

# **Wooden Cabinets and Vanities from China**

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

**March 27, 2019**

*On Behalf of*

**The American Kitchen Cabinet Alliance**

**International  
Economic  
Research  
LLC**

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# Overview

Conditions of Competition

Injury

Threat

# Overview

## **Conditions of Competition**

Injury

Threat

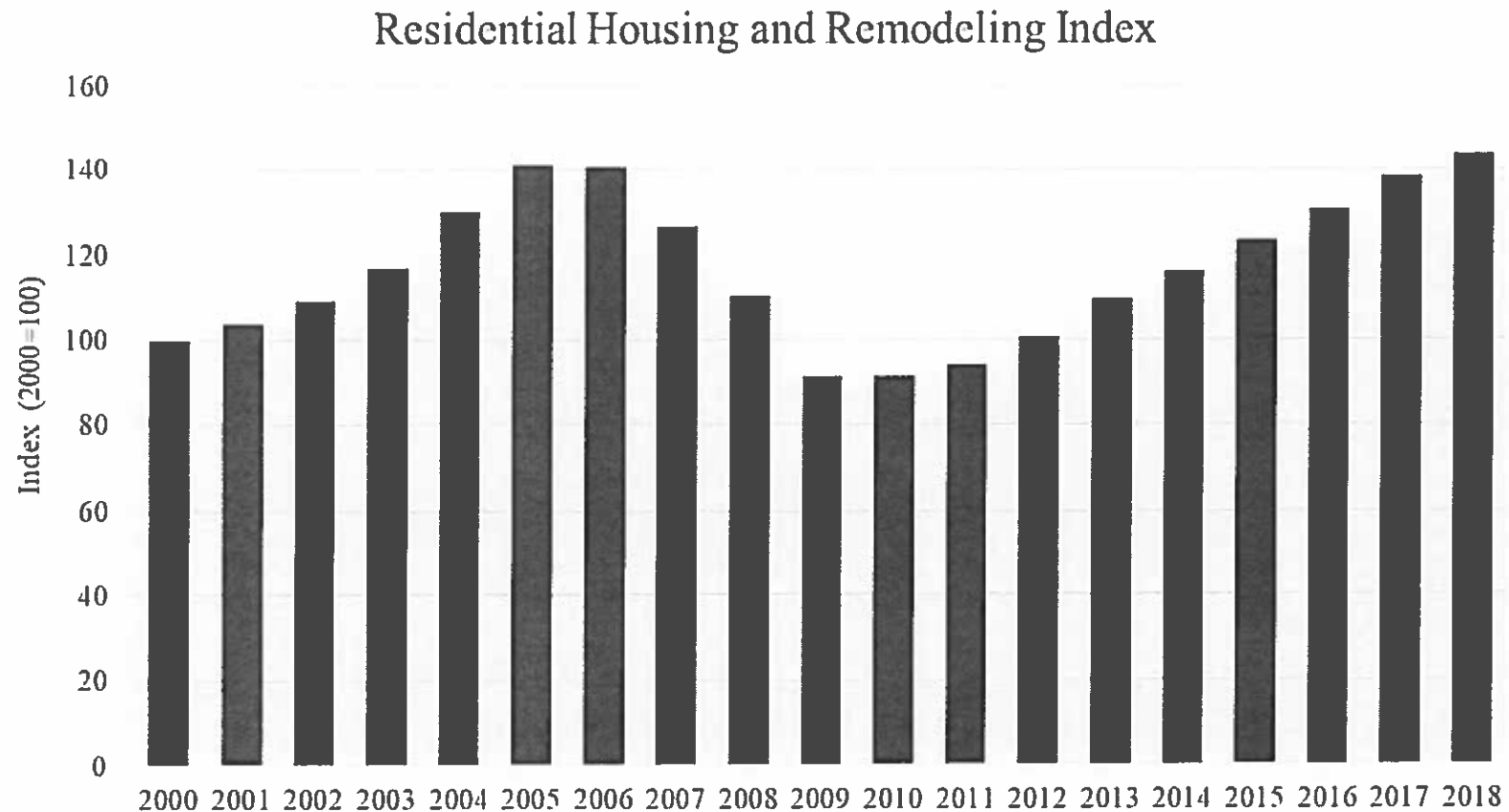
# Conditions of Competition

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

C of C

Cyclical

## Demand is Cyclical



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

C of C

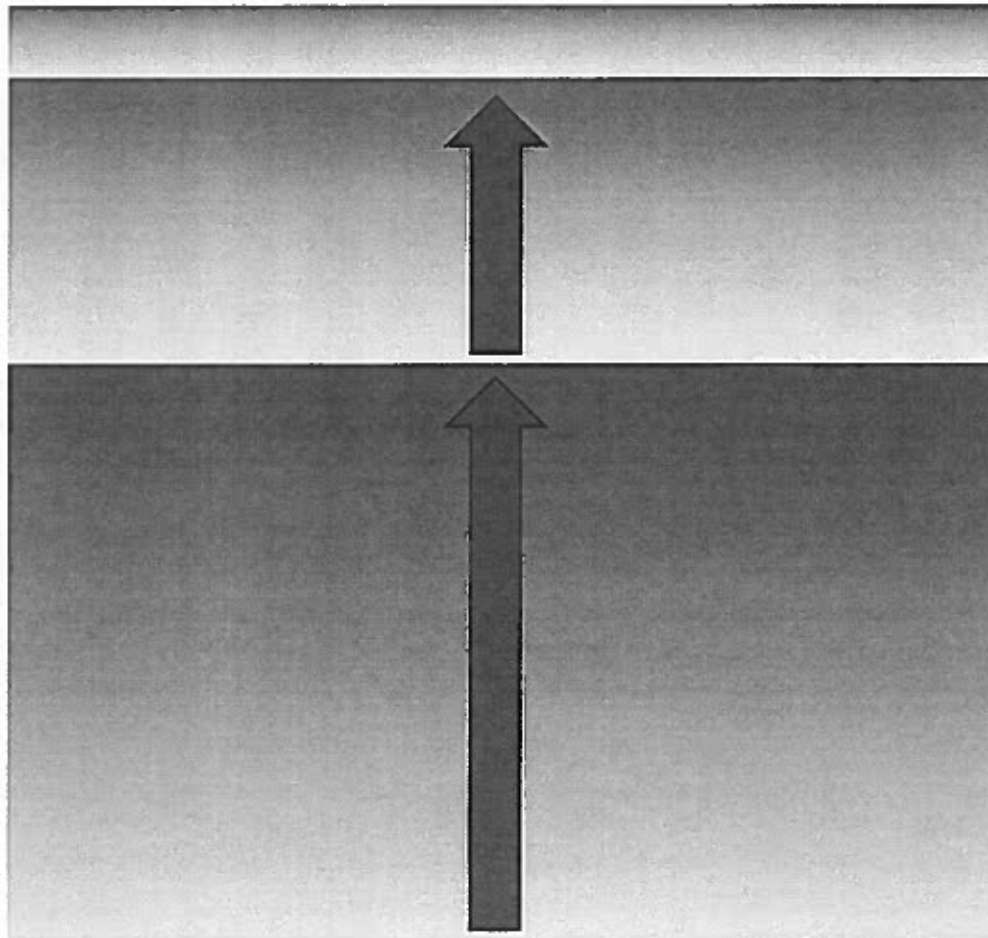
H2H Products

# Subject Imports Compete in all Grades

Custom

Semi-  
Custom

Stock



C of C

H2H Products

# Subject Imports Compete in Semi-Custom Cabinets



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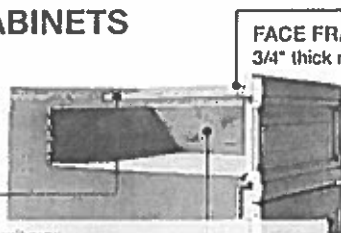


## QUALITY CABINETS

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

### BASE CABINETS

"I-BEAM"  
BRACES  
Captured  
1/2" thick  
plywood

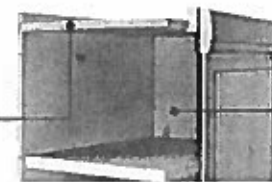


FACE FRAMES  
3/4" thick matching

SOFT  
CLOSE FULL  
EXTENSION  
DRAWER BOX  
5/8" thick solid  
wood dovetail

### WALL CABINETS

CEILING  
PANEL  
Captured 1/2"  
thick plywood



INTERIOR  
FINISH  
Light birch  
wood veneer

C of C

H2H Products

## Subject Imports Compete on Quality

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

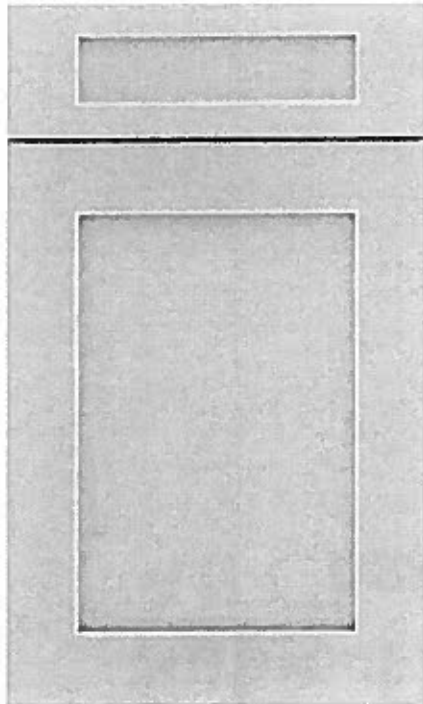
Source: Importer Websites.

C of C

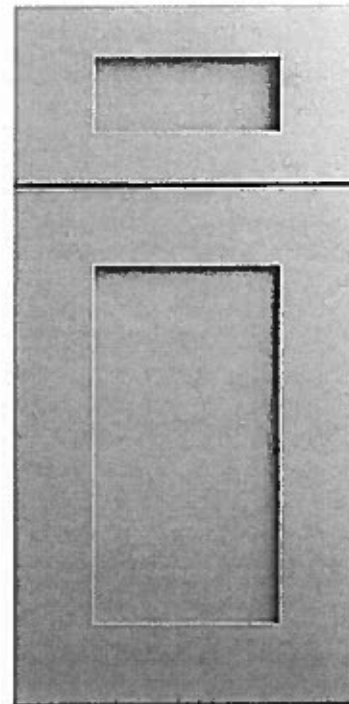
H2H Products

## Subject Imports Compete Head-to-Head on Style

**Domestic**  
American Woodmark Reading  
Collection Shaker Style Cabinet



**Subject**  
CNC Elegant Shaker  
Style Cabinet



C of C

H2H Markets

# Subject Imports Compete in All Channels of Distribution



Menu



Login

DEALER SIGN UP

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

**Homeowners:**

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

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

C of C

H2H Markets

# Subject Imports Compete in All Channels of Distribution



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CABINETS

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Do you have special pricing for contractors?

Yes. Contact our Design Studio at 888-350-1242 for more information.

You say your customers save 40% or more over prices at Big Box stores?

When customers send us quotes from national home improvement chain stores and local home improvement stores, we find our prices are competitive. In fact, our equivalent cabinets save most customers 25% to 55%, with the typical customer saving about 40%.

**“Special pricing for contractors”**

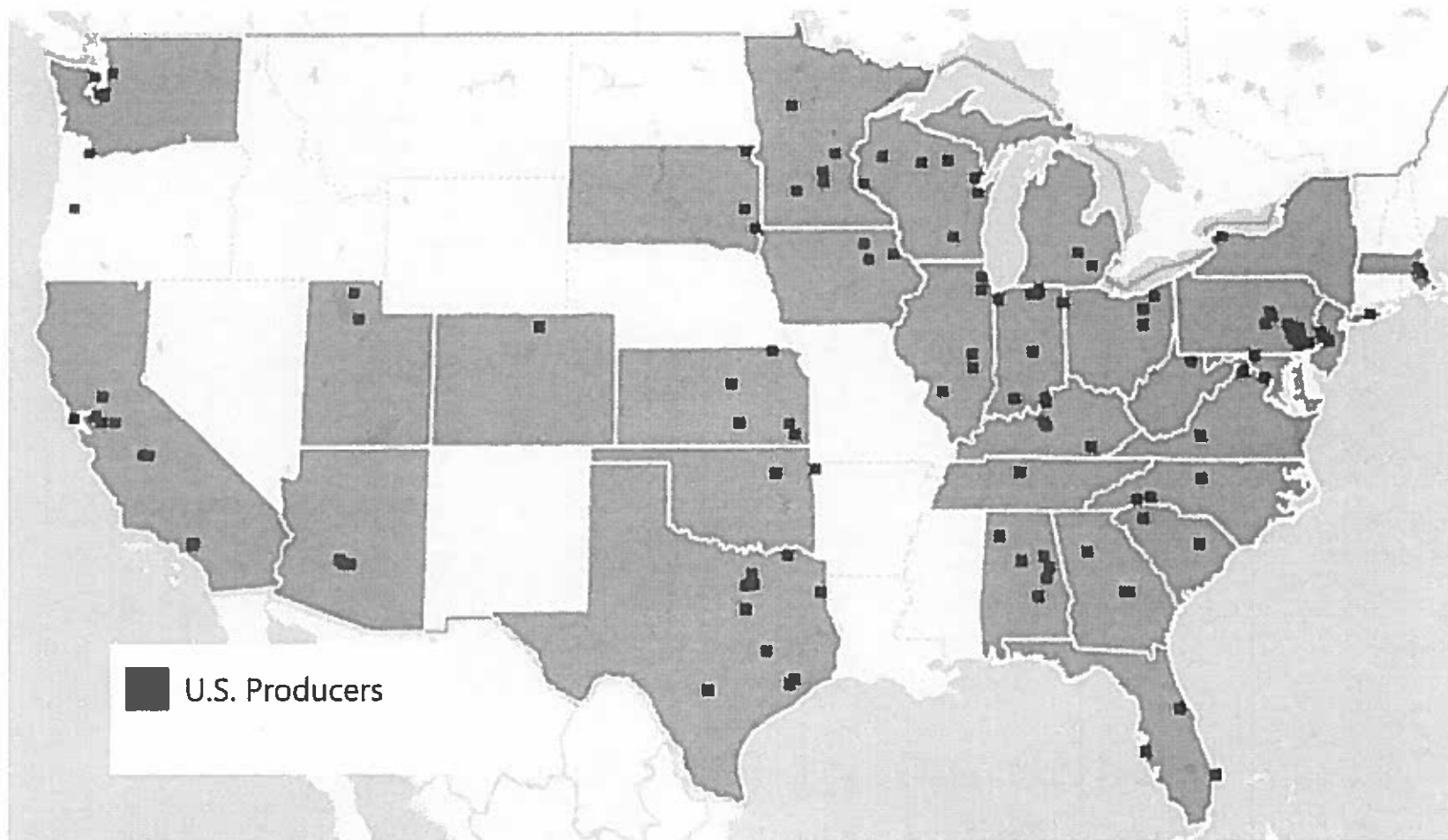
**“Customers save 40% or more over prices at Big Box stores”**

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

C of C

H2H Markets

## U.S. Producers

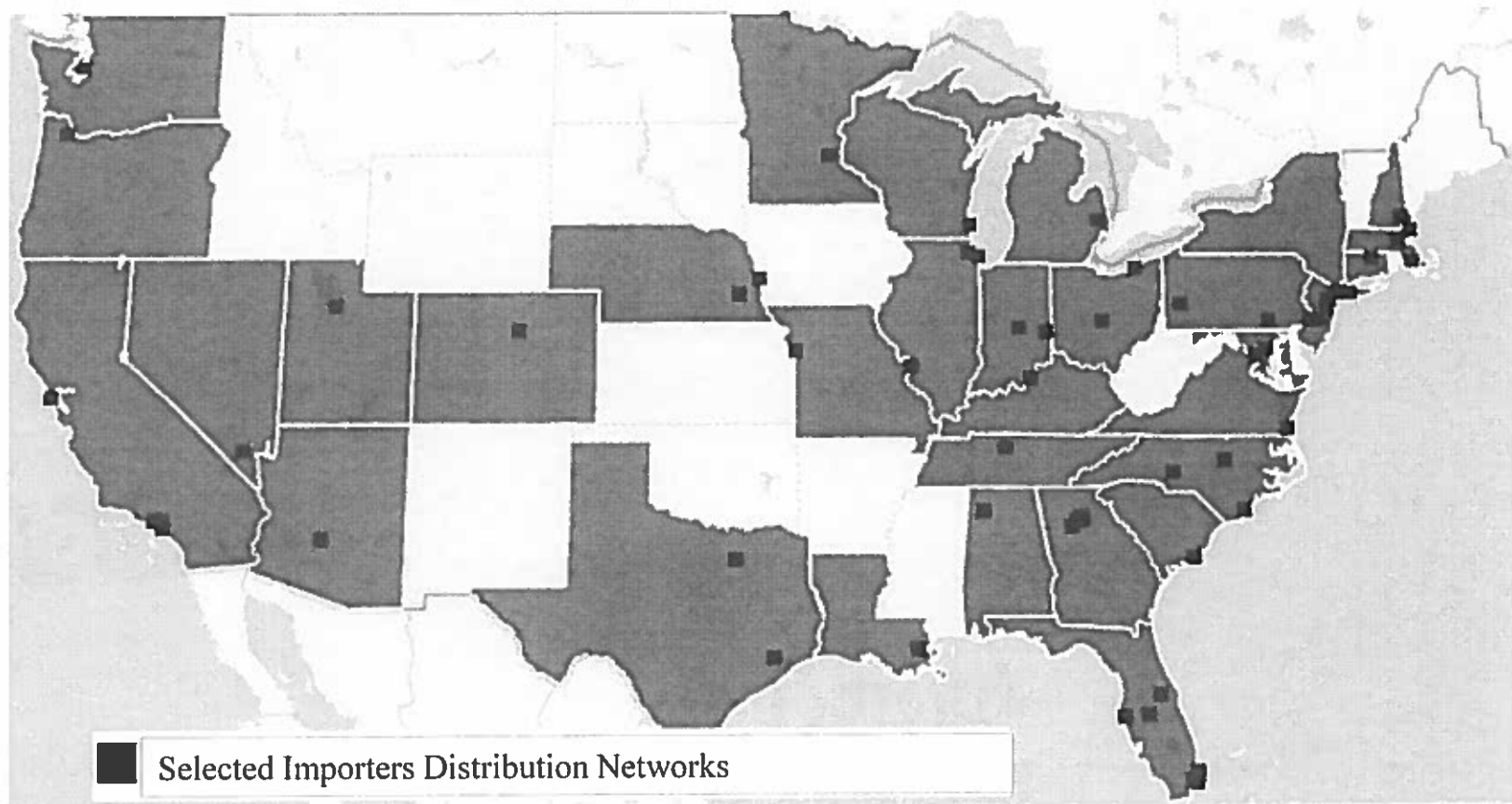


*140 of the Largest Producers*

**C of C**

**H2H Markets**

## **Subject Imports are in All Regions**



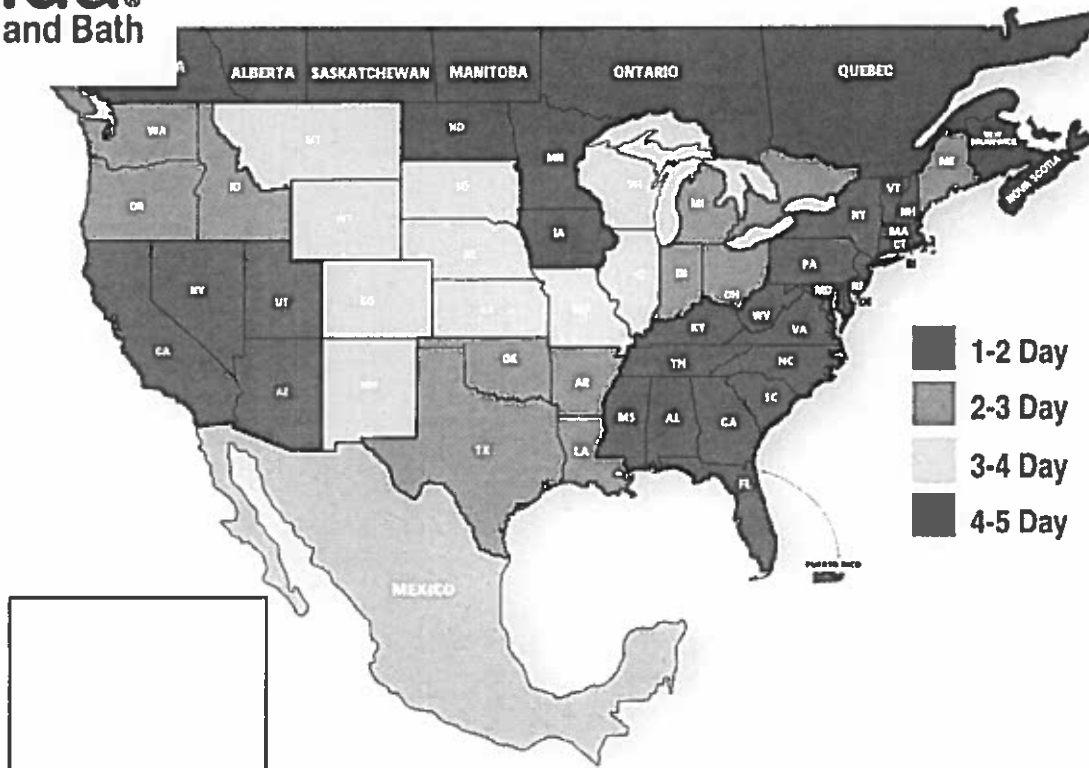
## C of C

## H2H Markets

# Subject Imports Deliver Quickly



## DELIVERY MAP OF NORTH AMERICA

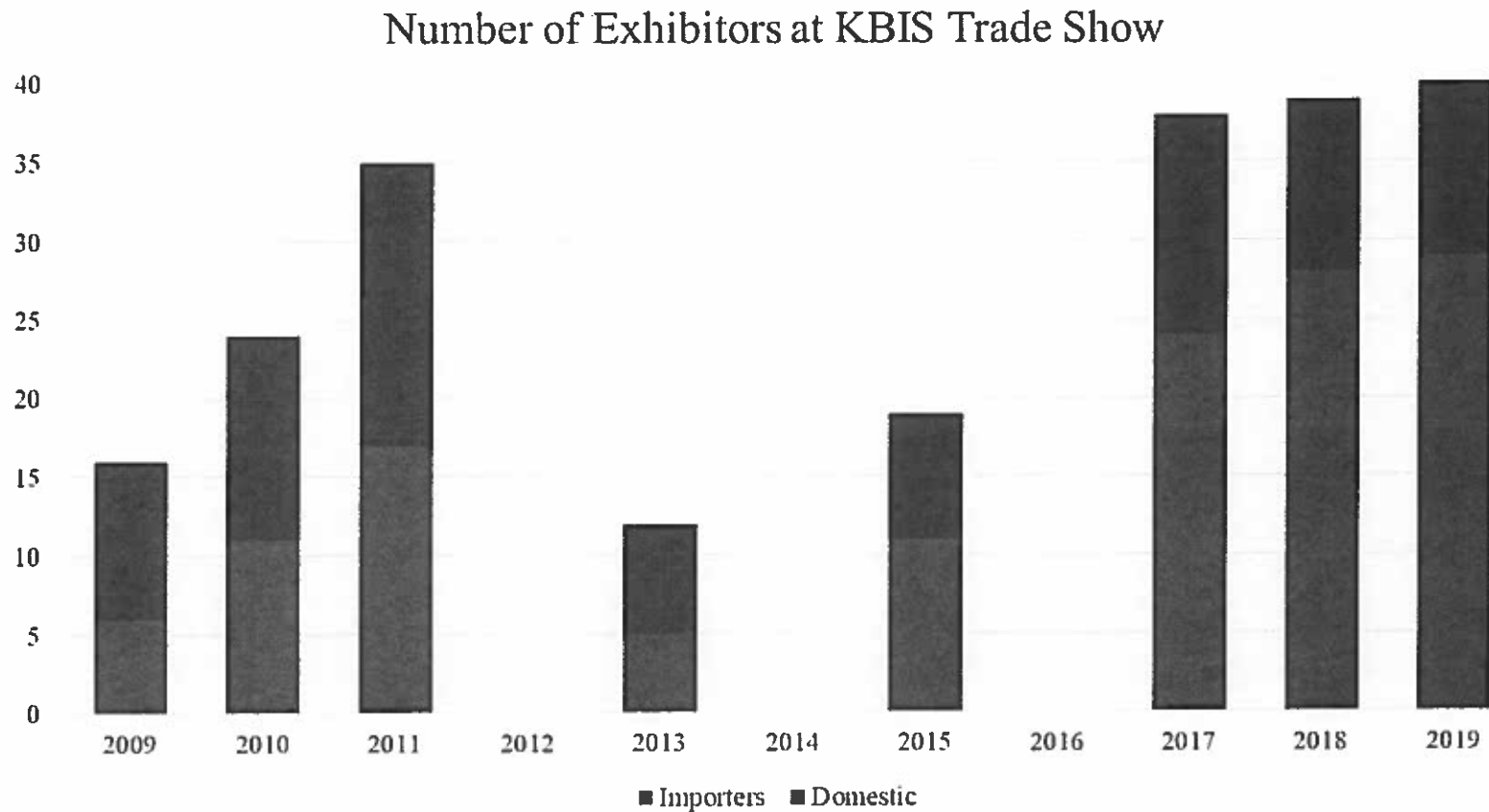


Some outlying zip codes may require additional day(s) transit.

C of C

H2H Markets

## Importers Have Increased in Presence at Industry Trade Shows



<sup>1</sup>Data Unavailable for 2012, 2014, 2016

## Subject Imports Compete Within and Across End Markets

- “We...offer customers...the highest industry grade cabinets at [1/3 of the MSRP] of the lowest grade cabinets from major home-centers.” – *Grand J and K*
- “Grand JK...offers extensive discounts to accommodate multi-unit projects, such as tract-homes, condos, apartments, etc.”

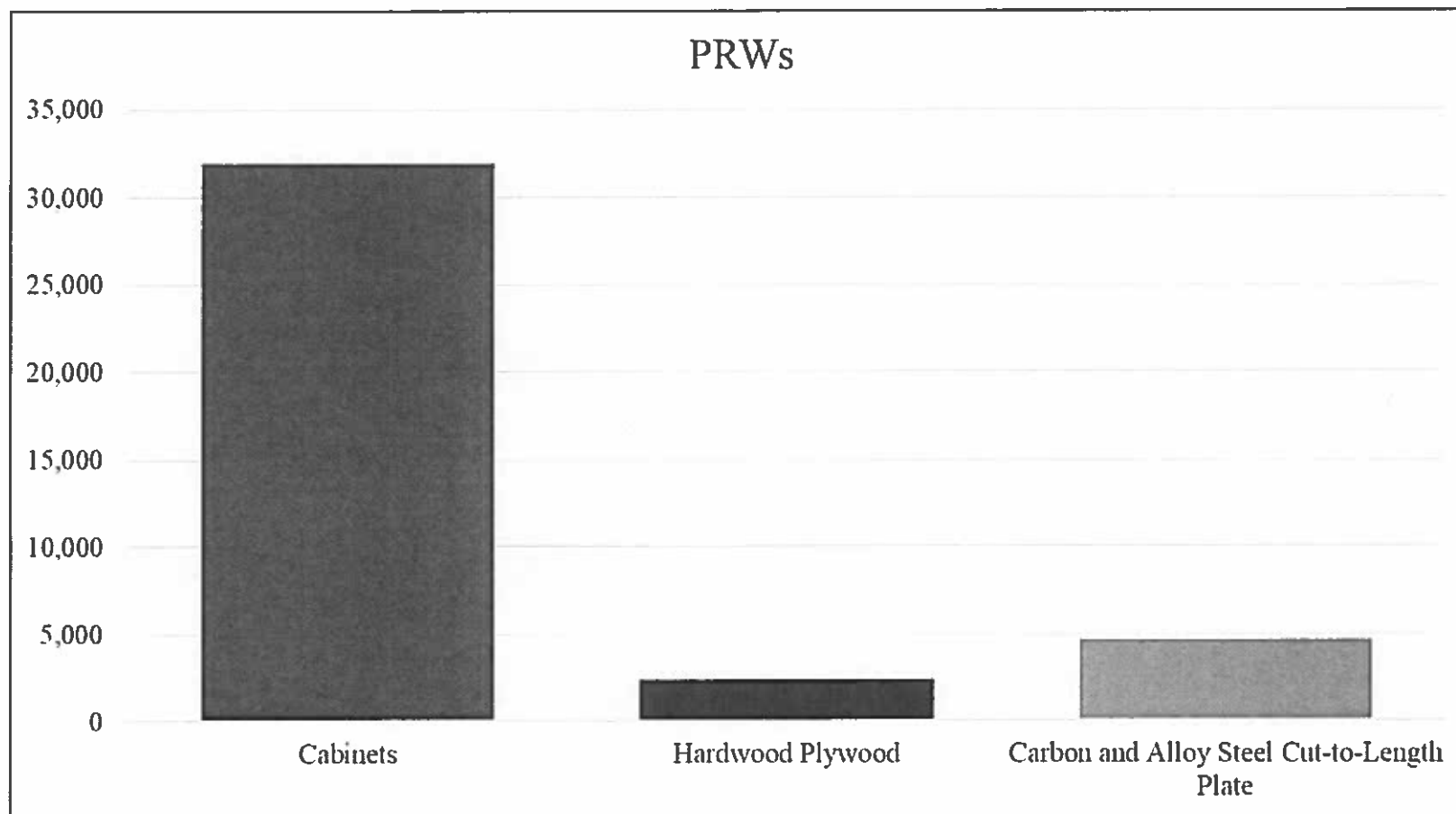
## Sales are Made Primarily on the Basis of Price

- “Price stands out as the leading factor when homeowners are considering a kitchen cabinet.” – *NKBA U.S. Residential Kitchen Cabinet Study*
- “We believe that competition in this industry is based largely on product features and selection, product quality and price.” – *Masco 2018 10-K at pp. 4.*
- “Price is a significant factor for consumers as well as our trade customers... We also face increasing pressure from imported ‘flat pack’ cabinets. – *FortuneBrands 2018 10-K at pp. 4*
- “Some of our competitors may resort to price competition to sustain or gain market share and manufacturing capacity utilization, and we may have to adjust the prices on some of our products to stay competitive.” – *American Woodmark 2018 10-K at pp. 4*

**C of C**

**Labor Intensive**

# The WCV Industry Employs Tens of Thousands of Workers



Sources: U.S. Producer Questionnaires.

USITC Prehearing Report Investigation Nos. 701-TA-565 and 731-TA-1341 (Final), p. VI-3, Table VI-1.

USITC Prehearing Report Investigation Nos. 701-TA-560-561 and 731-TA-1317-1328 (Final), p. VI-2, Table VI-1

# Overview

Conditions of Competition

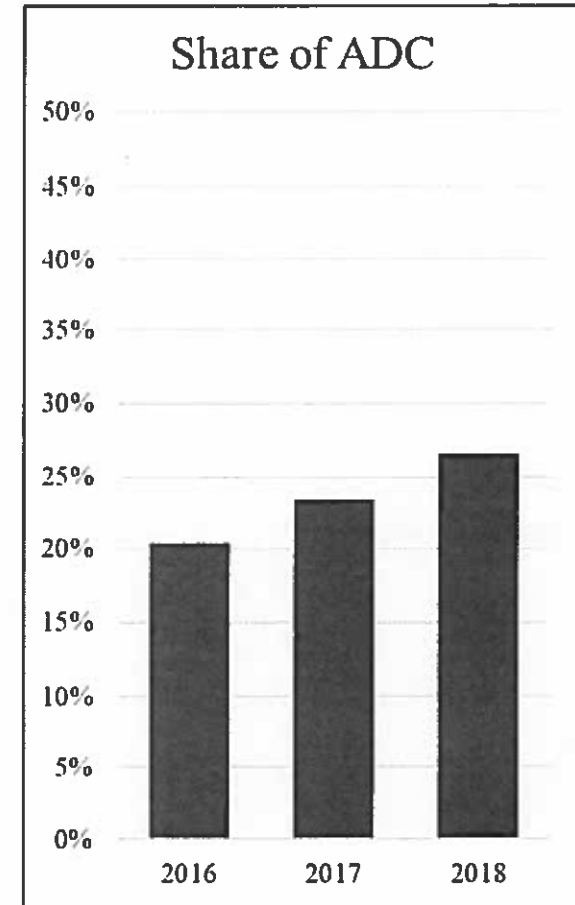
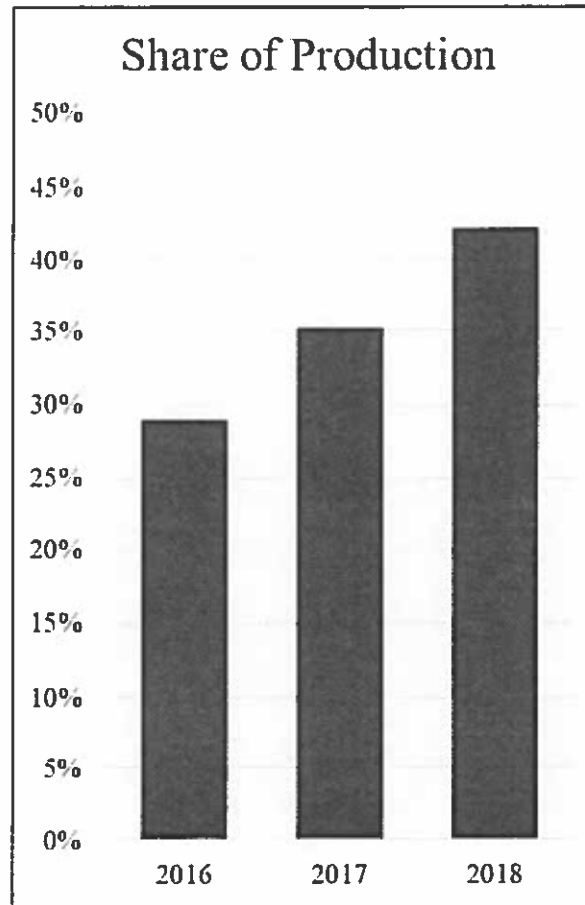
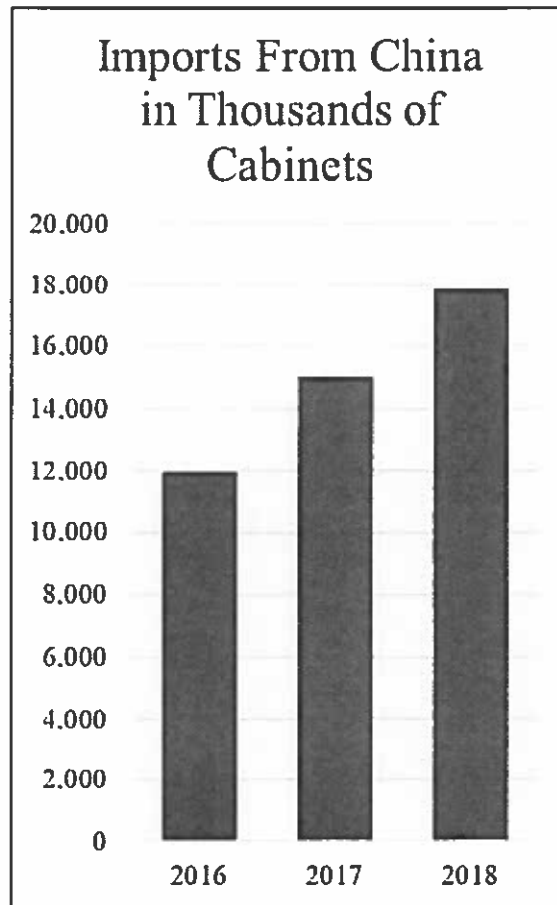
**Injury**

Threat

**Injury**

**Volume**

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

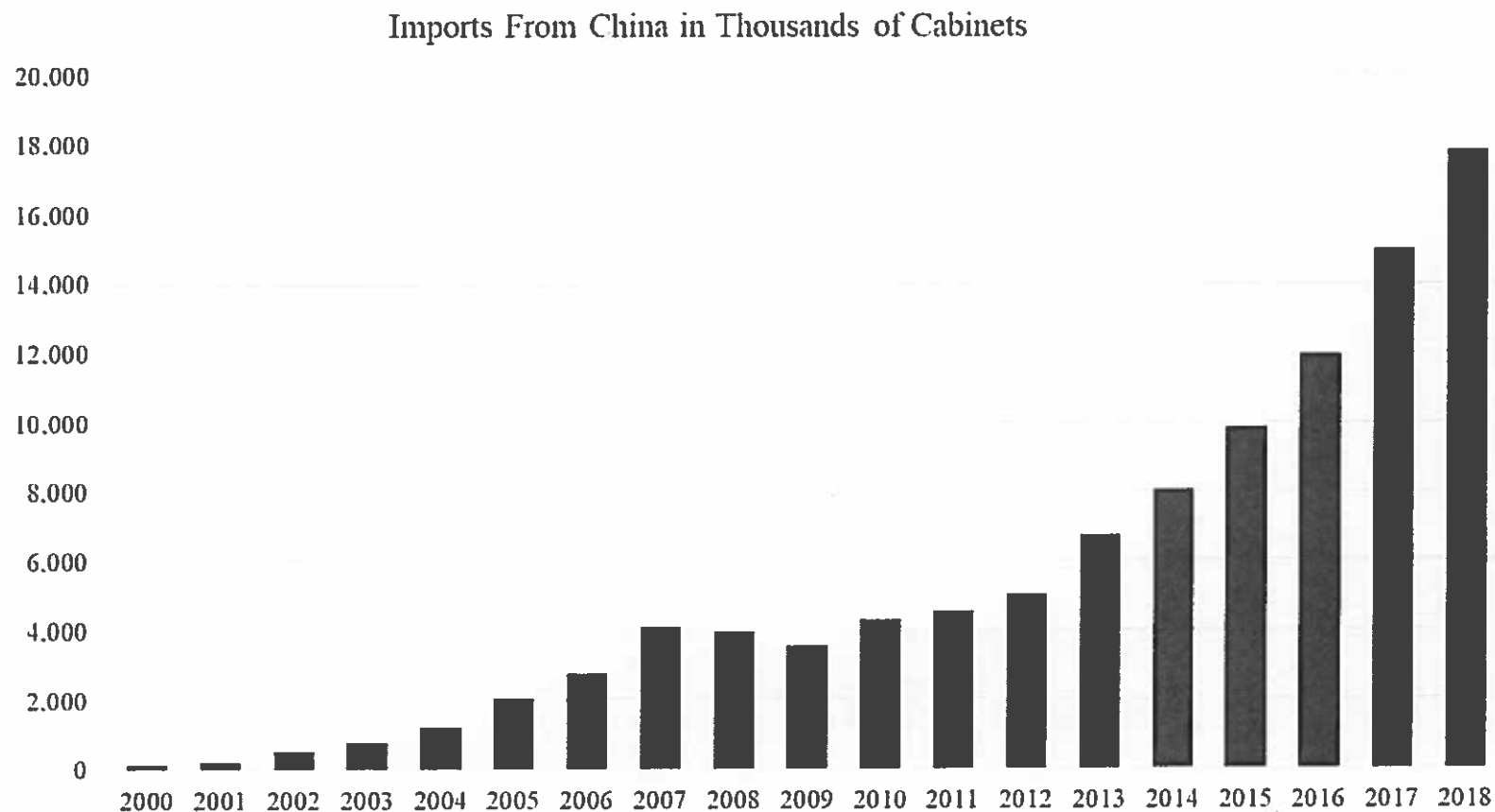


Source: US Producer Questionnaires, Importer Questionnaires, Petition Exhibit I-4., ITC Dataweb.

**Injury**

**Volume**

## Subject Imports Have Increased Exponentially since 2000



Source: USITC Dataweb, Importer Questionnaires.

**Injury**

**Price**

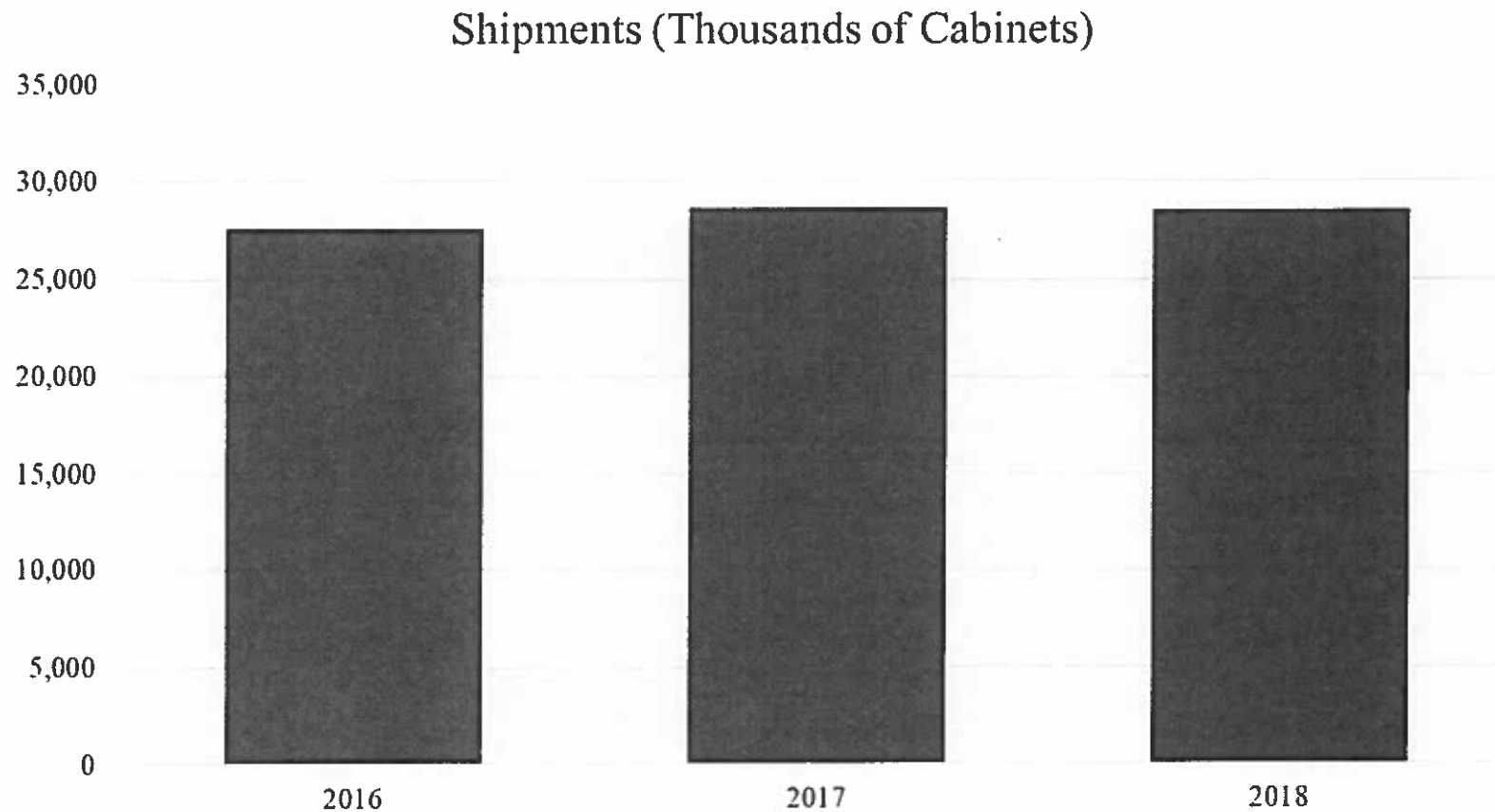
## **Underselling**

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

**Injury**

**Effects**

## **U.S. Shipments Remained Flat in a Growing Market**

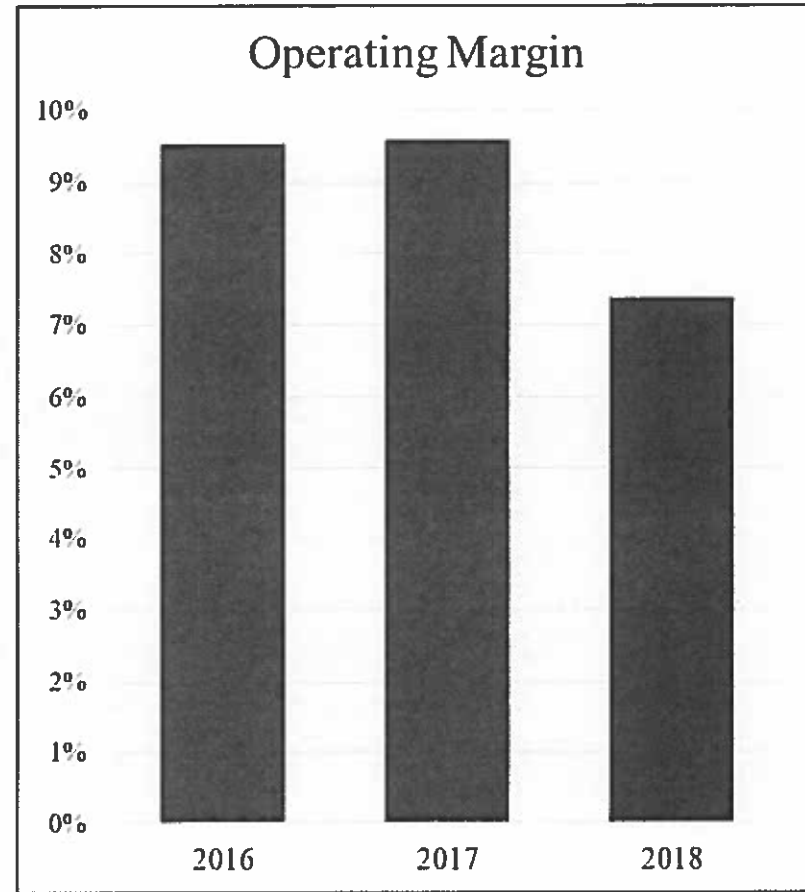
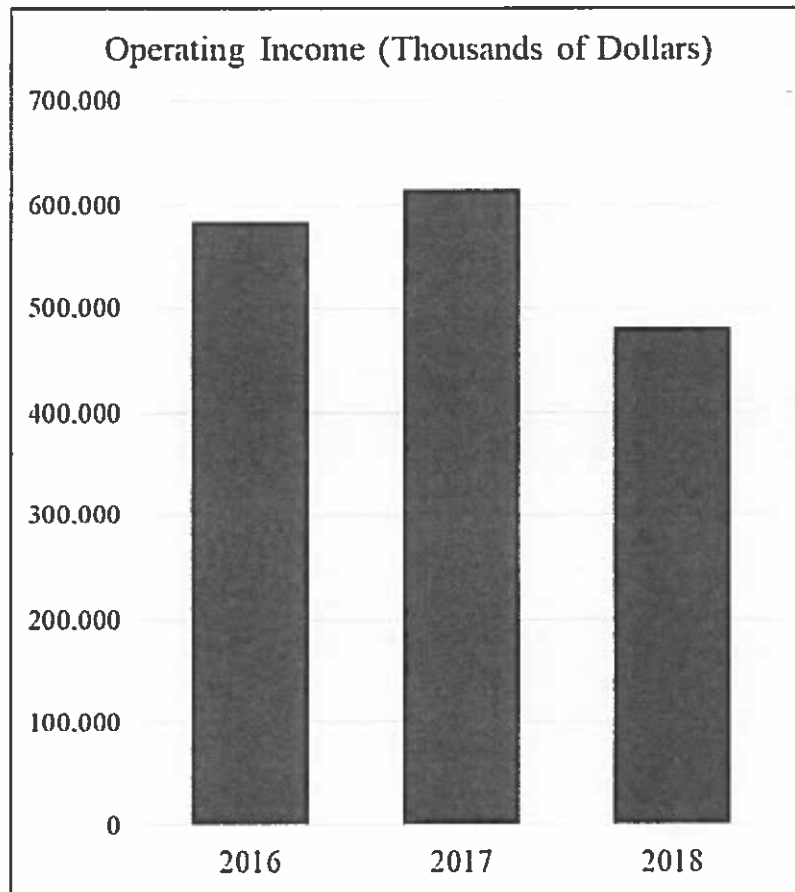


Source: *US Producer Questionnaires.*

**Injury**

**Effects**

## Operating Income and Margins are Down

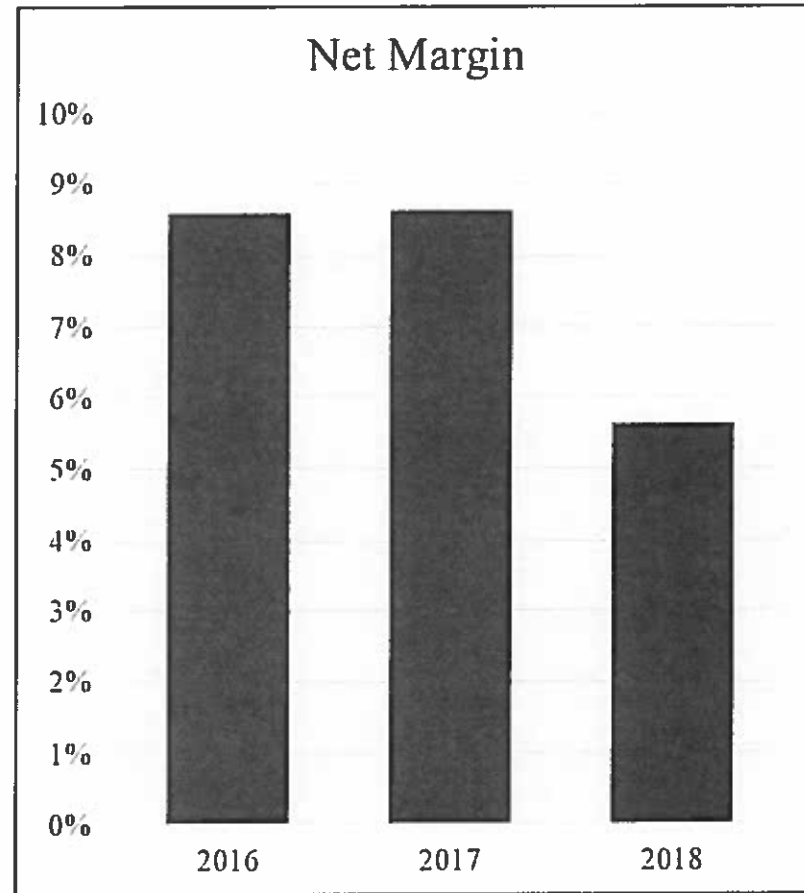
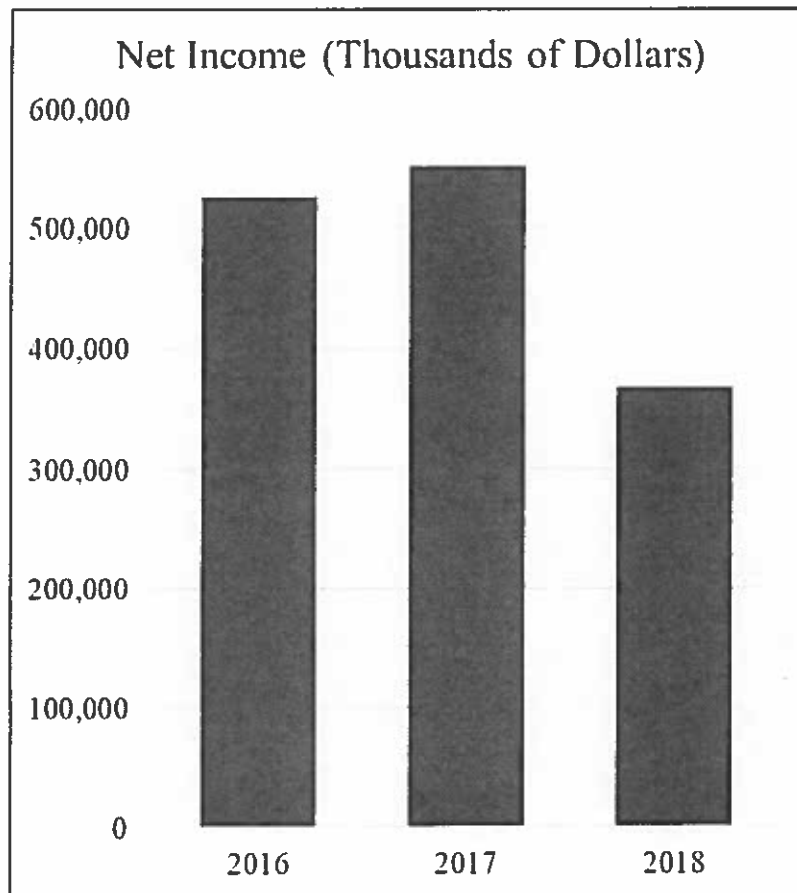


Source: *U.S. Producer Questionnaires*.

**Injury**

**Effects**

## Net Income and Margins are Down

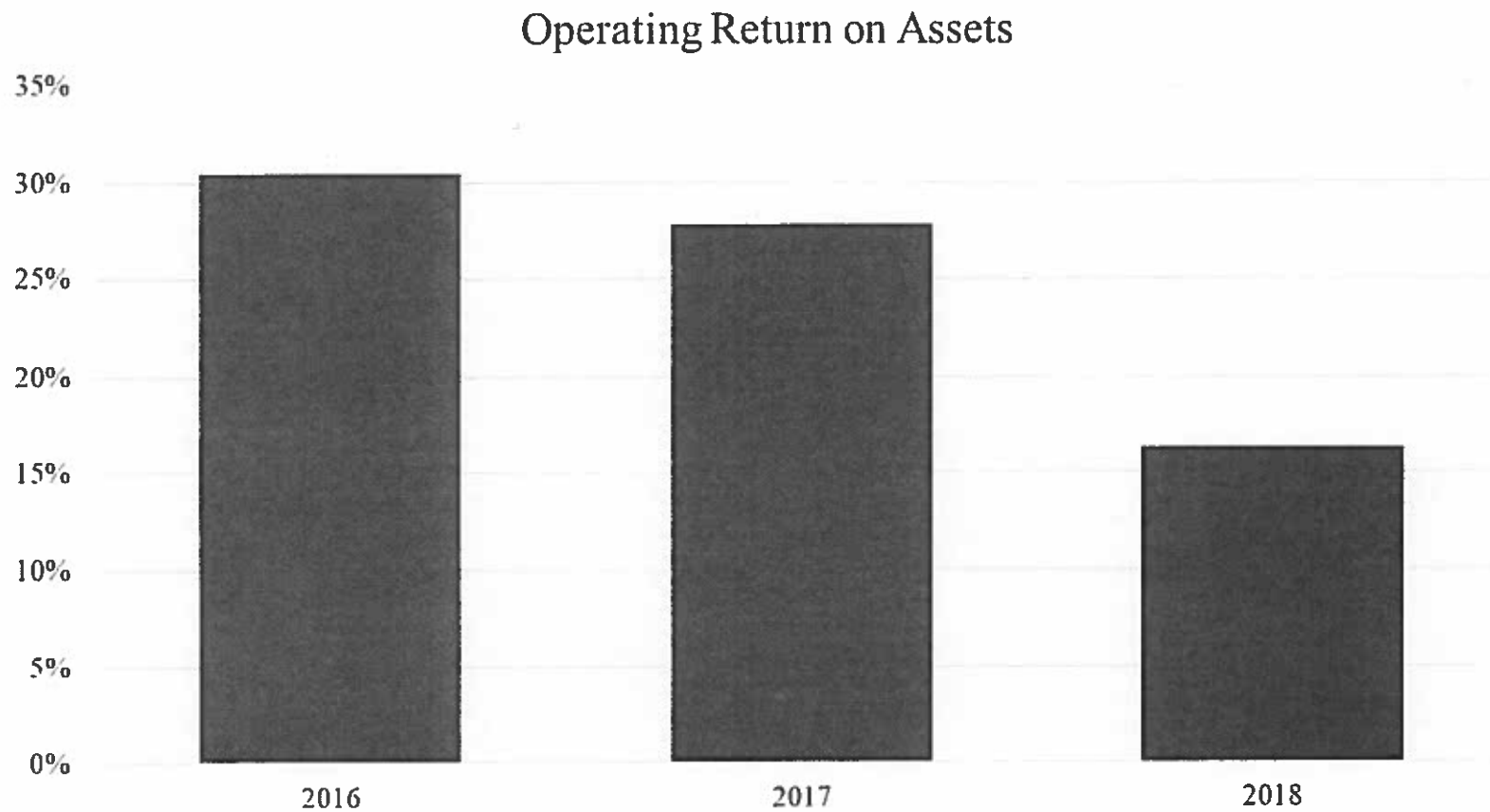


Source: U.S. Producer Questionnaires

**Injury**

**Effects**

## Return on Assets is Down



Source: *U.S. Producer Questionnaires*

**Injury**

**Effects**

## **Changes in Operation**

### **Negative Effects of Imports on the Industry**

Plant Closings	✓
Consolidations	✓
Prolonged Shutdowns or Curtailments	✓
Revised Labor Agreements	✓

## Injury

### Effects

# Changes in Investment

## Negative Effects of Imports on the Industry

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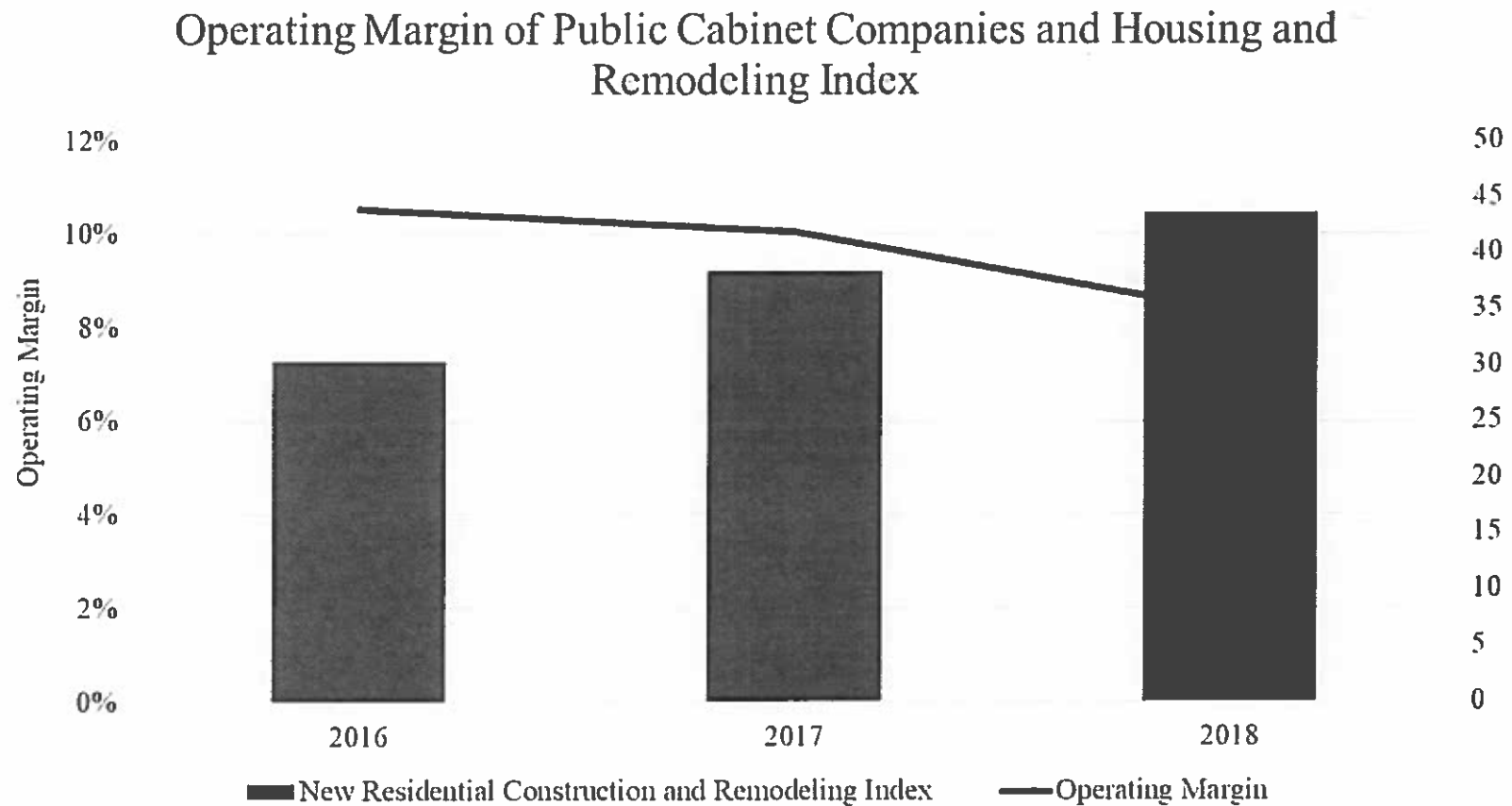
Reduction in the size of capital investments	✓
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Return on specific investments negatively impacted	✓
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Injury

Cycle

# The Industry is Injured in the Context of the Business Cycle

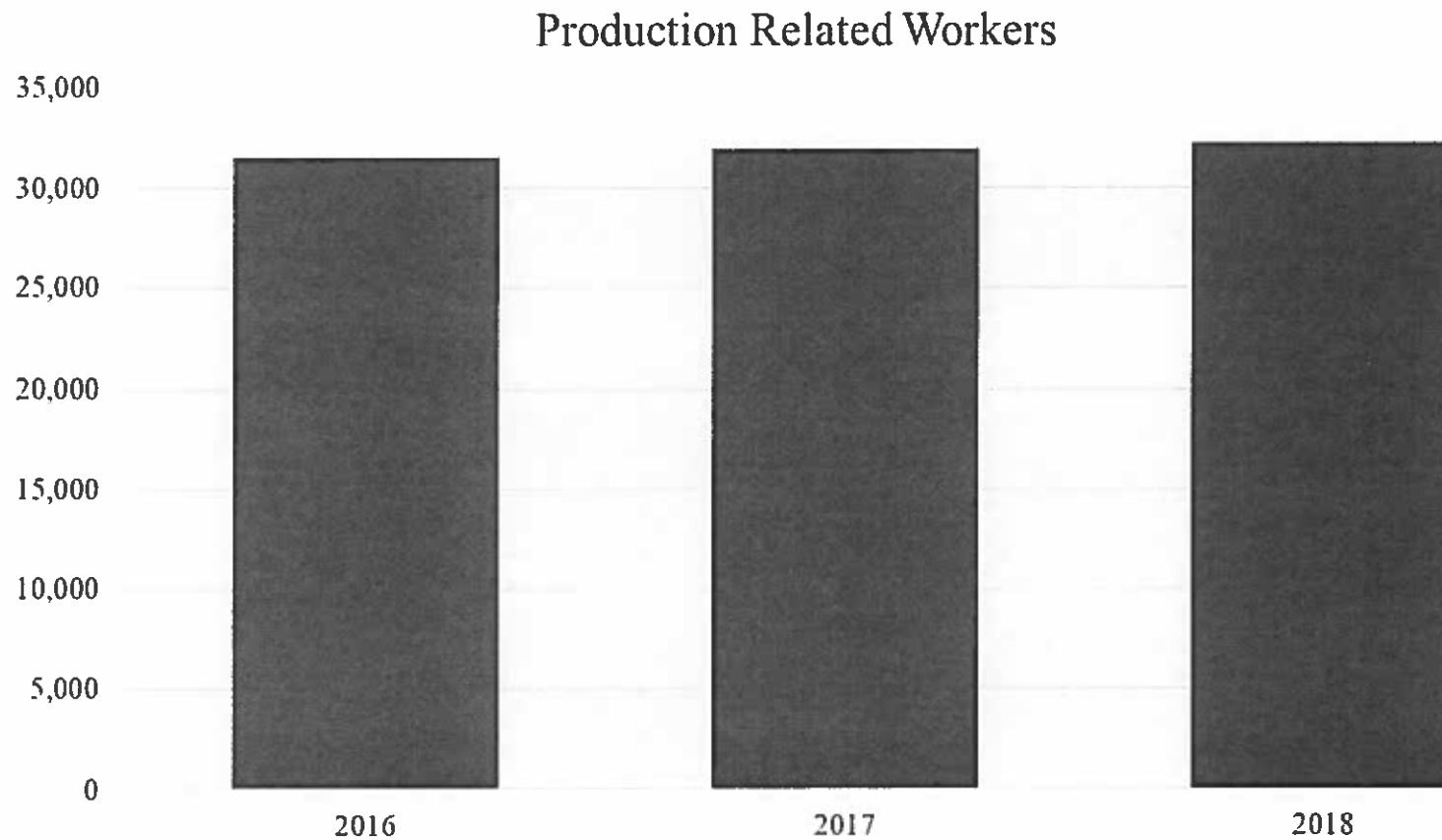


Source: MASCO, American Woodmark and Fortunebrands 10-K Filings.  
FRED Housing Starts and Building Materials.

**Injury**

**Cycle**

## Employment is Flat in a Rising Market



Source: *U.S. Producer Questionnaires.*

# Overview

Conditions of Competition

Injury

**Threat**

**Threat**

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

**Threat Factors**

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

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

- “Our new headquarters is a one-million square foot...superstructure. With this extraordinary advancement Fabuwood is destined for exponential growth.”
- “CNC has grown from a local cabinetry wholesaler to a leading national corporation with 3 main sites in key locations throughout the country.”
- “[Cliq] is currently increasing our team size as well as investing in and installing new equipment in the Connersville facility.”

Sources: About Fabuwood. <https://www.fabuwood.com/about/> Accessed 3/25/2018.

About CNC. <https://cnccabinetry.com/about/>. Accessed 3/25/2018

Wayzata Home Products Announces Connersville Job Fair. <https://www.cliqstudios.com/news/wayzata-home-products-announces-connersville-job-fair/>. Accessed 3/25/2018