a position on the appropriate domestic like product.

### Physical Characteristics and Uses<sup>27</sup>

Wood bedroom furniture consists of furniture made of wood products and having physical characteristics applicable to the intended use in a bedroom. The furniture consists of different individual articles (e.g., beds, nightstands, chests, armoires, and dressers with mirrors) with different configurations and uses, all of which share the physical characteristics imparted by their common raw material (wood products) and by their intended function for use in a bedroom, as opposed to other types of furniture such as dining room tables, china chests, and office desks. Specific types of wooden bedroom furniture included in this investigation are listed in the scope of the investigation presented earlier in this section of the report. Wooden bedroom furniture is used primarily in residences, lodging, and care facilities such as assisted living facilities.

Wooden bedroom furniture is generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, commonly called bedroom suites<sup>28</sup> or “bedrooms” in which all of the individual pieces share the same basic design, raw materials, construction, and finish.<sup>29</sup> At a minimum, a suite includes a bed frame, chest of drawers, and a nightstand. As one furniture retailer stated: “Although we are perfectly willing to sell different bedroom furniture items separately, the vast majority of our customers, more than 90 percent, buy suites. This is the way virtually all retailers operate.”<sup>30</sup> Respondents agree that the fact that bedroom furniture is sold as a single unit or suite may be true for many sales, but it is “most certainly not true for all,”<sup>31</sup> indicating that the definition of a suite is quite fluid (different suites may contain one or two night stands, a chest or no chest, perhaps a mirror, and a range of bed sizes), and even differs on a regional basis.<sup>32</sup> Moreover, customers may buy a single piece of furniture or any subset of the “so-called” suite.<sup>33</sup> Wooden bedroom furniture suites are typically for either the adult, youth, or hospitality markets.

---

<sup>26</sup> See joint respondents’ postconference brief at 7-8.

<sup>27</sup> Portions of this discussion are derived from the petition at 20-24, from petitioners’ postconference brief at 13-18, and from other sources as cited.

<sup>28</sup> In the furniture trade, the term “suites” is pronounced like the word “suits” as in bathing suits.

<sup>29</sup> Wooden bedroom suites can also be referred to as bedroom collections, bedroom groups, or bedrooms.

<sup>30</sup> See testimony of Harold Hewitt, President, Superior Furniture, conference transcript at 59.

<sup>31</sup> See joint respondents’ postconference brief at 8.

<sup>32</sup> For instance, in the New York market, a suite typically consists of a dresser, mirror, armoire, bed, and two night stands. However, in California, a suite typically consist of a dresser, mirror, bed, and two night stands, while in the southeastern United States, a suite typically consist of a dresser, mirror, chest, and bed. While there are different ways of defining a suite across the country, retailers within a geographic region usually quote a suite in the same way. See testimony of Wyatt Bassett, Executive Vice President of Vaughan-Bassett Furniture Company, conference transcript at 116-117.

<sup>33</sup> See joint respondents’ postconference brief at 8.

Adult bedroom suites are produced for at least three different price/quality points: low, middle, and high.<sup>34</sup> The quality of the material used in construction is a major factor that (along with other factors, e.g., quality of construction and quality of finish) determines the price point at which the suites are sold.<sup>35</sup> The materials found in the lowest category of bedroom suites are (1) particle board components for the interior structure that holds the drawers; (2) glued paper covering on the interior of drawers; (3) a certain amount of stapled construction; and (4) plastic components that are designed to look similar to wood. The front of a chest or dresser is often covered with wood, while sides are most likely of particle board. Mid-priced bedroom suites usually include solid wood on the top of chests or dressers, while wood veneered on the particle board is used on the side and front. A plywood interior structure holds the drawers in place. High-priced bedroom suites use solid wood on drawer fronts and the top and sides of chests and dressers.

### **Common Manufacturing Facilities and Production Employees**

Wooden bedroom furniture is produced in facilities that may also produce non-bedroom wooden furniture. In response to a question on whether they produce other products using the same equipment and the same workers as those used to produce wooden bedroom furniture, most large producers answered in the affirmative, stating that they produce other wooden furniture (e.g., dining room furniture). With regard to bedroom furniture of materials other than wood (e.g., brass beds), such furniture reportedly is not produced by the same U.S. producers that produce wooden bedroom furniture.<sup>36</sup>

The process of manufacturing wooden bedroom furniture is similar in the United States, China, and other producing countries. Lumber, veneers, and engineered wood products are sawed and/or cut into shapes, furniture is assembled from those shapes, and the furniture is stained or painted, as needed, on a finishing line.<sup>37</sup>

Manufacturing processes involved in the production of wooden bedroom furniture have been increasingly automated. Computer-numerically-controlled equipment, which allows operators to input complex, sequential demands instructing production machinery how to cut, rout, and/or carve different furniture parts, have improved productivity. However, U.S. production of fully assembled wood furniture remains moderately labor-intensive.

In the traditional method of bedroom furniture manufacturing, a prototype is made to serve as a model for the furniture to be manufactured.<sup>38</sup> To prepare the wood, logs are sawed into boards using a large band saw/dimension saw machine. Next, the boards are dried (either naturally or through a kiln dryer). If the boards are dried in a kiln dryer, they are first coated with a wood glue/white cement mixture

---

<sup>34</sup> See full discussion in the section entitled *Raw Material Costs, Fit, Finish, and Size/Scale* in Part V this report on U.S. producers' and importers' comments regarding differences in product characteristics of wooden bedroom furniture in "good, better, and best" quality categories.

<sup>35</sup> These materials, ranked in descending order, are: (1) solid wood; (2) solid wood veneer on plywood; (3) solid wood veneer on particle board; and (4) paper glued on composite board.

<sup>36</sup> See testimony of Wyatt Bassett, Executive Vice President of Vaughan-Bassett Furniture, conference transcript at 78-79.

<sup>37</sup> See joint respondents' postconference brief at 15.

<sup>38</sup> *The Furniture/Product Manufacturing* found at [http://www.furniture-design-services.com/furniture\\_or\\_product\\_manufacture.htm](http://www.furniture-design-services.com/furniture_or_product_manufacture.htm), retrieved on December 22, 2003.

to prevent the wood from bending. This wood is then stored in a warehouse until it readjusts to the surrounding atmosphere. The dried board is cut according to the required measurements, vertically with a rip-saw and horizontally with a cross-cut saw. Some furniture manufacturers make decorative carvings on the components (table tops, legs, etc.) at this stage. The wood is then softened through sanding and planing. Next, these components are assembled using glue, nails, and bolts. Producers usually conduct quality control inspections once components are assembled. The fully assembled furniture is then finished through the process of spraying, drying, waxing, staining, and buffing. The wooden bedroom furniture is labeled and packed to protect the product from damage while the furniture is stored or shipped.<sup>39</sup>

### **Interchangeability and Customer and Producer Perceptions**

Wooden bedroom furniture generally is not interchangeable with other types of furniture such as dining room tables, china cabinets, and office desks, which are essentially designed for use in rooms of the house other than bedrooms. Wooden bedroom furniture is sold as suites of compatible articles of furniture that are all for use in a bedroom. Of course, certain types of wooden bedroom furniture, (e.g., such as beds, nightstands, etc.), are different from each other in specific physical characteristics and uses and are therefore not interchangeable. However, they are designed as an integrated unit to be compatible in appearance and are generally sold together as suites.

Some bedroom furniture is made of material other than wood, such as metal (e.g., brass beds). U.S. producers' and importers' questionnaire responses regarding the substitution in demand in the retail market between wooden bedroom furniture and bedroom furniture constructed of materials other than wood are discussed in the section entitled "Substitute Products and Expenditures" in Part II of this report.

Part II of this report also contains information on the interchangeability between domestically produced wooden bedroom furniture and such furniture produced in China and in other countries. In general, the imported furniture is interchangeable with the domestically produced furniture, and is sometimes a copy of the domestic product. Producers in China and elsewhere use generally the same or comparable raw materials, production equipment, and manufacturing techniques as U.S. producers.<sup>40</sup> In fact, much of the wooden bedroom furniture imported from China and other countries is imported by U.S. producers of bedroom furniture, and may be designed in the United States.<sup>41</sup> Some domestic producers first began importing bedroom suites when they began to realize that they could broaden their product lines, especially those involving more intricate carvings, details, and veneers, by sourcing them abroad.<sup>42</sup>

---

<sup>39</sup> *Production Aspect–Wood Industry Area, SI-LMUK*, Bank Indonesia, found at [http://www.bi.go.id/sipunk/lm/eng/processed\\_wood/production.htm](http://www.bi.go.id/sipunk/lm/eng/processed_wood/production.htm), retrieved on December 22, 3003.

<sup>40</sup> See affidavit of \*\*\*, petitioners' postconference brief at exh. 4, p. 2.

<sup>41</sup> See testimony of Jeffrey Seaman, President & CEO, Rooms To Go Inc., conference transcript at 154.

<sup>42</sup> See postconference brief of Furniture Brands International at 7.

## Channels of Distribution

Wooden bedroom furniture is generally sold in retail stores, as is non-bedroom furniture. Although non-bedroom furniture may be sold in the same stores, it is often displayed in a separate area of the store. Retailers reserve what are known in the industry as “slots” (allocated space in a certain area of a store) for bedroom suites, and it is these slots which serve as the primary channel of distribution for wooden bedroom furniture. Further information on channels of distribution for wooden bedroom furniture is presented in Part II of this report.

## Price

The Commission collected price data on eight specific types of wooden bedroom furniture, consisting of various types of Louis Philippe style and Mission style beds, nightstands, and double dressers. These data are presented in part V of this report. The prices among the individual types of bedroom furniture (beds, nightstands, and dressers) often vary substantially. However, the products can be (and may generally be) sold as suites, and in fact in Part V the prices of the specific articles of furniture, while presented separately, have also been added together by staff to obtain constructed suite prices. Joint respondents contend that wooden bedroom furniture is not priced on a suite-by-suite basis, that price negotiations conducted by manufacturers are on a piece-by-piece basis, and that at retail sale the goods are also priced individually.<sup>43</sup>

---

<sup>43</sup> See joint respondents’ postconference brief at 9.

## PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

### CHANNELS OF DISTRIBUTION

U.S. producers and importers sell their domestic and imported Chinese wooden bedroom furniture primarily to retailers but also to hotels/motels, etc., in the hospitality sector, to furniture rental firms, and to various other types of purchasers, including some to distributors. A total of 39 U.S. producers and 77 U.S. importers reported in their questionnaire responses the value of their total U.S. shipments of the domestic and imported Chinese wooden bedroom furniture during January 2000-June 2003, by principal type(s) of customers;<sup>1</sup> these data are shown in figure II-1.<sup>2</sup> Approximately 92.0 percent of the total value of the combined reported U.S. shipments of domestic and imported Chinese wooden bedroom furniture was shipped to U.S. retailers, 3.6 percent was to the hospitality sector,<sup>3</sup> 2.1 percent was to furniture rental firms, and 2.3 percent was to all other types of customers during this period.<sup>4</sup> Responding U.S. producers accounted for 82.0 percent and petitioning U.S. producers accounted for 40.5 percent of the total reported combined shipment data. U.S. producers and importers selling the domestic and Chinese wooden bedroom furniture to unrelated customers accounted for 92.7 percent of the total combined reported shipment data, while U.S. retailers importing the Chinese wooden bedroom furniture and U.S. producers selling their domestic wooden bedroom furniture in their own retail stores together accounted for the remaining 7.3 percent of the total combined reported shipment data.

---

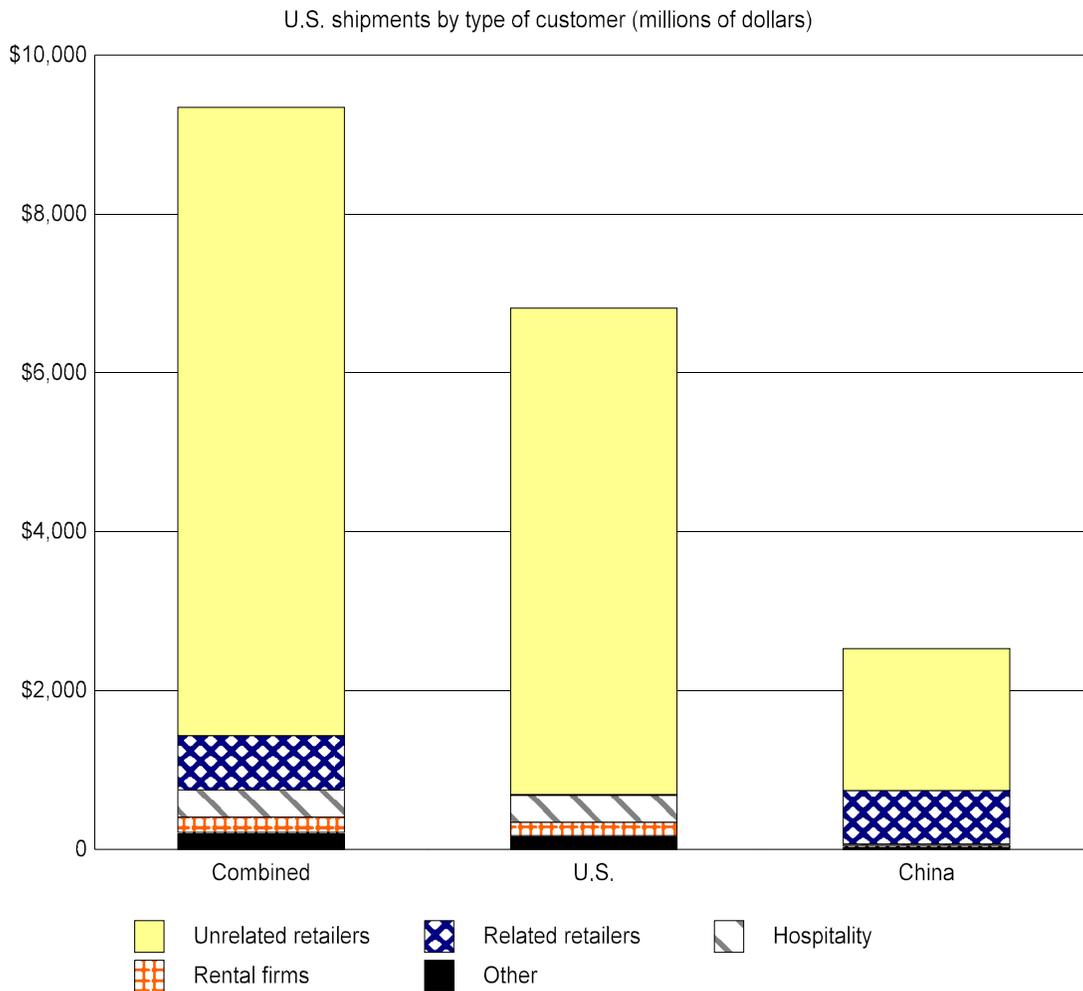
<sup>1</sup> The questionnaires specifically requested that the firms report the value of their shipments to U.S. retailers, the hospitality sector, furniture rental firms, and all other types of customers. In addition, separate shipment values were requested for customers not related (by ownership) and related to the responding supplying firms. Shipments to unrelated and related customers were requested on a U.S. f.o.b. selling price basis, while direct imports of retailers were requested on a c.i.f., duty-paid (U.S. ports-of-entry) import price basis; these latter imports were included in the category of related customers. In this way, both U.S. shipments to U.S. customers and direct imports by retailers were valued at the wholesale level of the market, albeit not at a comparable selling price level of the market.

<sup>2</sup> The reported U.S. shipments of the domestic and imported Chinese wooden bedroom furniture during January 2000-June 2003, by type of customer, totaled \$9.3 billion and accounted for 62.8 percent of total U.S. apparent consumption of wooden bedroom furniture during this period. The reported U.S. shipments of the domestic products, by type of customer, of \$6.8 billion accounted for 88.1 percent of the value of total reported U.S. producers' commercial shipments of domestic wooden bedroom furniture during this period, while reported U.S. shipments of the imported Chinese products, by type of customer, of \$2.5 billion accounted for 98.1 percent of the value of total official U.S. imports of wooden bedroom furniture from China.

<sup>3</sup> U.S. producers accounted for the total value of combined reported U.S. shipments of the domestic and imported Chinese wooden bedroom furniture to the hospitality sector during January 2000-June 2003, of which 99.1 percent was produced domestically \*\*\*. Petitioning U.S. producers accounted for 70.0 percent of the total value of combined U.S. shipments of the domestic and imported Chinese wooden bedroom furniture shipped to the hospitality sector during this period.

<sup>4</sup> Based on the value of U.S. shipments of the domestic and imported Chinese wooden bedroom furniture, requested of U.S. producers and importers elsewhere in the questionnaires, by type of customer for 2002, distributors accounted for 1.7 percent of the total reported combined U.S. shipments of domestic and imported Chinese wooden bedroom furniture.

**Figure II-1**  
**Wooden bedroom furniture: Values of total U.S. shipments of domestic and imported Chinese wooden bedroom furniture, by type of customer, January 2000-June 2003**



Note: Unrelated retailers refer to shipments of domestic and Chinese wooden bedroom furniture by U.S. producers and importers to U.S. retailers unrelated (by ownership) to the suppliers. Related retailers refer primarily to direct imports of Chinese wooden bedroom furniture by U.S. retailers, and to the more limited shipments of domestic and Chinese wooden bedroom furniture by U.S. producers and importers to retailers related to the suppliers.

Note: Although not clearly visible in figure II-1 due to scaling, shipment data for the domestic and imported Chinese wooden bedroom furniture were reported for all five categories of customers.

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

U.S. producers reported that 90.0 percent of their total U.S. shipments of domestic wooden bedroom furniture was shipped to retailers,<sup>5</sup> 4.9 percent to the hospitality sector, 2.4 percent to furniture rental firms, and 2.6 percent to all other types of customers during January 2000-June 2003.<sup>6</sup> Petitioning U.S. producers accounted for 52.4 percent of the total value of all the reported shipments of domestic wooden bedroom furniture by type of customer,<sup>7</sup> and for 70.1 percent of U.S. producers' reported shipments of the domestic wooden bedroom furniture to the hospitality sector during this period.

U.S. importers reported that 97.3 percent of their total U.S. shipments of Chinese wooden bedroom furniture was shipped to retailers, \*\*\* percent was to the hospitality sector, 1.1 percent was to furniture rental firms, and \*\*\* percent was to all other types of customers during January 2000-June 2003.<sup>8</sup> U.S. retailers that imported the Chinese wooden bedroom furniture accounted for 26.6 percent of the total value of all the reported shipments of imported Chinese wooden bedroom furniture by type of customer, and for 27.4 percent of all U.S. importers' reported U.S. shipments to retailers during this period. Responding U.S. producers that imported the Chinese wooden bedroom furniture accounted for 33.4 percent of the total value of all the reported shipments of Chinese wooden bedroom furniture by type of customer during January 2000-June 2003, while petitioning U.S. producers accounted for 8.6 percent.

### MARKET CHARACTERISTICS

U.S. retailers of wooden bedroom furniture frequently display furniture suites in their stores, with a certain number of floor areas, called slots, for each suite. All 40 U.S. producers and 45 of 46 U.S. importers,<sup>9</sup> responding to questionnaire requests for information regarding the importance and use of slots at U.S. furniture retailers,<sup>10</sup> reported that access to retailer slots was critical in their sales of the domestic and imported Chinese wooden bedroom furniture.<sup>11</sup> Many of these responding firms noted the importance of physically displaying wooden bedroom furniture because consumers prefer to touch and

---

<sup>5</sup> U.S. shipments of domestic wooden bedroom furniture to related customers, which involved only retailers and were included in this figure, represented \*\*\* percent of the value of total shipments of the domestic furniture to all retailers.

<sup>6</sup> All other customers of responding U.S. producers included distributors; health care facilities; federal, state, and local government facilities; and employees of the U.S. furniture producers. Based on the value of shipments of the domestic wooden bedroom furniture requested of U.S. producers elsewhere in the questionnaires, by type of customer for 2002, distributors accounted for 2.0 percent of total reported U.S. shipments of domestic wooden bedroom furniture.

<sup>7</sup> U.S. petitioning producers reported that 91.7 percent of the value of their total U.S. shipments of domestic wooden bedroom furniture during this period was to retailers, 6.6 percent was to the hospitality sector, 0.5 percent was to furniture rental firms, and 1.1 percent was to all other types of customers.

<sup>8</sup> All other customers of responding U.S. importers included distributors, accommodations, catalogue sales, and employees of the U.S. furniture importers. Based on the value of shipments of the imported Chinese wooden bedroom furniture requested of U.S. importers elsewhere in the questionnaires, by type of customer for 2002, distributors accounted for 1.4 percent of total reported U.S. shipments of imported Chinese wooden bedroom furniture.

<sup>9</sup> Nine of the 46 responding U.S. importers are retailers of wooden bedroom furniture.

<sup>10</sup> The questionnaires requested that U.S. producers and importers discuss the importance of obtaining slots in retailers' stores in selling their domestic and imported Chinese wooden bedroom furniture. The responding firms were also asked to discuss the impact of internet sales and catalogue sales of wooden bedroom furniture on the use of slots in retail stores and the factors considered by retailers when deciding on which suppliers to purchase from.

<sup>11</sup> The lone exception was \*\*\*, a U.S. retailer of wooden bedroom furniture, which reported that the firm did not use slots to sell wooden bedroom furniture.

explore the furniture prior to purchase.<sup>12</sup> \*\*\*, a petitioning U.S. producer, asserted that a consumer must see and touch the furniture before purchasing it, because wooden bedroom furniture is a big-ticket, infrequent, deferrable purchase. This firm noted that seeing the furniture in person affords consumers the peace of mind that a product meets their quality standards of finish color/consistency, construction, overall scale, and utility within their homes.

The responding U.S. producers and importers generally reported that retailers award slots to specific suppliers of wooden bedroom furniture based on a variety of factors, including, price, design, style, brand-name recognition, service, and both promptness and reliability of delivery. According to the responding firms, wooden bedroom furniture products may remain on a dealer floor for only a few months or a number of years. Retailers generally do not agree with the supplier to display a specific product for some predetermined period of time; \*\*\*, petitioning U.S. producers, asserted that if the product does not meet the retailer's rate of sales expectation within one to six months, it is replaced.<sup>13</sup> According to \*\*\*, the \*\*\* of wooden bedroom furniture and an importer of the Chinese furniture,<sup>14</sup> retailers attempt to award slots for the wooden bedroom furniture that will generate the most sales per square foot of retail selling space. This U.S. producer asserted that product price is not always a determining factor, because its experience has shown that furniture with strong brand-name recognition and furniture sold through dedicated retail space both have a greater potential for sales per square foot of retail space than non-branded products sold in a general retail environment.<sup>15</sup> \*\*\*, a non-petitioning U.S. producer and importer of Chinese wooden bedroom furniture, asserted that wooden bedroom furniture competes for retail floor space against other bedroom furniture, dining-room furniture, televisions, entertainment centers, and other electronics.

Forty-four U.S. producers and 75 U.S. importers of the domestic and Chinese wooden bedroom furniture responded to a questionnaire request for information on any significant changes in the product range or marketing of wooden bedroom furniture in the United States during January 2000-June 2003. Twenty-six U.S. producers and 42 U.S. importers reported at least some changes, whereas 18 U.S. producers and 33 U.S. importers responded that there were no changes.<sup>16</sup> Eight of the 26 U.S. producers reporting changes asserted that product life cycles for wooden bedroom furniture had become shorter

---

<sup>12</sup> Primarily for this reason, 20 of the 25 U.S. producers and 19 of the 21 U.S. importers commenting on internet and catalogue sales reported that such sales did not significantly affect retail store sales of wooden bedroom furniture; another factor reportedly limiting internet and catalogue sales of wooden bedroom furniture was the high cost of freight. The remaining five U.S. producers and two U.S. importers indicated that internet and catalogue sales were generally made only after the consumer saw the wooden bedroom furniture at a retail store. \*\*\*, a petitioning U.S. producer, reported that wooden bedroom products available in its catalogue, but not displayed on the retail floor, do not generate as much sales as those displayed.

<sup>13</sup> \*\*\*, a petitioning U.S. producer, asserted that it is expensive for retailers to "change-out" slots on their floors, especially the larger retailers with multiple stores or the larger single stores. The replaced floor samples, mismatched inventory, and excess stock inventory often must be sold at deeply discounted prices. A new suite of floor samples must be purchased and displayed along with new inventory for that product. Thus the incentive to replace slots must be great.

<sup>14</sup> \*\*\* is opposed to the petition.

<sup>15</sup> \*\*\* reported that the firm is currently purchasing its own retail space to display better its wooden bedroom furniture in geographic areas where its products are not adequately represented by existing retail relationships.

<sup>16</sup> Twenty of the 75 responding U.S. importers are retailers of wooden bedroom furniture; 14 responded that significant changes had occurred and six reported that no changes had occurred.

because of more frequent product introductions during this period.<sup>17</sup> All eight U.S. producers were petitioners and asserted that the shorter product life cycles have occurred because the Chinese and other imports have copied their designs and priced the imported products below the U.S. producers' costs. Sixteen of the 42 U.S. importers reporting changes asserted that the variety of wooden bedroom furniture products increased, including more ornate designs and intricate carvings, during January 2000-June 2003. \*\*\*, a U.S. retailer, reported that since 2000, its range of wooden bedroom furniture products offered in the United States has expanded to include more intricately designed suites (requiring significantly more hand work) with more detailed carvings and more sophisticated wood finishes. \*\*\* asserted that this had been due almost exclusively to the imports of wooden bedroom furniture from China and other Asian countries. This retailer noted that since bedroom furniture styles have become more interesting during this period, it has been able to increase its price points because customers are willing to pay more.<sup>18</sup>

Two other U.S. importers, \*\*\*, both retailers of furniture, responded that significant changes had occurred in the product range and marketing of wooden bedroom furniture in the United States during January 2000-June 2003. These two firms reported that they have largely switched to selling private-brand wooden bedroom furniture exclusive to each firm. \*\*\* asserted that until about 10 years ago, the U.S. supply and distribution of wooden bedroom furniture was controlled by a relatively small number of U.S. producers with their national-brand products designed and produced by the U.S. producers and marketed primarily through specialty furniture and department stores.<sup>19</sup> They reportedly would not produce private brand wooden bedroom furniture for retailers, including mass merchandisers like \*\*\*. \*\*\* began switching to private brand furniture in the 1980s by sourcing these products from furniture producers in Malaysia, Mexico, the Philippines, and Taiwan; by 1995, many Taiwan furniture producers reportedly had moved to China and \*\*\* began sourcing more of its products from Chinese producers.<sup>20</sup> \*\*\* adopted this strategy of developing its private brands of wooden bedroom furniture in 2002, and reportedly after repeated failed attempts to get U.S. producers to supply these products, it found the Chinese producers willing and capable of doing so.

\*\*\*, a U.S. importer of the Chinese wooden bedroom furniture that sells to retailers, also cited some changes in the marketing and product range of products during January 2000-June 2003. The firm asserted that brand-name wooden bedroom furniture appears to have become less important to the consumer, while the firm sees more use of all-metal beds, mirrors, and nightstands.

Four other U.S. importers of the Chinese wooden bedroom furniture, including one that is a U.S. retailer, also cited changes in the product range and marketing of wooden bedroom furniture in the U.S. market during January 2000-June 2003, which were similar to each other. \*\*\*, the U.S. furniture retailer, summed up the collective remarks of all four of these U.S. importers. Chinese furniture producers

---

<sup>17</sup> \*\*\*, a petitioning U.S. producer, reported that since 2000 the firm has introduced \*\*\*. This U.S. producer reported that it has had as many new offerings in the \*\*\* that it had available in its \*\*\* of business.

<sup>18</sup> On the other hand, \*\*\*, a U.S. importer of Chinese wooden bedroom furniture that sells to retailers, asserted that as the U.S. economy has slowed, the pressure to have wooden bedroom furniture suites that can retail under \$1,000 has intensified.

<sup>19</sup> According to \*\*\*, such control over design and marketing limited the variety of products, giving the U.S. furniture producers control over their selling prices.

<sup>20</sup> By 1995, \*\*\* reportedly began designing its private brand wooden bedroom furniture and began hosting consumer focus groups to help the firm design furniture that the consumer wants to buy. Currently, \*\*\* purchases wooden bedroom furniture from producers in \*\*\* that has worked closely with this retailer since 1995. Such diversification of suppliers reportedly allows \*\*\* to take the findings from its consumer focus groups and locate the ideal supplier to produce the items demanded by consumers.

reportedly have upgraded their facilities with state-of-the-art equipment to offer unique product styling in all design categories that meet their customers' needs. Timely delivery is the core of each of these firm's fulfillment programs and, combined with reliable consistent quality, is reportedly rare from any other country source of wooden bedroom furniture, including many U.S. producers. Timely delivery and consistent quality, more than any other factor, reportedly made Chinese furniture producers attractive to these four U.S. importers, and enabled them to become complete, one-stop, home furnishing sources for their customers.

\*\*\*, a U.S. importer of Chinese wooden bedroom furniture for youths (3-18 years old) that sells to U.S. retailers, asserted that this category of wooden bedroom furniture is now growing because it can obtain products from China that are designed specifically for children. According to \*\*\*, U.S. producers mainly resize adult furniture and sell it for children.

### SUPPLY AND DEMAND CONSIDERATIONS

The degree of substitution in U.S. producers' supply to the U.S. market between U.S.-produced and imported Chinese wooden bedroom furniture depends upon such factors as relative costs, range of products, styles and designs, and availability of materials and labor. Based on the reported information in the preliminary phase of the investigation, comparative advantages in China, particularly in low labor costs to produce more intricate styles and design of furniture,<sup>21</sup> may limit the degree of substitution in supply between the U.S.-produced and imported Chinese wooden bedroom furniture.<sup>22</sup> Conference testimony by respondents, including Rooms-To-Go and Furniture Brands International,<sup>23</sup> revealed that if antidumping duties are imposed on Chinese wooden bedroom furniture, the largest U.S. retailer of furniture and the largest U.S. producer of wooden bedroom furniture, respectively, would switch sourcing of their wooden bedroom furniture products from China to other countries such as Brazil, Indonesia,

---

<sup>21</sup> Manufacturing wages in China average \$0.61 per hour compared with \$16.00 per hour in the United States and \$2.00 per hour in Mexico (Mr. Michael Cox and Jahyeong Koo, Chief economist and economist, respectively, at the Federal Reserve Bank of Dallas, *China Is No Threat to America*, *Financial Times*, October 28, 2003). Respondents asserted that the Chinese wage rate for wooden bedroom furniture production is closer to \$\*\*\* per hour, while petitioners asserted that the average wage rate for domestic wooden bedroom furniture production was about \$\*\*\* per hour (staff meeting with \*\*\*; staff conversation with \*\*\*; and based on data received in response to Commission questionnaires). Petitioners asserted that the labor cost advantage in China vis-a-vis the United States was wholly irrelevant to the Commission's statutory inquiry, but then noted that such an advantage was relevant in that it reportedly constitutes an implicit admission that imports from China are being sold on the basis of lower price. See petitioners' postconference brief at 37-38).

<sup>22</sup> \*\*\* reported in its questionnaire response that \*\*\* domestic production and imports of wooden bedroom furniture, including that from China, during January 2000-June 2003; this suggests that imports of Chinese wooden bedroom furniture, at least for this producer, are complementary and not direct substitutes in supply. According to \*\*\*, wooden bedroom furniture styles containing certain design elements, such as detailed hand carvings or intricate veneer processes, lend themselves more to imports, because of their greater labor intensity. Certain other designs, particularly those involving multiple choices in color and finish, or shorter production runs, lend themselves more to domestic production. This U.S. producer decides on an item-by-item basis whether to produce domestically or to import the wooden bedroom furniture products. \*\*\* asserted that, among the production factors of labor, natural resources, and capital, the only substantial difference among domestic and foreign producers of wooden bedroom furniture is the cost of labor. Raw materials are generally comparable from one country to another and machinery is globally sourced.

<sup>23</sup> Rooms-To-Go is reportedly the largest U.S. retailer of furniture. See testimony of Mr. Jeffrey Seaman, President & CEO, Rooms-To-Go, conference transcript at 149.

Malaysia, Thailand, and Vietnam.<sup>24</sup> In addition, Lea Industries, a petitioning U.S. furniture producer, indicated that, if antidumping duties are imposed on the Chinese products, the U.S. producer had already arranged to switch its current imports of wooden bedroom furniture from China that it supplies to Rooms-To-Go to imports from Vietnam to maintain the low price structure to its customer.<sup>25</sup> Recently, Alan Greenspan of the U.S. Federal Reserve commented that any rise in the value of the yuan vis-a-vis the U.S. dollar would be unlikely to have much, if any, effect on aggregate U.S. employment, because any loss in competitiveness by China as a result of a stronger yuan would be replaced by increased imports from other low-wage economies.<sup>26</sup>

On the other hand, unique production capabilities in a particular country might hinder, at least somewhat, the ease of moving production from one country to another. \*\*\* is a U.S. importer of Chinese and third-country sources of wooden bedroom furniture and is located in \*\*\*.<sup>27</sup> The firm reported in its questionnaire response that it selects its foreign supply source for a particular design, including wooden bedroom furniture, based on the capabilities of the supplier. \*\*\* indicated that the species of lumber used in producing wooden furniture is one basis for choosing a supply source. According to the firm, it is more advantageous to purchase oak products from China because of the country's plentiful supply of oak timber, but Malaysia is a good source for products made with rubber wood. Type of products is a second factor considered by \*\*\* in choosing a supply source. According to the firm, Chinese wooden furniture producers use non-finger-jointed construction techniques, and are well ahead of their counterparts in other countries such as Malaysia, Thailand, and Vietnam in using these techniques. Quality standards and technical capability is a third factor considered by \*\*\* in choosing a supply source, and production capacity and labor supply is a fourth factor. According to the firm, furniture factories in China are generally much bigger in size than their counterparts in Indonesia, Malaysia, Thailand, and Vietnam. In addition, Chinese factories reportedly will not face the problem of labor shortages as they expand output, whereas furniture factories in Malaysia need to import labor from other countries to meet the demand.

U.S. producers and importers were requested in the questionnaires to report whether there were any types/styles of wooden bedroom furniture that they did not produce domestically/did not import from China that, respectively, was imported from China or produced domestically. A total of 42 U.S. producers and 63 U.S. importers responded, with 25 U.S. producers and 32 importers reporting "No" (that all styles/designs were produced domestically and imported from China).<sup>28</sup> On the other hand, 17 U.S. producers and 41 U.S. importers reported "Yes" and most provided comments, as requested, that certain types/styles of wooden bedroom furniture were not produced domestically or imported from China. Nine of these 17 U.S. producers reported that they do not produce domestically any of the complex, labor-

---

<sup>24</sup> See testimony of Mr. Jeffrey Seaman, President & CEO, Rooms-To-Go, and Mr. Lynn Chipperfield, Senior Vice President and Chief Administrative Officer, Furniture Brands International, conference transcript at 157 and 173, respectively.

<sup>25</sup> See testimony of Mr. John Greenwald, counsel to respondents, conference transcript at 148 (referencing a taped telephone conversation between Rooms-To-Go and Lea Industries that was played at this point in the conference).

<sup>26</sup> *Greenspan Plays Down China's impact on U.S. Jobs*, Alan Beattie, *Financial Times*, December 12, 2003; *Shift by China Might Not Aid U.S. Industry*, Fed Chief Says, Keith Bradsher, *The New York Times*, December 12, 2003; and *Fed Chief Rebuffs Complaints on Yuan*, Greg Ip, *The Wall Street Journal*, December 12, 2003.

<sup>27</sup> \*\*\* sells only imported wooden bedroom furniture to U.S. retailers.

<sup>28</sup> Ten of the 25 U.S. producers responding "No" also commented, generally asserting that they could produce the wooden bedroom furniture products that they or others import from China, but much lower prices of the imported Chinese furniture do not make it practical to produce such products domestically. All 10 of these U.S. producers were petitioners.

intensive, veneer and carved furniture pieces.<sup>29</sup> Another U.S. producer, \*\*\*, reported that it only produced domestically unfinished, ready-to-assemble, wooden bedroom furniture at lower price points for the do-it-yourself consumer. Another U.S. producer, \*\*\*, reported that it produced laminated medium density fiberboard furniture more efficiently and cheaply than can be produced and exported from China to the United States. Another U.S. producer, \*\*\*, reported that it produced only rustic country (crate-style) furniture. Another U.S. producer, \*\*\*, reported that it produced only solid pine, early American/country bedroom suites very well, and imported the other product styles, such as European, traditional, contemporary, Louis Philippe, Mission, Cherry suites, ash suites, marble and wood suites, and oak suites. Three nonpetitioning U.S. producers of wooden bedroom furniture, \*\*\*, reported that the firms use blended programs of producing domestically and importing wooden bedroom furniture, including furniture from China, to supplement and complement their domestic product offerings.

The 41 U.S. importers reporting that they did not import some styles/designs of wooden bedroom furniture that are produced in the United States, included the following styles/designs of wooden bedroom furniture produced domestically or, as noted, imported from third countries, but not imported from China: (1) straight-line/simple designs, with fewer carvings, less hand work, and sometimes less sophisticated wood finishes; (2) high and low-pressure laminated wooden bedroom furniture, such as paper and vinyl-wrapped, acrylic-coated, and/or Formica or Formica-like products;<sup>30</sup> (3) larger, less labor-intensive products, which are cost and freight prohibitive from China; (4) promotional bedroom furniture made of particleboard and paper veneer; (5) solid pine youth and master bedroom furniture, which is imported more cheaply from Brazil; (6) wicker master bedroom furniture from Indonesia; (7) solid rubber wood youth bedroom sets from Thailand;<sup>31</sup> (8) acrylic, paper, and wood veneers over medium-density fiberboard, some with solid wood accents and/or drawer fronts, which reportedly are generally low-end products; (9) ready-to-assemble furniture; (10) both Louis Philippe and Mission styles of wooden bedroom furniture, which can be shipped more quickly from Mexico; (11) very high-end wooden bedroom furniture; (12) wooden bedroom furniture that is cheap or very expensive but is material-intensive, has low-labor content, and/or that involves low-volume production runs; and (13) mahogany furniture.

### U.S. Supply

Based on available information, U.S. producers have the ability to respond to changes in demand with moderate-to-large changes in shipments of their U.S.-produced wooden bedroom furniture to the U.S. market.<sup>32</sup> The main factors contributing to this degree of responsiveness are available unused

---

<sup>29</sup> One of these latter nine firms, \*\*\*, a petitioning U.S. producer located in \*\*\*, reported that the wooden bedroom furniture designs the firm produces domestically are relatively simple. \*\*\* reported that it did not have machining capabilities or low-cost labor to pursue introductions of high-detailed, ornate-designed wooden bedroom furniture.

<sup>30</sup> \*\*\*, an importer of Chinese wooden bedroom furniture located in \*\*\*, explained that U.S., Canadian, and Mexican furniture producers have a competitive production advantage and a competitive cost of freight advantage that make this furniture undesirable to import from China, especially when containers are more expensive now than ever before.

<sup>31</sup> Abundance of rubber wood and quality of workmanship reportedly allow these products to be produced most efficiently in Thailand.

<sup>32</sup> Dr. John Reilly, economic consultant for the respondents, asserted that the domestic price elasticity of supply likely ranges from 10 to 15, but this was based on lower domestic capacity utilization rates than those in table III-2 of the staff report and also on fairly constant marginal costs as production increased. *See* postconference brief of

(continued...)

capacity, some existing inventories, and ability to shift production between wooden bedroom furniture and other types of wooden furniture. However, other factors, such as the lack of alternate markets and the ability to produce competitively wooden bedroom products that are very labor intensive, tend to moderate this degree of responsiveness. The relevant supply factors are discussed below.

### **Industry Capacity**

As noted in Part III, reported capacity and production data of U.S. producers of wooden bedroom furniture were based on quantity data that were best estimates and not provided by all firms. As a result, the capacity utilization figures calculated from these data should be used carefully. Data reported by U.S. producers indicated that there is some excess capacity with which U.S. producers could expand production in the event of price changes. Domestic capacity utilization for wooden bedroom furniture based on the number of furniture pieces produced declined steadily during the period, falling from 82.7 percent in 2000 to 75.4 percent in 2002. Data for interim periods show a continuation of this decline in capacity utilization, from 79.1 percent in January-June 2002 to 75.4 percent in the same period of 2003.<sup>33</sup> U.S. producers reported variable costs that averaged 76.4 percent of total production costs of domestic wooden bedroom furniture during January 2000-June 2003, while fixed costs averaged 23.6 percent.<sup>34</sup> The importance of variable costs suggests that low output levels would not lead to significantly increased unit output costs.<sup>35</sup>

### **Inventory Levels**

Available data on the quantity of U.S. producers' inventories of wooden bedroom furniture are subject to the same limitations as the U.S. production and production capacity data. Based on the data reported on the basis of pieces or pounds, inventories appeared moderate and relatively stable during January 2000-June 2003 (table III-5).

### **Export Markets**

During the period for which data were collected, exports were not a significant outlet for U.S. producers of wooden bedroom furniture. The value of exports of wooden bedroom furniture accounted for about 1.6 percent of U.S. producers' total shipment value of domestic wooden bedroom furniture during January 2000-June 2003. These numbers suggest that there is little, if any, ability for U.S. producers to divert shipments of wooden bedroom furniture to or from alternate country markets in response to changes in the price of wooden bedroom furniture. Furthermore, U.S. producers provided narrative information on their ability to shift sales of their U.S.-produced wooden bedroom furniture between the U.S. market and foreign country markets. U.S. producers reported that there is little export

---

<sup>32</sup> (...continued)

Furniture Retailers Group at exh. 16, pp. 2-3.

<sup>33</sup> Domestic capacity utilization for wooden bedroom furniture based on pounds of wooden bedroom furniture produced declined irregularly during the period, falling from 78.9 percent in 2000 to 72.0 percent in 2002. Data for interim periods show a continuation of this decline in capacity utilization, from 74.4 percent in January-June 2002 to 72.4 percent in the same period of 2003.

<sup>34</sup> Thirty-five U.S. producers of wooden bedroom furniture reported the requested cost data. Twenty-two of the responding U.S. producers were petitioners, whose variable costs averaged 81.6 percent of their total production costs during January 2000-March 2003, while their fixed costs averaged 18.4 percent.

<sup>35</sup> Costs of direct labor, materials, and utilities accounted for the bulk of variable costs, whereas salaried workers, depreciation, insurance, and property taxes accounted for much of the fixed costs.

opportunity due to high transportation costs, differences in furniture styles and designs in many other countries, and the need for recognized brand names and a sales force in any country to which they would export. In addition, several U.S. producers asserted that the United States is the largest consuming country of wooden bedroom furniture, thus it is not economical for U.S. producers to shift to these other markets.

### Subject Imports

Based on available information, the Chinese producers have the ability to respond to changes in the price of wooden bedroom furniture with significant changes in the quantity of shipments of Chinese wooden bedroom furniture to the U.S. market.<sup>36</sup> The main factors contributing to this degree of responsiveness is the readily available investment capital to expand Chinese production capacity for wooden bedroom furniture and an ample labor supply,<sup>37</sup> and some excess production capacity. This supply responsiveness may be tempered somewhat by the reported increases in furniture sales in China and demand pressure that China has been placing on the world's supply of timber as its imports of this product have reportedly soared in the last few years.<sup>38</sup>

China was the largest single country supplier of wooden bedroom furniture to the U.S. market during much of January 2000-June 2003, accounting for 34.4 percent of the total value of such imports during this period.<sup>39</sup> U.S. imports of wooden bedroom furniture from China increased by \$458.6 million during 2000-02 and by an additional \$178.1 million in January-June 2003 from the same period in 2002.<sup>40</sup>

### Industry Capacity

The production and production capacity data reported by Chinese producers of wooden bedroom furniture appear to be subject to the same limitations as such data reported by U.S. producers. As a result, the capacity utilization figures for Chinese producers calculated from these data should be used carefully. Data reported by Chinese producers indicate that there is limited excess capacity with which they could expand production in the event of price changes. Chinese capacity utilization for wooden bedroom furniture based on number of furniture pieces produced fluctuated during the period, rising irregularly from 91.6 percent in 2000 to 95.6 percent in 2002 and then falling somewhat during the interim periods, from 86.2 during January-June 2002 to 85.8 percent during January-June 2003.

---

<sup>36</sup> Dr. John Reilly, economic consultant for the respondents, asserted that import supply elasticity for the Chinese wooden bedroom furniture likely ranges from 10 to 20. See postconference brief of the Furniture Retailers Group at exh. 16, p. 3.

<sup>37</sup> *China's Not Overheating, It's Wasting Capital*, *The Wall Street Journal*, December 22, 2003, p. A15.

<sup>38</sup> *Asia's Forests Head to China*, *The Wall Street Journal*, December 23, 2003, p. A10 and A12.

<sup>39</sup> This figure is based on U.S. customs values for HTS statistical reporting numbers 9403.50.9040 and 9403.50.9080. The use of landed, c.i.f., duty-paid values would result in a higher share of the imports from China than that based on customs values, because the former values would include significant transportation charges for shipping Chinese wooden bedroom furniture to the U.S. ports-of-entry that are much higher than those of other large suppliers such as Canada and Mexico.

<sup>40</sup> These figures are based on U.S. customs values for HTS statistical reporting numbers 9403.50.9040 and 9403.50.9080.

## Alternate Markets

As shown in table VII-1, China consistently exported more than 90.0 percent of its total production of wooden bedroom furniture, based on the number of furniture pieces, during January 2000-June 2003, with the United States accounting for most of these exports. These quantity figures appear to be subject to the same limitations as such quantity data reported by U.S. producers and should be viewed carefully. These data indicate that the producers of wooden bedroom furniture in China have limited flexibility to use alternate country markets to increase or decrease shipments to the U.S. market in response to price changes in the U.S. market.

## Nonsubject Imports

The large number of nonsubject countries that supply wooden bedroom furniture to the U.S. market, suggest that the supply responsiveness of these sources appears to be quite large.<sup>41</sup> Although 109 countries supplied wooden bedroom furniture to the U.S. market during January 2000-June 2003, the supply of foreign produced wooden bedroom furniture remained concentrated among a few countries during this period. Together China and Canada accounted for 56.6 percent of the total value of all such imports during January 2000-June 2003.<sup>42</sup> The top five country suppliers, which also included Italy, Mexico, and Indonesia, in descending order, accounted for 80.0 percent of the value of all U.S. imports of wooden bedroom furniture during this period. The top 10 country suppliers, which also included Brazil, Taiwan, Malaysia, Denmark, and Thailand, in descending order, accounted for 91.4 percent of the value of all such U.S. imports during this period; the remaining 99 countries accounted for 8.6 percent of the total value of all such U.S. imports during this period.

U.S. imports of wooden bedroom furniture from Canada and Mexico, the second and fourth largest foreign country suppliers of wooden bedroom furniture to the United States, fell by a total of \$54.1 million during 2000-02 and by another \$22.6 million in January-June 2003 from the same period in 2002. On the other hand, U.S. imports of wooden bedroom furniture from Indonesia, Brazil, Malaysia, and Thailand, the fifth, sixth, eighth, and tenth respective largest foreign country suppliers of wooden bedroom furniture to the United States, increased by a total of \$100.4 million during 2000-02 and by another \$26.7 million in January-June 2003 from the same period in 2002. Although still a small supplier of wooden bedroom furniture to the U.S. market, U.S. imports of these products from Vietnam increased by total of \$8.5 million during 2000-02 and by another \$11.6 million in January-June 2003 from the same period in 2002.

## U.S. Demand

### Overview

Aggregate U.S. demand for wooden bedroom furniture depends on many factors, but, based on questionnaire responses of U.S. producers and importers, appears primarily affected by general economic activity, the level of activity in the market for new-housing, home-mortgage interest rates, and shifts in consumer tastes for different styles and designs of wooden bedroom furniture that manifest itself in

---

<sup>41</sup> Dr. John Reilly, economic consultant for the respondents, asserted that a U.S. import supply elasticity for wooden bedroom furniture from nonsubject countries is likely infinite. *See* postconference brief of the Furniture Retailers Group at exh. 16, pp. 3-4.

<sup>42</sup> In this part of the report, values of imported wooden bedroom furniture from different countries are based on U.S. customs values for HTS statistical reporting numbers 9403.50.9040 and 9403.50.9080.

product cycles of varying lengths. In addition, seasonal factors result in some variations in demand for wooden bedroom furniture within a calendar year.

Forty-four U.S. producers and 66 U.S. importers responded to a request in their questionnaires for a discussion of factors affecting aggregate U.S. demand for wooden bedroom furniture during January 2000-June 2003.<sup>43</sup> Thirty-eight U.S. producers and 54 U.S. importers reported on at least one factor, whereas the remaining six responding U.S. producers and 12 U.S. importers reported that no such factors existed. Fourteen responding U.S. producers and 26 responding U.S. importers specifically identified the condition of the U.S. economy as an important factor,<sup>44</sup> and 17 responding U.S. producers and 13 U.S. importers specifically identified interest rates<sup>45</sup> and the housing industry as important factors affecting aggregate U.S. demand for wooden bedroom furniture.<sup>46</sup> Both residential consumer demand and hospitality demand for wooden bedroom furniture reportedly were adversely affected by the downturn in the U.S. economy.<sup>47</sup> \*\*\* asserted that beginning in May or June 2000 and lasting through June 2003, the U.S. furniture industry experienced a cyclical downturn that has been the deepest and most sustained in the memory of most furniture veterans. The downturn reportedly began with middle-price product lines in mid-2000 and was followed by upper-price lines at the end of that year.

## Demand Trends

U.S. aggregate demand for wooden bedroom furniture, as measured by the value of U.S. apparent consumption, fluctuated but rose during January 2000-June 2003. The value of apparent consumption of wooden bedroom furniture fell from almost \$4.2 billion in 2000 to almost \$4.1 billion in 2001, or by 3.1 percent on an unrounded basis, then rose to almost \$4.4 billion by 2002, or by 8.3 percent on an unrounded basis from the level in the previous year and 4.9 percent higher than the level in 2000. Interim data show a continuing increase in apparent consumption of 3.4 percent in January-June 2003 from the level in January-June 2002.

U.S. real gross domestic product (GDP), a popular U.S. economy-wide measure of economic activity, has grown slowly during January 2000-June 2003, and the U.S. economy actually contracted during the first three quarters of 2001. U.S. real GDP grew by 3.8 percent in 2000 from the previous year, but owing to the recession for much of 2001, grew by only 0.3 percent in 2001 from the level in

---

<sup>43</sup> The questionnaires specifically requested that the responding firms comment on any business cycles, seasonal factors, product cycles, and/or conditions of competition distinctive to this industry that affects aggregate U.S. demand for wooden bedroom furniture.

<sup>44</sup> Four of the 14 responding U.S. producers and six of the 26 responding U.S. importers commenting on general U.S. economic activity during January 2000-June 2003 noted that the general malaise of the U.S. economy since about mid-2000 has tended to discourage U.S. demand for wooden bedroom furniture for most of this period.

<sup>45</sup> In addition to spurring demand for new housing, generally declining home-mortgage interest rates during much of January 2000-June 2003 led to a significant amount of mortgage refinancing on existing homes. This, in turn, increased incomes of many homeowners, which would have tended to encourage U.S. demand for wooden bedroom furniture during this period.

<sup>46</sup> Eight of the 17 responding U.S. producers and five of the 13 responding U.S. importers noted the generally low interest rates and robust levels of new housing starts during January 2000-June 2003; these factors would tend to encourage U.S. demand for wooden bedroom furniture during this period.

<sup>47</sup> According to \*\*\*, a petitioning U.S. producer, demand for wooden bedroom furniture falls early in an economic downturn and rises late in an upturn, because its purchases can easily be postponed.

2000.<sup>48</sup> In 2002, U.S. real GDP grew by 2.4 percent, and is forecast to grow by 3.1 percent in 2003 and 4.4 percent in 2004.<sup>49</sup> New U.S. housing starts remained historically high during January 2000-June 2003, rising steadily from 1.57 million in 2000 to 1.71 million by 2002, or by a total of 8.9 percent, and are expected to increase to 1.79 million in 2003, but drop off somewhat to 1.70 million in 2004.<sup>50</sup> U.S. monthly home-mortgage interest rates generally fell during January 2000-June 2003 from an average of 7.84 percent during 2000 to 6.46 percent during 2002 and 5.70 percent during January-June 2003.<sup>51</sup>

## Product Cycles

Eight responding U.S. producers and 21 responding U.S. importers asserted that the U.S. market for wooden bedroom furniture was affected by product cycles and/or style and design changes, which could last as short as 6 months or as long as 10 years; these comments were directed to retail sales of wooden bedroom furniture. According to \*\*\*, a U.S. importer of Chinese wooden bedroom furniture that sells to retailers, and \*\*\*, a nonpetitioning U.S. producer and an importer of the Chinese wooden bedroom furniture, the U.S. wooden bedroom furniture industry is a highly complex fashion industry, driven by new product introductions. \*\*\*, two petitioning U.S. producers that commented on product cycles, asserted that in the past three years product cycles for wooden bedroom furniture have been severely shortened because of increased imports from China that copy U.S. producers' new styles and designs of wooden bedroom furniture. \*\*\*, a U.S. importer of Chinese wooden bedroom furniture that sells to retailers, asserted that Mission and Louis Philippe styles of wooden bedroom furniture have become outdated, while Contemporary and Cottage/Traditional styles have increased in popularity during January 2000-June 2003. According to \*\*\*, certain domestic furniture producers have continued emphasizing the Mission and Louis Philippe styles even though consumers appear to see them as older designs.

## Seasonal Factors

Nineteen responding U.S. producers and 23 responding U.S. importers asserted that seasonal factors affect aggregate U.S. demand for wooden bedroom furniture within a calendar year, but mostly for residential consumer demand and with less effect on hospitality demand or demand by furniture rental firms for these products. Fourteen U.S. producers and 18 U.S. importers provided specific information on the nature and timing of seasonal factors within a calendar year. The majority of these 32 firms indicated that spring and fall were the strongest demand periods of the year for wooden bedroom furniture, while December and the vacation summer months were the weakest periods of demand for this product. Several firms noted that tax refunds and Mothers Day boosted demand for wooden bedroom furniture during the spring, while the back-to-school months of September and October helped spur demand in the fall, which then fell off by the entertaining holidays of Thanksgiving and Christmas.

---

<sup>48</sup> These growth rates are seasonally adjusted annual rates based on U.S. real GDP in billions of constant 1996 dollars (*Blue Chip Economic Indicators*, Aspen Publishers, December 10, 2003, p. 2).

<sup>49</sup> *Blue Chip Economic Indicators*, Aspen Publishers, December 10, 2003, pp. 2-3.

<sup>50</sup> *Ibid.* All of these housing start figures are all higher than the 1.51 million average annual U.S. housing starts during 1995-1999.

<sup>51</sup> Based on simple averages of U.S. monthly contract interest rates on conventional single-family mortgages for all homes (*Federal Housing Finance Board*, [http://www.economagic.com/em-cg1/data.exe/thtb/mlrs\\_19c03](http://www.economagic.com/em-cg1/data.exe/thtb/mlrs_19c03)).

## Demand Characteristics

Based on available information, U.S. aggregate demand for wooden bedroom furniture is likely to respond substantially to changes in prices of wooden bedroom furniture and to changes in income, the latter discussed earlier in the demand section.<sup>52</sup> The main factor contributing to this degree of price sensitivity is the discretionary nature of demand for wooden bedroom furniture, an expensive, consumer durable good, as noted in questionnaire responses. Although other constructions of new bedroom furniture appear to be only somewhat substitutable for wooden bedroom furniture, used and antique furniture, other types of furniture, other consumer products, and other discretionary expenditures, such as vacations and home remodeling projects, all compete for the consumers' discretionary expenditure budget.<sup>53</sup> In addition, because wooden bedroom furniture is a durable good that often lasts for many years, if not decades, replacement purchases can be postponed for a very long period of time. Rentals of wooden bedroom furniture can also substitute for purchases of new wooden bedroom furniture.

The discretionary nature of U.S. demand for wooden bedroom furniture has resulted in challenges to U.S. producers, importers, and retailers in selling the domestic and imported Chinese products in the U.S. market during January 2000-June 2003, a period encompassing a recession and generally slow growth in the U.S. economy. A total of 36 U.S. producers and 53 U.S. importers responded to a request in the questionnaires to discuss the impact of new product offerings and attractive retail payment terms on the level of U.S. residential consumer demand for wooden bedroom furniture during January 2000-June 2003.<sup>54</sup> Sixteen of the responding U.S. producers and 31 of the responding U.S. importers reported that new product offerings of wooden bedroom furniture were very important in stimulating demand in what several firms noted was a fashion-driven industry.<sup>55</sup> According to \*\*\*, most furniture producers

---

<sup>52</sup> Dr. John Reilly, economic consultant for the respondents, identified two studies, albeit dated, that indicated the U.S. price elasticity of demand for wooden bedroom furniture ranged from -1.3 to -3.0. *See* testimony of Dr. John Reilly, consultant, Nathan Associates Inc., conference transcript at 206-207. In respondents' postconference brief, Mr. Reilly asserted that a reasonable estimate today for the U.S. price elasticity of demand for wooden bedroom furniture is highly elastic and likely ranges from -1.8 to -2.3. *See* postconference brief of the Furniture Retailers Group at exh. 16, p. 2. On the other hand, petitioners asserted that U.S. demand for wooden bedroom furniture was not highly price elastic. *See* petitioners' postconference brief at 21-22. One implication of a price elastic demand is that lower prices of wooden bedroom furniture would lead to an increase in quantity demanded that otherwise would not have occurred.

<sup>53</sup> Dr. John Reilly, economic consultant for the respondents, identified several substitutes for wooden bedroom furniture, including high-end television sets, electronic games, personal computers, CD players, and furniture in the second-hand market. *See* testimony of Dr. John Reilly, consultant, Nathan Associates Inc., conference transcript at 208. On the other hand, petitioners asserted that consumers do not regard items such as expensive appliances and plasma televisions as substitutes for wooden bedroom furniture; they alleged that wooden bedroom furniture was a necessity and the other items are not. *See* petitioners' postconference brief at 21-22. \*\*\*, a petitioning U.S. producer, asserted in its questionnaire response that for most consumers purchases of wooden bedroom furniture can be postponed.

<sup>54</sup> Of the 53 responding U.S. importers, 16 are retailers of wooden bedroom furniture.

<sup>55</sup> Another 16 responding U.S. producers, \*\*\*, and 10 responding U.S. importers reported that new product offerings and favorable financing offered by retailers was important, but these efforts did not increase U.S. demand for wooden bedroom furniture. \*\*\*, one of the 16 responding U.S. producers, asserted that the U.S. bedroom furniture industry is fashion driven with new product designs continually being introduced, but this did not materially affect the level of U.S. demand for these products. Several of these 26 responding firms asserted that sectoral and overall economic activity (level of housing starts and general economic conditions, respectively) were more important in determining the level of U.S. demand for wooden bedroom furniture. The four remaining U.S.

(continued...)

introduce new collections twice each year—at the April and October furniture markets in High Point, NC. The 47 firms citing the importance of new product offerings also reported that favorable financing offered by retailers, such as no interest and deferred payments,<sup>56</sup> also stimulated demand for wooden bedroom furniture.<sup>57</sup> \*\*\*, a responding nonpetitioning U.S. producer and importer of the Chinese wooden bedroom furniture that sells to retailers, also commented that attractive payment terms are essential, as they are for any large purchase that consumers would alternatively make, such as motor vehicles, electronics, and appliances. Three responding U.S. importers that included a nonpetitioning U.S. producer, a retailer, and an importer that sells to retailers, asserted that without the availability of imported wooden bedroom furniture, including that from China, it would not be possible with just U.S.-produced products to introduce the number of new product lines necessary in the U.S. wooden bedroom furniture market. According to \*\*\*, another responding U.S. importer of Chinese wooden bedroom furniture and a retailer of furniture, absent increasingly stylish wooden bedroom furniture (with more intricate carvings and sophisticated wood finishes), customers will simply decide to direct their discretionary expenditures on something else.

### **Substitute Products and Expenditures**

This section discusses separately substitution in demand in the U.S. market during January 2000-June 2003 for the following: (1) substitute products and alternative expenditures vis-a-vis wooden bedroom furniture and (2) substitution among the various types, styles, and designs of wooden bedroom furniture. This discussion is based on replies of U.S. producers and importers of wooden bedroom furniture, including that from China, to requests for this information in their questionnaire responses.

#### ***Substitute products and alternative expenditures vis-a-vis wooden bedroom furniture***

Thirty-five U.S. producers and 63 U.S. importers of the domestic and imported Chinese wooden bedroom furniture reported useable information regarding substitution in demand in the retail market between wooden bedroom furniture and bedroom furniture constructed of materials outside the scope of wooden bedroom products specified in the petition. Fifteen of the responding U.S. producers and 37 of the responding U.S. importers reported that bedroom furniture constructed of other materials substituted,<sup>58</sup> at least sometimes, for the wooden bedroom furniture.<sup>59</sup> Reported most frequently by the 52 responding firms affirming some substitution were metal beds (headboards, footboard, and bed rails), mirrors, and occasional tables (instead of nightstands), followed by bedroom furniture made of wicker, ratan, bent-

---

<sup>55</sup> (...continued)

producers and 12 U.S. importers that responded were unsure of the impact of new product offerings and favorable consumer financing terms on U.S. demand for wooden bedroom furniture.

<sup>56</sup> \*\*\*, one of the responding U.S. importers of Chinese wooden bedroom furniture and a retailer of both the domestic and imported Chinese products, commented that payment terms such as no payments for 12-15 months or interest-free payments for 12-15 months generate a sense of urgency in the residential consumer and provide a stimulus to consumer demand.

<sup>57</sup> \*\*\*, another responding U.S. importer of Chinese wooden bedroom furniture that sells to retailers, commented that financing and favorable payment terms at the retail level play a major role in consumers' buying habits, because wooden bedroom furniture is considered a big-ticket durable consumer good.

<sup>58</sup> Eleven of the 37 responding U.S. importers are retailers of wooden bedroom furniture.

<sup>59</sup> The remaining 20 U.S. producers and 26 U.S. importers reported that bedroom furniture constructed of other materials was not a substitute for wooden bedroom furniture. Several of these 46 responding firms noted that other products, especially metal furniture, are sold in the U.S. market, but did not feel that these latter products substituted for wooden bedroom furniture.

wood, plastic, bamboo, canvas, and leather, and bedroom furniture of mixed media, including upholstery, stone, metal, glass, and granite. In addition, futons were mentioned as a substitute for wooden beds and custom-built furniture as a substitute for the high-end of factory-built domestic and imported Chinese wooden bedroom furniture. Twelve of the 16 U.S. producers and 27 of the 36 U.S. importers that commented on the price sensitivity of substitution between wooden bedroom furniture and bedroom furniture of other constructions reported that it was weak. Three other U.S. producers and four other U.S. importers reported that such price sensitivity was moderate, three other U.S. importers reported that such price sensitivity was strong, and the remaining other U.S. producer and two U.S. importers reported that such price sensitivity was effectively nil.

Five responding firms asserted that if wooden bedroom furniture were to become too expensive, consumers would simply postpone their purchase or purchase other consumer products.<sup>60</sup> \*\*\*, a nonpetitioning U.S. producer and one of the five responding firms, asserted that if wooden bedroom furniture became more expensive the following would occur: (1) consumers would continue to use their existing bedroom furniture, as such products can last up to 30 years,<sup>61</sup> and (2) consumers would buy instead other expensive products that seem to be better values, such as dining room furniture, sofas, electronic equipment, entertainment centers, appliances, etc., and/or lower-value, ready-to-assemble furniture (such as that found in IKEA stores or produced by Sauder Woodworking Company, a nonpetitioning U.S. producer of wooden bedroom furniture).

Twenty-one U.S. producers and 25 U.S. importers of the domestic and imported Chinese wooden bedroom furniture provided useable information in their questionnaire response regarding the extent to which residential consumers view rental wooden bedroom furniture as a substitute for purchasing new wooden bedroom furniture. Ten of the responding U.S. producers and 20 of the responding U.S. importers reported that rental furniture acted as a substitute for purchases of new wooden bedroom furniture.<sup>62</sup> Four of these latter responding U.S. producers and six of the latter responding U.S. importers reported that such substitution was minimal, whereas the remaining responding firms asserting substitutability between rental and purchases of wooden bedroom furniture did not describe the strength of this substitution.<sup>63</sup> \*\*\*, a petitioning U.S. producer, commented that rental furniture acts as a substitute for purchasing new wooden bedroom furniture when the consumer has poor credit or no credit and cannot afford to purchase furniture. Also, people that are transient generally do not want to buy furniture that they will have to move frequently; military personnel tend to fall into this category. According to \*\*\*, since 2002, the furniture rental industry increased rentals due to the lack of available credit for the average consumer during this period.

---

<sup>60</sup> These five firms included two U.S. producers and three U.S. importers of the domestic and imported Chinese wooden bedroom furniture, with two of the latter firms also retailers of wooden bedroom furniture.

<sup>61</sup> \*\*\* also asserted that many new homes have empty bedrooms and buying new bedroom furniture can easily be postponed, even when the bedroom is empty.

<sup>62</sup> The remaining 11 U.S. producers and 5 U.S. importers reported that demand for rental furniture was a separate market from consumer purchases of new wooden bedroom furniture, such that no substitution existed between the two markets.

<sup>63</sup> A single U.S. producer and five U.S. importers also commented on substitution between rental furniture and purchases of new wooden bedroom furniture in the hospitality sector. Four of the five responding firms reported that no such substitution existed, whereas the one remaining firm indicated that such substitution existed.

**Substitution among the various types, styles, and designs of wooden bedroom furniture**

Thirty U.S. producers and 38 U.S. importers of the domestic and Chinese wooden bedroom furniture provided useable comments regarding substitution in demand among the various types, styles, and designs of wooden bedroom furniture;<sup>64</sup> all of the reported comments were directed to U.S. residential consumer demand for wooden bedroom furniture. Fifteen of the responding U.S. producers and 12 of the responding U.S. importers reported that substitution occurred among the various wooden bedroom products. On the other hand, eight other U.S. producers and 11 other U.S. producers reported that such substitution never or rarely occurs, while the remaining seven U.S. producers and 15 U.S. importers reported that consumer tastes determine what is substitutable or not and it is not possible for the responding firms to specify which products are or are not substitutes. \*\*\*, a nonpetitioning U.S. producer, reported that substitution did not occur among the various types, styles, and designs of wooden bedroom furniture. According to \*\*\*, furniture is a fashion and style business, it is not a commodity product. \*\*\* also noted that customers demand access to great designs and fashion-forward looks as well as classical looks and everything in-between; they will not substitute a style they want for a style they do not want. As an example, this domestic producer reported that three years ago about \*\*\* percent of its products were produced in a style (Early American) that was declining.<sup>65</sup> \*\*\* found that to survive it had to produce different styles of wooden bedroom furniture with different materials at different price points. This domestic producer asserted that providing what the customers want and delivering it when they want it is what drives success in the U.S. wooden bedroom furniture industry, not producing the same style over and over with only minor changes, or hoping the customers will substitute for another furniture piece that is less desirable to them.

Twenty-three of the 27 U.S. producers and 11 of the 30 U.S. importers of the domestic and imported Chinese wooden bedroom furniture that commented on the price sensitivity of substitution among the various types, styles, and designs of wooden bedroom furniture reported moderate to strong price substitution.<sup>66</sup> On the other hand, the remaining four responding U.S. producers and 19 responding U.S. importers reported that such price sensitivity was weak to nonexistent.

---

<sup>64</sup> Twelve of the 38 responding U.S. importers are retailers of wooden bedroom furniture.

<sup>65</sup> These products were simple, solid pine furniture that reportedly had become plain and unfashionable. Solid wood sales reportedly were once a big share of the U.S. market for wooden bedroom furniture but declined rapidly and was no longer in fashion.

<sup>66</sup> Sixteen of the 27 responding U.S. producers and seven of the 11 responding U.S. importers that reported moderate to strong price sensitivity among the various wooden bedroom furniture products were petitioning U.S. producers.

## Substitutability Issues

The degree of substitution in demand between U.S.-produced and imported Chinese wooden bedroom furniture depends upon such factors as relative prices, types of customers, conditions of sales, and product differentiation. Product differentiation depends on factors such as the range of designs and styles of products, quality, availability, reliability of supply, the market perception of these latter three factors, and the extent of advertising.<sup>67</sup> Customer preferences for particular products reportedly play a significant role and are related to one or more of the aforementioned factors. Based on the reported information in this investigation, there appears to be significant product differentiation limiting, at least somewhat, the degree of substitution in demand between the U.S.-produced and imported Chinese wooden bedroom furniture.<sup>68</sup>

## Factors Affecting Sales and Purchases

U.S. producers and importers were requested in their questionnaires to report on the extent of interchangeability (products from different countries physically capable of being used in the same applications) of U.S.-produced, imported Chinese, and third-country imported wooden bedroom furniture. They were also asked to report the extent of any differences other than price that would affect sales in the U.S. market among U.S.-produced, imported Chinese, and third-country imported wooden bedroom furniture.<sup>69</sup> Responses of U.S. producers and importers regarding the degree of interchangeability between domestic and imported wooden bedroom furniture are shown in table II-1, and their responses regarding differences other than price affecting competition are shown in table II-2.

**Table II-1**

**Wooden bedroom furniture: Perceived degree of interchangeability of wooden bedroom furniture produced in the United States, imported from China, and imported from third countries**

Country pair	Number of U.S. producers reporting <sup>1</sup>					Number of U.S. importers reporting <sup>2</sup>				
	A	F	S	N	O	A	F	S	N	O
U.S. vs. China	29	6	2	2	--	37	11	8	4	7
U.S. vs. third countries	22	6	4	1	3	30	12	7	3	7
China vs. third countries	19	7	3	2	4	33	12	4	3	6

<sup>1</sup> Third countries cited by U.S. producers in order of descending frequency are as follows: Indonesia (5), Brazil (4), Canada (4), Malaysia (4), Mexico (4), Philippines (3), Vietnam (3), Taiwan (2), Thailand (2), Bolivia (1), Italy (1), and Slovenia (1).

<sup>2</sup> Third countries cited by U.S. importers in order of descending frequency are as follows: Indonesia (9), Malaysia (7), Brazil (6), Thailand (6), Canada (5), Mexico (5), Vietnam (5), Taiwan (2), Philippines (2), India (1), and Italy (1).

Note: A = Always, F = Frequently, S = Sometimes, N = Never, O = No familiarity.

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

<sup>67</sup> Advertising affects directly the perception of consumers about a particular brand-name, product, design, or style of wooden bedroom furniture.

<sup>68</sup> Dr. John Reilly, economic consultant for the respondents, asserted that a price elasticity of substitution between the domestic and imported Chinese wooden bedroom furniture likely ranges from 3 to 6, whereas the elasticity of substitution between the imported Chinese products and those imported from nonsubject countries is likely 10 or higher. According to Dr. Reilly, U.S. producers cannot produce the Chinese wooden bedroom furniture comprised of extensively hand-worked products at U.S. price points targeted by the importers, whereas many nonsubject foreign producers are able to do so. See postconference brief of the Furniture Retailers Group at exh. 16, p. 4.

<sup>69</sup> Nonprice factors referred to in the questionnaire request included quality, availability, transportation network, product range, and technical support, but were not necessarily restricted to only these factors.

Table II-2

**Wooden bedroom furniture: Perceived importance of differences in factors other than price between wooden bedroom furniture produced in the United States, imported from China, and imported from third countries and sold in the U.S. market**

Country pair	Number of U.S. producers reporting <sup>1</sup>					Number of U.S. importers reporting <sup>2</sup>				
	A	F	S	N	O	A	F	S	N	O
U.S. vs. China	9	2	13	16	--	21	12	13	12	5
U.S. vs. third countries	6	3	13	11	3	20	9	15	6	7
China vs. third countries	3	1	12	11	5	17	9	16	8	4

<sup>1</sup> Third countries cited by U.S. producers in order of descending frequency are as follows: Indonesia (5), Malaysia (4), Philippines (4), Canada (3), Taiwan (3), Vietnam (3), Brazil (2), Italy (2), Mexico (2), Thailand (2), Bolivia (1), India (1), and Slovenia (1).

<sup>2</sup> Third countries cited by U.S. importers in order of descending frequency are as follows: Indonesia (10), Malaysia (10), Vietnam (8), Brazil (5), Thailand (5), Mexico (4), Canada (3), Philippines (2), Taiwan (2), India (1), and Italy (1).

Note: A=Always, F = Frequently, S = Sometimes, N = Never, O = No familiarity.

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

On the question regarding the degree of interchangeability, a total of 39 U.S. producers and 68 U.S. importers responded, but not necessarily for every country-pair. Twenty-nine U.S. producers and 37 U.S. importers asserted that the U.S.-produced and imported Chinese wooden bedroom furniture were always interchangeable, eight U.S. producers and 12 U.S. importers asserted that the domestic and imported Chinese furniture were frequently or sometimes interchangeable, and two U.S. producers and four U.S. importers asserted that the domestic and imported Chinese furniture were never interchangeable (table II-1).<sup>70</sup> Although the number of firms comparing interchangeability of the domestic/imported Chinese wooden bedroom furniture with third-country import sources of wooden bedroom furniture was somewhat different from the number of firms comparing interchangeability between the domestic and imported Chinese furniture, the responses were similar to those comparing the domestic and imported Chinese furniture, generally finding that most sources of wooden bedroom furniture were always or frequently interchangeable in the U.S. market.<sup>71</sup> Given the broad concept of interchangeability, these findings are not surprising despite likely differences in product features among domestic and imported wooden bedroom furniture; such findings likely also apply to interchangeability of wooden bedroom furniture with bedroom furniture constructed of other materials, and even with other furniture such as sleep sofas.

On the question regarding differences in factors other than price affecting competition, a total of 41 U.S. producers and 65 U.S. importers responded,<sup>72</sup> but not necessarily for every country-pair. Only nine U.S. producers but 21 U.S. importers asserted that nonprice-factor differences between the domestic and imported Chinese wooden bedroom furniture were always significant in sales of the domestic furniture vis-a-vis that from China. Another two U.S. producers and 12 importers asserted that nonprice differences between the domestic and imported Chinese wooden bedroom furniture were frequently significant in sales of the domestic furniture vis-a-vis that from China, while an additional 29 U.S. producers and 25 importers asserted that nonprice differences were sometimes or never a factor (table II-

<sup>70</sup> Seven other U.S. importers indicated that they had no familiarity with the domestic wooden bedroom furniture.

<sup>71</sup> The top third-country sources of wooden bedroom furniture cited by U.S. producers and importers reporting on interchangeability included, in roughly descending order, Indonesia, Malaysia, Brazil, Canada, and Mexico.

<sup>72</sup> Of the 65 responding U.S. importers, 17 are retailers of wooden bedroom furniture.

2).<sup>73</sup> Although the number of firms responding was somewhat different in asserting differences in factors other than price in sales of the domestic/imported Chinese wooden bedroom furniture versus third-country import sources of wooden bedroom furniture, a majority of U.S. importers reported similarly that nonprice factors were always or frequently significant in the sales of the domestic/imported Chinese wooden bedroom furniture vis-a-vis that imported from third countries, while domestic producers, particularly petitioners, generally reported that such factors were only sometimes or never significant.<sup>74</sup> Many more U.S. importers than U.S. producers reported that nonprice factors always or frequently affected sales and competition among the different country sources of wooden bedroom furniture in the U.S. market, including competition between the domestic and imported Chinese furniture. Additional comments reported by some of those U.S. producers and importers citing significant nonprice factors are shown below to highlight the nature and variety of nonprice factors associated with wooden bedroom furniture.<sup>75</sup>

\*\*\*, an importer of the Chinese wooden bedroom furniture located in \*\*\*,<sup>76</sup> asserted that nonprice factors were frequently significant between wooden bedroom furniture produced in the United States versus that imported from China and third-countries, the latter including Indonesia, Malaysia, the Philippines, and Vietnam. \*\*\* identified the following as significant nonprice factors: (1) quality of hand-carved pieces, (2) drawer construction, and (3) finish quality and smoothness. The firm noted that the underlying factor is always the same—a consumer wants to buy a particular design or style, then the above factors, including price, come into play only after the consumer has decided on what design or style to buy. According to \*\*\*, hand carvings and specialized finishes from China, Indonesia, Malaysia, the Philippines, and Vietnam, when compared to the United States, can frequently be a significant difference because most U.S. furniture producers do not have the capacity (or desire) to produce these types of finishes, in many cases, because of the labor needed.

\*\*\*, a U.S. furniture retailer that imported the Chinese wooden bedroom furniture and is located in \*\*\*, asserted that nonprice factors were always significant between wooden bedroom furniture produced in the United States versus that imported from China and third countries. \*\*\* has purchased both domestic and foreign wooden bedroom furniture for sale in its retail stores. \*\*\* identified two significant nonprice factors that influence the firm's sourcing decisions for furniture, including wooden

---

<sup>73</sup> Five other U.S. importers indicated that they had no familiarity with the domestic wooden bedroom furniture.

<sup>74</sup> The top third-country sources of wooden bedroom furniture cited by U.S. producers and importers commenting on the significance of nonprice factors included, in roughly descending order, Indonesia, Malaysia, Vietnam, Brazil, Thailand, and the Philippines.

<sup>75</sup> U.S. producers and importers were also requested in their questionnaire responses to provide any comments where nonprice factors were always or frequently significant in competition between the domestic and imported Chinese or third-country imported wooden bedroom furniture. A total of 11 U.S. producer questionnaire comments and 33 U.S. importer questionnaire comments were received, although some comments were reported by firms responding that nonprice factors were sometimes or never significant. Of the 33 U.S. importers providing comments, 13 are retailers of wooden bedroom furniture. Of the 11 U.S. producers providing comments, three were petitioners; petitioners' comments typically asserted that competition between the domestic and imported Chinese wooden bedroom furniture was driven only by price, not nonprice factors. Seven other (nonpetitioning) U.S. producers asserted that quality and delivery were advantages for domestic wooden bedroom furniture vis-a-vis the imported Chinese products. One of these latter U.S. producers, \*\*\*, noted that the quality of the Chinese products has gotten better. Another of these U.S. producers, \*\*\*, reported that transportation costs are a huge nonprice factor and noted that the firm can ship a truckload of wooden bedroom furniture from its plant in \*\*\*, to Los Angeles, CA, for \$\*\*\*, but a container of furniture from China to Los Angeles, CA, costs \$\*\*\* to ship.

<sup>76</sup> \*\*\* sells its imported Chinese wooden bedroom furniture to U.S. retailers.

bedroom furniture—(1) workmanship and (2) cooperative development of designs and brands. One of the most important nonprice factors that influences \*\*\* sourcing decisions is a furniture manufacturer’s ability and willingness to cooperate with the retailer to develop and build exclusive brand names and designs. According to \*\*\*, for many years, the domestic producers refused to build exclusive brands and designs of wooden bedroom furniture for \*\*\* or other retailers. Instead, the domestic producers insisted that any brand or design of wooden bedroom furniture they made would be available to all of their retailer customers. As a result, \*\*\* efforts to create its brand and differentiate itself had been frustrated by the domestic furniture producers. This retailer asserted that, when the domestic producers dominated the supply side, retail competition was primarily based on price.

Several years ago, \*\*\* began to work with furniture producers in China, other countries in the Far East, and \*\*\* to meet its needs. \*\*\* asserted that these overseas furniture producers were much more willing to help build the \*\*\* furniture brands and styles. As a result, the firm has been able to compete with other retailers on a basis other than price and has reduced price-based competition at the retail level. According to \*\*\*, even recently the domestic furniture producers refused to work with the retailer to produce unique designs and brands of furniture. As a result, \*\*\* is reluctant to rely on the domestic producers. \*\*\* asserted that the approach of domestic furniture producers, which reportedly favors department stores over specialty furniture retailers, ultimately has increased their dependence on those sales to the detriment of the specialty furniture retailers.

Another nonprice factor that influences \*\*\* sourcing decisions is workmanship in the construction of furniture, including wooden bedroom furniture. \*\*\* took into account the skilled workforce in China in deciding to source their furniture from this country. According to \*\*\*, China has developed over the years the ability to construct furniture that is heavily carved. This product feature reportedly is significant in the selection of products by consumers and is significant in differentiating styles and brands sold by specialty furniture retailers. \*\*\* asserted that domestic furniture producers abandoned many years ago the market for heavily carved furniture styles. As a result, \*\*\* and others were forced either to abandon U.S. consumer demand for these products or seek to meet that demand. Currently, \*\*\* is unaware of any domestic producers from whom to source these products, which are extremely important to this retailer.

\*\*\*, a furniture retailer that imported the Chinese wooden bedroom furniture and is located in \*\*\*, asserted that style and design of furniture, no matter where it is made, is the retail consumers’ number-one priority, and quality is their next key requirement. \*\*\* reported that it found the quality of furniture produced in many factories in China to be excellent. \*\*\* has statistically tracked quality of furniture and has found the Chinese furniture producers to exceed their expectations and the quality performance of many U.S. furniture producers.

\*\*\* including furniture and an importer of the Chinese wooden bedroom furniture and headquartered in \*\*\*, asserted that nonprice factors were always significant between wooden bedroom furniture produced in the United States versus that imported from China and third-countries, the latter including Brazil and Thailand. \*\*\* commented on five nonprice factors that it asserted led the firm to switch from domestic to imported Chinese wooden bedroom furniture—(1) design quality, (2) quality control, (3) packaging specifications, (4) technical support, and (5) quality production capacity. With respect to design quality, \*\*\* asserted that U.S. producers of wooden bedroom furniture market furniture items essentially that they sell to all their customers, including furniture retailers. When \*\*\* purchased these furniture items from U.S. producers, it was unable to differentiate its products, for purposes of marketing to \*\*\* customers, from the furniture of any other U.S. retailer. As a result of using only “market items” sold by U.S. furniture producers, U.S. consumers were offered a limited variety of furniture products. According to \*\*\*, when it approached its U.S. furniture suppliers with the idea of

creating \*\*\* private brand furniture, unique by its design and quality, U.S. furniture producers were unable or unwilling to meet \*\*\* design, quality, and packaging specifications. But by working with Chinese, Brazilian, and Thai producers of wooden bedroom furniture, \*\*\* was able to design products that are unique to \*\*\*. As a result, \*\*\* has been able to offer its customers a wider variety of furniture. In addition, \*\*\* benefits because it is able to compete with other U.S. retailers on the basis of quality, uniqueness, and price of its product and not only on the price of identical products. \*\*\* noted the following design specifications that it has been able to initiate through its foreign suppliers: \*\*\*.

\*\*\*. \*\*\*.<sup>77</sup> \*\*\*.

With respect to packaging specifications, \*\*\* explained that it has written specifications for furniture packaging to ensure protection and minimize quality defects due to in-transit damages. According to \*\*\*, its supplying U.S. producers were unable or unwilling to meet \*\*\* packaging standards, which resulted in substantially higher costs to \*\*\*.

\*\*\* also asserted that its foreign producers of wooden bedroom furniture offer far superior technical support (specialty finishes, etc.) than that offered by the U.S. furniture producers, and that U.S. furniture manufacturing does not have enough quality production capacity to meet the demands of the U.S. market.

\*\*\* that imports the Chinese wooden bedroom furniture and is headquartered in \*\*\*, asserted that all of its wooden bedroom furniture is purchased from producers in China. \*\*\* asserted that nonprice factors were frequently significant between wooden bedroom furniture produced in the United States versus that imported from China. This retailer asserted that, although price and value are significant factors in its sales, styling, construction, and availability are also major factors.

\*\*\*, an importer of the Chinese wooden bedroom furniture located in \*\*\*,<sup>78</sup> asserted that nonprice factors are always significant between wooden bedroom furniture produced in the United States versus that imported from China and from Taiwan. \*\*\* stated that, although price might contribute 50 percent of the factors considered by consumers when they decide to purchase wooden bedroom furniture, the other factors of quality, availability, transportation, product range, and technical support are equally important.

\*\*\*, an importer of the Chinese wooden bedroom furniture located in \*\*\*,<sup>79</sup> asserted that nonprice factors are frequently significant between wooden bedroom furniture produced in the United States versus that imported from China and third countries. \*\*\* commented that the quality of goods, availability of product, and technical support are frequently factors used to decide what products the consumer will ultimately purchase.

\*\*\* reported that nonprice factors are always significant between wooden bedroom furniture produced in the United States versus that imported from China and third-countries, the latter including Indonesia, Malaysia, and Vietnam. Such nonprice factors reportedly include quality, availability, style, intricacy of carvings, and sophistication of wood finishes. \*\*\*, which purchases domestic and foreign

---

<sup>77</sup> \*\*\* asserted that when it purchased furniture from U.S. producers during \*\*\*, its losses increased from \$\*\*\* to a high of \$\*\*\*. Since sourcing its furniture overseas, the \*\*\*. See questionnaire response of \*\*\*.

<sup>78</sup> \*\*\* sells its imported Chinese wooden bedroom furniture to U.S. retailers.

<sup>79</sup> \*\*\* sells its imported Chinese wooden bedroom furniture to U.S. retailers.

produced wooden bedroom furniture for sale in its U.S. furniture retail stores, asserted that imported wooden bedroom furniture from China, Indonesia, Malaysia, and Vietnam have significantly fewer quality issues and defects than the furniture produced in the United States. In addition, foreign producers reportedly are more willing than U.S. producers to work with this retailer to reduce defect rates in their products. As an example, \*\*\* noted that in \*\*\*. \*\*\*. In addition, \*\*\* asserted that the style and sophistication of the wood carvings and finishes are much more extensive with the imported Chinese wooden bedroom furniture compared to that produced in the United States.<sup>80</sup>

\*\*\* asserted that nonprice factors are always significant between wooden bedroom furniture produced in the United States versus that imported from China and third-countries, the latter including Colombia, Mexico, the Philippines, South Africa, and Taiwan. \*\*\* asserted that factors such as quality, availability, transportation network, product range, and technical support differentiate producers and make products more attractive to the retailer.

\*\*\*, a U.S. furniture retailer and importer of Chinese wooden bedroom furniture headquartered in \*\*\*, reported that nonprice factors are always significant between wooden bedroom furniture produced in the United States versus that imported from China and third countries, the latter including Malaysia, Thailand, and Vietnam. Such nonprice factors reportedly include product design, affordability, quality, availability, and transportation costs. According to \*\*\*, producers of wooden bedroom furniture in China, Malaysia, Thailand, and Vietnam can always supply a much more varied design than domestic furniture producers. This reportedly is true especially in traditional, contemporary, and West Indies style categories. These foreign producers have superior hand carvings, veneer work, hand painting, and the local availability of metal, stone, and wicker. This gives flexibility to develop a complete range of styles and looks for any segment of the U.S. market. Such flexibility reportedly does not exist domestically. \*\*\* commented that furniture producers in China, Thailand, and Vietnam offer superior quality and enhanced construction features, such as—(1) screwed-in plywood backs instead of being stapled on masonite, and (2) dovetailed wood drawer construction instead of paper coated fiberboard that cannot be repaired. In addition, furniture producers in these countries reportedly offer superior detail work, such as—(1) much more intricate veneer work than can be had in domestic plants, and (2) much better hand-carved applications on bed posts, paneled mirrors, dressers, and chest fronts/tops. Domestic furniture producers reportedly can only duplicate this if they themselves import these parts from East Asia and they usually do. \*\*\* also commented that China, Malaysia, Thailand, and Vietnam all can supply the necessary quantity of product to meet the needs of the U.S. market. This is especially true at the better-to-best end of the product line of wooden bedroom furniture. In this area, domestic furniture producers reportedly are importing many parts from East Asia but do a poor job of flowing them, which causes continual delays and missed shipping dates. If \*\*\* were to rely solely on domestic furniture producers, it reportedly would greatly reduce the retailer's wooden bedroom volume.

---

<sup>80</sup> \*\*\* also asserted that it is not possible for a factory in the United States to make a wooden bedroom furniture suite with similar extensive carvings and finishes at a price that would allow this retailer to sell the same furniture suite in its stores at commercially viable price points.

\*\*\*, an importer of the Chinese wooden bedroom furniture located in \*\*\*,<sup>81</sup> asserted that nonprice factors are sometimes significant between wooden bedroom furniture produced in the United States versus that imported from China. \*\*\* commented that Chinese furniture producers offer quality wooden bedroom furniture comparable to or better than that from U.S. producers at the same price. \*\*\* noted that availability and transportation costs used to favor domestic producers, because of the distance from China, but this has improved in the last two years as many retailers are taking direct shipments from China and avoiding purchases from U.S. warehouses. Chinese furniture producers reportedly generally offer a wider product range of wooden bedroom furniture than U.S. furniture producers.

\*\*\*, a furniture retailer that imports Chinese wooden bedroom furniture and is located in \*\*\*, asserted that nonprice factors are always significant between the domestic and imported Chinese wooden bedroom furniture. \*\*\* reported that it sells ready-to-assemble wooden bedroom furniture in its U.S. retail stores that is not available from domestic production at the same level of design, quality, price, and technical support. Virtually all of \*\*\* wooden bedroom furniture is of proprietary design and exclusive to \*\*\*. \*\*\* asserted that U.S. furniture producers will not or cannot produce this product at competitive prices or competitive quality.

\*\*\*, an importer of the Chinese wooden bedroom furniture located in \*\*\*,<sup>82</sup> asserted that nonprice factors are always significant between wooden bedroom furniture produced in the United States versus that imported from China and from third countries. According to \*\*\*, Chinese furniture producers are light years ahead of any other import source country in terms of flexibility, capability, and most importantly how the commonly U.S.-supplied materials are used to produce wooden bedroom furniture; this reportedly even includes most U.S. furniture producers, except where they import to enhance their bottom line and source offshore parts or whole collections that they cannot or do not want to produce.

---

<sup>81</sup> \*\*\* sells its imported Chinese wooden bedroom furniture to U.S. retailers.

<sup>82</sup> \*\*\* sells its imported Chinese wooden bedroom furniture to U.S. retailers.

### PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

Information on capacity, production, shipments, inventories, and employment is presented in this section of the report and is based on the questionnaire responses of 40 U.S. producers of wooden bedroom furniture<sup>1</sup> representing approximately 83 percent of the value of U.S. shipments of domestically produced wooden bedroom furniture in 2002.<sup>2</sup> A summary of U.S. producer data is presented in appendix C.

#### U.S. PRODUCERS

Table III-1 presents a list of U.S. producers responding to the Commission's questionnaires,<sup>3</sup> the locations of corporate headquarters, the positions taken with respect to the petition,<sup>4</sup> the values and shares of U.S. shipments by firm in 2002,<sup>5</sup> and whether the firms directly imported the subject merchandise from China during January 2000-June 2003.<sup>6</sup>

Petitioning producers accounted for \*\*\* percent of U.S. shipments (based on value) in 2002, and all firms supporting the petition accounted for \*\*\* percent of U.S. shipments. Firms opposing the petition accounted for \*\*\* percent of U.S. shipments in 2002 while firms taking no position with respect to the petition accounted for \*\*\* percent of U.S. shipments in 2002.<sup>7</sup>

---

<sup>1</sup> The Commission received questionnaire responses from 12 additional firms; however, these firms provided only limited or non-usable data and their responses are not included in the U.S. producers' trade and financial data. These firms are: \*\*\*.

<sup>2</sup> Coverage was calculated using the Commission's total shipment value of \$2.077 billion (*see* table III-3) and the petitioners' estimate of \$2.5 billion. *See* petition, exh. 4. The petition estimated the total value of U.S. producers' domestically produced U.S. shipments to be \$\*\*\* in 2002. However, this figure is marked as confidential because of the source of the data. Counsel to petitioners indicated that the figure of \$2.5 billion can be used publicly and noted that \*\*\*. Staff conversation with Joe Dorn, counsel to petitioners, December 22, 2003.

<sup>3</sup> The Commission sent producers' questionnaires to all U.S. producers identified in the petition. *See* petition at exh. 1 and 2.

<sup>4</sup> Thirty out of 40 responding U.S. producers support the petition, six firms oppose the petition, and four firms take no position with respect to the petition. The respondents state that \*\*\*. *See* foreign producer/importer respondents' postconference brief at 1 fn. 1; however, this firm did not provide a questionnaire response to the Commission.

<sup>5</sup> The value of U.S. shipments are presented in the table to represent the relative size of U.S. producers rather than production because many firms had difficulty calculating production quantities on either a pieces or pounds basis.

<sup>6</sup> Twenty of 40 responding producers imported the subject merchandise from China in January 2000-June 2003. *See* section entitled *U.S. Producers' Imports* in Part IV of this report for additional information on U.S. producers' imports.

<sup>7</sup> Production data are not used in the comparisons because several firms could not provide such data; however, all firms provided the value of U.S. shipments. U.S. producers' exports were relatively minimal and their inventories were relatively stable.

Table III-1

Wooden bedroom furniture: U.S. producers, locations of corporate headquarters, positions taken with respect to the petition, shares of reported domestically produced U.S. shipments in 2002, and whether firms directly imported the subject merchandise from China in January 2000-June 2003<sup>1</sup>

Firms	Location	Position taken with respect to the petition					Domestically produced U.S. shipments in 2002		Firm imported from China		
		Support	Oppose	Takes no position	Public		Value \$1,000	Share Percent	Yes	No	
					Yes	No					
American Drew <sup>2</sup>	NC	Petitioner				✓	***	***	***	***	
American of Martinsville <sup>2</sup>	VA	Petitioner				✓	***	***	***	***	
Ashley Furniture	WI		✓			✓	***	***	***	***	
Bassett Furniture	VA	Petitioner				✓	***	***	***	***	
Carolina Furniture Works	SC	Petitioner				✓	***	***	***	***	
Century Furniture <sup>3</sup>	NC	Petitioner				✓	***	***	***	***	
Crawford Manufacturing <sup>4</sup>	NY	Petitioner				✓	***	***	***	***	
Crescent Manufacturing	TN	Petitioner				✓	***	***	***	***	
Ethan Allen <sup>5</sup>	CT	***	***	***		✓	***	***	***	***	
Furniture Brands International	MO		✓			✓	***	***	***	***	
Harden Manufacturing	AL	***	***	***		✓	***	***	***	***	
Harden Furniture	NY	Petitioner				✓	***	***	***	***	
Hart Furniture	TN	Petitioner				✓	***	***	***	***	
Higdon Furniture <sup>4</sup>	FL	Petitioner				✓	***	***	***	***	
Hooker Furniture	VA	Petitioner				✓	***	***	***	***	
Johnston-Tombigbee Furniture	MO	Petitioner				✓	***	***	***	***	
Kincaid Furniture <sup>2</sup>	NC	Petitioner				✓	***	***	***	***	
L. & J.G. Stickley	NY	Petitioner				✓	***	***	***	***	
Lea Industries <sup>2</sup>	NC	Petitioner				✓	***	***	***	***	
Michels & Company	CA	Petitioner				✓	***	***	***	***	
MJ Wood Products	VT	Petitioner				✓	***	***	***	***	
Mobel	IN	Petitioner				✓	***	***	***	***	
Modern Furniture	WA	✓				✓	***	***	***	***	
Moosehead Manufacturing	ME	Petitioner				✓	***	***	***	***	
Oakwood Interiors	CA	✓				✓	***	***	***	***	
Pennsylvania House <sup>2</sup>	NC	Petitioner				✓	***	***	***	***	
Progressive Furniture <sup>6</sup>	OH	***	***	***		✓	***	***	***	***	
Sandberg Furniture	CA	Petitioner				✓	***	***	***	***	
Sauder Woodworking	OH	***	***	***		✓	***	***	***	***	
Standard Furniture Manufacturing	AL		✓			✓	***	***	***	***	
Stanley Furniture	VA	Petitioner				✓	***	***	***	***	
T. Copeland & Sons	VT	Petitioner				✓	***	***	***	***	
Thornwood Furniture	AZ	***	***	***		✓	***	***	***	***	
Trendwood	AZ	***	***	***		✓	***	***	***	***	
Vaughan Furniture	VA	Petitioner				✓	***	***	***	***	
Vaughan-Bassett Furniture	VA	Petitioner				✓	***	***	***	***	
Vermont Tubbs	VT	Petitioner				✓	***	***	***	***	
Webb Furniture <sup>7</sup>	VA	Petitioner				✓	***	***	***	***	
Whittier Wood Products	OR	***	***	***		✓	***	***	***	***	
Woodstuff Manufacturing <sup>8</sup>	AZ	***	***	***		✓	***	***	***	***	
Total (40)		***	***	***		32	8	2,077,198	100.0	20	20

<sup>1</sup> The following 12 firms provided only limited or non-usable data and their responses are not included in the U.S. producers' trade and financial data: \*\*\*.

<sup>2</sup> Firm is a wholly owned subsidiary of La-Z-Boy Inc., Monroe, MI.

<sup>3</sup> Firm is a wholly owned subsidiary of CV Industries, Hickory, NC.

<sup>4</sup> Firm provided very limited trade data and no usable financial data.

<sup>5</sup> Firm is a wholly owned subsidiary of Ethan Allen Interiors, Inc., Danbury, CT. \*\*\*.

<sup>6</sup> Firm is a wholly owned subsidiary of Sauder Woodworking Company, Archbold, OH.

<sup>7</sup> Firm is a 50/50 joint venture owned by Vaughan Furniture and Vaughan-Bassett Furniture, Galax, VA.

<sup>8</sup> Firm does business as Samuel Lawrence and is owned \*\*\*.

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

## U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data are presented in table III-2. The Commission's producers' questionnaire requested that firms provide production and capacity data for pieces and pounds; however, many firms could not provide quantity data.

**Table III-2**  
**Wooden bedroom furniture: U.S. producers' capacity, production, and capacity utilization, 2000-02, January-June 2002, and January-June 2003**

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
<b>Capacity (quantity)</b>					
Pieces <sup>1</sup>	14,815,964	14,547,521	14,258,472	7,396,217	6,889,240
Pounds <sup>2</sup>	1,127,940,453	1,078,107,043	1,052,169,714	546,090,766	501,887,617
<b>Production (quantity)</b>					
Pieces <sup>3</sup>	13,720,679	12,375,325	12,307,669	6,606,824	6,066,888
Pounds <sup>4</sup>	1,041,830,912	911,726,458	931,385,336	491,953,073	461,516,183
<b>Capacity utilization (percent)</b>					
Pieces	82.7	75.8	75.4	79.1	75.4
Pounds	78.9	71.0	72.0	74.4	72.4
<sup>1</sup> Four producers, ***, did not provide capacity data for pieces. <sup>2</sup> *** did not provide capacity data for pounds. <sup>3</sup> Five producers, ***, did not provide production data for pieces. <sup>4</sup> Eight producers, ***, did not provide production data for pounds.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Four producers, \*\*\*, did not provide capacity data for pieces. \*\*\*. Five producers, \*\*\*, did not provide production data for pieces. Eight producers, \*\*\*, did not provide production data for pounds.

Many U.S. producers that provided usable data indicated that they had difficulty in determining capacity because of the nature of the production process, which includes three distinct production processes (sawing, assembling, and finishing), each of which has its own capacities and constraints. In many instances, firms providing capacity data based their responses on "best estimates." With respect to production, many producers indicated that they had difficulty providing precise production data because their firm's data reporting systems do not collect the data as requested.

### U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments, by types, are presented in table III-3. Approximately 69 percent of U.S. producers' commercial shipments (based on pieces) were to furniture retailers, 3 percent to furniture distributors, 3 percent to hospitality firms, 24 percent to furniture rental firms, and 1 percent to other firms.<sup>8</sup> Based on pounds, approximately 83 percent of U.S. producers' commercial shipments (based on pounds) were to furniture retailers, 3 percent to furniture distributors, 5 percent to hospitality firms, 7 percent to furniture rental firms, and 2 percent to other firms.

**Table III-3**

**Wooden bedroom furniture: U.S. producers' shipments, by types, 2000-02, January-June 2002, and January-June 2003<sup>1</sup>**

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
	<b>Value (\$1,000)</b>				
Commercial shipments	2,493,363	2,220,212	2,069,250	1,116,107	953,538
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	2,500,097	2,223,842	2,077,198	1,119,686	958,913
Export shipments	40,896	33,649	33,163	16,290	14,626
Total shipments <sup>2</sup>	2,540,993	2,257,491	2,110,361	1,135,976	973,539
	<b>Share of total shipments (percent)</b>				
Commercial shipments	98.1	98.3	98.1	98.3	97.9
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	98.4	98.5	98.4	98.6	98.5
Export shipments	1.6	1.5	1.6	1.4	1.5
Total shipments <sup>2</sup>	100.0	100.0	100.0	100.0	100.0
<p><sup>1</sup> The Commission's producers' questionnaire requested that firms provide data for pieces and pounds; however, many firms could not provide data for either pieces or pounds, and some firms could not provide any quantity data. Therefore, quantity data and unit values are not presented. Parties generally agree that value data are the most probative.</p> <p><sup>2</sup> The value for total shipments differs slightly from the value of net sales presented in the financial section of this report because some firms reported their financials on a fiscal-year rather than calendar-year basis.</p>					
Source: Compiled from data submitted in response to Commission questionnaires.					

<sup>8</sup> Shares based on value are not presented because many responding firms did not supply value data for shipments by market segment.

**U.S. PRODUCERS' PURCHASES**

Information on U.S. producers' purchases are presented in table III-4. Four U.S. producers, \*\*\*, purchased subject merchandise from China during January 2000-June 2003. Table III-5 presents information on the ratio of U.S. producers' purchases of the subject imports to the value of their U.S. shipments.

**Table III-4**  
**Wooden bedroom furniture: U.S. producers' purchases, by sources, 2000-02, January-June 2002, and January-June 2003**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

**Table III-5**  
**Wooden bedroom furniture: U.S. producers' purchases of subject imports, U.S. shipments, and ratio of purchases of subject imports to U.S. shipments, 2000-02, January-June 2002, and January-June 2003**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

Twenty U.S. producers also directly imported subject merchandise from China during January 2000-June 2003.<sup>9</sup> However, \*\*\*, \*\*\*.

---

<sup>9</sup> See section entitled *U.S. Producers' Imports* presented in Part IV of this report.

### U.S. PRODUCERS' INVENTORIES

Data on U.S. producers' inventories of domestically produced wooden bedroom furniture are presented in table III-6. As with other quantity data presented in the report, several firms did not report inventory data for pieces or pounds.<sup>10</sup>

**Table III-6**

**Wooden bedroom furniture: U.S. producers' end-of-period inventories, 2000-02, January-June 2002, and January-June 2003<sup>1</sup>**

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
	<b>Inventories (quantity)</b>				
Pieces <sup>1</sup>	1,783,934	1,606,587	1,657,847	1,697,310	1,736,813
Pounds <sup>2</sup>	149,696,421	131,682,754	140,230,975	141,677,615	145,553,431
	<b>Ratio of inventories to production (percent)</b>				
Pieces	13.0	13.0	13.5	12.8	14.3
Pounds	14.4	14.4	15.1	14.4	15.8
	<b>Ratio of inventories to U.S. shipments (percent)</b>				
Pieces	13.3	13.0	13.7	13.1	14.7
Pounds	14.9	14.4	15.5	14.8	16.3
	<b>Ratio of inventories to total shipments (percent)</b>				
Pieces	13.1	12.8	13.5	12.9	14.5
Pounds	14.6	14.2	15.2	14.6	16.0
<sup>1</sup> Four firms, ***, did not provide inventory data for pieces. <sup>2</sup> Seven firms, ***, did not provide inventory data for pounds.					
Note—Ratios are calculated using data from firms that provided both numerator and denominator information. Partial-year ratios are calculated using annualized production and shipment data.					
Source: Compiled from data submitted in response to Commission questionnaires.					

<sup>10</sup> Four firms, \*\*\*, did not provide inventory data for pieces, while seven firms, \*\*\*, did not provide inventory data for pounds.

### U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment data are presented in table III-7. The petitioners identified 45 plant closings at 28 firms since January 2000, resulting in the layoffs of 11,967 workers.<sup>11</sup>

**Table III-7**

**Wooden bedroom furniture: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2000-02, January-June 2002, and January-June 2003**

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
Production and related workers ( <i>number</i> )	38,687	34,859	31,990	33,069	29,555
Hours worked ( <i>1,000</i> )	67,425	57,970	55,311	30,728	26,860
Wages paid ( <i>\$1,000</i> )	856,562	766,185	736,570	424,011	368,489
Hourly wages	\$11.19	\$11.67	\$12.08	\$12.29	\$12.40
Productivity <sup>1</sup> ( <i>pieces per 1,000 hours</i> )	203	214	223	215	227
Productivity <sup>1</sup> ( <i>pounds per 1,000 hours</i> )	16,555	16,924	18,093	17,265	18,653
Unit labor costs <sup>2</sup> ( <i>per piece</i> )	\$55.09	\$54.67	\$54.25	\$57.12	\$54.69
Unit labor costs <sup>2</sup> ( <i>per pound</i> )	\$0.69	\$0.71	\$0.68	\$0.73	\$0.68

<sup>1</sup> Productivity is calculated using data of only those firms providing both numerator and denominator information.  
<sup>2</sup> Unit labor costs are calculated using data of only those firms providing both numerator and denominator information.

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

The petitioners also indicated that the U.S. Department of Labor (Labor) has certified 7,210 furniture workers at approximately 48 plants for trade adjustment assistance (TAA)<sup>12</sup> from January 2000 to June 2003.<sup>13</sup> U.S. producers were asked if their firms or workers had applied for TAA certification directly related to imports of bedroom furniture from China.<sup>14</sup> Twelve firms responded "Yes."<sup>15</sup>

<sup>11</sup> See petitioners' postconference brief at exh. B.

<sup>12</sup> Trade Act of 1974, as amended (19 U.S.C. § 2272(a)).

<sup>13</sup> See petitioners' postconference brief at exh. 1 and attachment A. The petitioners note that not all of the TAA applications specify China as the source of import competition, and that not all of the closed plants produced wooden bedroom furniture.

<sup>14</sup> See question II-5 of the Commission's U.S. producers' questionnaire.

<sup>15</sup> Firms responding "Yes" are: \*\*\*.

U.S. producers were asked whether unions represent workers at their U.S. production facilities.<sup>16</sup> Thirty-two U.S. producers reported “No” and eight reported “Yes.” Table III-8 presents a list of U.S. producers reporting union representation of their production and related workers.

**Table III-8**  
**Wooden bedroom furniture: U.S. producers reporting union representation of their production and related workers**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

---

<sup>16</sup> See question II-4 of the Commission’s U.S. producers’ questionnaire.

## **PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES**

### **U.S. IMPORTERS**

The Commission sent questionnaires to all 164 U.S. importers of wooden bedroom furniture identified in the petition,<sup>1</sup> and received usable responses from 82 firms<sup>2</sup> that are believed to account for approximately 87.4 percent of U.S. imports from China (based on value) in January 2000-June 2003.<sup>3</sup> The Commission received questionnaire responses from the top 10 importers from January 2002-June 2003.<sup>4</sup>

### **U.S. IMPORTS**

Because of the relatively low import coverage of responding importers, data for imports of wooden bedroom furniture that are presented throughout this report are based on official statistics of Commerce, unless otherwise noted.<sup>5</sup> Table IV-1 and figure IV-1 present data on U.S. imports of wooden bedroom furniture.

Official import statistics provide quantity data for wooden beds<sup>6</sup> but not for other wooden bedroom furniture. Therefore, official import data are presented in terms of value only.<sup>7</sup>

---

<sup>1</sup> See petition at exh. 7. Customs identifies over 1,100 individual firms as importers of record of the subject merchandise from China during January 2002-June 2003.

<sup>2</sup> Eleven additional firms responded that they imported the subject merchandise; however, their questionnaire responses were either incomplete or did not contain usable data. Thirty firms responded that they did not import the subject merchandise from China.

<sup>3</sup> U.S. imports from China of responding U.S. importers were \$311.4 million in 2000 (72.0 percent coverage compared with official import statistics), \$469.9 million in 2001 (83.1 percent coverage), \$925.6 million in 2002 (96.6 percent coverage), and \$549.2 million in January-June 2003 (87.9 percent coverage).

<sup>4</sup> Based on Customs data.

<sup>5</sup> Official import statistics presented for wooden bedroom furniture are comprised of two HTS statistical reporting numbers: 9403.50.9040 (wooden beds of a kind used in the bedroom) and 9403.50.9080 (wooden furniture of a kind used in the bedroom not elsewhere classified). The scope includes two additional HTS statistical reporting numbers under which the subject merchandise may enter the United States: 9403.90.7000 (furniture parts of wood) and 7009.92.5000 (glass mirrors, framed over 929 cm<sup>2</sup> in reflecting area); however, these HTS reporting numbers are residual or "basket" categories that also contain nonsubject imports. The petitioners did not include the latter two HTS statistical reporting numbers in their analysis of subject imports in the petition. To the extent that subject imports enter under the latter HTS statistical reporting numbers, import data may be slightly understated.

<sup>6</sup> Official import statistics count each piece of a wooden bed (e.g., headboard, footboard, sideboards) as separate pieces. However, the Commission's questionnaires defined a wooden bed as any combination of headboard, footboard, or sideboards.

<sup>7</sup> Data on U.S. importers' inventories, which are based on Commission importers' questionnaires, are based on quantity rather than value.

Table IV-1

Wooden bedroom furniture: U.S. imports, by sources, 2000-02, January-June 2002, and January-June 2003<sup>1</sup>

Source	Calendar year			January-June	
	2000	2001	2002	2002	2003
	<b>Value (\$1,000)</b>				
China <sup>2</sup>	432,675	565,551	957,948	404,700	624,601
Nonsubject:					
Canada	415,278	414,059	401,392	206,415	200,729
Italy	189,582	185,056	198,556	91,429	90,189
Indonesia	130,582	130,165	151,394	67,795	72,406
Mexico	170,549	145,171	127,553	66,414	49,222
Brazil	43,038	73,216	98,903	44,612	48,479
Malaysia	50,136	44,897	67,979	27,831	50,301
Taiwan	57,749	65,855	64,394	32,097	21,062
Thailand	11,316	19,553	29,810	13,889	16,406
Denmark	20,164	23,258	26,376	11,616	12,098
All other	160,611	162,500	187,150	86,100	102,038
Subtotal, nonsubject	1,249,004	1,263,729	1,353,509	648,197	662,928
Total	1,681,679	1,829,281	2,311,456	1,052,897	1,287,529
	<b>Share of value (percent)</b>				
China	25.7	30.9	41.4	38.4	48.5
Nonsubject:					
Canada	24.7	22.6	17.4	19.6	15.6
Italy	11.3	10.1	8.6	8.7	7.0
Indonesia	7.8	7.1	6.6	6.4	5.6
Mexico	10.1	7.9	5.5	6.3	3.8
Brazil	2.6	4.0	4.3	4.2	3.8
Malaysia	3.0	2.5	2.9	2.6	3.9
Taiwan	3.4	3.6	2.8	3.0	1.6
Thailand	0.7	1.1	1.3	1.3	1.3
Denmark	1.2	1.3	1.1	1.1	0.9
All other	9.6	8.9	8.1	8.2	7.9
Subtotal, nonsubject	74.3	69.1	58.6	61.6	51.5
Total	100.0	100.0	100.0	100.0	100.0

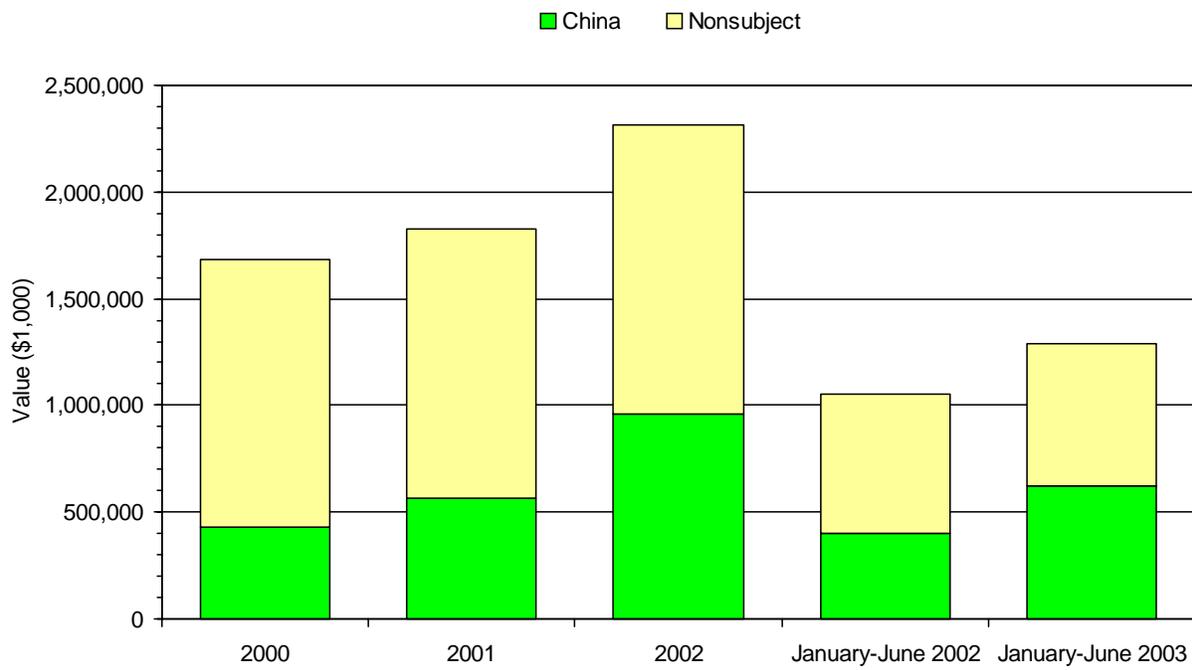
<sup>1</sup> Official import statistics presented for wooden bedroom furniture are comprised of two HTS statistical reporting numbers: 9403.50.9040 (wooden beds of a kind used in the bedroom) and 9403.50.9080 (wooden furniture of a kind used in the bedroom not elsewhere classified). The scope includes two additional HTS statistical reporting numbers under which the subject merchandise may enter the United States: 9403.90.7000 (furniture parts of wood) and 7009.92.5000 (glass mirrors, framed over 929 cm<sup>2</sup> in reflecting area); however, these other HTS reporting numbers are residual or "basket" categories that also contain nonsubject imports. To the extent that subject imports enter under the latter HTS statistical reporting numbers, import data may be slightly understated.

<sup>2</sup> U.S. producers accounted for 29.4 percent of subject imports from China in 2000, 29.5 percent in 2001, 35.2 percent in 2002, 35.8 percent in January-June 2002, and 33.3 percent in January-June 2003.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of Commerce.

**Figure IV-1**  
**Wooden bedroom furniture: U.S. imports, by sources, 2000-02, January-June 2002, and January-June 2003**



Source: Table IV-1.

### U.S. PRODUCERS' IMPORTS

Table IV-2 presents U.S. producers' direct imports of subject merchandise during January 2000-June 2003.<sup>8</sup> Twenty U.S. producers reported directly importing wooden bedroom furniture from China.<sup>9</sup> U.S. producers' imports from China accounted for 29.4 percent of U.S. imports of the subject merchandise in 2000, 29.5 percent in 2001, 35.2 percent in 2002, 35.8 percent in January-June 2002, and 33.3 percent in January-June 2003.<sup>10</sup>

Figure IV-2 presents U.S. producers' subject imports as a share of domestically produced U.S. shipments. Direct subject imports by U.S. producers as a share of domestically produced U.S. shipments increased throughout January 2000-June 2003, increasing from 6.0 percent in 2000 to 9.0 percent in 2001, 19.6 percent in 2002, 15.8 percent in January-June 2002, and 26.6 percent in January-June 2003.<sup>11</sup>

### APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES

Table IV-3 and figure IV-3 present data on apparent U.S. consumption and market shares of wooden bedroom furniture.

---

<sup>8</sup> Information on U.S. producers' purchases of imports (i.e., nondirect imports where U.S. producers are not the importer of record) are presented in Part III of this report in the section entitled *U.S. Producers' Purchases*.

<sup>9</sup> Petitioning firms accounted for 14 of the 20 U.S. producers importing the subject merchandise.

<sup>10</sup> Petitioning firms accounted for 7.8 percent of U.S. imports of the subject merchandise in 2000, 5.6 percent in 2001, 6.9 percent in 2002, 7.8 percent in January-June 2002, and 8.1 percent in January-June 2003.

<sup>11</sup> Direct subject imports by petitioning firms as a share of their domestically produced U.S. shipments were 3.3 percent in 2000, 4.2 percent in 2001, 8.3 percent in 2002, 7.7 percent in January-June 2002, and 15.8 percent in January-June 2003.

Table IV-2

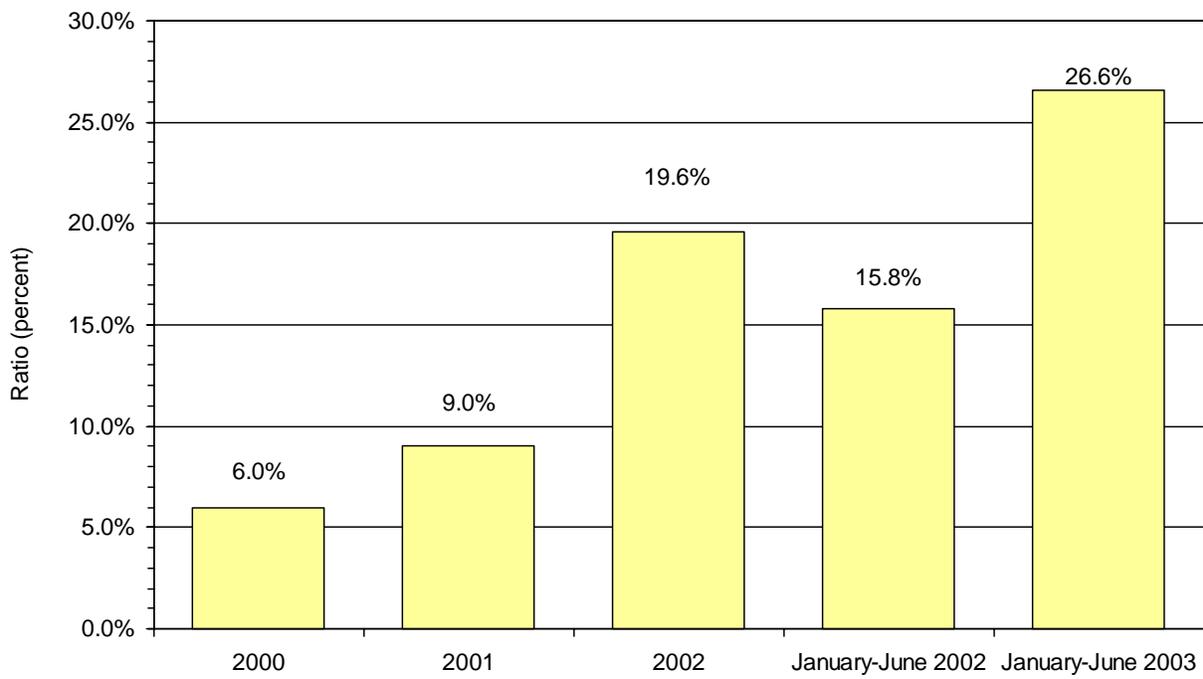
Wooden bedroom furniture: U.S. producers' direct imports of the subject merchandise from China, and U.S. producers' shipments of domestically produced product, by firms, 2000-02, January-June 2002, and January-June 2003

Firm	Calendar year			January-June	
	2000	2001	2002	2002	2003
<b>Value of U.S. producers' direct imports from China (\$1,000)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total (20)	127,361	166,588	337,041	145,048	207,868
<b>Value of domestically produced U.S. shipments (\$1,000)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	2,117,687	1,859,747	1,715,537	917,730	782,195

Table continued. See footnotes at end of table.



**Figure IV-2**  
**Wooden bedroom furniture: U.S. producers' subject imports as a share of domestically produced U.S. shipments, 2000-02, January-June 2002, and January-June 2003**



Source: Table IV-2.

Table IV-3

Wooden bedroom furniture: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 2000-02, January-June 2002, and January-June 2003

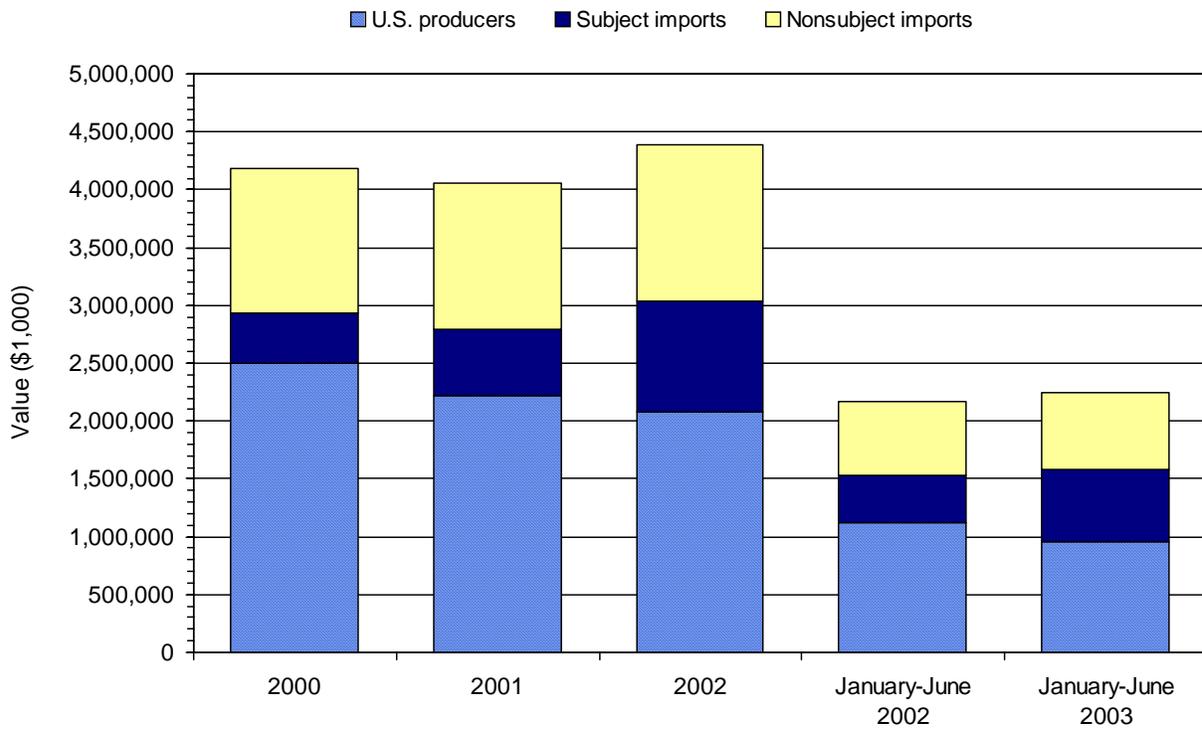
Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
	<b>Value (\$1,000)</b>				
U.S. producers' domestic shipments	2,500,097	2,223,842	2,077,198	1,119,686	958,913
U.S. imports: <sup>1</sup>					
China	432,675	565,551	957,948	404,700	624,601
Nonsubject:					
Canada	415,278	414,059	401,392	206,415	200,729
Italy	189,582	185,056	198,556	91,429	90,189
Indonesia	130,582	130,165	151,394	67,795	72,406
Mexico	170,549	145,171	127,553	66,414	49,222
Brazil	43,038	73,216	98,903	44,612	48,479
Malaysia	50,136	44,897	67,979	27,831	50,301
Taiwan	57,749	65,855	64,394	32,097	21,062
Thailand	11,316	19,553	29,810	13,889	16,406
Denmark	20,164	23,258	26,376	11,616	12,098
All other	160,611	162,500	187,150	86,100	102,038
Subtotal, nonsubject	1,249,004	1,263,729	1,353,509	648,197	662,928
Total, all imports	1,681,679	1,829,281	2,311,456	1,052,897	1,287,529
Apparent U.S. consumption	4,181,776	4,053,123	4,388,654	2,172,583	2,246,442
	<b>Share of value (percent)</b>				
U.S. producers' domestic shipments	59.8	54.9	47.3	51.5	42.7
U.S. imports: <sup>1</sup>					
China	10.3	14.0	21.8	18.6	27.8
Nonsubject:					
Canada	9.9	10.2	9.1	9.5	8.9
Italy	4.5	4.6	4.5	4.2	4.0
Indonesia	3.1	3.2	3.5	3.1	3.2
Mexico	4.1	3.6	2.9	3.1	2.2
Brazil	1.0	1.8	2.3	2.1	2.2
Malaysia	1.2	1.1	1.5	1.3	2.2
Taiwan	1.4	1.6	1.5	1.5	0.9
Thailand	0.3	0.5	0.7	0.6	0.7
Denmark	0.5	0.6	0.6	0.5	0.5
All other	3.8	4.0	4.3	4.0	4.5
Subtotal, nonsubject	29.9	31.2	30.8	29.8	29.5
Total, all imports	40.2	45.1	52.7	48.5	57.3

<sup>1</sup> Official import statistics presented for wooden bedroom furniture are comprised of two HTS statistical reporting numbers: 9403.50.9040 (wooden beds of a kind used in the bedroom) and 9403.50.9080 (wooden furniture of a kind used in the bedroom not elsewhere classified). The scope includes two additional HTS statistical reporting numbers under which the subject merchandise may enter the United States: 9403.90.7000 (furniture parts of wood) and 7009.92.5000 (glass mirrors, framed over 929 cm<sup>2</sup> in reflecting area); however, these other HTS reporting numbers are residual or "basket" categories that also contain nonsubject imports. To the extent that subject imports enter under the latter HTS statistical reporting numbers, import data may be understated.

Note.—Because of rounding, figures may not add to totals shown.

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

**Figure IV-3**  
**Wooden bedroom furniture: Apparent U.S. consumption, by sources, 2000-02, January-June 2002, and January-June 2003**



Source: Table IV-3.



## PART V: PRICING AND RELATED INFORMATION

### FACTORS AFFECTING PRICING

Prices of wooden bedroom furniture in the U.S. market can fluctuate based on demand factors such as the business cycle, sectoral demand fluctuations (e.g., new housing starts), and the product cycle for wooden bedroom furniture (shifts in consumer tastes). Prices can also fluctuate based on supply factors such as the amount and complexity of wood-carving detail required, the type(s) of wood required, the construction techniques, the extent to which solid wood is required instead of fiberboard, particleboard, or plywood, and to some extent by the distances shipped. Prices of wooden bedroom furniture also vary depending on the quantity of furniture pieces shipped, as quantity discounts are offered by many U.S. producers and importers.

Wooden bedroom furniture is used primarily to furnish bedrooms in residential homes and apartments, but also in hotels/motels, nursing homes, retirement homes, etc. Bedroom furniture made from bent wood, wicker, metal, and plastic can substitute for wooden bedroom furniture. Changes in relative prices of the subject wooden bedroom furniture vis-a-vis bedroom furniture of other material constructions may induce changes in relative demand for these products, but any such substitution may be limited by consumer preferences for specific styles and designs of bedroom furniture. Part II discusses in detail substitution between wooden bedroom furniture and alternative constructions of bedroom furniture, other types of furniture, and other expenditures.

### Raw Material Costs, Fit, Finish, and Size/Scale

The principal raw material input used to produce wooden bedroom furniture is wood and/or wood products, which are included in the materials purchased by U.S. producers to produce wooden bedroom furniture in the United States; entire raw material costs accounted for about 50.7 percent of U.S. producers' total costs of manufacturing wooden bedroom furniture in the United States during January 2000-June 2003.

U.S. producers and importers were requested in their questionnaire responses to discuss differences in product characteristics for good, better, and best quality categories of domestic and imported Chinese wooden bedroom furniture that they sold in the United States during January 2000-June 2003.<sup>1</sup> Twenty-four U.S. producers and 34 U.S. importers provided comments regarding differences in product characteristics of wooden bedroom furniture sold in these quality categories.<sup>2</sup> The questionnaire comments of the responding firms generally suggested that quality of materials, fit, finish, and size/scale of the wooden bedroom furniture pieces largely determine the quality category of a given piece of furniture.<sup>3</sup> Although no precise descriptions are available to define different quality categories,

---

<sup>1</sup> The petition refers to three value categories of wooden bedroom furniture (petition at 3), and respondents referred to the three quality categories in discussions with staff during the preparation of questionnaires for this investigation \*\*\*.

<sup>2</sup> Ten additional U.S. producers responded that they sold their domestic wooden bedroom furniture in only one of the quality categories and, therefore, could not discuss differences among the different quality categories.

<sup>3</sup> U.S. producers and importers were also requested to comment in their questionnaire responses about the extent to which brand-name wooden bedroom furniture is found in each of the three quality categories. Fifteen of the 22 responding U.S. producers and 17 of the 24 responding importers reported that the brand-name furniture is found in

(continued...)

questionnaire responses suggest that the U.S. producers, importers, retailers, and consumers of wooden bedroom furniture attempt to make such distinctions. The following comments of some of the individual responding firms are helpful in understanding quality differences, which are still somewhat subjective and sometimes based on individual consumer preferences/tastes.

\*\*\* reported that good quality wooden bedroom furniture involves smaller-scale pieces, minimal machining, basic finishing, and lower-cost materials. Better quality involves full-size pieces, more complicated designs, basic finishing, and lower-cost materials. Best quality involves full-size pieces, but even more complicated designs, complex finishing, and higher quality materials compared with those used in the better quality category.

\*\*\* reported that good quality wooden bedroom furniture has high pressure laminate tops, paper/non-veneer end panels, and vinyl-wrap drawers.<sup>4</sup> Better quality could also have high pressure laminate tops, more veneers over solid wood cores, and printed end panels. The firm's best quality category has veneer tops and end panels, and more style details such as carvings and solid drawer fronts, as well as wooden drawer construction.

\*\*\* reported that good quality wooden bedroom furniture involves veneers used as face wood; substrates are engineered wood products such as particleboard, plywood, and fiberboard; drawers are nailed together and generally unfinished on the interior; and the finish is muddy, opaque, or high sheen. Better quality involves full solid woods and veneers; drawers are dovetailed in either French or English manner and can be lacquered on the interior; and the finish offers more depth and clarity and is available in one or more options. Best quality involves solid woods and expensive inlaid veneer treatments; drawers are fully dovetailed and interiors are often finished; and multiple finish options are available.

\*\*\* reported that good quality wooden bedroom furniture involves smaller-sized construction, typically absent of dustproofing; drawer-side construction excludes dovetailing in the front and/or back; drawers, case sides, face, and tip material are usually composites, not solid wood; and minimum finishing steps. Better quality involves improvement in some of these latter features. Best quality involves larger-sized, dustproofed interiors, solid-wood drawer sides, dovetailed front and back, as well as solid and veneer case construction, and usually multiple finishing steps.

\*\*\* reported that major differences in the good, better, and best quality categories of wooden bedroom furniture are (1) amount of detail, handwork, and carvings; (2) number of stages and details in the finish; (3) grade or quality of materials; (4) mixing of materials (wood and metal, wood and marble,

---

<sup>3</sup> (...continued)

all three quality categories, while the remaining seven responding U.S. producers and importers reported that the brand-name furniture is found predominantly in the better and best quality categories.

Although petitioners asserted that imports from China are a factor in all segments of the U.S. wooden bedroom furniture market, some information suggests that the imported Chinese furniture may be limited in the high-end of the market. Questionnaire responses of U.S. producers and importers discussed in detail in Part II suggest that, at the high-end of the market, where quantities of any single furniture piece or suite are generally more limited, such as at the high end of the U.S. wooden bedroom furniture market, imports from China are generally not cost competitive with U.S. production or imports from some third countries. In addition, respondents asserted that only a very small fraction of the imports from China (10 percent) are in the high end of the U.S. wooden bedroom furniture market. *See* joint respondents' postconference brief at 22; and \*\*\*.

<sup>4</sup> \*\*\* frequently sells wooden bedroom furniture to the \*\*\*.

wood and rattan, etc.); (5) size and scale of furniture pieces; (6) quality of construction; and (7) overall complexity.

In addition, the U.S. producers and importers were asked to provide ranges of prices for sales to U.S. retailers during 2002 in each quality category for each of three different wooden bedroom suites: (1) 3-piece suites consisting of a bed, dresser (with mirror), and nightstand; (2) 4-piece suites consisting of a bed, dresser (with mirror), nightstand, and armoire; and (3) 5-piece suites consisting of a bed, dresser (with mirror), nightstand, armoire, and chest.<sup>5</sup> U.S. producers and importers responded most frequently with prices for the 4-piece suites, which will be shown and discussed here; reported prices for the other suites followed a similar pattern as that for the 4-piece suites. Likely reflecting different views of good, better, and best qualities of wooden bedroom furniture, the range of reported prices differed substantially among responding U.S. producers and among U.S. importers within each quality category.<sup>6</sup> Price ranges and simple averages of prices reported by U.S. producers and importers for each of the three quality categories of the domestic and imported Chinese 4-piece wooden bedroom furniture suites are shown in table V-1. Sixteen U.S. producers reported selling price ranges for the domestic 4-piece wooden bedroom furniture suites and 23 U.S. importers reported selling price ranges for the imported Chinese 4-piece wooden bedroom furniture suites shipped to U.S. retailers during 2002. Each responding firm did not necessarily report for every quality category of the 4-piece wooden bedroom furniture suites.

**Table V-1**

**Wooden bedroom furniture: Ranges of net U.S. f.o.b. selling prices at the low and high price ends and simple averages of the reported prices for domestic and imported Chinese 4-piece wooden bedroom furniture suites, by quality categories, sold to U.S. retailers during 2002**

Quality categories and price end points	United States		China	
	Price range	Average price	Price range	Average price
<i>Dollars per suite</i>				
Good quality:				
Low price end	\$200-2,305	\$873	\$400-1,850	\$927
High price end	300-3,199	1,182	700-2,675	1,348
Better quality:				
Low price end	430-2,735	1,183	900-3,000	1,570
High price end	486-2,875	1,448	1,000-3,500	2,123
Best quality:				
Low price end	495-5,500	2,499	1,000-3,000	1,826
High price end	545-8,500	3,064	1,200-4,000	2,264
Source: Compiled from data submitted in response to Commission questionnaires.				

The price ranges indicate U.S. selling price differences among reporting U.S. producers and importers of several hundred dollars per suite in each quality category of the 4-piece wooden bedroom suites during 2002 (table V-1). The simple average prices, although not weighted by quantities, show an upward progression from the good-quality furniture suites to the best-quality furniture suites during 2002.

<sup>5</sup> Prices were requested on a net U.S. f.o.b. selling basis. In addition, the number of suites sold were also requested, but several firms were unable to provide the requested quantity data.

<sup>6</sup> In those instances where firms reported single prices within each quality category instead of price ranges, prices also varied considerably among the U.S. producers and among importers.

### Tariff Rates and Transportation Costs to the U.S. Market

The U.S. normal trade relations *ad valorem* import duty rate was free for imports of wooden bedroom furniture from China under HTS subheading 9403.50.90 during January 2000-June 2003.<sup>7</sup>

Transportation charges for imports of wooden bedroom furniture from China to the U.S. ports of entry, as a ratio of U.S. official customs values, averaged 18.4 percent during January 2000-June 2003. Seventeen of 62 importers, reporting in their questionnaire responses about reasons for any purchase price changes in their imported Chinese wooden bedroom furniture during January 2000-June 2003, commented that transportation costs from China to the United States were an important cost factor. An importing retailer, \*\*\*, reported that freight rates from China increased on May 1, 2003 due to general supply and demand transportation factors and to a jump in U.S. longshoreman's charges by \$1,000 per container at U.S. ports.<sup>8</sup> Another importer, \*\*\*, reported in its questionnaire response that container freight costs increased by \*\*\* percent in May 2003, equaling approximately \*\*\* percent of imported costs.

### U.S. Inland Transportation Costs

U.S. producers and importers generally reported in their questionnaire responses that U.S.-inland freight costs did not represent a significant competitive factor when shipping to their customers in the U.S. market during January 2000-June 2003.<sup>9</sup> Wooden bedroom furniture products were typically delivered by truck in the United States during this period and likely exhibited a fairly high value-to-weight ratio. The 36 U.S. producers responding to this part of the questionnaire reported that during January 2000-June 2003 they shipped 11.0 percent of their domestic wooden bedroom furniture to U.S. customers located within 100 miles of their U.S. plant/warehouse facilities, with U.S. freight costs averaging 3.5 percent of the U.S. f.o.b. selling price;<sup>10</sup> 41.1 percent between 100 and 500 miles, with U.S. freight costs averaging 5.9 percent of the U.S. f.o.b. selling price; and 48.0 percent over 500 miles, with U.S. freight costs averaging 8.6 percent of the U.S. f.o.b. selling price.<sup>11</sup> The 49 responding U.S. importers reported that during January 2000-June 2003 they shipped 12.8 percent of their imported Chinese wooden bedroom furniture to U.S. customers located within 100 miles of their U.S. selling locations, with U.S. freight costs averaging 5.6 percent of the U.S. f.o.b. selling price; 28.1 percent

---

<sup>7</sup> Of the 109 countries that exported wooden bedroom furniture to the United States under HTS subheading 9403.50.90 during this period, only Vietnam paid U.S. tariffs, under the column 2 duty rate, but only during 2000-01, after which it qualified for the U.S. normal trade relations *ad valorem* import duty rate of zero.

<sup>8</sup> Staff telephone conversation with \*\*\*.

<sup>9</sup> Thirty-eight of 45 responding U.S. producers to this section of the questionnaire and 48 of 54 responding importers reported that U.S. inland transportation costs were not a significant competitive factor. On the other hand, the remaining seven responding U.S. producers and six responding U.S. importers reported that U.S. transportation costs, especially for the longer distances, are a significant competitive factor.

<sup>10</sup> All freight rates were weighted averages based on each firm's total reported U.S. shipments of its domestic or imported Chinese wooden bedroom furniture during January 2000-June 2003.

<sup>11</sup> Although responding U.S. petitioners reported shipping similar relative volumes of their domestic wooden bedroom furniture in each distance category as that reported by all responding U.S. producers, the petitioners reported paying somewhat higher freight rates for each distance category. The 23 responding petitioning producers reported freight rates averaging 5.0 percent of their U.S. f.o.b. selling prices for distances within 100 miles of their U.S. selling locations, 7.9 percent for distances between 100 and 500 miles, and 11.3 percent for distances greater than 500 miles.

between 100 and 500 miles, with U.S. freight costs averaging 8.3 percent of the U.S. f.o.b. selling price; and 59.1 percent over 500 miles, with U.S. freight costs averaging 11.8 percent of the U.S. f.o.b. selling price.<sup>12</sup> The average U.S.-inland freight rates were based on somewhat fewer responses of U.S. producers and importers than the number responding for shipment volumes by the three distance categories.

U.S. producers and importers reported in their questionnaire responses the extent to which they marketed their domestic and imported Chinese wooden bedroom furniture in the United States during January 2000-March 2003. Thirty-nine of the 44 responding U.S. producers and 42 of the 59 responding U.S. importers reported that they shipped the wooden bedroom furniture throughout the entire United States or the continental United States. Four other U.S. producers reported shipping their domestic wooden bedroom furniture in the Midwest and East coast markets, and the remaining U.S. producer shipped its products in the West coast and Southwest markets. Eight other U.S. importers reported shipping their imported Chinese wooden bedroom furniture in the West coast and Southwest markets. Another eight U.S. importers reported shipping the imported Chinese furniture in Northeast, Southeast, and Midwest markets. The remaining U.S. importer reported shipping its imported Chinese furniture in the East and West coast markets.

A total of 49 U.S. producers reported on the length of order lead-times between a customer's order and shipments of their domestic wooden bedroom furniture from U.S. inventory and from U.S. production during January 2000-June 2003 to their U.S. customers at the wholesale level of the market. A total of 59 U.S. importers reported this information for their imported Chinese wooden bedroom furniture shipped from U.S. inventories and shipped directly from China to their U.S. customers at the wholesale level of the market. Thirty-five U.S. producers reported order lead-times from U.S. inventory, which averaged 16 days;<sup>13</sup> four of these 35 U.S. producers reported shipping only from their U.S. inventories. Thirty-eight U.S. producers reported order lead-times from U.S. production, which averaged 42 days; four of these 38 U.S. producers reported shipping only from their U.S. production. Fifty-seven U.S. importers reported order lead-times from U.S. inventory, which averaged 15 days; six of these 57 U.S. importers reported shipping only from U.S. inventories. Forty-nine U.S. importers reported order lead-times for shipments directly from China, which averaged 80 days.

Six of 34 responding U.S. producers of domestic wooden bedroom furniture and 45 of 60 responding U.S. importers of the Chinese wooden bedroom furniture reported that order lead-times for shipments to their U.S. customers did not change during January 2000-June 2003. The remaining 28 responding U.S. producers and another 11 U.S. importers reported that order lead-times have fallen during this period.<sup>14</sup> The remaining four U.S. importers reported that order lead-times increased, at least

---

<sup>12</sup> Although responding U.S. petitioners that imported the Chinese wooden bedroom furniture tended to ship a higher relative volumes of their domestic wooden bedroom furniture in the middle distance category compared to that reported by all responding U.S. importers, the petitioners reported paying somewhat higher freight rates for each distance category. The 14 responding petitioning producers that imported the Chinese products reported freight rates averaging 6.4 percent of their U.S. f.o.b. selling prices for distances within 100 miles of their U.S. selling locations, 9.7 percent for distances between 100 and 500 miles, and 13.3 percent for distances greater than 500 miles.

<sup>13</sup> The length of order lead-times were calculated as simple averages of the number of days reported by the responding U.S. producers and importers.

<sup>14</sup> Sixteen of these 28 U.S. producers, 14 of whom are petitioning U.S. producers, reported that order lead-times have fallen as their sales slowed and U.S. inventory levels rose, enabling them to ship their domestic furniture more quickly during January 2000-June 2003. On the other hand, another eight of these 28 U.S. producers (four are petitioners) reported that they made improvements in production and order-processing efficiencies to lower their

(continued...)

during the period of the U.S. West coast dock strikes (September-December 2002), on their shipments of the Chinese wooden bedroom furniture.

### Exchange Rates

The quarterly nominal value of the Chinese yuan relative to the U.S. dollar remained virtually unchanged during January 2000-June 2003, at about 8.28 yuan per U.S. dollar, or equivalently, \$0.12 per yuan.<sup>15</sup> China's central bank informally but effectively has tied the yuan's value to the U.S. dollar.<sup>16</sup> A producer price index for China was not readily available,<sup>17</sup> therefore, quarterly real values of the Chinese yuan relative to the U.S. dollar could not be calculated.<sup>18</sup> Some narrative reports indicated, however, that China has been experiencing mild deflation, with prices falling nearly 1 percent annually. Coupled with mild inflation in the United States, the Chinese yuan reportedly has depreciated<sup>19</sup> against the U.S. dollar on a price-adjusted basis (real value of the yuan).<sup>20</sup> U.S. importers of the Chinese wooden bedroom furniture reported in their questionnaire responses that there has been no impact of fluctuations in exchange rates on their purchase prices and sales prices during January 2000-June 2003, because the value of the Chinese yuan vis-a-vis the U.S. dollar has been relatively constant during this period.

---

<sup>14</sup> (...continued)

order lead-times to become more competitive during this period. One of these latter U.S. producers, \*\*\*, a petitioner located in \*\*\*, reported that in \*\*\* its order lead-times were \*\*\*, but currently shipping times average \*\*\* to customers' warehouses.

<sup>15</sup> *International Financial Statistics*, IMF, January 2002 and October 2003, p. 234 and p. 274, respectively.

<sup>16</sup> *Asian Nations Gain Indirectly from Dollar's Declining Value*, Keith Bradsher, *The New York Times*, May 21, 2003.

<sup>17</sup> The real exchange rate indices are calculated from nominal exchange rates, producer/wholesale price indices in the subject countries, and the producer price index in the United States. Producer selling prices of the subject product in each country are expected to follow the trend in that country's overall producer-price level; if subject product prices in the specified country do not follow the trend in the general price level, the calculated real exchange rate (which is based on this general price level) would over- or under-estimate the impact of the effect of the actual changes in domestic prices and exchange rates on U.S. dollar-denominated prices of exports of the subject product.

<sup>18</sup> The IMF reported that quarterly consumer prices in China fluctuated but generally fell during January 1998-March 2003 (*International Financial Statistics*, IMF, January 2002 and October 2003, p. 234 and pp. 275, respectively). This suggests that there may have been downward price pressure on producer prices in China as well during this period, which, in turn, would have led to a depreciation in the real value of the yuan vis-a-vis the U.S. dollar.

<sup>19</sup> Central bank changes in the nominal exchange rates, as well as government changes in allowable bands of fluctuations around the official exchange rate, constitute devaluations when these actions reduce the exchange-rate value of the local currency. Depreciation occurs when market forces alone reduce the exchange-rate value of the local currency. Because devaluation and depreciation frequently occur simultaneously, the term depreciation is generally used.

<sup>20</sup> *Asian Nations Gain Indirectly from Dollar's Declining Value*, Keith Bradsher, *The New York Times*, May 21, 2003.

## PRICING PRACTICES<sup>21</sup>

U.S. producers and importers generally quoted prices of their domestic and imported Chinese wooden bedroom furniture primarily on a U.S. f.o.b. plant/warehouse/port-of-entry basis during January 2000-June 2003.<sup>22</sup> When selling on an f.o.b. basis, a majority of U.S. producers and importers reporting that they usually arranged U.S. freight to their U.S. customers and most frequently shipped their domestic and imported Chinese wooden bedroom furniture freight collect during January 2000-June 2003.<sup>23</sup> U.S. producers and importers reported that they generally did not absorb U.S. freight to their customers during January 2000-June 2003.<sup>24</sup> In the relatively few instances where the supplier absorbed U.S. freight, it was done to ship discontinued furniture or replacement pieces, the latter shipped for quality reasons. U.S. producers and importers also reported their total value of freight absorbed during 2000 and 2002. The three responding U.S. producers reported absorbing \$\*\*\* of U.S. freight on their domestic wooden bedroom furniture during 2000 and \$\*\*\* during 2002; these amounts are very small, or less than \*\*\* percent of the value of total reported U.S. commercial shipments of domestic wooden bedroom furniture during 2000 and 2002. The four responding U.S. importers reported absorbing \$\*\*\* of U.S. freight on their imported Chinese wooden bedroom furniture during 2000 and \$\*\*\* during 2002; these amounts are also very small, or less than .01 percent of the value of total official U.S. imports of Chinese wooden bedroom furniture during 2000 and 2002.

Based on responses of 36 U.S. producers, 92.9 percent of the total f.o.b. sales value of domestic wooden bedroom furniture sold to U.S. customers during January 2000-June 2003 was on a spot basis,

---

<sup>21</sup> Pricing practices of U.S. producers and importers in selling their U.S.-produced and imported Chinese wooden bedroom furniture are based on questionnaire responses and refer to sales at the wholesale level of the market, not retail sales to residential customers. As noted in Part II, wholesale sales are made primarily to furniture retailers, but also to the hospitality sector, to furniture rental companies, to nursing/retirement homes, vacation resorts, etc.

<sup>22</sup> Forty-four of the 47 responding U.S. producers and 26 of the 33 responding U.S. importers reporting quoting their selling prices on a U.S. f.o.b. location basis. The three remaining U.S. producers and four other importers reported quoting prices on a delivered basis, and the three remaining importers reported quoting prices on both a U.S. f.o.b. and delivered basis.

<sup>23</sup> Twenty-seven of the 44 responding U.S. producers and 29 of the 58 responding U.S. importers that quoted U.S. f.o.b. prices reported arranging U.S. freight to their customers, while three U.S. producers and 11 importers reported that they sometimes arranged freight to their customers and at other times their customers arranged freight. The remaining 14 U.S. producers and 18 U.S. importer reported that their customers usually arrange the U.S. freight to their receiving locations.

In responding to how the U.S. freight was billed, twenty-one of the 37 responding U.S. producers and 25 of the 48 responding importers reported that they typically shipped their domestic and imported Chinese wooden bedroom furniture freight collect. Two U.S. producers and nine importers reported that they sometimes ship freight collect and sometime prepay the freight. The remaining 14 U.S. producers and importers reported that they typically prepay the U.S. freight when shipping to their customers.

<sup>24</sup> Thirty-nine of the 43 U.S. producers and 58 of the 61 U.S. importers responding to the question regarding freight absorption reported that they generally did not absorb U.S. freight to their customers. The remaining four U.S. producers and three U.S. importers reported that at times they did absorb U.S. freight to their customers.

6.9 percent was on a short-term basis, and 0.2 percent was on a long-term basis.<sup>25</sup> <sup>26</sup> Based on responses of 48 U.S. importers selling at the wholesale level of the market, 75.8 percent of the total U.S. f.o.b. sales value of their wooden bedroom furniture imported from China sold to U.S. customers during January 2000-June 2003 was on a spot basis, 22.7 percent was on a short-term basis, and 1.5 percent was on a long-term basis.

U.S. producers and importers generally reported using price lists in selling the U.S.-produced and imported Chinese wooden bedroom furniture at the wholesale level in the U.S. market. Thirty-two U.S. producers and 23 importers included, as requested, their price lists with their questionnaire responses.<sup>27</sup> Twenty-five of the responding U.S. producers and 13 of the responding importers showed prices of their wooden bedroom furniture produced domestically and imported from China only on an individual furniture piece basis in their price lists. The remaining seven U.S. producers and 10 importers showed prices of their wooden bedroom furniture produced domestically and imported from China on both an individual furniture piece basis and a per-suite basis in their price lists. Thirty-nine U.S. producers and 43 U.S. importers also reported on the frequency of changes in their price lists for their domestic and imported Chinese wooden bedroom furniture during January 2000-June 2003. Twenty-five responding U.S. producers and 14 responding U.S. importers reported that they revised their price lists annually or even less frequently during this period. Another 10 responding U.S. producers and 21 responding importers reported changing their price lists quarterly or semiannually; and the remaining four U.S. producers and eight importers reported changing their price lists on an as-needed basis.

U.S. producers and importers generally reported offering payment terms that were typically net 30 days, i.e., without early-payment price reductions, during January 2000-June 2003.<sup>28</sup> Many of these firms, however, offered volume discounts, although such discounts were generally offered on a competitive basis and not frequently embodied in official discount policies.<sup>29</sup> In addition, 28 responding U.S. producers and 27 responding U.S. importers also reported their total value of discounts extended to

---

<sup>25</sup> Spot sales are usually one-time delivery, within 30 days of the purchase agreement; short-term sales are for multiple deliveries for up to 12 months after the purchase agreement; and long-term sales are for multiple deliveries for more than 12 months after the purchase agreement.

<sup>26</sup> Of the 32 U.S. producers responding, 24 were petitioning producers. The petitioners showed a somewhat higher share of sales value on a spot basis than that for all producers reporting. The responding petitioners reported that 98.5 percent of the total f.o.b. sales value of their domestic wooden bedroom furniture sold to U.S. customers during January 2000-June 2003 was on a spot basis, and 1.5 percent was on a short-term basis; none was reported on a long-term basis.

<sup>27</sup> Five other U.S. importers that import the Chinese wooden bedroom furniture and ship to their retail outlets also supplied price lists. Three of these latter five firms showed prices only on an individual furniture piece basis in their price lists, another firm showed prices both on an individual furniture-piece basis and on a per-suite basis, and the remaining firm showed prices only on a per-suite basis in its price list.

<sup>28</sup> Thirty-three of the responding 46 U.S. producers and 30 of the 56 responding U.S. importers to questionnaire requests for their payment terms reported net 30 days as the most typical. Five other responding importers reported cash on delivery (COD) and four importers reported net 60 days as their payment terms. The remaining 13 U.S. producers reported a variety of payment terms, usually involving an early-payment reduction ranging from 1.5-5 percent. The remaining 17 importers reported a variety of payment terms for orders shipped directly from China, but typically did not offer early-payment reductions for such payments.

<sup>29</sup> Twenty-six of 43 responding U.S. producers and 35 of 55 responding U.S. importers reported offering volume discounts on sales of their domestic and imported Chinese wooden bedroom furniture during January 2000-June 2003. The remaining 17 responding U.S. producers and 20 responding U.S. importers reported that they did not offer volume discounts on their domestic and imported Chinese wooden bedroom furniture during this period.

their U.S. customers during 2000 and 2002 for their domestic and imported Chinese wooden bedroom furniture. U.S. producers reported total discounts of \$75.9 million in 2000 and \$67.5 million in 2002,<sup>30</sup> while U.S. importers reported total discounts of \$6.2 million in 2000 and \$22.2 million 2002.<sup>31</sup>

### PRICE DATA

U.S. selling price and quantity data were requested for sales to U.S. furniture retailers<sup>32</sup> for the following eight different products produced in the United States and imported from China:<sup>33</sup>

#### Louis Philippe Style Wooden Bedroom Furniture

##### **Product 1A.**– *Queen-size Louis Philippe Style Sleigh Bed (with Wooden Side Rails):*<sup>34</sup>

- (1) Panel sleigh headboard and panel sleigh footboard, made with either flat or curved panels, and wooden side rails;
- (2) Constructed of hardwood solids and veneers over particleboard or fiberboard, with or without plywood, no all solid hardwood headboards or footboards, side rails may be made of plywood;
- (3) Made for use with queen-size (5 feet) bedding, but including headboards and footboards designed to accommodate both full-size (4 feet-six inches) and queen-size (5 feet) bedding, but not just full size (4 feet-six inches) only; and
- (4) Combined weight of headboard, footboard, and side rails not to exceed 175 pounds total, when uncartoned and unpacked.

##### **Product 1B.**–*Louis Philippe Style Double Dresser (6-8 drawers):*

- (1) Constructed of predominantly hardwood solids and veneers over particleboard or fiberboard, no all solid hardwood dressers;
- (2) Height ranging from 32.5-38.0 inches and width ranging from 62.0-69.0 inches.

##### **Product 1C.**–*Mirrors Sold with Louis Philippe Style Double Dresser:*

- (1) Include all mirrors sold with above Louis Philippe Style double dresser.

---

<sup>30</sup> These U.S. producers' reported discount amounts as a ratio to the value of total reported U.S. commercial shipments of domestic wooden bedroom furniture were 3.0 percent in 2000 and 3.3 percent in 2002.

<sup>31</sup> These U.S. importers' reported discount amounts as a ratio to the value of total official U.S. imports of Chinese wooden bedroom furniture were 1.4 percent in 2000 and 2.3 percent in 2002.

<sup>32</sup> Sales were requested only to retailers unrelated (by ownership) to the reporting U.S. producers and importers.

<sup>33</sup> These products were suggested by the petitioners as representative of the volumes of U.S.-produced and subject imported wooden bedroom furniture that competed in the U.S. market during January 2000-June 2003 (staff conversations with \*\*\*). Staff faxed initial product descriptions received from petitioners to counsel for the petitioners, importers, and U.S. furniture retailers for comments, but only the petitioners suggested changes, which were included by the staff.

<sup>34</sup> The questionnaire requested responding firms to report quantities and values of complete beds, including headboard, footboard, and side rails. For example, if the firm shipped 100 headboards, 90 footboards, and 80 pairs of side rails, it was asked to report quantities and values for 80 complete beds, using average unit values for all 100 headboards and all 90 footboards to calculate the total value of 80 headboards and 80 footboards to add to the value of the 80 side rails.

**Product 1D.–Louis Philippe Style Two and Three Drawer Nightstands ( no Doors):**

- (1) Constructed of predominantly hardwood solids and veneers over particleboard or fiberboard, no all solid hardwood nightstands;
- (2) Height ranging from 23.0-29.0 inches and width ranging from 23.0-29.0 inches.

**Mission Style Wooden Bedroom Furniture****Product 2A.–Queen-size Mission Style Slat Bed (with Wooden Side Rails):**<sup>35</sup>

- (1) Slat headboard, slat footboard, and wooden side rails;
- (2) Constructed of predominantly hardwood solids or hardwood solids and veneers over particleboard or fiberboard, side rails may be made of plywood;
- (3) Made for use with queen-size (5 feet) bedding, including headboards and footboards designed to accommodate both full-size (4 feet-six inches) and queen-size (5 feet) bedding, but not just full size (4 feet-six inches) only; and
- (4) Combined weight of headboard, footboard, and side rails not to exceed 130 pounds total, when uncartoned and unpacked.

**Product 2B.–Mission Style Dresser (8-10 drawers–no doors OR 6-8 drawers and 1 or 2 doors):**

- (1) Constructed of predominantly hardwood solids and veneers over particleboard or fiberboard, no all solid hardwood dressers;
- (2) Height ranging from 34-47 inches.

**Product 2C.–Mirrors Sold with Above Mission Style Dresser:**

- (3) Include all mirrors sold with the above Mission Style dresser.

**Product 2D.–Mission Style Two and Three Drawer Nightstands (no Doors):**

- (1) Constructed of predominantly hardwood solids and veneers over particleboard or fiberboard, no all solid hardwood nightstands.
- (2) Height ranging from 22.5-29.5 inches.

The price data were requested from U.S. producers and importers for their quarterly shipments of the specified wooden bedroom furniture products 1A-1D and 2A-2D during January 2000-June 2003 that were produced in the United States and imported from China and sold to U.S. retailers unrelated to the suppliers. The requested selling price data were based on net U.S. f.o.b. selling prices to retailers (the wholesale level of the market).<sup>36</sup>

Although staff had requested that petitioners provide product specifications for complete wooden bedroom furniture suites for purposes of collecting price data, the petitioners recommended that the Commission request price data for individual furniture pieces of specified styles and product features.<sup>37</sup>

---

<sup>35</sup> Ibid.

<sup>36</sup> In addition, importers of the Chinese wooden bedroom furniture that were retailers who sold the imported products to residential consumers were requested to report their landed, c.i.f., duty-paid import price and quantity data at the U.S. ports of entry from suppliers unrelated (by ownership) to the importing retailers.

<sup>37</sup> Petitioners asserted that suppliers ship differing numbers of each different furniture piece to their retailer customers, such that reportedly producers and importers would not be able to provide their price and quantity sales data by furniture suites. Retailers reportedly offer attractive prices for a particular bedroom furniture piece, usually  
(continued...)

Although the petition emphasized that competition is on a suite-to-suite basis, the petitioners objected to gathering prices for complete suites.<sup>38</sup> The Commission staff used the reported price data of the individual specified furniture pieces to construct prices for a 4-piece Louis Philippe style suite and a 4-piece Mission style suite.<sup>39</sup>

A total of 14 U.S. producers of wooden bedroom furniture and 26 U.S. importers of wooden bedroom furniture from China provided the requested selling price information, but not necessarily for all products or periods requested.<sup>40</sup> The 14 responding U.S. producers reported shipment values of U.S.-produced wooden bedroom furniture for pricing purposes that totaled to \$268.2 million during January 2000-June 2003, which accounted for 3.5 percent of the total reported U.S. commercial shipment value of all responding U.S. producers during this period. The 26 responding U.S. importers reported shipment values for selling price purposes during January 2000-June 2003 that totaled \$58.1 million of wooden bedroom furniture from China, or 2.3 percent of the total value of official U.S. imports of wooden bedroom furniture from China during this period.<sup>41</sup> The value of the reported four-specified Louis Philippe style furniture pieces accounted for 75.7 percent of the total value of the domestic products reported for selling price purposes, but 53.2 percent of the total value of the imported Chinese products reported for selling price purposes. The value of the reported four-specified Mission style furniture pieces accounted for the remaining 24.3 percent and 46.8 percent, respectively, of the total value of domestic and imported Chinese products reported for selling price purposes. Petitioners accounted for 56.5 percent of the total value of reported selling price data for the domestic products,<sup>42</sup> whereas U.S. producers accounted for 23.9 percent of the total value of reported selling price data for the imported Chinese products (petitioning U.S. producers accounted for \*\*\* percent).<sup>43</sup>

---

<sup>37</sup> (...continued)

the bed, to entice residential consumers into the store and then try to sell them a full bedroom furniture suite comprised of two or more pieces. The petitioners asserted that retailers sell a majority of the wooden bedroom furniture as suites of varying numbers of pieces using this sales strategy, but were not sure of the number of pieces in a suite. Staff telephone conversation with \*\*\*.

<sup>38</sup> Petition, pp. 20-22. As discussed earlier in Part V, a significant number of U.S. producers and importers that supplied their price lists for wooden bedroom furniture show prices of the wooden bedroom furniture produced domestically and imported from China only on a furniture-piece basis in those price lists.

<sup>39</sup> The constructed prices for each 4-piece wooden bedroom furniture suite were comprised of the weighted-average prices for each furniture product in a suite based on price data of all reporting firms. Because different quantities were reported for each furniture product in a suite by most reporting firms (sometimes reporting no sales of a particular furniture product in one or more quarters), the total quantity and value of suites associated with the constructed suite prices could not be determined.

<sup>40</sup> In addition, another 14 importers (retailers that imported the Chinese wooden bedroom furniture for resale to residential consumers) provided the requested c.i.f., duty-paid import price information, but not necessarily for all products or periods requested.

<sup>41</sup> The 14 responding U.S. importers that resell their imported Chinese wooden bedroom furniture at their retail stores reported import shipment values, based on c.i.f., duty-paid import prices, during January 2000-June 2003 that totaled \$23.5 million of wooden bedroom furniture from China, or an additional 0.9 percent (based on unrounded data) of the total value of official U.S. imports of wooden bedroom furniture from China during this period.

<sup>42</sup> Of the total 14 U.S. producers reporting selling price data, 11 were petitioners.

<sup>43</sup> Of the total 26 U.S. importers reporting selling price data, seven were U.S. producers (three of whom were petitioners).

Significant differences in reported prices among several of the reporting U.S. producers and among several of the importers for each specified wooden bedroom furniture product likely reflected several factors including differences in physical characteristics (within the product specifications provided). Product cycles for wooden bedroom furniture, which questionnaire responses indicate generally run for about three years but may last as long as eight years, may also contribute to any product aggregation distortions in the pricing data. U.S. producers and importers reported in their questionnaire responses that wooden bedroom furniture typically involves a range of quality based on different construction techniques and materials.<sup>44</sup> As noted earlier in Part V, the petition and respondents cited the existence of different value/quality categories of wooden bedroom furniture. Differences in reported prices among several of the reporting U.S. producers and importers for each specified furniture product also appear to reflect differences in the quantities reported.<sup>45</sup>

The selling price data reported by individual U.S. producers, which were dominated by petitioning firms,<sup>46</sup> showed price differences among the firms of up to \$300 per piece or more within each of the two specified bed products 1A and 2A and within each of the two dresser products 1B and 2B, whereas price differences of up to \$100 per piece or more were found within each of the two specified mirror products 1C and 2C and within the two nightstand products 1D and 2D. The reported selling price differences among reporting importers that sold their imported Chinese products to retailers were generally less than those reported for U.S. producers. Selling price differences among importers for the specified bed product 1A generally ranged from \$200-\$300 per piece, while price differences involving the specified products 1B-1D were usually within \$100 per piece within each product. The reported selling price differences among importers for the specified products 1A and 1B were typically within \$150 per piece within each product and, for the specified products 2C and 2D, price differences typically ranged from \$50-\$75 per piece within each product.

Price *trends* of the domestic and imported Chinese wooden bedroom furniture products are based on reported quarterly net U.S. f.o.b. selling price data for sales of the specified wooden bedroom furniture products and on the staff's constructed selling prices for a Louis Philippe style 4-piece suite and a Mission style 4-piece suite; price *comparisons* between the domestic and subject imported products/suites are also based on these same price data. The quarterly c.i.f. duty-paid import price data reported by U.S. retailers are shown and briefly discussed in appendix E. Because these import price data are not selling prices and reportedly do not reflect the importers' full costs of importing the Chinese products,<sup>47</sup>

---

<sup>44</sup> Product aggregation distortions occur with products that are too broadly defined (products of different specifications and/or quality that, as a result, carry different prices); changes in the composition of the product over time lead to changes in the weighted-average price of the defined product over time. Such "aggregation-induced" changes in the weighted-average price of the defined product may mask actual trends in the weighted-average price due solely to price changes. In addition, product aggregation differences between the domestic and subject imported products may result in misleading price comparisons between the domestic and Chinese products.

<sup>45</sup> As noted earlier in Part V, volume discounts are offered by many U.S. producers and importers on their U.S.-produced and imported Chinese wooden bedroom furniture.

<sup>46</sup> Eight of nine U.S. producers reporting prices for the Louis Philippe product 1A (bed) and nine of 11 U.S. producers reporting prices for the Mission style product 2A (bed) were petitioners. Nine of ten U.S. producers reporting prices for products 1B-1D and seven of nine U.S. producers reporting prices for products 2B-2D were petitioners.

<sup>47</sup> The full cost of imports reportedly is approximately \*\*\* percent higher than the c.i.f. duty-paid import values. See proprietary version of prepared conference testimony of Lynn Chipperfield, Furniture Brands International, November 18, 2003 at 5. Mr. Chipperfield of Furniture Brands International identified several other costs to

(continued...)

comparisons with U.S. producers' reported selling price data of their domestically produced products would be biased, overstating any price underselling and understating any price overselling by the imported products.

### Price Trends<sup>48</sup>

Trends in the selling price data are shown for the eight specified U.S.-produced wooden bedroom furniture products in tables V-2 and V-3 and figures V-1 and V-2; the constructed prices of a domestic Louis Philippe style 4-piece wooden bedroom furniture suite and a domestic Mission style 4-piece wooden bedroom furniture suite, based on reported prices of the individual U.S.-produced furniture pieces, are also shown in these tables and figures. Trends in the selling price data are shown for the eight specified imported Chinese wooden bedroom furniture products in tables V-4 and V-5 and in figures V-1 and V-2; the constructed prices of an imported Chinese Louis Philippe style 4-piece wooden bedroom furniture suite and an imported Chinese Mission style 4-piece wooden bedroom furniture suite, based on reported prices of the individual imported Chinese furniture pieces, are also shown in these tables and figures.

---

<sup>47</sup> (...continued)

importing wooden bedroom furniture from China that are not captured in the c.i.f., duty-paid import values, such as taxes, additional warehousing, and capital costs of the firm's money while the Chinese products are in transit, which would only be reflected in selling prices to U.S. customers. *See* testimony of Lynn Chipperfield, Senior Vice President and Chief Administrative Officer, Furniture Brands International at 217-218.

<sup>48</sup> It may be difficult to determine true price and quantity trends of the specified domestic and subject imported wooden bedroom furniture products due to the product aggregation difficulties noted earlier, including the impact of the 3- to 8-year product cycle for wooden bedroom furniture and the existence of quantity discounts in wooden bedroom furniture selling prices.

Table V-2

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003

Period	Product 1A--Bed			Product 1B-Dresser			Product 1C-Mirror			Product 1D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	\$355.55	15,114	9	\$358.78	15,805	10	\$124.06	14,723	10	\$162.52	30,567	10	\$1,000.91
Apr.-June	350.99	16,089	9	356.27	16,950	10	122.70	15,467	10	162.53	32,035	10	992.49
July-Sept.	347.07	14,626	9	353.77	14,888	10	119.90	13,894	10	158.56	29,671	10	979.30
Oct.-Dec.	359.75	13,671	9	373.32	14,322	10	131.30	13,605	10	168.21	29,082	10	1,032.58
2001:													
Jan.-Mar.	358.65	12,835	8	367.43	12,863	10	128.62	11,891	9	164.98	27,717	10	1,019.68
Apr.-June	347.06	13,588	8	348.62	13,438	10	121.72	13,101	9	162.21	27,337	10	979.61
July-Sept.	348.07	13,604	8	353.39	14,486	10	124.65	13,596	9	163.83	28,481	10	989.94
Oct.-Dec.	339.71	11,650	8	358.39	11,371	10	126.48	11,148	9	166.96	22,792	10	991.54
2002:													
Jan.-Mar.	353.86	13,205	9	351.75	13,313	10	126.16	12,805	10	163.89	27,903	10	995.66
Apr.-June	343.10	11,746	9	365.29	11,994	10	124.63	12,475	10	167.42	25,888	10	1,000.44
July-Sept.	361.95	9,605	9	377.00	9,766	10	132.63	9,507	10	170.00	21,575	10	1,041.58
Oct.-Dec.	306.67	7,751	9	371.01	7,842	10	128.32	8,762	10	162.73	18,864	10	968.73
2003:													
Jan.-Mar.	275.85	10,703	9	351.97	9,613	10	121.91	9,749	10	153.96	22,480	10	903.69
Apr.-June	277.67	10,376	9	357.42	8,515	10	120.68	9,011	10	158.56	19,375	10	914.33
TOTALS		174,563	9		175,166	10		169,734	10		363,767	10	

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

Table V-3

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced products 2A-2D (Mission style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003

Period	Product 2A--Bed			Product 2B-Dresser			Product 2C-Mirror			Product 2D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	\$341.28	3,772	9	\$410.97	3,963	6	\$108.90	3,624	7	\$170.75	6,688	8	\$1,031.90
Apr.-June	349.83	4,112	10	444.18	3,861	7	114.09	3,827	8	177.64	6,679	9	1,085.74
July-Sept.	353.43	4,412	10	425.14	4,644	7	127.72	4,645	8	185.67	7,211	9	1,091.96
Oct.-Dec.	319.46	5,412	10	410.01	4,347	8	108.23	5,014	8	172.90	8,180	9	1,010.60
2001:													
Jan.-Mar.	332.73	4,805	10	422.16	5,131	8	129.30	4,713	8	186.69	8,593	9	1,070.88
Apr.-June	331.08	4,389	10	412.18	4,390	8	118.52	4,275	8	180.88	8,086	9	1,042.66
July-Sept.	346.20	4,683	9	403.02	4,829	7	118.47	4,822	7	179.88	8,269	9	1,047.57
Oct.-Dec.	329.64	4,590	9	405.31	4,022	7	112.57	3,765	7	178.22	7,128	8	1,025.74
2002:													
Jan.-Mar.	323.52	4,553	9	396.41	4,253	7	110.15	4,371	7	177.51	7,237	8	1,007.59
Apr.-June	314.91	3,790	9	402.04	3,880	7	114.36	3,771	7	174.60	6,800	8	1,005.91
July-Sept.	321.74	3,373	9	399.73	3,318	7	112.90	3,281	7	176.25	6,112	8	1,010.62
Oct.-Dec.	323.99	3,445	9	321.98	4,490	7	89.80	4,590	7	146.90	8,081	8	882.67
2003:													
Jan.-Mar.	310.34	2,843	9	401.32	2,449	8	111.66	2,668	8	170.59	4,995	9	993.91
Apr.-June	310.10	2,858	9	400.04	2,364	7	108.85	2,532	7	171.93	4,553	9	990.92
TOTALS		57,037	11		55,941	9		55,898	9		98,612	10	

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

Table V-4

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003

Period	Product 1A--Bed			Product 1B-Dresser			Product 1C-Mirror			Product 1D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	***	***	1	-	-	-	***	***	1	-	-	-	-
Apr.-June	***	***	1	-	-	-	***	***	1	-	-	-	-
July-Sept.	***	***	2	***	***	2	***	***	3	***	***	2	\$595.80
Oct.-Dec.	***	***	2	***	***	3	\$85.53	389	4	***	***	3	669.12
2001:													
Jan.-Mar.	***	***	3	***	***	2	114.71	821	4	***	***	2	785.98
Apr.-June	\$327.23	417	4	***	***	3	100.06	872	5	***	***	2	724.87
July-Sept.	331.12	386	4	***	***	3	96.50	838	5	***	***	2	705.38
Oct.-Dec.	259.01	2,231	5	\$204.70	2,495	4	73.41	2,608	6	***	***	3	617.09
2002:													
Jan.-Mar.	282.59	2,905	5	130.24	3,527	5	66.88	3,413	6	\$69.00	3,418	4	548.71
Apr.-June	260.32	5,907	10	132.99	5,894	10	65.43	5,899	11	83.86	5,604	10	542.60
July-Sept.	263.53	5,438	13	131.99	5,713	13	63.90	5,855	14	76.39	5,390	13	535.81
Oct.-Dec.	253.03	7,048	15	161.60	6,550	15	64.10	6,208	16	85.15	7,829	14	563.88
2003:													
Jan.-Mar.	261.35	9,277	17	179.00	8,370	17	62.22	7,903	18	78.57	12,884	16	581.14
Apr.-June	262.36	12,242	18	169.55	11,450	18	60.08	10,465	19	79.73	15,968	17	571.72
TOTALS		47,062	20		45,338	19		47,516	21		54,062	18	

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

Table V-5

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) and constructed 4-piece suite prices, based on sales to retailers, by quarters, January 2000-June 2003

Period	Product 2A--Bed			Product 2B-Dresser			Product 2C-Mirror			Product 2D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	***	***	1	***	***	2	***	***	2	***	***	2	\$388.19
Apr.-June	***	***	1	***	***	2	***	***	2	***	***	2	388.14
July-Sept.	***	***	3	\$222.71	231	4	\$82.98	198	4	\$82.55	666	4	494.00
Oct.-Dec.	\$144.23	1,304	4	204.30	918	5	85.66	767	5	75.43	2,725	5	509.62
2001:													
Jan.-Mar.	182.29	916	7	269.13	789	8	88.18	780	9	93.71	1,268	8	633.31
Apr.-June	170.66	1,251	7	233.61	1,149	8	78.69	1,132	9	84.10	1,999	8	567.06
July-Sept.	194.93	2,435	9	259.66	3,501	11	86.80	3,111	11	108.61	6,304	10	650.00
Oct.-Dec.	225.22	2,488	10	267.47	3,916	11	84.96	3,504	11	110.99	5,933	10	688.64
2002:													
Jan.-Mar.	213.80	4,172	13	265.83	5,746	15	71.48	5,178	14	98.01	9,305	13	649.12
Apr.-June	230.22	3,966	14	267.40	5,060	14	74.28	3,875	13	100.15	8,351	13	672.05
July-Sept.	231.88	4,417	14	275.05	5,113	15	69.96	4,640	13	98.20	9,034	13	675.09
Oct.-Dec.	224.90	5,785	15	279.77	4,945	15	74.09	4,491	15	102.58	9,461	14	681.34
2003:													
Jan.-Mar.	196.22	6,438	17	265.21	6,507	18	68.87	5,880	16	98.19	11,300	16	628.49
Apr.-June	191.36	7,053	18	240.89	6,684	18	63.68	6,189	17	92.54	11,069	17	588.47
TOTALS		41,565	18		45,139	19		40,172	18		78,925	17	

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

**Figure V-1**

**Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced and imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) sold to U.S. retailers, by quarters, January 2000-June 2003**

\* \* \* \* \*

**Figure V-2**

**Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced and imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) sold to U.S. retailers, by quarters, January 2000-June 2003**

\* \* \* \* \*

The weighted-average quarterly selling prices of the eight specified U.S.-produced furniture products and the four specified Louis Philippe imported Chinese products 1A-1D fluctuated but generally ended somewhat lower by the end of the period than at the beginning of the period during January 2000-June 2003, although declines in prices of the two domestic bed products 1A and 2A and the domestic mirror product 2C were more pronounced. Two exceptions were the weighted-average prices of the domestic nightstand product 2D and the imported Chinese nightstand product 1D, which actually ended higher by the end of the period than at the beginning of the period, or when price data were first reported.<sup>49</sup> The weighted-average quarterly selling prices of the four specified Mission style imported Chinese furniture products 2A-2D fluctuated but generally ended measurably higher at the end of the period than at the beginning of the period during January 2000-June 2003, with increases in prices of the imported Chinese bed products 2A (bed) and 2B (dresser) the most pronounced.<sup>50</sup> Typically, reported quarterly quantities of the eight specified domestic wooden bedroom furniture products fluctuated but

<sup>49</sup> Weighted-average quarterly selling prices of the domestic Louis Philippe style wooden bedroom furniture products were 21.9 percent lower during April-June 2003 compared to January-March 2000 for the domestic product 1A (bed), 0.4 percent lower for the domestic product 1B (dresser), 2.7 percent lower for the domestic product 1C (mirror), and 2.4 percent lower for the domestic product 1D (nightstand) during this period (table V-2 and figure V-1). The quarterly selling prices of the domestic Mission style wooden bedroom furniture products were 9.1 percent lower during April-June 2003 compared to January-March 2000 for the domestic product 2A (bed), 2.7 percent lower for the domestic product 2B (dresser), less than 0.1 percent lower for the domestic product 2C (mirror), but 0.7 percent higher for the domestic product 2D (nightstand) during this period (table V-2 and figure V-2).

Weighted-average quarterly selling prices of the imported Chinese Louis Philippe style wooden bedroom furniture products were \*\*\* percent lower during April-June 2003 compared to January-March 2000 for the Chinese product 1A (bed), and \*\*\* percent lower for the Chinese product 1C (mirror). The quarterly selling prices of the Chinese product 1B (dresser) were \*\*\* percent lower during April-June 2003 compared to July-September 2000 when prices of this Chinese product were first reported, but \*\*\* percent higher for the Chinese product 1D (nightstand) during this period (table V-4 and figure V-1).

<sup>50</sup> Weighted-average selling prices of the imported Chinese Mission style wooden bedroom furniture products were \*\*\* percent higher during April-June 2003 compared to January-March 2000 for the Chinese product 2A (bed), \*\*\* percent higher for the Chinese product 2B (dresser), \*\*\* percent higher for Chinese product 2C (mirror), and \*\*\* percent higher for the Chinese product 2D (nightstand) during this period (table V-4 and figure V-2).

generally fell during January 2000-June 2003, while reported quarterly quantities of the eight specified imported Chinese products generally rose.

Because of substantial price differences reported among the responding U.S. producers and among the U.S. importers, price trends in the aggregate data may differ from actual price trends reported by the individual reporting U.S. producers and among the reporting U.S. importers. Viewing price data for each responding U.S. producer and product, 70 quarterly price series for shipments of the specified domestic wooden bedroom furniture products were reported for the complete or nearly complete period during January 2000-June 2003. Forty-five of these quarterly price series showed that prices of the domestic products increased or were maintained during much of January 2000-June 2003, and then ended at or above their initial period values. Another 16 quarterly price series showed that prices of the domestic products increased or were maintained through most of the period, but then ended (usually somewhat) below their initial-period values. The remaining nine quarterly price series showed that prices of the domestic products generally fell through most of the period, ending below their initial-period values.<sup>51</sup>

The constructed quarterly prices of a domestic and imported Chinese Louis Philippe style 4-piece wooden bedroom furniture suite and a domestic Mission style 4-piece wooden bedroom furniture suite, both calculated from reported prices of the respective specified furniture products, fluctuated but ended somewhat lower by the end of the period than at the beginning of the period, or when such prices could first be constructed, during January 2000-June 2003.<sup>52</sup> On the other hand, the constructed quarterly prices of an imported Chinese Mission style 4-piece wooden bedroom furniture suite, calculated from reported prices of the respective imported Chinese specified furniture products, fluctuated but ended 51.6 percent higher during April-June 2003 than during January-March 2000 (table V-5 and figure V-2).

A significant downturn in the U.S. economy during the first three quarters of 2001 and a generally sluggish economy during January 2002-June 2003 reportedly led to a softness in U.S. demand for wooden bedroom furniture during at least January 2001-June 2003.<sup>53</sup> Although robust new housing starts during January 2000-June 2003 may have augmented, at least somewhat, demand for new wooden bedroom furniture during this period, the sluggishness in the overall U.S. economy may have moderated any price increases since at least January 2001. U.S. importers reported in their questionnaire responses

---

<sup>51</sup> Viewing price data for each responding U.S. importer and Chinese product, 50 quarterly price series for shipments of the specified imported Chinese wooden bedroom furniture products were reported for the complete or nearly complete period during January 2000-June 2003. Thirty-four of these quarterly price series showed that prices of the imported Chinese products increased or were maintained during much of January 2000-June 2003, and then ended at or above their initial period values. Another seven quarterly price series showed that prices of the imported Chinese products increased or were maintained through most of the period, but then ended (usually somewhat) below their initial-period values. The remaining nine quarterly price series showed that prices of the imported Chinese products generally fell through most of the period, ending below their initial-period values.

<sup>52</sup> The constructed quarterly selling prices of a domestic Louis Philippe style 4-piece wooden bedroom furniture suite were 8.7 percent lower during April-June 2003 compared to January-March 2000, while the constructed quarterly selling prices of a domestic Mission style 4-piece wooden bedroom furniture suite were 4.0 percent lower during this period (tables V-2 and V-3, and figures V-1 and V-2). The constructed quarterly selling prices of an imported Chinese Louis Philippe style 4-piece wooden bedroom furniture suite were 4.0 percent lower during April-June 2003 compared to July-September 2000, the earliest period when such prices could be constructed (table V-4 and figure V-1).

<sup>53</sup> \*\*\* reported in its questionnaire response that the downturn in U.S. demand for wooden bedroom furniture began in mid-2000 and continued through June 2003.

that changes in material costs in China led to some fluctuations in the importers' costs of their imported Chinese wooden bedroom furniture during this period. Increased transportation costs from China to the United States reportedly also increased costs of their imported Chinese wooden bedroom furniture.

### Price Comparisons

Reported quarterly quantities of the domestic and imported Chinese specified wooden bedroom furniture pieces, especially during 2000-01, were significantly different from each other. Large-volume sales of U.S. producers and importers were frequently subject to volume discounts during January 2000-June 2003, such that differences in shipment volumes could lead to misleading price comparisons. Also hampering price comparisons were the previously discussed product aggregation problems with the specified furniture products, with wide differences in reported prices of each specified product among U.S. producers and among U.S. importers. Various levels of quality and the importance of styling in demand for wooden bedroom furniture (leading to a typical 3-year product cycle) also make price comparisons difficult. As a result of these market conditions, the quarterly price comparisons discussed below may not always reflect direct competition between the domestic and imported Chinese wooden bedroom furniture products.<sup>54</sup>

A total of 108 quarterly price comparisons were possible between the eight specified domestic and imported Chinese wooden bedroom furniture products shipped to U.S. retailers on a U.S. f.o.b. net selling price basis during January 2000-June 2003. These price comparisons are summarized in table V-6a and shown in detail in tables V-7 and V-8. In addition, a total of 26 quarterly constructed-selling price comparisons were possible between a domestic and imported Chinese Louis Philippe style 4-piece bedroom furniture suite and a Mission style 4-piece bedroom furniture suite, which were based on sales of the individual specified bedroom furniture pieces in each suite shipped to U.S. retailers on a U.S. f.o.b. net selling price basis during January 2000-June 2003. These price comparisons are summarized in table V-6b and shown in detail in tables V-7 and V-8.

One-hundred and seven of the 108 quarterly price comparisons involving the individual eight specified wooden bedroom furniture products showed that the imported Chinese products were priced less than the domestic products, by margins ranging from 4.9 percent to 77.2 percent during January 2000-June 2003, and involved a total of 399,457 pieces of the Chinese furniture, or 99.9 percent of the total reported number of pieces (399,779) of Chinese furniture involved in all 108 price comparisons (table V-6a). The remaining price comparison showed that the imported Chinese furniture product was priced \*\*\* than the domestic product, and involved a quantity representing the remaining 0.1 percent of the total reported number of pieces of Chinese furniture involved in all 108 price comparisons (table V-6a).

---

<sup>54</sup> Furniture Brands International, a U.S. producer and importer of wooden bedroom furniture (including China), testified at the staff conference that the price of a wooden bedroom furniture product produced in North Carolina and sold from a warehouse in North Carolina compared to the price of the same product produced in southeast Asia, including that from China, and sold from the same warehouse in North Carolina would yield better margins on the imported product of 3-5 percent after all costs are considered. Mr. Chipperfield also testified that these margins are not guaranteed because of several cost factors, not incurred by domestic producers, that must be controlled or these margins could be reduced, eliminated, or turned to losses. The imported product reportedly involves costs of not only manufacturing, but also loading into containers in Hong Kong, shipping across the ocean, and transporting across the United States to North Carolina. Mr. Chipperfield also identified some risks in importing as well, such as a full inventory of the imported furniture in the U.S. warehouse that must be sold and if the supplier under orders he incurs opportunity costs. See testimony of Lynn Chipperfield, Senior Vice President and Chief Administrative Officer, Furniture Brands International, conference transcript at 218.

Table V-6a

Wooden bedroom furniture: Summary of quarterly U.S. weighted-average net f.o.b. selling price comparisons between the eight specified U.S.-produced and imported Chinese wooden bedroom furniture products based on sales to retailers during January 2000-June 2003,<sup>1</sup> and reported Chinese import quantities involved in the price comparisons

No. <sup>2</sup>	Total quantity in number of furniture pieces <sup>3</sup>	Underselling by imports				Overselling by imports:			
		No. <sup>2</sup>	Quantity in no. of pieces <sup>3</sup>	Share of quantity in percent	Range of underselling margins in percent <sup>4</sup>	No. <sup>2</sup>	Quantity in no. of pieces <sup>3</sup>	Share of quantity in percent	Range of overselling margins in percent <sup>4</sup>
The eight specified products combined:									
108	399,457	107	399,457	100.0	4.9-77.2	1	***	***	***
The four specified Louis Philippe style products 1A-1D combined:									
52	193,656	51	193,656	100.0	4.9-65.0	1	***	***	***
The four specified Mission style products 2A-2D combined:									
56	205,801	56	205,801	100.0	13.1-77.2	-	-	-	-
<sup>1</sup> The individual quarterly price comparisons, shown in tables V-7 and V-8, have been combined in this summary table. <sup>2</sup> Number of quarterly price comparisons between the U.S.-produced and imported Chinese wooden bedroom furniture products during January 2000-June 2003. <sup>3</sup> Reported quantity of specified wooden bedroom furniture pieces imported from China that were involved in price comparisons with the U.S.-produced furniture pieces. <sup>4</sup> Based on quarterly price comparisons where under/overselling is measured as the percentage price difference between the domestic and imported Chinese furniture pieces with respect to the price of the domestic furniture pieces.									
Source: Compiled from data submitted in response to Commission questionnaires.									

Table V-6b

Wooden bedroom furniture: Summary of quarterly U.S. weighted-average net f.o.b. selling price comparisons of staff's constructed prices between a U.S.-produced and imported Chinese Louis Philippe style 4-piece bedroom furniture suite and a Mission style 4-piece bedroom furniture suite, which were based on sales of the individual specified bedroom furniture pieces in each suite to retailers during January 2000-June 2003<sup>1</sup>

Number <sup>2</sup>	Underselling by imports:	
	Number <sup>2</sup>	Range of underselling margins in percent <sup>3</sup>
Both suite styles combined:		
26	26	22.8-64.3
The Louis Philippe style suite:		
12	12	22.9-48.6
The Mission style suite:		
14	14	22.8-64.3
<sup>1</sup> The individual quarterly price comparisons, shown in tables V-7 and V-8, have been combined in this summary table. <sup>2</sup> Number of quarterly price comparisons between the U.S.-produced and imported Chinese wooden bedroom furniture suites during January 2000-June 2003. <sup>3</sup> Based on quarterly constructed-price comparisons where underselling is measured as the percentage price difference between the domestic and imported Chinese furniture suites with respect to the price of the domestic furniture suites.		
<p>Note: The constructed prices for each 4-piece wooden bedroom furniture suite were comprised of the weighted-average prices for each furniture product in each suite based on price data of all reporting firms. Because different quantities were reported for each furniture product in a suite by most reporting firms (sometimes reporting no sales of a particular furniture product in one or more quarters), the total quantity and value of suites associated with the constructed suite prices could not be determined.</p>		
Source: Compiled from data submitted in response to Commission questionnaires.		

Table V-7

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices of domestic and imported Chinese wooden bedroom furniture products 1A-1D (specified Louis Philippe style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling), by quarters, January 2000-June 2003

Period	Product 1A-Bed			Product 1B-Dresser			Product 1C-Mirror		
	U.S.	China		U.S.	China		U.S.	China	
	Price	Price	Margin	Price	Price	Margin	Price	Price	Margin
	Per piece		Percent	Per piece		Percent	Per piece		Percent
2000:									
Jan.-Mar.	\$355.55	***	***	\$358.78	-	-	\$124.06	***	***
Apr.-June	350.99	***	***	356.27	-	-	122.70	***	***
July-Sept.	347.07	***	***	353.77	***	***	119.90	***	***
Oct.-Dec.	359.75	***	***	373.32	***	***	131.30	\$85.53	34.9
2001:									
Jan.-Mar.	358.65	***	***	367.43	***	***	128.62	114.71	10.8
Apr.-June	347.06	\$327.23	5.7	348.62	***	***	121.72	100.06	17.8
July-Sept.	348.07	331.12	4.9	353.39	***	***	124.65	96.50	22.6
Oct.-Dec.	339.71	259.01	23.8	358.39	\$204.70	42.9	126.48	73.41	42.0
2002:									
Jan.-Mar.	353.86	282.59	20.1	351.75	130.24	63.0	126.16	66.88	47.0
Apr.-June	343.10	260.32	24.1	365.29	132.99	63.6	124.63	65.43	47.5
July-Sept.	361.95	263.53	27.2	377.00	131.99	65.0	132.63	63.90	51.8
Oct.-Dec.	306.67	253.03	17.5	371.01	161.60	56.4	128.32	64.10	50.0
2003:									
Jan.-Mar.	275.85	261.35	5.3	351.97	179.00	49.1	121.91	62.22	49.0
Apr.-June	277.67	262.36	5.5	357.42	169.55	52.6	120.68	60.08	50.2

Continued on the next page.

Table V-7--Continued

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices of domestic and imported Chinese wooden bedroom furniture products 1A-1D (specified Louis Philippe style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling), by quarters, January 2000-June 2003

Period	Product 1D-Nightstand			Louis Philippe 4-piece suite		
	U.S.	China		U.S.	China	
	Price	Price	Margin	Price	Price	Margin
	<i>Per piece</i>		<i>Percent</i>	<i>Per suite</i>		<i>Percent</i>
2000:						
Jan.-Mar.	\$162.52	-	-	\$1,000.91	-	-
Apr.-June	162.53	-	-	992.49	-	-
July-Sept.	158.56	***	***	979.30	\$595.80	39.2
Oct.-Dec.	168.21	***	***	1,032.58	669.12	35.2
2001:						
Jan.-Mar.	164.98	***	***	1,019.68	785.98	22.9
Apr.-June	162.21	***	***	979.61	724.87	26.0
July-Sept.	163.83	***	***	989.94	705.38	28.7
Oct.-Dec.	166.96	***	***	991.54	617.09	37.8
2002:						
Jan.-Mar.	163.89	\$69.00	57.9	995.66	548.71	44.9
Apr.-June	167.42	83.86	49.9	1,000.44	542.60	45.8
July-Sept.	170.00	76.39	55.1	1,041.58	535.81	48.6
Oct.-Dec.	162.73	85.15	47.7	968.73	563.88	41.8
2003:						
Jan.-Mar.	153.96	78.57	49.0	903.69	581.14	35.7
Apr.-June	158.56	79.73	49.7	914.33	571.72	37.5

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

Table V-8

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices of domestic and imported Chinese wooden bedroom furniture products 2A-2D (specified Mission style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling), by quarters, January 2000-June 2003

Period	Product 2A-Bed			Product 2B-Dresser			Product 2C-Mirror		
	U.S.	China		U.S.	China		U.S.	China	
	Price	Price	Margin	Price	Price	Margin	Price	Price	Margin
	Per piece		Percent	Per piece		Percent	Per piece		Percent
2000:									
Jan.-Mar.	\$341.28	***	***	\$410.97	***	***	\$108.90	***	***
Apr.-June	349.83	***	***	444.18	***	***	114.09	***	***
July-Sept.	353.43	***	***	425.14	\$222.71	47.6	127.72	\$82.98	35.0
Oct.-Dec.	319.46	\$144.23	54.9	410.01	204.30	50.2	108.23	85.66	20.9
2001:									
Jan.-Mar.	332.73	182.29	45.2	422.16	269.13	36.2	129.30	88.18	31.8
Apr.-June	331.08	170.66	48.5	412.18	233.61	43.3	118.52	78.69	33.6
July-Sept.	346.20	194.93	43.7	403.02	259.66	35.6	118.47	86.80	26.7
Oct.-Dec.	329.64	225.22	31.7	405.31	267.47	34.0	112.57	84.96	24.5
2002:									
Jan.-Mar.	323.52	213.80	33.9	396.41	265.83	32.9	110.15	71.48	35.1
Apr.-June	314.91	230.22	26.9	402.04	267.40	33.5	114.36	74.28	35.0
July-Sept.	321.74	231.88	27.9	399.73	275.05	31.2	112.90	69.96	38.0
Oct.-Dec.	323.99	224.90	30.6	321.98	279.77	13.1	89.80	74.09	17.5
2003:									
Jan.-Mar.	310.34	196.22	36.8	401.32	265.21	33.9	111.66	68.87	38.3
Apr.-June	310.10	191.36	38.3	400.04	240.89	39.8	108.85	63.68	41.5

Continued on the next page.

Table V-8--Continued

Wooden bedroom furniture: U.S. weighted-average net f.o.b. selling prices of domestic and imported Chinese wooden bedroom furniture products 2A-2D (specified Mission style wooden bedroom furniture pieces) and of the constructed domestic and imported Chinese 4-piece suite price, and margins of underselling/(overselling), by quarters, January 2000-June 2003

Period	Product 2D-Nightstand			Mission style 4-piece suite		
	U.S.	China		U.S.	China	
	Price	Price	Margin	Price	Price	Margin
	<i>Per piece</i>		<i>Percent</i>	<i>Per suite</i>		<i>Percent</i>
2000:						
Jan.-Mar.	\$170.75	***	***	\$1,031.90	\$388.19	62.4
Apr.-June	177.64	***	***	1,085.74	388.14	64.3
July-Sept.	185.67	\$82.55	55.5	1,091.96	494.00	54.8
Oct.-Dec.	172.90	75.43	56.4	1,010.60	509.62	49.6
2001:						
Jan.-Mar.	186.69	93.71	49.8	1,070.88	633.31	40.9
Apr.-June	180.88	84.10	53.5	1,042.66	567.06	45.6
July-Sept.	179.88	108.61	39.6	1,047.57	650.00	38.0
Oct.-Dec.	178.22	110.99	37.7	1,025.74	688.64	32.9
2002:						
Jan.-Mar.	177.51	98.01	44.8	1,007.59	649.12	35.6
Apr.-June	174.60	100.15	42.6	1,005.91	672.05	33.2
July-Sept.	176.25	98.20	44.3	1,010.62	675.09	33.2
Oct.-Dec.	146.90	102.58	30.2	882.67	681.34	22.8
2003:						
Jan.-Mar.	170.59	98.19	42.4	993.91	628.49	36.8
Apr.-June	171.93	92.54	46.2	990.92	588.47	40.6

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

A total of 52 quarterly price comparisons were possible between the four specified domestic and imported Chinese Louis Philippe style wooden bedroom furniture products 1A-1D shipped to U.S. retailers on a U.S. f.o.b. net selling price basis during January 2000-June 2003 (tables V-6a and V-7). Fifty-one of the 52 price comparisons showed that the imported Chinese products were priced less than the domestic products, by margins ranging from 4.9 percent to 65.0 percent, and involved 193,656 pieces of the Chinese furniture, or 99.8 percent of the total reported number of pieces (193,978) of Chinese furniture involved in all 52 price comparisons. The single remaining price comparison showed that the imported Chinese product 1A (bed) was priced \*\*\* than the domestic product by \*\*\* percent, and involved 322 pieces of the Chinese furniture, or 0.2 percent of the total reported number of pieces of Chinese furniture involved in all 52 price comparisons. Price comparisons involving the individual domestic and imported Chinese Louis Philippe style wooden bedroom furniture products 1A-1D showed the imported Chinese products to be priced less than the domestic products by margins of 4.9 percent to 27.2 percent for product 1A (bed), 40.2 percent to 65.0 percent for product 1B (dresser), 10.8 percent to 51.8 percent for product 1C (mirror), and 45.0 percent to 57.9 percent for product 1D (nightstand) (table V-7).

A total of 56 quarterly price comparisons were possible between the four specified domestic and imported Chinese Mission style wooden bedroom furniture products 2A-2D shipped to U.S. retailers on a U.S. f.o.b. net selling price basis during January 2000-June 2003 (tables V-6a and V-8). All 56 price comparisons showed that the imported Chinese products were priced less than the domestic products, by margins ranging from 13.1 percent to 77.2 percent, and accounted for all reported 205,801 pieces of the Chinese furniture involved in the 56 price comparisons. Price comparisons involving the individual domestic and imported Chinese Mission style wooden bedroom furniture products 2A-2D showed the imported Chinese products to be priced less than the domestic products by margins of 26.9 percent to 77.2 percent for product 2A (bed), 13.1 percent to \*\*\* percent for product 2B (dresser), 17.5 percent to 60.6 percent for product 2C (mirror), and 30.2 percent to 59.8 percent for product 2D (nightstand) (table V-8).

All 26 quarterly constructed-price comparisons involving a Louis Philippe 4-piece wooden bedroom furniture suite and a Mission style 4-piece wooden bedroom furniture suite showed that the imported Chinese furniture suites were priced less than the domestic furniture suites, by margins ranging from 22.8 percent to 64.3 percent during January 2000-June 2003 (table V-6b). As noted earlier, the method of constructing furniture suite prices did not enable the staff to calculate the total number or value of furniture suites associated with these price data. All 12 price comparisons involving the domestic and imported Chinese Louis Philippe style wooden bedroom furniture suite showed the imported Chinese furniture suite to be priced less than the domestic furniture suite, by margins of 22.9 percent to 48.6 percent (table V-6b and table V-7). All 14 price comparisons involving the domestic and imported Chinese Mission style wooden bedroom furniture suite showed the imported Chinese furniture suite to be priced less than the domestic furniture suite, by margins of 22.8 percent to 64.3 percent (table V-6b and table V-8).

## LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of wooden bedroom furniture to report in their questionnaire responses during the preliminary phase of this investigation any instances of lost sales or revenues they experienced since January 1, 2000, due to competition from imports of wooden bedroom furniture from China. Sixteen U.S. producers reported in their questionnaire responses that they had not lost sales of their domestic wooden bedroom furniture due to competition with these products from China, and 14 of these U.S. producers also reported that they had not lost revenues on sales of their domestic wooden bedroom furniture due to competition with the imported Chinese products.<sup>55</sup> Twelve U.S. producers alleged in their questionnaire responses that due to competition with the imported Chinese wooden bedroom furniture they had lost sales of their domestic wooden bedroom furniture and 11 U.S. producers (eight of the previous 12 producers plus three additional producers) alleged that they had lost revenues by reducing prices or rolling back price increases of their domestic wooden bedroom furniture,<sup>56</sup> but were not able to provide specific examples of any such instances.<sup>57</sup>

Two petitioning U.S. producers, \*\*\*, reported in their questionnaire responses a total of four specific instances of alleged lost sales and five instances of alleged lost revenues that involved competition with imported Chinese wooden bedroom furniture; all such instances involved shipments to U.S. retailers. Another petitioning producer, \*\*\*, reported in the petition 11 specific instances of alleged lost sales; all such sales involved shipments to hospitality firms.<sup>58</sup> The total dollar value of the alleged specific lost sales and lost revenues could not be calculated because this information was not provided in many of the allegations. For the 20 specific allegations which contained mostly complete information, staff contacted the purchasers named in 16 of these allegations.<sup>59</sup> Nine purchasers responded to staff's request for information regarding the specific allegations; eight purchasers responded to lost sales allegations and one purchaser responded to a lost revenue allegation. A summary of the information provided for the lost sales and lost revenue allegations that were reported by purchasers is shown in tables V-9 and V-10, respectively, and a short discussion of purchaser responses follows.

---

<sup>55</sup> All 16 of these reporting U.S. producers were not petitioners.

<sup>56</sup> A total of 15 U.S. producers alleged losing sales and/or revenues on their domestic wooden bedroom furniture as a result of competition with the imported Chinese products but were unable to provide details. Twelve of these 15 producers were petitioners and three firms were not petitioners.

<sup>57</sup> \*\*\*, two petitioning U.S. producers that alleged lost revenues but were unable to provide specific details, made some additional comments in this part of their questionnaire responses. \*\*\* reported that it did not reduce prices unique to any single customer, but had an overall price reduction on most of the firm's case goods in early 2002. \*\*\* noted that it increased prices on its wooden bedroom furniture only \*\*\* since \*\*\*, but the increases were for a selected number of sets only, no across-the-board increases. The firm did not feel it could compete with the imported Chinese products if it raised prices across-the-board.

<sup>58</sup> The petition also contained several allegations of lost sales involving shipments to U.S. furniture retailers, but these allegations involved very incomplete information that was insufficient for the staff to follow up.

<sup>59</sup> Staff chose the seven largest of the total 11 specific allegations of lost sales involving the hospitality sector, which accounts for a relatively small portion of the total U.S. wooden bedroom furniture market, and all of the specific allegations of lost sales and lost revenue involving the retail sector, which accounts for at least 90 percent of the U.S. wooden bedroom furniture market.

**Table V-9**  
**Wooden bedroom furniture: U.S. producers' lost sales allegations**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

**Table V-10**  
**Wooden bedroom furniture: U.S. producers' lost revenue allegations**

---

*	*	*	*	*	*	*
---	---	---	---	---	---	---

---

\*\*\* named \*\*\*, a U.S. furniture retailer, in a lost sale allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of a total of \*\*\* pieces of domestic wooden bedroom furniture, sold by \*\*\* per suite, in competition with wooden bedroom furniture from China. \*\*\* disagreed with the lost sales allegation, stating that the \*\*\* bedroom set named in the allegation was replaced with a \*\*\*. This latter firm is a petitioning U.S. producer.

\*\*\* named \*\*\*, a U.S. furniture retailer, in a lost revenue allegation. \*\*\* asserted that in \*\*\* it was forced to reduce its price for \*\*\*, totaling \*\*\* separate furniture pieces, from \$\*\*\* per set to \$\*\*\* per set to meet the price of the imported Chinese products. \*\*\* disagreed with the lost revenue allegation. It stated that \*\*\*.

\*\*\* named \*\*\*, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* domestic wooden bedroom sets, at a total value of \$\*\*\*, because of competition with the imported Chinese products. \*\*\* reported the following information. \*\*\*.

\*\*\* named \*\*\*, a furniture retailer, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* domestic wooden bedroom suites, at a total value of \$\*\*\*, because of competition with the imported Chinese products. \*\*\* reported that it “strongly” disagreed with the lost sales allegation. It stated that both the \*\*\*.

\*\*\* named \*\*\*, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* pieces of domestic wooden bedroom furniture because of competition with imported Chinese products. \*\*\* disagreed with the lost sales allegation. It provided a detailed response to the allegation, \*\*\*. The separate response provided to staff regarding the allegation stated that the \*\*\*. It also stated that \*\*\*.

\*\*\* named \*\*\*, a furniture retailer, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* pieces of domestic wooden bedroom furniture, priced at \$\*\*\* per suite, because of competition with imported Chinese products. \*\*\* disagreed with the lost sales allegation stating, \*\*\*.

\*\*\* named \*\*\*, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* domestic wooden bedroom suites, at a total value of \$\*\*\*, because of competition with imported Chinese furniture. \*\*\*.

\*\*\* named \*\*\*, in a lost sales allegation. \*\*\* asserted that in \*\*\* it lost sales to \*\*\* of \*\*\* domestic wooden bedroom suites, at a total value of \$\*\*\*, because of competition with imported Chinese furniture. \*\*\* disagreed with the lost sales allegation stating that the product was “sourced from another U.S. producing competitor.”

\*\*\* named \*\*\*, in a lost sales allegation. \*\*\* asserted that in the \*\*\* it lost sales to \*\*\* of \*\*\* domestic wooden bedroom suites, at a total value of \$\*\*\*, because of competition with imported Chinese furniture. \*\*\* disagreed with the allegation, stating that \*\*\*.



## PART VI: FINANCIAL CONDITION OF THE U.S. PRODUCERS

### BACKGROUND

Thirty-eight U.S. producers, accounting for approximately 83 percent of U.S. producers' domestically produced U.S. shipments in 2002, provided usable financial data on their operations on wooden bedroom furniture during the period examined.<sup>1</sup> Three producers reported internal consumption<sup>2</sup> and four producers reported transfers to related firms.<sup>3</sup> However, combined internal consumption and related company transfers were far less than \*\*\* percent of the combined companies' net sales quantity and value in all periods and thus are not presented separately.

### OPERATIONS ON WOODEN BEDROOM FURNITURE

Results of operations of the U.S. producers on their wooden bedroom furniture operations are presented in table VI-1. Aggregate results of overall operations (including importing) on their wooden bedroom furniture are shown in table VI-2.<sup>4</sup>

Based on table VI-1, the quantity sold and the net sales value decreased in each year, contributing to an annual decline in the operating income. Operating income decreased by \$74 million in 2001 from 2000 and further decreased, but to a lesser degree, by \$29 million from 2001 to 2002. Both sales volume and value also decreased from interim 2002 to interim 2003.

The combined results of operations of the U.S. producers on their wooden bedroom furniture operations remained profitable for the entire period examined. The percentage of operating income to net sales (operating income margin) decreased continuously from 10.3 percent in 2000 to 8.4 percent in 2001 and to 7.8 percent in 2002.

Aggregate results of overall operations which also included importing activities and presented in table VI-2 were somewhat better than results of the U.S. manufacturing operations for all periods examined except 2000.

Selected data for reporting U.S. producers, grouped by net sales revenue, are presented in table VI-3. All sales ranges had operating income in 2002 except the under \$10 million range. Generally, operating income margins were higher when sales ranges were higher except in the \$50-100 million range.

---

<sup>1</sup> An additional 13 U.S. producers submitted questionnaire responses. However, their responses were not used because they either contained no financial data or were significantly incomplete.

<sup>2</sup> Firms reporting internal consumption were \*\*\*.

<sup>3</sup> Firms reporting transfers to related firms were \*\*\*.

<sup>4</sup> Selected per-unit sales, cost, and operating income (loss) data of the producers on their operations are not presented in this section since value is a more reliable and accurate measure of U.S. operations than quantity (quantities are generally not reported in the furniture industry given the variety of the products made in the sector and there is no uniform measure of quantity) and wooden bedroom furniture is offered for sale in coordinated groups called bedroom suites or bedroom collections and thus product mix may have a significant impact on the average per-unit values. In this case, differences in product mix, especially the type of collections, play a major role in the fluctuations of per-unit sales value and cost, unlike industries in which fluctuations in financial results reflect changes in the unit selling prices and costs for virtually the same products. Therefore, per-unit selling price and cost data are not presented in this section.

**Table VI-1**  
**Results of manufacturing operations of U.S. producers on wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003**

Item	Fiscal year			January-June	
	2000	2001	2002	2002	2003
	<b>Quantity (pieces)</b>				
Net sales	14,285,111	13,469,375	12,800,568	6,969,138	6,313,737
	<b>Value (\$1,000)</b>				
Net sales	2,629,870	2,354,403	2,163,578	1,182,222	1,003,183
COGS	2,026,587	1,832,289	1,698,451	909,371	799,406
Gross profit	603,283	522,114	465,127	272,851	203,777
SG&A expenses	331,982	324,653	297,027	154,397	139,041
Operating income	271,301	197,461	168,100	118,454	64,736
Interest expense	16,855	14,050	8,869	5,271	3,832
Other expense	7,364	13,594	6,095	3,686	11,799
Other income	11,208	8,240	6,062	3,138	2,278
Net income	258,290	178,057	159,198	112,635	51,383
Depreciation/amortization	61,280	62,097	55,912	29,828	25,817
Cash flow	319,570	240,154	215,110	142,463	77,200
	<b>Ratio to net sales (percent)</b>				
COGS	77.1	77.8	78.5	76.9	79.7
Gross profit	22.9	22.2	21.5	23.1	20.3
SG&A expenses	12.6	13.8	13.7	13.1	13.9
Operating income	10.3	8.4	7.8	10.0	6.5
	<b>Number of firms reporting</b>				
Operating losses	5	8	13	6	18
Data	38	38	38	38	38
<p><sup>1</sup> Combined internal consumption and company transfers are less than *** percent of the combined companies' net sales quantity and value in all periods and are not shown separately.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

**Table VI-2**  
**Results of overall operations (including importing) of U.S. producers on wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003**

Item	Fiscal year			January-June	
	2000	2001	2002	2002	2003
	<b>Quantity (pieces)</b>				
Net sales	15,684,767	15,212,330	15,327,500	8,083,785	7,734,908
	<b>Value (\$1,000)</b>				
Net sales	2,903,134	2,702,507	2,691,675	1,411,024	1,318,006
COGS	2,241,759	2,098,015	2,077,786	1,076,917	1,025,953
Gross profit	661,375	604,492	613,889	334,107	292,053
SG&A expenses	363,935	368,407	356,424	180,068	175,402
Operating income	297,440	236,085	257,465	154,039	116,651
Interest expense	19,376	16,774	11,810	6,304	5,014
Other expense	10,736	17,408	14,739	6,268	12,533
Other income	10,837	7,361	6,400	3,366	2,376
Net income	278,165	209,264	237,316	144,833	101,480
Depreciation/amortization	63,278	64,345	58,860	30,877	27,683
Cash flow	341,443	273,609	296,176	175,710	129,163
	<b>Ratio to net sales (percent)</b>				
COGS	77.2	77.6	77.2	76.3	77.8
Gross profit	22.8	22.4	22.8	23.7	22.2
SG&A expenses	12.5	13.6	13.2	12.8	13.3
Operating income	10.2	8.7	9.6	10.9	8.9
	<b>Number of firms reporting</b>				
Operating losses	5	5	9	5	14
Data	38	38	38	38	38
<p><sup>1</sup> Combined internal consumption and company transfers are less than *** percent of the combined companies' net sales quantity and value in all periods and are not shown separately.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

**Table VI-3**  
Selected data for reporting U.S. producers of wooden bedroom furniture, grouped by sales value, fiscal year 2002

Sales range	Number of firms	Number of firms with an operating loss	Net sales	Operating income/(loss)	Operating Margin
			(\$1,000)		(Percent)
Over \$200 million	2	***	***	***	***
\$100-200 million	3	***	***	***	***
\$50-100 million	6	2	431,682	11,475	2.7
\$30-50 million	6	0	231,415	11,229	4.9
\$10-30 million	15	7	306,116	7,947	2.6
Under \$10 million	6	4	35,906	(238)	(0.7)
Total/average	38	13	2,163,578	168,100	7.8

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

A variance analysis is not presented for this case since the variances in sales revenues and total costs were largely affected by product mix and there are no reliable per-unit sales price and cost, and sales quantity, available (the analysis of unit financial data are not presented).

### INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' aggregate data on capital expenditures, research and development (R&D) expenses, and the value of their property, plant, and equipment are shown in table VI-4. Capital expenditures decreased continuously over the period while R&D expenses remained relatively at the same level throughout the period.

**Table VI-4**  
Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of wooden bedroom furniture, fiscal years 2000-02, January-June 2002, and January-June 2003<sup>1</sup>

Item	Fiscal year			January-June	
	2000	2001	2002	2002	2003
	Value (\$1,000)				
Capital expenditures	72,374	55,872	35,909	16,875	13,955
R&D expenses <sup>2</sup>	11,573	11,535	11,234	5,494	5,457
Productive facilities:					
Original cost	1,150,722	1,160,807	1,136,496	1,150,104	1,118,129
Book value	520,249	494,805	450,691	470,815	432,672

<sup>1</sup> Three producers, \*\*\*, did not provide data on capital expenditures, R&D expenses, or asset values.

<sup>2</sup> Nineteen producers reported R&D expenses.

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

## **CAPITAL AND INVESTMENT**

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of wooden bedroom furniture from China on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.



## PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations.<sup>1</sup> Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V, and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

### THE INDUSTRY IN CHINA

Information on Chinese producers' production capacity, production, shipments, and inventories is presented in table VII-1 and figure VII-1. The Chinese industry data are based on the responses of 59 firms estimated to account for 57.0 percent of Chinese exports<sup>2</sup> of the subject merchandise to the United States in 2002.<sup>3</sup> The reported data show increases in both quantities and values in each year and period (including projections) for each of the indicators (capacity, production, shipments, and inventories) on which data were collected.

Furniture production in China has grown significantly since the introduction of market reforms in 1979. In the 1980s, in one of the many byproducts of reforms, the central government allowed for a shift away from a communist-era focus on the development of heavy industry in the interior regions of the country to the development of light industry along the coast. Currently, furniture manufacturers are located throughout southeastern and northeastern China, concentrated primarily in Guangdong province.<sup>4</sup>

China exports approximately one-third of the furniture that it produces.<sup>5</sup> The largest importer of all Chinese furniture in 2002 was the United States, which purchased 50 percent of China's \$6.6 billion in exports. Wooden bedroom furniture constituted 30 percent of these \$3.3 billion imports, for a total value of \$958 million.<sup>6</sup> The second largest importer of Chinese furniture is Japan, which consumes approximately 15 percent of Chinese furniture exports. Of Japan's \$950 million in imports of Chinese furniture, approximately half consist of wooden bedroom furniture.<sup>7</sup> The remainder of Chinese exports are divided among smaller markets, the most significant of which are Australia, Canada, the European Union, and the Middle East.

---

<sup>1</sup> See 19 U.S.C. § 1677(7)(F)(i).

<sup>2</sup> Based on a comparison of the value of Chinese foreign producers' reported export shipments to the United States to the value of official import statistics of Commerce.

<sup>3</sup> The petition identified 133 Chinese foreign producers/exporters of wooden bedroom furniture. See petition at exh. 6. The Commission posted the foreign producer questionnaire on its web site and distributed it to parties representing foreign producers in China and to U.S. retailers and importers of the subject merchandise.

<sup>4</sup> In 2000, Guangdong province represented 30 percent of domestic production and 50 percent of national exports of furniture. See *Research Report on Furniture Industry & Market of China*, All China Marketing Research Co., June 2001, retrieved at <http://store.yahoo.com/chinaonline/resreponfuri.html>, December 15, 2003.

<sup>5</sup> Chinese National Bureau of Statistics, 2002.

<sup>6</sup> Landed, duty-paid value for HTS statistical reporting numbers 9403.50.9040 and 9403.50.9080, retrieved at <http://dataweb.usitc.gov/scripts/REPORT.asp> on December 16, 2003.

<sup>7</sup> Japanese Ministry of Finance, 2002 Trade Statistics, retrieved at <http://idafij.com/IDAFIJ/Year2002.pdf>, December 16, 2003.

Table VII-1

Wooden bedroom furniture: Data on the industry in China, 2000-02, January-June 2002, January-June 2003, and projections for 2003-04<sup>1</sup>

Item	Actual experience					Projections	
	Calendar year			January-June		Calendar year	
	2000	2001	2002	2002	2003	2003	2004
	<b>Quantity (pieces)</b>						
Capacity	1,773,711	2,787,188	4,503,352	2,142,752	2,818,352	5,866,370	6,613,670
Production	1,754,898	2,604,898	4,691,908	2,024,950	2,614,907	5,765,667	6,702,655
End-of-period inventories	71,330	106,446	222,190	142,868	238,587	274,572	328,338
Shipments:							
Home market	837	1,663	2,754	1,150	1,367	2,764	3,427
Internal consumption/transfers	161,013	174,453	203,573	108,015	94,448	202,106	234,860
Exports to:							
United States	1,364,632	2,178,251	3,964,404	1,711,995	2,340,449	5,219,923	6,115,779
All other markets <sup>2</sup>	168,848	204,255	394,590	188,282	194,424	407,367	481,109
Subtotal, exports	1,533,480	2,382,506	4,358,994	1,900,278	2,534,873	5,627,290	6,596,888
Total shipments	1,695,330	2,558,622	4,565,320	2,009,443	2,630,688	5,832,160	6,835,175
	<b>Value (\$1,000)<sup>3</sup></b>						
Exports to:							
United States	191,007	287,988	546,207	230,249	319,784	708,617	848,665
All other markets <sup>2</sup>	15,931	20,706	30,923	15,075	21,325	45,611	67,937
Total, exports	206,938	308,695	577,130	245,324	341,109	754,228	916,602
	<b>Unit value (dollars per piece)</b>						
Exports to:							
United States	\$139.97	\$132.21	\$137.78	\$134.49	\$136.63	\$135.75	\$138.77
All other markets <sup>2</sup>	94.35	101.38	78.37	80.07	109.68	111.96	141.21
Total, exports	134.95	129.57	132.40	129.10	134.57	134.03	138.94
	<b>Ratios and shares based on quantity (percent)<sup>3</sup></b>						
Capacity utilization	91.6	85.2	95.6	86.2	85.8	90.9	92.8
Inventories/production	4.1	4.1	4.7	3.5	4.6	4.8	4.9
Inventories/shipments	4.2	4.2	4.9	3.6	4.5	4.7	4.8
Share of total shipments:							
Home market	0.0	0.1	0.1	0.1	0.1	0.0	0.1
Internal consumption	9.5	6.8	4.5	5.4	3.6	3.5	3.4
Exports to:							
United States	80.5	85.1	86.8	85.2	89.0	89.5	89.5
All other markets <sup>2</sup>	10.0	8.0	8.6	9.4	7.4	7.0	7.0
Total, exports	90.5	93.1	95.5	94.6	96.4	96.5	96.5

<sup>1</sup> Data are based on the responses of 59 Chinese producers believed to account for 57.0 percent of U.S. exports to the United States in 2002.

<sup>2</sup> "All other markets" consists of Australia, Canada, EU, Japan, and the Middle East.

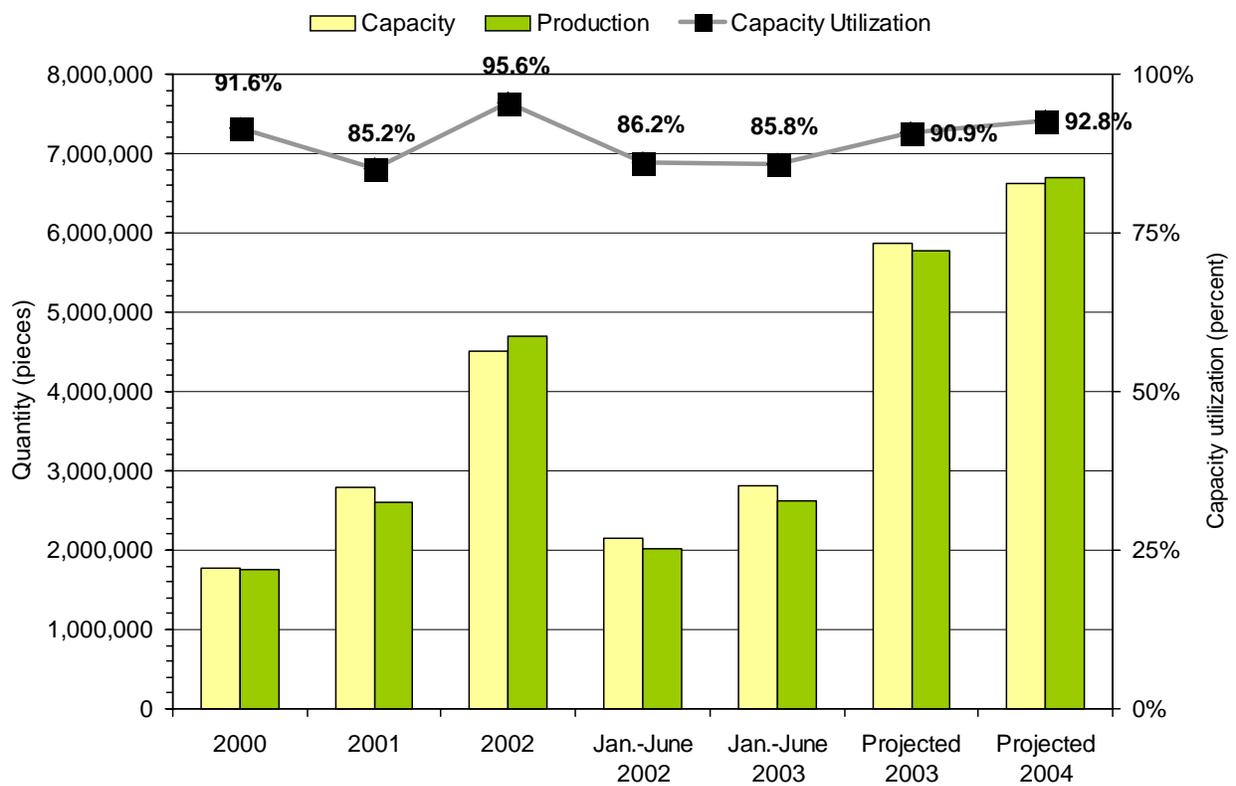
<sup>3</sup> Value data were collected for firms' export shipments only.

<sup>4</sup> Ratios are calculated using data of only those firms providing both numerator and denominator information.

Note.—Because of rounding, figures may not add to the totals shown.

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

**Figure VII-1**  
**Wooden bedroom furniture: China's capacity, production, and capacity utilization, 2000-02, January-June 2002, and January-June 2003**



Source: Table VII-1.

The Chinese furniture industry has realized double-digit growth over the last several years, increasing from \$8.3 billion in 1996 to \$20 billion in 2002.<sup>8</sup> The size and organizational structures of producers also evolved, as township and village enterprises (TVEs), joint ventures, and private entrepreneurs began to compete with the traditional monopoly of state-owned enterprises (SOEs). The current number of reported furniture manufacturers is estimated to be over 300,000.<sup>9</sup>

Although the Chinese furniture industry has experienced measurable growth, there is industry apprehension that this growth rate may not be sustainable. Representatives of the industry have expressed concerns, including: a lack of Chinese name brands, poor designs, inadequate market research, lack of advertising, and increased global competition as WTO-negotiated tariff reductions are fully implemented.<sup>10</sup> Chinese furniture tariffs, which were levied at a rate of 20 percent in 2001, are scheduled to be eliminated by 2005. However, as discussed below, expectations regarding furniture growth remain positive, driven by expectations of increasing domestic and foreign demand.

Domestic consumption of wooden bedroom furniture in China is expected to rise over the long-term. Central government housing reforms have fueled a booming property market which has consequently increased consumer demand for household products. Since 1995, furniture consumption has been growing at an average annual rate of 8 percent.<sup>11</sup> This increasing demand in tandem with rising household incomes, strengthens domestic purchasing power and the likelihood of increased consumption of wooden bedroom furniture. In addition, the belief that a growing tourism industry will be fostered through events such as the 2008 Olympics increases expectations of a growing demand for wooden bedroom furniture from the hospitality sector.

### **U.S. IMPORTERS' INVENTORIES**

Table VII-2 presents data on U.S. importers' end-of-period inventories of imported wooden bedroom furniture.

### **U.S. IMPORTERS' CURRENT ORDERS**

Since June 30, 2003, 59 firms have arranged for shipments of subject imports. Table VII-3 presents U.S. importers' current orders and shipments of wooden bedroom furniture imports from China between July 1, 2003, and December 31, 2003.

### **ANTIDUMPING DUTY ORDERS IN THIRD-COUNTRY MARKETS**

There are currently no known antidumping duty orders concerning wooden bedroom furniture from China.

---

<sup>8</sup> China National Furniture Association.

<sup>9</sup> Ibid.

<sup>10</sup> See *Analysis Report of market Investigations in Chinese Furniture Industry*, Hosheng Chen, retrieved at [www.iffd.com.cn/e\\_tradeinfo\\_1\\_1.htm](http://www.iffd.com.cn/e_tradeinfo_1_1.htm) on December 8, 2003.

<sup>11</sup> See *China's Role in the World Trade of Furniture*, July 25, 2003, retrieved at [www.2f.com.cn/e/news/hutitle.asp?newsid+204](http://www.2f.com.cn/e/news/hutitle.asp?newsid+204), December 15, 2003.

**Table VII-2**  
**Wooden bedroom furniture: U.S. importers' end-of-period inventories of imports, by sources, 2000-02,**  
**January-June 2002, and January-June 2003<sup>1</sup>**

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
	<b>Quantity (pieces)</b>				
Imports from China	71,330	106,446	222,190	142,868	238,587
Imports from all other sources	265,203	385,455	484,749	471,709	447,051
Total imports	336,533	491,901	706,939	614,577	685,638
	<b>Quantity (pounds)</b>				
Imports from China	522,258	1,236,244	4,494,723	2,680,636	5,897,737
Imports from all other sources	11,355,641	15,717,391	18,796,944	15,457,174	22,312,563
Total imports	11,877,899	16,953,635	23,291,667	18,137,810	28,210,300
	<b>Ratio of inventories to imports (pieces) (percent)</b>				
Imports from China	3.5	3.7	4.7	2.6	4.1
Imports from all other sources	16.4	19.0	18.2	17.3	16.7
Total imports	9.3	10.1	9.5	7.5	8.1
	<b>Ratio of inventories to imports (pounds) (percent)</b>				
Imports from China	0.5	0.6	1.2	0.7	1.5
Imports from all other sources	18.2	17.2	18.5	15.6	18.6
Total imports	6.7	6.0	4.9	3.8	5.5
	<b>Ratio of inventories to U.S. shipments of imports (pieces) (percent)</b>				
Imports from China	2.0	1.9	1.7	1.5	2.3
Imports from all other sources	9.5	10.8	10.3	10.0	9.3
Total imports	5.3	5.4	4.0	4.2	4.6
	<b>Ratio of inventories to U.S. shipments of imports (pounds) (percent)</b>				
Imports from China	0.2	0.3	0.6	0.4	0.8
Imports from all other sources	9.3	9.0	9.4	7.9	9.9
Total imports	7	5.9	5.2	4.0	6.0

<sup>1</sup> Data for the value of inventories were not collected.

Note—Import data presented in this table are based on responses to questionnaires of the Commission. Ratios are calculated using data from firms that provided both numerator and denominator information. Partial-year ratios are calculated using annualized import and shipment data.

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



**APPENDIX A**

---

***FEDERAL REGISTER NOTICES***



**INTERNATIONAL TRADE  
COMMISSION****[Investigation No. 731-TA-1058  
(Preliminary)]****Wooden Bedroom Furniture from  
China****AGENCY:** United States International Trade Commission.**ACTION:** Institution of antidumping investigation and scheduling of a preliminary phase investigation.

**SUMMARY:** The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731-TA-1058 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of wooden bedroom furniture, provided for in subheading 9403.50.90 of the Harmonized Tariff Schedule of the United States (HTS),<sup>1</sup> that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by December 15, 2003. The Commission's views are due at Commerce within five business days thereafter, or by December 22, 2003.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

**EFFECTIVE DATE:** October 31, 2003.

**FOR FURTHER INFORMATION CONTACT:** Fred H. Fischer (202-205-3179 or [ffischer@usitc.gov](mailto:ffischer@usitc.gov)), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

<sup>1</sup> Subject merchandise may also be provided for in HTS subheadings 7009.92.50 and 9403.90.70.

General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:**

*Background.*—This investigation is being instituted in response to a petition filed on October 31, 2003, by the American Furniture Manufacturers Committee For Legal Trade, Washington, DC, and its individual members, and the Cabinet Makers, Millmen, and Industrial Carpenters Local 721, Whittier, CA.

*Participation in the investigation and public service list.*—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

*Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.*—Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

*Conference.*—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on November 21, 2003, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred H. Fischer (202-205-3179 or [ffischer@usitc.gov](mailto:ffischer@usitc.gov)) not later than November 17, 2003, to arrange for their

appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

*Written submissions.*—As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before November 26, 2003, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by § 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

**Authority:** This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: November 5, 2003.  
By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 03-28227 Filed 11-7-03; 8:45 am]

**BILLING CODE 7020-02-P**

furniture (*i.e.*, subject merchandise). Wooden bedroom furniture is generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, or bedrooms, in which all of the individual pieces are of approximately the same style and approximately the same material and/or finish. The subject merchandise are made substantially of wood products, including both solid wood and also engineered wood products made from wood particles, fibers, or other wooden materials such as plywood, oriented strand board, particleboard, and fiberboard; with or without wood veneers, wood overlays, or laminates; with or without non-wood components or trim such as metal, marble, leather, glass, plastic, or other resins; and whether or not assembled, completed, or finished.

The subject merchandise includes (1) wooden beds such as loft beds, bunk beds, and other beds; (2) wooden headboards for beds (whether stand-alone or attached to side rails), wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds; (3) night tables, night stands, dressers, commodes, bureaus, mule chests, gentlemen's chests, bachelor's chests, lingerie chests, wardrobes, vanities, chessers, chifforobes, and wardrobe-type cabinets; (4) dressers with framed glass mirrors that are attached to, incorporated in, sit on, or hang over the dresser; (5) chests-on-chests<sup>1</sup>, highboys<sup>2</sup>, lowboys<sup>3</sup>, chests of drawers<sup>4</sup>, chests<sup>5</sup>, door chests<sup>6</sup>, chiffoniers<sup>7</sup>, hutches<sup>8</sup>, and armoires<sup>9</sup>;

<sup>1</sup> A chest-on-chest is typically a tall chest-of-drawers in two or more sections (or appearing to be in two or more sections), with one or two sections mounted (or appearing to be mounted) on a slightly larger chest; also known as a tallboy.

<sup>2</sup> A highboy is typically a tall chest of drawers usually composed of a base and a top section with drawers, and supported on four legs or a small chest (often 15 inches or more in height).

<sup>3</sup> A lowboy is typically a short chest of drawers, not more than four feet high, normally set on short legs.

<sup>4</sup> A chest of drawers is typically a case containing drawers for storing clothing.

<sup>5</sup> A chest is typically a case piece taller than it is wide featuring a series of drawers and with or without one or more doors for storing clothing. The piece can either include drawers or be designed as a large box incorporating a lid.

<sup>6</sup> A door chest is typically a chest with hinged doors to store clothing, whether or not containing drawers. The piece may also include shelves for televisions and other entertainment electronics.

<sup>7</sup> A chiffonier is typically a tall and narrow chest of drawers normally used for storing undergarments and lingerie, often with mirror(s) attached.

<sup>8</sup> A hutch is typically an open case of furniture with shelves that typically sits on another piece of furniture and provides storage for clothes.

<sup>9</sup> An armoire is typically a tall cabinet or wardrobe (typically 50 inches or taller), with doors, and with one or more drawers (either exterior below

(6) desks, computer stands, filing cabinets, book cases, or writing tables that are attached to or incorporated in the subject merchandise; and (7) other bedroom furniture consistent with the above list.

The scope of the petition excludes (1) seats, chairs, benches, couches, sofas, sofa beds, stools, and other seating furniture; (2) mattresses, mattress supports (including box springs), infant cribs, water beds, and futon frames; (3) office furniture, such as desks, stand-up desks, computer cabinets, filing cabinets, credenzas, and bookcases; (4) dining room or kitchen furniture such as dining tables, chairs, servers, sideboards, buffets, corner cabinets, china cabinets, and china hutches; (5) other non-bedroom furniture, such as television cabinets, cocktails tables, end tables, occasional tables, wall systems, book cases, and entertainment systems; (6) bedroom furniture made primarily of wicker, cane, osier, bamboo or rattan; (7) side rails for beds made of metal if sold separately from the headboard and footboard; and (8) bedroom furniture in which bentwood parts predominate.<sup>10</sup>

Imports of subject merchandise are classified under statistical category 9403.50.9040 of the Harmonized Tariff Schedule of the United States ("HTSUS") as "wooden \* \* \* beds" and under statistical category 9403.50.9080 of the HTSUS as "other \* \* \* wooden furniture of a kind used in the bedroom." In addition, wooden headboards for beds, wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds may also be entered under statistical category 9403.50.9040 of the HTSUS as "parts of wood" and framed glass mirrors may also be entered under statistical category 7009.92.5000 of the HTSUS as "glass mirrors \* \* \* framed." This investigation covers all wooden bedroom furniture meeting the above description, regardless of tariff classification. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

#### Domestic Like Product

Pursuant to Section 771(10) of the Tariff Act of 1930, as amended ("the

## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-570-890]

#### Notice of Request for Information and Extension of Time: Wooden Bedroom Furniture From the People's Republic of China

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**ACTION:** Notice of request for information and extension of time.

**EFFECTIVE DATE:** November 24, 2003.

**FOR FURTHER INFORMATION CONTACT:** Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Inquiries regarding any information on this notice may be addressed by calling Import Administration at 202-482-3902, via fax at 202-482-9089, and via email to the following address: [bedroomfurniture@ita.doc.gov](mailto:bedroomfurniture@ita.doc.gov).

#### The Petition

On October 31, 2003, the Department of Commerce ("Department") received an antidumping duty petition ("Petition") filed by the American Furniture Manufacturers Committee for Legal Trade and its individual members ("the Committee") and the Cabinet Makers, Millmen, and Industrial Carpenters Local 721 ("Local 721") ("collectively, Petitioners"). The Petitioners are domestic producers of wooden bedroom furniture.

#### Scope of the Petition

The following language describes the imported merchandise from the People's Republic of China ("PRC") that Petitioners intend to be included in the scope of the investigation:

The merchandise subject to this investigation is wooden bedroom

Act”) and the Petitioners, the product that is, “like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation” is wooden bedroom furniture.

#### Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department’s industry support determination be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method to poll the industry.

#### Request for Information

Because the Petition has not established that domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product support the petition, we must “poll or otherwise determine industry support for the petition by the industry.”

In accordance with section 732(c)(4)(D) of the Act and in order to determine whether the petition establishes support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, we are hereby requesting that all domestic producer/manufacturers of the wooden bedroom furniture submit to the Department a response to the questions in Appendix I of this notice.

#### Filing Requirements

Given the very short period in which we must determine industry support,

the number of potential responses, and the fact that industry support may not be re-examined after initiation, we are waiving the filing requirements set forth in 19 CFR 351.303 for certain parties submitting information on industry support. This waiver of the filing requirements will not apply to: 1) the submission of documents that are not in response to the information requested in this notice or 2) parties that are familiar with the conduct of antidumping and countervailing proceedings through prior involvement in such proceedings (e.g., parties represented by law firms that are involved in other AD/CVD cases).

This limited waiver is applicable only until November 26, 2003, the deadline for submitting the information requested in this notice. This waiver is intended to expedite the receipt of information that is essential to our analysis of industry support by providing information on the production of the domestic like product by petitioning and non-petitioning companies. By avoiding delays in the receipt of such information, we will have more time to analyze whether the statutory requirements concerning industry support for the above-referenced petitions have been met.

All parties submitting any information must include the following statement in their response: “I, (name and title), currently employed by (person), certify that (1) I have read the attached submission, and (2) based on the information made available to me by (person), I have no reason to believe that this submission contains any material misrepresentation or omission of fact.” All information received by the Department will be treated as business proprietary information as outlined in our regulations (19 CFR 351.304–306), unless otherwise noted. Please note that all company names will be treated as public information. In addition, note that all business proprietary documents received by the Department in response to this notice will be served to those individuals with access to business proprietary information under the Administrative Protective Order (“APO”). All public documents may be made available to those parties on the public service list. The APO service lists and the public service lists are available on Import Administration’s Web site: <http://ia.ita.doc.gov>.

Information submitted to the Department in response to this notice

should be faxed to the following number: 202–482–9089. Furthermore, all such information will be placed on the official record of the proceeding. Responses to this notice are due no later than November 26, 2003. Responses after this date may not be reviewed by the Department and therefore, not included in the analysis.

#### Extension of Time

Section 732(c)(1)(A)(ii) of the Act provides that within 20 days of the filing of an antidumping duty petition, the Department will determine, *inter alia*, whether the petition has been filed by or on behalf of the U.S. industry producing the domestic like product. Section 732(c)(1)(B) provides that the deadline for the initiation determination can be extended by 20 days in any case in which the Department must “poll or otherwise determine support for the petition by the industry \* \* \*.”

We will require additional information from the petitioners and the domestic producers of wooden bedroom furniture in order to make our determination regarding industry support and/or time to analyze the petitioners’ responses to our requests for information. See *Memorandum to Joseph A. Spetrini, Deputy Assistant Secretary for Import Administration, Group III from Edward C. Yang, Office Director, AD/CVD Enforcement III, Office IX, regarding Antidumping Duty Petition on Wooden Bedroom Furniture from the People’s Republic of China: Extension of Deadline for Determining Industry Support*, dated November 13, 2003. Therefore, it is necessary to extend the deadline for decision on initiation for a period not to exceed 40 days from the filing of the petition. As a result, the initiation determination is due no later than December 10, 2003.

#### International Trade Commission Notification

Because the Department has extended the deadline of the initiation determination, the Department will contact the Commission and will make this extension notice available to the Commission.

Dated: November 19, 2003.

**Edward C. Yang,**

*Acting Deputy Assistant Secretary for Import Administration, Group III.*

**BILLING CODE 3510-DS-C**

**APPENDIX I**  
**PETITION ON WOODEN BEDROOM FURNITURE FROM THE**  
**PEOPLE'S REPUBLIC OF CHINA**

ALL OF THE INFORMATION YOU PROVIDE ON THIS SHEET WILL BE ENTERED ON  
 THE RECORD OF THIS INVESTIGATION AS BUSINESS PROPRIETARY INFORMATION  
WITH THE EXCEPTION OF THE COMPANY NAME

1. Please provide the following information about your company:

Company Name	
Name and Title of the Company President, Director or Manager	
Your Name and Title	
Business Address	
Phone Number	
Facsimile Number	
E-Mail Address	

2. Please check all that apply to describe the business activities of your company:

U.S. Manufacturer/Producer of Wooden Bedroom Furniture <sup>11</sup>	
U.S. Importer of Chinese Wooden Bedroom Furniture	
U.S. Distributor or U.S. Reseller of Wooden Bedroom Furniture	
Other Wooden Bedroom Furniture activities in the United States (Please Explain)	

3. If you **ARE NOT** a U.S. manufacturer/producer (i.e., you are an importer, distributor, or reseller only) of wooden bedroom furniture based on your response to question 2 above, please **STOP HERE** and **SEND** this response to Import Administration. If you **ARE** a U.S. manufacturer/producer of wooden bedroom furniture, please continue to question #4.

---

<sup>11</sup> A U.S. manufacturer/producer is a manufacturer/producer with production facilities in the United States during January 2002-December 2002.

4. Please provide the following information:

Company	U.S. Dollar Sales Value of Wooden Bedroom Furniture Produced in the United States and Sold during Jan 2002-Dec 2002 <sup>12</sup>	U.S. Dollar Sales Value of Wooden Bedroom Furniture Imported from China and Sold during Jan 2002-Dec 2002 <sup>13</sup>
Your company (name):		
Related Company 1 (name):		
Related Company 2 (name):		

5. Does your company or your related companies have any relationships, ownerships (including partial ownerships), joint-venture agreements, etc., with Chinese producers, manufacturers or exporters of wooden bedroom furniture. If so, please list the companies with whom you are related and the nature of that relationship.

Yes \_\_\_\_\_

Chinese Company Name(s) \_\_\_\_\_

Nature of Relationship \_\_\_\_\_

No \_\_\_\_\_

6. Does your company (please note that if you do not select one of the following options, we will presume that you have no opinion):

- A. Support this petition? \_\_\_\_\_
- B. Oppose this petition? \_\_\_\_\_
- C. Have no opinion? \_\_\_\_\_

---

<sup>12</sup> Please report the total U.S. dollar sales value of your sales of all wooden bedroom furniture produced in the United States as sold out the door to all your customers during January 2002-December 2002.

<sup>13</sup> Please report the total U.S. dollar sales value of your sales of all imported wooden bedroom furniture from China as sold out the door from your U.S. location and as sold by direct shipment from China (inclusive of all freight expenses to the United States) to all your customers during January 2002-December 2002.

---

[FR Doc. 03-29419 Filed 11-21-03; 8:45 am]

BILLING CODE 3510-DS-C

---



**DEPARTMENT OF COMMERCE****International Trade Administration**

[A-570-890]

**Initiation of Antidumping Duty Investigation: Wooden Bedroom Furniture from the People's Republic of China**

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**EFFECTIVE DATE:** December 17, 2003.

**FOR FURTHER INFORMATION CONTACT:** Alex Villanueva or Robert Bolling, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-3208 and (202) 482-3434, respectively.

**SUPPLEMENTARY INFORMATION:****INITIATION OF INVESTIGATION****The Petition**

On October 31, 2003, the Department of Commerce ("Department") received a Petition on imports of wooden bedroom furniture from the People's Republic of China ("China") ("Petition") filed in proper form by the American Furniture Manufacturers Committee for Legal Trade ("Committee") and its individual members and the Cabinet Makers, Millmen, and Industrial Carpenters Local 721 (collectively, "the Petitioners") on behalf of the domestic industry and workers producing wooden bedroom furniture. On November 6, 2003 and November 10, 2003, the Department requested clarification of certain areas of the Petition and received responses to both requests on November 12, 2003. On November 12, 2003, Markor International Furniture (Tianjin) Manufacturing Co., ("Markor") and Lacquer Craft Manufacturing Company, Ltd., ("Lacquer") submitted comments regarding the industry support for the Petition. On November 13, 2003, the Department received comments from Furniture Brands International, Inc. ("FBI"). On November 20, 2003, the Petitioners amended the Petition to include an additional margin estimate for a product within the scope of the investigation. On November 24, 2003, the Department published a notice in the **Federal Register** extending the twenty-day initiation determination deadline and requesting information from domestic producers of wooden bedroom furniture. See *Notice of Request for Information and Extension of Time: Wooden Bedroom Furniture from the People's Republic of China* ("Extension

*Notice*") 68 FR 65875 (November 24, 2003). On November 24, 2003, the Department requested from the Petitioners that certain business proprietary information be made public. On November 28, 2003, the Department received the public version of the business proprietary information requested on November 24, 2003. On December 2, 2003, the Department received additional comments regarding industry support from Markor and Lacquer. Additionally, on December 2, 2003, the Department received comments from the Petitioners regarding opposition to the Petition. On December 3, 2003, the Department received rebuttal comments to Markor's and Lacquer's December 2, 2003 comments from the Petitioners. On December 3, 2003, the Department received comments from the Petitioners regarding the calculation of industry support. On December 4, 2003, the Petitioners amended the Petition adding four certified labor unions as Petitioners. Additionally, on December 4, 2003, FBI submitted comments regarding the calculation of industry support. On December 5, 2003, the Department received comments from Markor and Lacquer. On December 8, 2003, the Department received comments from FBI and Markor and Lacquer. On December 9, 2003 the Department received comments from the Petitioners. Additionally, on December 9, 2003, the Department received a request from the Petitioners that the Department reject numerous submissions submitted earlier in this proceeding in accordance with Section 732(b)(3)(B) of the Tariff Act of 1930, as amended ("the Act"). On December 9, 2003, the Department returned FBI's comments of December 8, 2003. See *Memorandum to the File from Lisa Shishido, Case Analyst, Regarding Wooden Bedroom Furniture from the People's Republic of China*, dated December 9, 2003. We note that in FBI's November 13, 2003 comments and Markor and Lacquer's December 8, 2003 comments, both parties included comments on issues other than industry support, we did not reject those submission because they contained information regarding industry support. See *Memo to the File from Alex Villanueva, Senior Case Analyst, Regarding Wooden Bedroom Furniture from the People's Republic of China: FBI's November 13, 2003 Comments and Markor and Lacquer's December 8, 2003 Comments*, dated December 9, 2003. However, we did not consider FBI's December 8, 2003 comments and Markor and Lacquer's December 8, 2003

comments that were not on industry support. See *Import Administration: Antidumping Duty Investigation Initiation Checklist of Wooden Bedroom Furniture from China* ("Initiation Checklist"), dated December 10, 2003 at Attachment III. December 10, 2003, FBI revised their comments from December 8, 2003.

In accordance with section 732(b) of the Ac, the Petitioners allege that imports of wooden bedroom furniture from China are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring and threaten to injury and industry in the United States.

**Scope of Investigation**

For purposes of this investigation, the product covered is wooden bedroom furniture (*i.e.*, subject merchandise). Wooden bedroom furniture is generally, but not exclusively, designed, manufactured, and offered for sale in coordinated groups, or bedrooms, in which all of the individual pieces are of approximately the same style and approximately the same material and/or finish. The subject merchandise are made substantially of wood products, including both solid wood and also engineered wood products made from wood particles, fibers, or other wooden materials such as plywood, oriented strand board, particle board, and fiberboard; with or without wood veneers, wood overlays, or laminates; with or without non-wood components or trim such as metal, marble, leather, glass, plastic, or other resins; and whether or not assembled, completed, or finished.

The subject merchandise includes (1) wooden beds such as loft beds, bunk beds, and other beds; (2) wooden headboards for beds (whether stand-alone or attached to side rails), wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds; (3) night tables, night stands, dressers, commodes, bureaus, mule chests, gentlemen's chests, bachelor's chests, lingerie chests, wardrobes, vanities, chessers, chifforobes, and wardrobe-type cabinets; (4) dressers with framed glass mirrors that are attached to, incorporated in, sit on, or hang over the dresser; (5) chests-on-chests<sup>1</sup>, highboys<sup>2</sup>,

<sup>1</sup> A chest-on-chest is typically a tall chest-of-drawers in two or more sections (or appearing to be in two or more sections), with one or two sections mounted (or appearing to be mounted) on a slightly larger chest; also known as a tallboy.

<sup>2</sup> A highboy is typically a tall chest of drawers usually composed of a base and a top section with drawers, and supported on four legs or a small chest (often 15 inches or more in height).

lowboys<sup>3</sup>, chests of drawers<sup>4</sup>, chests<sup>5</sup>, door chests<sup>6</sup>, chiffoniers<sup>7</sup>, hutches<sup>8</sup>, and armoires<sup>9</sup>; (6) desks, computer stands, filing cabinets, book cases, or writing tables that are attached to or incorporated in the subject merchandise; and (7) other bedroom furniture consistent with the above list.

The scope of the Petition excludes (1) seats, chairs, benches, couches, sofas, sofa beds, stools, and other seating furniture; (2) mattresses, mattress supports (including box springs), infant cribs, water beds, and futon frames; (3) office furniture, such as desks, stand-up desks, computer cabinets, filing cabinets, credenzas, and bookcases; (4) dining room or kitchen furniture such as dining tables, chairs, servers, sideboards, buffets, corner cabinets, china cabinets, and china hutches; (5) other non-bedroom furniture, such as television cabinets, cocktails tables, end tables, occasional tables, wall systems, book cases, and entertainment systems; (6) bedroom furniture made primarily of wicker, cane, osier, bamboo or rattan; (7) side rails for beds made of metal if sold separately from the headboard and footboard; and (8) bedroom furniture in which bentwood parts predominate.<sup>10</sup>

Imports of subject merchandise are classified under statistical category 9403.50.9040 of the Harmonized Tariff Schedule of the United States ("HTSUS") as "wooden \* \* \* beds" and under statistical category 9403.50.9080 of the HTSUS as "other \* \* \* wooden furniture of a kind used in the bedroom." In addition, wooden

headboards for beds, wooden footboards for beds, wooden side rails for beds, and wooden canopies for beds may also be entered under statistical category 9403.50.9040 of the HTSUS as "parts of wood" and framed glass mirrors may also be entered under statistical category 7009.92.5000 of the HTSUS as "glass mirrors...framed." This investigation covers all wooden bedroom furniture meeting the above description, regardless of tariff classification.

Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

During our review of the Petition, we discussed the scope with the Petitioners to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27295, 27323 (1997). The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this notice.

Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with interested parties prior to the issuance of the preliminary determination.

#### Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a Petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of the investigation, be based on whether a minimum percentage of the relevant industry supports the Petition. A Petition meets this requirement if the domestic producers or workers who support the Petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the Petition does not establish support of domestic producers or workers accounting for

more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the Petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether a Petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (Ct. Int'l Trade 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 642-44 (Ct. Int'l Trade 1988).

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the Petition.

With regard to the domestic like product, Petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted in the Petition we have determined there is a single domestic like product, wooden bedroom furniture, which is defined further in the "Scope of the Investigations" section above, and we have analyzed industry support in terms of that domestic like product.

Based on information provided in the Petition, the share of total estimated U.S. production of the domestic like product in calendar year 2002

<sup>3</sup> A lowboy is typically a short chest of drawers, not more than four feet high, normally set on short legs.

<sup>4</sup> A chest of drawers is typically a case containing drawers for storing clothing.

<sup>5</sup> A chest is typically a case piece taller than it is wide featuring a series of drawers and with or without one or more doors for storing clothing. The piece can either include drawers or be designed as a large box incorporating a lid.

<sup>6</sup> A door chest is typically a chest with hinged doors to store clothing, whether or not containing drawers. The piece may also include shelves for televisions and other entertainment electronics.

<sup>7</sup> A chiffonier is typically a tall and narrow chest of drawers normally used for storing undergarments and lingerie, often with mirror(s) attached.

<sup>8</sup> A hutch is typically an open case of furniture with shelves that typically sits on another piece of furniture and provides storage for clothes.

<sup>9</sup> An armoire is typically a tall cabinet or wardrobe (typically 50 inches or taller), with doors, and with one or more drawers (either exterior below or above the doors or interior behind the doors), shelves, and/or garment rods or other apparatus for storing clothes. Bedroom armoires may also be used to hold television receivers and/or other audio-visual entertainment systems.

<sup>10</sup> As used herein, bentwood means solid wood made pliable. Bentwood is wood that is brought to a curved shape by bending it while made pliable with moist heat or other agency, and then set by cooling or drying. *See Customs' Headquarters' Ruling Letter 043859*, dated May 17, 1976.

represented by the Petitioners and the supporting domestic producers equal over 25 percent of total domestic production but less than 50 percent of production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. *See Extension Notice*. Therefore, in accordance with 732(c)(4)(D) of the Act, we polled the industry.

On November 13, 2003, November 17, 2003 and November 19, 2003, we issued polling questionnaires to all known producers of wooden bedroom furniture identified in the Petition, listed on the *Thomas Register* and found on the internet by the Department. The combined list contained 264 companies. *See Memorandum to the File from Michael Holton, Case Analyst, Regarding the Addresses for All Parties the Department of Commerce Sent the Polling Questionnaire to on November 13, 2003 ("Addresses Memo")*, dated November 14, 2003. The addresses attached to the *Addresses Memo* were also used when sending the revised questionnaires dated November 17, 2003 and November 19, 2003. *See Memorandum to the File from Alex Villanueva, Case Analyst, Regarding the Addresses for All Parties the Department of Commerce Sent the Polling Questionnaire on November 17, 2003 and November 19, 2003*, dated December 3, 2003. The questionnaires are on file in the Central Records Unit ("CRU") in room B-099 of the main Department of Commerce building. Additionally, the final questionnaire dated November 19, 2003 was available on the Import Administration website. As noted earlier, the Department also published a notice in the **Federal Register** extending the twenty-day initiation determination deadline and requesting information from domestic producers of wooden bedroom furniture. *See Extension Notice* at 65877, 65878. We requested that each company complete the polling questionnaire and certify their responses and requested that all companies respond no later than November 26, 2003 by faxing their responses to the Department at (202) 482-9089.

By the deadline of November 26, 2003, the Department received a total of 104 responses. *See Memorandum to the File from Alex Villanueva, Case Analysts through Robert A. Bolling, Program Manager and Edward C. Yang, Office Director, Regarding the Calculation of Industry Support ("Memo on Industry Support")*, dated December 10, 2003 at Attachment II of the *Initiation Checklist*. Any responses

received after this date were not included in our analysis. *See Extension Notice* at 65876 and *Initiation Checklist* at Attachment II. The Department will be returning all polling questionnaire responses not received by November 26, 2003. Pursuant to section 351.104 of the Department's regulations, the Department has relied upon the responses to this questionnaire and follow-up phone calls to clarify certain responses to determine industry support. For a log of the phone calls made by the Department, please see the *Memorandum to the File from Lisa Shishido, Case Analyst, Regarding the Telephone Call Log Clarifying Information Received by the Department*, dated December 10, 2003. For a detailed discussion of the responses received please see the *Initiation Checklist* at Attachment II. For a discussion on the comments received from interested parties, please see the *Initiation Checklist* at Attachment III. For a detailed discussion of the comments received by workers, please see the *Initiation Checklist* at Attachment II. Our analysis of the data indicates that the domestic producers of wooden bedroom furniture who support the Petition account for more than 57 percent of the production (by U.S. dollar sales value) of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. *See Initiation Checklist* at Attachment II.

Accordingly, the Department determines that the industry support requirements of section 732(c)(4)(A) of the Act have been met.

#### Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value ("LTFV") upon which the Department based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to the U.S. price and the factors of production are also discussed in the *Initiation Checklist*. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determination, we may reexamine the information and revise the margin calculations, if appropriate.

#### Export Price

The Petitioners identified approximately one-hundred thirty five Chinese companies as major producers and exporters of wooden bedroom furniture in China. *See Petition* at Exhibit 6.

The Petitioners calculated an export price ("EP"). To calculate export prices

for wooden bedroom furniture from China, Petitioners used invoices for wooden bedroom furniture produced by Chinese producers that were purchased during the period of investigation ("POI"). Given the sales terms on the invoice, the Petitioners have used free on board ("FOB") prices as the basis for the U.S. price and, conservatively, have not deducted foreign inland freight from the factory to the port, brokerage and handling fees, or port charges at the port of exportation. However, to obtain ex-factory prices, the Petitioners deducted a percentage of the selling price (price listed on the invoice) to account for an agent markup for sales made from the agent to the U.S. customer in the United States. *See Initiation Checklist* for further information.

#### Normal Value

China is a non-market economy country and no determination to the contrary has yet been made by the Department. *See Initiation Checklist* at 4-5. Accordingly, the Petitioners provided a dumping margin calculation using the Department's NME methodology as required by 19 C.F.R. §351.202(b)(7)(i)(C) of the Department's regulations.

For the normal value ("NV") calculation, the Petitioners based the factors of production, as defined by section 773(c)(3) of the Act (raw materials, labor and energy), for wooden bedroom furniture using the factors of production used to make the wooden bedroom furniture on the invoices used in their calculation of export price above. In order to accurately calculate the usage of materials used in the production of the imported furniture, the Petitioners disassembled each piece of furniture and identified, weighed, and measured each component part. The items selected by the Petitioners for deconstruction and ultimately used for the normal value calculation, provide a broad selection of items within the wooden bedroom furniture like product category. According to the Petitioners, the dumping margins in the Petition represent "each of the products in a standard bedroom suite because subject imports are typically sold in suites, collections, or groups" and are "representative of the prices for imports" of wooden bedroom furniture from China during the POI. *See Petitioners' November 12, 2003 Submission* at 8. However, the amount of labor hours and energy needed to produce the wooden bedroom furniture items analyzed were based on the experience of the Petitioners. *See Initiation Checklist*.

The Petitioners selected India as their surrogate country. The Petitioners argued that pursuant to section 773(c)(4) of the Act, India is an appropriate surrogate because it is a market-economy country that is at a comparable level of economic development to the NME and is a significant producer of comparable merchandise. Based on the information provided by the Petitioners, we believe that the Petitioners' use of India as a surrogate country is appropriate for purposes of initiating this investigation. See *Initiation Checklist*.

In accordance with section 773(c)(4) of the Act, the Petitioners valued factors of production, where possible, on reasonably available, public surrogate country data. To value certain raw materials, the Petitioners used official Indian government import statistics, excluding those values from countries previously determined by the Department to be NME countries and imports into India from Indonesia, Korea and Thailand, in light of the prevalence of export subsidies in those countries. See *Notice of Final Determination of Sales at Less Than Fair Value: Ferrovandium from the People's Republic of China* 67 FR 71137, 71139 (November 20, 2002). For inputs valued in Indian Rupees and not contemporaneous with the POI (*i.e.*, April 2003-September 2003), the Petitioners used information from the wholesale price indices ("WPI") in India as published in the *International Financial Statistics* of the International Monetary Fund to determine the appropriate adjustments for inflation. In addition, the Petitioners made currency conversions, where necessary, based on the average rupee/U.S. dollar exchange rate for the POI. See *Petition* at Exhibit 11.

To value the raw materials, (lumber (*e.g.*, ash, birch, maple, oak, pine, poplar, tupelo), other wood items (*e.g.*, cherry wood veneer, fiberboard, hardboard, okoume plywood, lauan plywood, particle board, poplar veneer, oak veneer, wood pulls and okoume veneer), fasteners (*e.g.*, brad & nails, staples, dowels, screws, washers, brass hinges, nuts, brass bolts and hex key), paints and stains (non-water based stains, sealers and lacquers), other miscellaneous items (*e.g.*, printed labels, printed tags, printed paper, glues, plastic furniture fittings, metal drawer pulls & parts, drawer guide brackets, felt and mirrors), packing materials (*e.g.*, polyethylene foam, styrofoam, corrugated cardboard, tape, poly bags, poly straps, plywood, and shrink wrap)), the Petitioners calculated surrogate values from the Indian import

statistics. See *Petition* at Exhibits 12 & 13.

To value electricity, the Petitioners calculated surrogate values using prices paid by industrial electrical users in India from *Key World Energy Statistics* published by the International Energy Agency in 2003. However, the price listed in *Key World Energy Statistics* is for electricity prices from 2000. Therefore, this price was adjusted for inflation using the WPI from the *International Financial Statistics*. See *Petition* at Exhibits 12 and 15.

Pursuant to 19 C.F.R. §351.408(c)(3) of the Department's regulations, the Department calculates and publishes the surrogate values for labor to be used in non-market economy cases. Therefore, the Petitioners used the labor rate of \$0.83 per hour listed on the Department's website. See *Petition* at Exhibit 14.

The Petitioners calculated surrogate financial ratios (factory overhead, selling, general and administrative expenses (SG&A) and profit) using the publicly available financial statements from India Furniture Products, Ltd., an Indian producer of wooden bedroom furniture for the period (March 1, 2002-March 31, 2003), the most recently available financial period.

Based on comparisons of EP to NV, calculated in accordance with section 773(c) of the Act, the estimated recalculated dumping margin for wooden bedroom furniture ranges from 158.74 percent to 440.96 percent.

#### Fair Value Comparisons

Based on the data provided by the Petitioners, there is reason to believe that imports of wooden bedroom furniture from China are being, or are likely to be, sold in the United States at less than fair value.

#### Allegations and Evidence of Material Injury and Causation

The Petition alleges that the U.S. industry producing the domestic like product is being materially injured and is threatened with material injury, by reason of the imports of the subject merchandise sold at less than NV. The Petitioners contend that the industry's injured condition is evident in: (1) increasing imports' market share and apparent domestic consumption; (2) declining employment; (3) declining production and capacity utilization; (4) plant closures; and (5) lost sales and revenues. See *Initiation Checklist* at Attachment V (Injury).

The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations

are supported by accurate and adequate evidence and meet the statutory requirements for initiation.

#### Initiation of Antidumping Investigation

Based upon our examination of the Petition on wooden bedroom furniture from China, we find that the Petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of wooden bedroom furniture from China are being, or are likely to be, sold in the United States at less than fair value. Unless postponed, we will make our preliminary determination no later than 140 days after the date of this initiation.

#### Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the Petition has been provided to the government representatives of China.

#### International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

#### Preliminary Determination by the ITC

The ITC will preliminarily determine, no later than mid-January, whether there is a reasonable indication that imports of wooden bedroom furniture from China are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in this investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 777(i) of the Act.

Dated: December 10, 2003.

**James J. Jochum,**

*Assistant Secretary for Import Administration.*

[FR Doc. 03-31129 Filed 12-16-03; 8:45 am]

BILLING CODE 3510-DS-S

**APPENDIX B**

---

**CALENDAR OF PUBLIC CONFERENCE**





---

UNITED STATES INTERNATIONAL TRADE COMMISSION

---

WASHINGTON, DC

**CALENDAR OF PUBLIC CONFERENCE**

Those listed below appeared as witnesses at the United States International Trade Commission’s conference held in connection with the following investigation:

**WOODEN BEDROOM FURNITURE FROM CHINA**  
Investigation No. 731-TA-1058 (Preliminary)

November 21, 2003 - 9:30 a.m.

The conference was held in the Main Hearing Room of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

**In Support of the Imposition of Antidumping Duties—**

King & Spalding LLP / Washington, DC  
*on behalf of*

- American Furniture Manufacturers Committee for Legal Trade and its individual members
- Cabinet Makers, Millmen, and Industrial Carpenters Local 721
- John Bassett, Chairman, Steering Committee of the American Furniture Manufacturers Committee for Legal Trade and President & CEO of Vaughan-Bassett Furniture Company
- Steven Kincaid, President of the La-Z-Boy Casegoods Group and President of Kincaid Furniture Company
- Robert Spilman, Jr., President & CEO of Bassett Furniture Industries
- Wyatt Bassett, Executive Vice President of Vaughan-Bassett Furniture Company
- William Vaughan, President & CEO of Vaughan Furniture Company
- Irwin Allen, President & CEO of Michels-Pilliod Company
- Ken Loring, President and CEO, Boston Interiors
- Harold Brown, General Manager, Bassett Furniture Direct
- Harold Hewitt, President, Superior Furniture
- David Sowinski, Chief Strategy Implementation Officer, La-Z-Boy Inc.

Joseph W. Dorn            )  
Stephen A. Jones        )–OF COUNSEL  
Stephen J. Narkin        )

**CALENDAR OF PUBLIC CONFERENCE—Continued**

**In Opposition to the Imposition of Antidumping Duties—**

Wilmer, Cutler & Pickering / Washington, DC  
*on behalf of*

- Lacquer Craft Manufacturing Company, Ltd.
- Markor International Furniture (Tianjin) Manufacturing Co., Ltd.
- AICO Furniture
- Fine Furniture Design & Marketing
- Kemp Furniture
- Legacy Classic Furniture
- Magnussen Home
- Samuel Lawrence Furniture
- Schnadig Furniture
- Universal Furniture International
  
- William P. Kemp III, President, Kemp Enterprises, Inc.

John D. Greenwald     )  
 Kristin Mowry         )–OF COUNSEL  
 Charles Levy           )

Hunton & Williams LLP / Washington, DC  
*on behalf of*

- The Bombay Company
- City Furniture
- Crate and Barrel
- J.C. Penney Purchasing Corp. (a wholly-owned subsidiary of J.C. Penney Company, Inc.)
- Rhodes Furniture
- Rooms To Go Furniture Corp.
- Wickes Furniture
  
- Jeffrey Seaman, President & CEO, Rooms To Go Inc.
- James McAlister, Operations Manager, Quality and Sourcing, J.C. Penney Purchasing Corp.
- John G. Reilly, Consultant, Nathan Associates Inc.

William Silverman     )  
 James R. Simoes       )–OF COUNSEL

Bryan Cave LLP / Washington, DC  
*on behalf of*

- Furniture Brands International, Inc.
  
- Lynn Chipperfield, Senior Vice President and Chief Administrative Officer, Furniture Brands International, Inc.

Jill A. Cramer         )–OF COUNSEL

## **APPENDIX C**

---

### **SUMMARY DATA**



**Table C-1**  
**Wooden bedroom furniture: Summary data concerning the U.S. market, 2000-02, January-June 2002, and January-June 2003**

Quantity= <i>pieces</i> ; value= <i>\$1,000</i> ; unit labor costs are <i>per piece</i> ; period changes= <i>percent</i> , except where noted									
Item	Reported data					Period changes			
	Calendar year			January-June		Calendar year			Jan- June
	2000	2001	2002	2002	2003	2000-02	2000-01	2001-02	2002-03
U.S. consumption value:									
Amount	4,181,776	4,053,123	4,388,654	2,172,583	2,246,442	4.9	-3.1	8.3	3.4
Producers' share <sup>1</sup>	59.8	54.9	47.3	51.5	42.7	-12.5	-4.9	-7.5	-8.9
Importers' share: <sup>1</sup>									
China	10.3	14.0	21.8	18.6	27.8	11.5	3.6	7.9	9.2
All other sources	29.9	31.2	30.8	29.8	29.5	1.0	1.3	-0.3	-0.3
Total imports	40.2	45.1	52.7	48.5	57.3	12.5	4.9	7.5	8.9
Value of U.S. imports:									
China	432,675	565,551	957,948	404,700	624,601	121.4	30.7	69.4	54.3
All other sources	1,249,004	1,263,729	1,353,509	648,197	662,928	8.4	1.2	7.1	2.3
Total, imports	1,681,679	1,829,281	2,311,456	1,052,897	1,287,529	37.4	8.8	26.4	22.3
U.S. producers':									
Average capacity quantity	14,815,964	14,547,521	14,258,472	7,396,217	6,889,240	-3.8	-1.8	-2.0	-6.9
Production quantity	13,720,679	12,375,325	12,307,669	6,606,824	6,066,888	-10.3	-9.8	-0.5	-8.2
Capacity utilization <sup>1</sup> ( <i>percent</i> )	82.7	75.8	75.4	79.1	75.4	-7.4	-6.9	-0.5	-3.7
U.S. shipments value	2,500,097	2,223,842	2,077,198	1,119,686	958,913	-16.9	-11.1	-6.6	-14.4
Export shipments value	40,896	33,649	33,163	16,290	14,626	-18.9	-17.7	-1.4	-10.2
Ending inventory quantity	1,783,934	1,606,587	1,657,847	1,697,310	1,736,813	-7.1	-9.9	3.2	2.3
Inventories/production <sup>1</sup>	13.0	13.0	13.5	12.8	14.3	0.5	0.0	0.5	1.5
Production workers	38,687	34,859	31,990	33,069	29,555	-17.3	-9.9	-8.2	-10.6
Hours worked ( <i>1,000</i> )	67,425	57,970	55,311	30,728	26,860	-18.0	-14.0	-4.6	-12.6
Wages paid ( <i>\$1,000</i> )	856,562	766,185	736,570	424,011	368,489	-14.0	-10.6	-3.9	-13.1
Hourly wages	\$11.19	\$11.67	\$12.08	\$12.29	\$12.40	7.9	4.3	3.5	0.9
Productivity ( <i>pieces/1,000 hours</i> )	203	214	223	215	227	9.5	5.1	4.2	5.5
Unit labor costs per piece	\$55.09	\$54.67	\$54.25	\$57.12	\$54.69	-1.5	-0.8	-0.8	-4.3
Net sales:									
Quantity	14,285,111	13,469,375	12,800,568	6,969,138	6,313,737	-10.4	-5.7	-5.0	-9.4
Value	2,629,870	2,354,403	2,163,578	1,182,222	1,003,183	-17.7	-10.5	-8.1	-15.1
Cost of goods sold (COGS)	2,026,587	1,832,289	1,698,451	909,371	799,406	-16.2	-9.6	-7.3	-12.1
Gross profit or (loss)	603,283	522,114	465,127	272,851	203,777	-22.9	-13.5	-10.9	-25.3
SG&A expenses	331,982	324,653	297,027	154,397	139,041	-10.5	-2.2	-8.5	-9.9
Operating income or (loss)	271,301	197,461	168,100	118,454	64,736	-38.0	-27.2	-14.9	-45.3
Capital expenditures	72,374	55,872	35,909	16,875	13,955	-50.4	-22.8	-35.7	-17.3
COGS/sales <sup>1</sup>	77.1	77.8	78.5	76.9	79.7	1.4	0.8	0.7	2.8
Operating income or (loss)/sales <sup>1</sup>	10.3	8.4	7.8	10.0	6.5	-2.5	-1.9	-0.6	-3.6

<sup>1</sup> Reported data are in percent and period changes are in percentage points.

Note.—Financial data are reported on a fiscal-year basis and may not necessarily be comparable to data reported on a calendar-year basis. Because of rounding, figures may not add to the totals shown. Shares are calculated from the unrounded figures. Quantity of imports is not available in official trade statistics for all HTS numbers, so only value is reported here for imports.

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



**APPENDIX D**

---

**THE RELATIONSHIPS AMONG NOMINAL EXCHANGE RATES,  
REAL EXCHANGE RATES, AND PRODUCER PRICE TRENDS, AND  
THE IMPACT OF CHANGES IN THEIR VALUES  
ON PRICES OF EXPORTS AND IMPORTS**



An exchange rate is the price of one currency in terms of another currency. Hence, an exchange-rate index is a price index. The exchange rate indices discussed in this report were based on exchange rates expressed in U.S. dollars per unit of the foreign currency (i.e., price of the foreign currency). An exchange-rate index number below 100 indicates that the foreign currency has depreciated (become cheaper) vis-a-vis the U.S. dollar; e.g., it requires fewer U.S. dollars to buy one unit of the foreign currency compared to the number of U.S. dollars required during the base period,<sup>1</sup> which has an index number of 100. On the other hand, an exchange-rate index number above 100 indicates that the foreign currency has appreciated (become more expensive) vis-a-vis the U.S. dollar; e.g., it requires more U.S. dollars to buy one unit of the foreign currency.<sup>2</sup> For instance, depreciation of the Chinese yuan tends to make *Chinese exports less expensive in U.S. dollars and Chinese imports more expensive in yuan*. On the other hand, appreciation of the Chinese yuan tends to make *Chinese exports more expensive in U.S. dollars and Chinese imports less expensive in yuan*.<sup>3</sup>

The producer or wholesale price indices measure inflation or deflation at the producer selling price level in each subject country and in the United States. Adjusting nominal exchange rates by relative inflation or deflation in the subject country vis-a-vis the United States yields a real exchange rate, which accounts for relative changes in prices in the subject country as well as changes in nominal exchange rates.<sup>4</sup> As a result, the *nominal* exchange rate in each period has a counterpart *real* exchange rate for that period. Indices of the two counterpart exchange rates may actually show opposing changes in the value of the currency, with one index representing the *nominal* value of the currency and the other the *real* value of the currency. For instance, the *nominal* exchange rate index may indicate that depreciation of the currency *in nominal terms* had occurred in a particular period but, because of sometimes large differences in inflation/deflation between countries, the counterpart *real* exchange rate index may actually indicate that appreciation of the currency *in real terms* had occurred in that period. In such an instance, changes in the nominal exchange rate would show an opposite (and incorrect) impact on export and import prices than that indicated by changes in the real exchange rate.

In considering real exchange rates it is important to understand the relationship between relative price changes and nominal exchange rates *at a given point in time*. Relatively *more inflation* in the subject country vis-a-vis the United States will *undercut nominal depreciation* of the subject country's currency vis-a-vis the United States, but will *reinforce nominal appreciation* of the subject country's currency.<sup>5</sup> Relatively *less inflation*, on the other hand, will *reinforce nominal depreciation* of the subject

---

<sup>1</sup> Depreciation of a currency also indicates that more of that currency is required to buy one U.S. dollar.

<sup>2</sup> Appreciation of a currency also indicates that less of that currency is required to buy one U.S. dollar.

<sup>3</sup> Currency depreciation/appreciation can affect prices of exports and imports, or allow/force the importer or exporter to earn a higher/lower profit with the price level unchanged. Alternatively, some combination of changes in both prices and profits can occur.

<sup>4</sup> The real exchange rate is a better indicator (than the nominal exchange rate) of the impact of exchange rates on export and import prices.

<sup>5</sup> When looking at the impact of relative inflation rates on the nominal exchange rate *over time*, however, relatively more inflation in the subject country will tend *over time* to depreciate its nominal currency value as foreign demand shifts away from its products toward lower-priced products from other countries. The shift in demand away from the subject country's products will reduce demand for its currency and, thereby, put downward pressure on the exchange rate (price of the currency).

country's currency and *undercut nominal appreciation* of the subject country's exchange rate.<sup>6</sup> As an example, the first of these relationships is seen with the Chinese yuan in this investigation. During January 2000-June 2003, the Chinese yuan depreciated on a quarterly basis by 27.5 percent in nominal terms against the U.S. dollar, but higher inflation in Chinese compared to that in the United States during this period (32.3 percent inflation versus 2.7 percent inflation) led the Chinese yuan to depreciate by only 16.6 percent in real terms against the U.S. dollar. (While nominal depreciation of the yuan tended to make Chinese exports less expensive in U.S. dollars, the inflation in China compared to that in the United States tended to raise the dollar-converted prices of its exports. The net effect, as indicated by the real exchange rate, would be pressure to decrease the dollar prices of Chinese exports somewhat less than the decrease suggested by the nominal depreciation of the yuan.)

---

<sup>6</sup> When looking at the impact of relative inflation rates on the nominal exchange rate *over time*, however, relatively less inflation in the subject country will tend *over time* to appreciate its nominal currency value as foreign demand increases for its products and away from higher-priced products from other countries. The shift in demand toward the subject country's products will increase demand for its currency and, thereby, put upward pressure on the exchange rate (price of the currency).

**APPENDIX E**

---

**U.S. RETAILERS' IMPORT PRICE DATA FOR THEIR  
IMPORTED WOODEN BEDROOM FURNITURE FROM CHINA**



Tables E-1 and E-2 show quarterly import price data of U.S. furniture retailers for the Chinese wooden bedroom furniture imported by these retailers for sale in their retail stores. The prices are based on their reported c.i.f., duty-paid, landed (U.S. ports of entry) values. These quarterly import price data are also shown in figures E-1 and E-2 along with quarterly selling price data of the imported Chinese wooden bedroom furniture reported by importers selling at the wholesale level of the market to U.S. furniture retailers; the import price data and the selling price data were reported by two different groups of firms. The import price data reportedly do not represent retailers' full costs of purchasing the Chinese wooden bedroom furniture, whereas the selling price data, which were shown and discussed in Part V (tables V-4 and V-5), represent the importers' full cost plus their markup at the wholesale level of the market. The c.i.f., duty-paid import price data and the import wholesale selling price data are presented in appendix E for comparison purposes. The reported c.i.f., duty-paid import prices are not always less than the reported import wholesale selling prices, which is likely due to differences in the physical products and volumes reported; total quarterly volumes reported by the importing retailers are typically less than those of importers reporting selling price data.

Table E-1

Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities of Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) and constructed 4-piece suite prices, imported by retailers, by quarters, January 2000-June 2003

Period	Product 1A--Bed			Product 1B-Dresser			Product 1C-Mirror			Product 1D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr.-June	-	-	-	-	-	-	-	-	-	-	-	-	-
July-Sept.	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct.-Dec.	***	***	1	-	-	-	-	-	-	-	-	-	-
2001:													
Jan.-Mar.	***	***	2	***	***	1	***	***	1	***	***	1	\$773.61
Apr.-June	***	***	2	***	***	2	***	***	2	***	***	2	668.75
July-Sept.	***	***	2	***	***	2	***	***	2	***	***	2	614.10
Oct.-Dec.	\$203.67	1,094	4	\$221.31	1,099	4	\$45.48	1,044	4	\$101.41	1,966	4	571.87
2002:													
Jan.-Mar.	196.08	1,783	4	213.19	1,716	4	44.33	1,584	4	99.43	2,675	4	553.03
Apr.-June	202.27	2,170	5	204.41	2,268	5	43.10	2,138	5	100.78	2,746	5	550.56
July-Sept.	195.96	3,078	7	208.15	3,152	7	43.55	2,956	7	96.97	4,696	7	544.63
Oct.-Dec.	223.20	3,306	9	189.14	4,974	9	73.45	6,199	9	93.53	4,587	8	579.32
2003:													
Jan.-Mar.	206.82	5,299	10	200.24	6,651	9	68.66	6,199	9	94.28	8,758	8	570.00
Apr.-June	215.83	6,248	8	197.98	6,453	9	81.18	7,208	9	95.55	7,697	8	590.54
TOTALS		22,978	11		26,313	9		27,328	9		33,125	8	

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

Table E-2

Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities of Chinese products 2A-2D (Mission style wooden furniture bedroom pieces) and constructed 4-piece suite prices, imported by retailers, by quarters, January 2000-June 2003

Period	Product 2A--Bed			Product 2B-Dresser			Product 2C-Mirror			Product 2D-Nightstand			4-piece suite
	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per piece)	Quantity (no. of pieces)	No. of firms	Price (per suite)
2000:													
Jan.-Mar.	***	***	2	***	***	2	***	***	2	***	***	2	\$609.42
Apr.-June	***	***	2	***	***	2	***	***	1	***	***	2	608.56
July-Sept.	***	***	2	***	***	1	***	***	2	***	***	2	608.26
Oct.-Dec.	***	***	2	***	***	2	***	***	2	***	***	2	610.09
2001:													
Jan.-Mar.	***	***	3	***	***	3	***	***	3	***	***	3	628.45
Apr.-June	***	***	3	***	***	3	***	***	3	***	***	3	629.79
July-Sept.	***	***	3	***	***	3	***	***	3	***	***	2	626.05
Oct.-Dec.	\$212.73	774	4	***	***	3	***	***	3	***	***	3	613.98
2002:													
Jan.-Mar.	213.41	2,445	5	\$270.50	1,100	4	\$53.03	1,089	4	\$81.84	1,592	4	618.78
Apr.-June	221.06	1,513	5	267.20	1,288	4	***	***	3	82.14	1,936	4	570.40
July-Sept.	230.80	1,779	5	268.49	1,678	4	***	***	3	81.69	2,522	4	580.98
Oct.-Dec.	231.39	1,382	5	267.28	948	4	46.23	2,198	5	81.51	1,576	4	626.41
2003:													
Jan.-Mar.	243.63	2,401	5	269.34	1,793	5	49.38	2,177	6	84.21	2,652	5	646.56
Apr.-June	230.96	1,293	6	258.33	1,164	4	54.66	906	3	86.93	1,849	5	630.88
TOTALS		11,587	7		7,971	5		6,370	6		12,127	5	

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

**Figure E-1**

**Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities and wholesale selling prices and quantities of imported Chinese products 1A-1D (Louis Philippe style wooden bedroom furniture pieces) imported by U.S. retailers and by firms selling at wholesale, respectively, by quarters, January 2000-June 2003**

\* \* \* \* \*

**Figure E-2**

**Wooden bedroom furniture: U.S. weighted-average net c.i.f., duty-paid, landed (U.S. ports of entry) import prices and quantities and wholesale selling prices and quantities of imported Chinese products 2A-2D (Mission style wooden bedroom furniture pieces) imported by U.S. retailers and by firms selling at wholesale, respectively, by quarters, January 2000-June 2003**

\* \* \* \* \*

**APPENDIX F**

---

**ALLEGED EFFECTS OF IMPORTS ON U.S. PRODUCERS'  
EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,  
GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**



The number of U.S. producers answering the following question is shown in the tabulation below:

**Since January 1, 2000, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of wooden bedroom furniture from China (Question III-9)?**

Item	Number of firms
No	7
1-Cancellation, postponement, or rejection of expansion projects	17
2-Denial or rejection of investment proposal	7
3-Reduction in the size of capital investments	23
4-Rejection of bank loans	4
5-Lowering of credit rating	7
6-Problem related to the issue of stocks or bonds	2
Source: Compiled from company questionnaire responses.	

Other comments to this question are as follows:

\* \* \* \* \*

Longer comments are summarized below:

\* \* \* \* \*

The number of U.S. producers answering the following question is shown in the tabulation and their comments are also presented below:

**Does your firm anticipate any negative impact of imports of wooden bedroom furniture from China (Question III-10)?**

Item	Number of firms
No	5
Yes (see below for their comments)	33
Source: Compiled from company questionnaire responses.	

Comments to this question are as follows:

\* \* \* \* \*

Longer comments are summarized below:

\* \* \* \* \*