Hardwood Plywood from China

Investigation Nos. 701-TA-490 and 731-TA-1204 (Preliminary)

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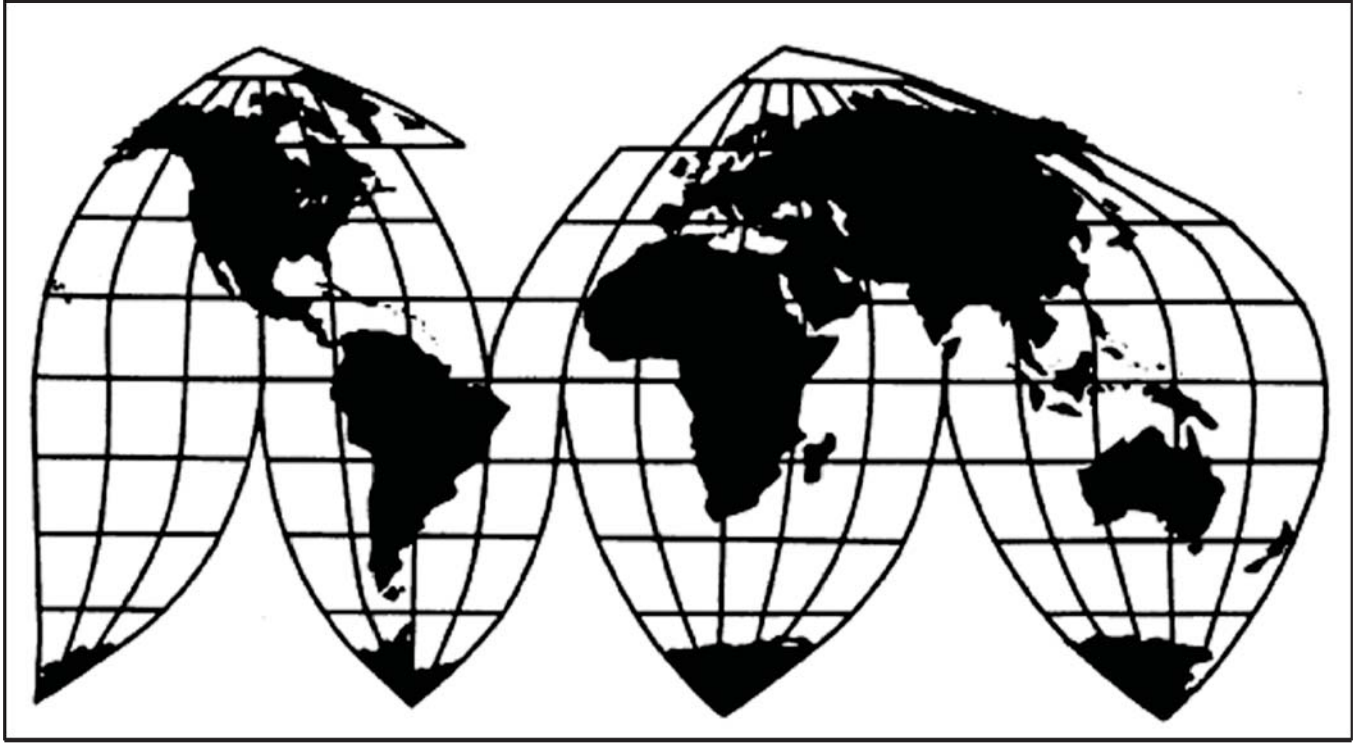
U.S. International Trade Commission



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U.S. International Trade Commission

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CONTENTS

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DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (the Act), that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of hardwood plywood from China that are allegedly subsidized and sold in the United States at less than fair value, provided for in subheadings 4412.10, 4412.31, 4412.32, 4412.39, 4412.94, and 4412.99 of the Harmonized Tariff Schedule of the United States.

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. 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 investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of an affirmative final determination in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. 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 investigations.

BACKGROUND

On September 27, 2012, a petition was filed with the Commission and Commerce by Columbia Forest Products, Greensboro, NC; Commonwealth Plywood Co., Ltd., Whitehall, NY; Murphy Plywood, Eugene, OR; Roseburg Forest Products Co., Roseburg, OR; States Industries LLC, Eugene, OR; and Timber Products Company, Springfield, OR combined as *The Coalition for Fair Trade of Hardwood Plywood*, alleging that an industry in the United States is materially injured by reason of LTFV and subsidized imports of hardwood plywood from China. Accordingly, effective September 27, 2012, the Commission instituted countervailing duty investigation No. 701-TA-490 and antidumping duty investigation No. 731-TA-1204 (Preliminary).

Notice of the institution of the Commission's investigations 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 October 3, 2012 (77 FR 60460). The conference was held in Washington, DC, on October 18, 2012, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of hardwood plywood from China that are allegedly subsidized and sold in the United States at less than fair value ("LTFV").

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.[1] 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."[2]

II. BACKGROUND

A. In General

The petitions in these investigations were filed on September 27, 2012 by the Coalition for Fair Trade of Hardwood Plywood ("CFTHP"), which consists of Columbia Forest Products ("Columbia"), Commonwealth Plywood Co., Ltd. ("Commonwealth"), Murphy Plywood ("Murphy"), Roseburg Forest Products Co. ("Roseburg"), States Industries LLC ("States"), and Timber Products Company ("Timber Products"). Petitioners, each of which is a U.S. producer of hardwood plywood, appeared at the staff conference and submitted a postconference brief.

China National Forest Products Industry Association and its members ("Chinese Producers' Association"), which are Chinese producers and exporters of the subject merchandise, and the American Alliance for Hardwood Plywood ("AAHP"), a coalition of importers of subject merchandise, appeared at the staff conference as respondent interested parties and submitted postconference briefs.

In these investigations, U.S. industry data are based on the questionnaire responses of 11 of 21 firms identified in the petition as producers of hardwood plywood during the period of investigation.[3] U.S. import data are based on official import statistics. The Commission received questionnaire responses from 48 importers, whose total imports represented 64.1 percent of total imports from China between January 2009 and June 2012 as reported in official Commerce statistics.[4] The Commission received responses to its questionnaires from 118 Chinese hardwood plywood producers, accounting for

[1] 19 U.S.C. § 1673b(a) (2000); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chem. Corp. v. United States, 20 CIT 353, 354-55 (1996).

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

[3] Confidential Staff Report ("CR") and Public Staff Report ("PR") at III-1.

[4] CR/PR at IV-1.

approximately 61.6 percent of U.S. imports of hardwood plywood as reported in official Commerce statistics.[5]

III. DOMESTIC LIKE PRODUCT

A. In General

In determining whether 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."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole 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."[7] In turn, the Tariff 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 ...."[8]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> Hardwood and decorative plywood is a panel composed of an assembly of two or more layers or plies of wood veneer(s) in combination with a core. The several layers, along with the core, are glued or otherwise bonded together to form a finished product. A hardwood and decorative plywood panel can be composed of one or more species of hardwoods, softwoods, or bamboo (in addition to other materials that are used for the core, as detailed below).
>
> Hardwood and decorative plywood is generally manufactured to American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP-1-2009; it is differentiated from "structural plywood" (also known as "industrial plywood" or "industrial panels"), which must meet the "bond performance" requirements set forth at paragraph 5.8.6.4 of U.S. Products Standard PS 1-09 for Structural Plywood.
>
> Hardwood and decorative plywood is primarily manufactured as a panel. The most common panel sizes are 1219 x 1829 mm (48 x 72 inches), 1219 x 2438 mm (48 x 96 inches), and 1219 x 3048 mm (48 x 120 inches). However, these panels may be cut-to-size by the manufacturer in accordance with a customer's requirements, or made to other sizes.
>
> A "veneer" is a thin slice of wood, rotary cut, sliced or sawed from a log, bolt or flitch. The face veneer is the exposed veneer of a hardwood and decorative plywood product which is of a superior grade than that of the other exposed veneer of the product (i.e., as opposed to the inner veneers). The face veneer is also either side of the product when the two exposed veneers are of

[5] CR/PR at VII-1.

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

the same grade. The face veneer is also the side of the product that is intended to be exposed for view after installation.

The core of hardwood and decorative plywood consists of the layer or layers of material(s) that are situated between the front and back veneers. The core may be composed of a range of materials, including but not limited to veneers, particleboard, and medium-density fiberboard (MDF).

All hardwood and decorative plywood is included within the definition of subject merchandise regardless whether or not the face and/or back veneers are surface coated. Additionally, the face veneer of hardwood and decorative plywood may be sanded, smoothed or given a "distressed" appearance through such methods as hand-scraping or wire brushing. The face veneer may also be stained (i.e., to achieve a particular color).

Unless subject to a specifically enumerated exclusion detailed below, all hardwood and decorative plywood is included within the definition of subject merchandise, without regard to: dimension (overall thickness, thickness of face veneer, thickness of back veneer, thickness of core, and thickness of inner veneers; width; and length); wood species used for the face, back and inner veneers (including hardwoods, softwoods or bamboo); core composition; the grade of the face and back veneers; and whether or not surface coated (i.e., "unfinished" or "prefinished"). The face and/or back veneers of the product may be sanded, smoothed, scraped or stained.

Hardwood and decorative plywood is generally manufactured to American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP-1-2009. Regardless of whether the product meets the ANSI/HPVA standard, all hardwood and decorative plywood is included within this definition if it meets the physical description set forth therein.

The scope of the investigation excludes the following items: (1) structural plywood that is manufactured and stamped to meet U.S. Products Standard PS 1-09 for Structural Plywood (including any revisions to that standard or any substantially equivalent international standard intended for structural plywood), including but not limited to the "bond performance" requirements set forth at paragraph 5.8.6.4 of that Standard and the performance criteria detailed at Table 4 through 10 of that Standard; (2) plywood platforms with a face and back ply of cork; (3) multilayered wood flooring, as described in the antidumping duty and countervailing duty orders on Multilayered Wood Flooring from the People's Republic of China, Import Administration, International Trade Administration, U.S. Department of Commerce Investigation Nos. A-570-970 and C-570-971 (published December 8, 2011); (4) plywood further manufactured or further worked aside from sanding, surface coating (i.e., "prefinishing"), scraping or staining (e.g., bent or molded plywood; bent or molded plywood is defined as a flat panel that is purposely further manufactured through whatever means to achieve a shape or design other than a flat plane).[9]

Hardwood and decorative plywood ("hardwood plywood") is a wood panel product made by gluing two or more layers of wood veneer to a core, which may itself be composed of veneers or other

[9] Commerce's notice of initiation for the countervailing duty investigation was published at 77 Fed. Reg. 64955 (Oct. 24, 2012). Its notice of initiation for the antidumping duty investigation was published at 77 Fed. Reg. 65172 (Oct. 25, 2012). The full scope of the investigations (which was omitted from these notices) was subsequently published at 77 Fed. Reg. 66436 (Nov. 5, 2012).

types of wood material such as medium-density fiberboard ("MDF"), particleboard, lumber, or oriented strand board ("OSB"). The outer ply or face veneer is typically the identifying species for the hardwood plywood product and is the side of the product that will be visible in most uses. Hardwood species used in hardwood plywood manufacture include oak, birch, maple, poplar, and cherry. However, hardwood plywood includes plywood that may have a face veneer and/or other layers of veneer of softwood species.[10]

Hardwood plywood is manufactured in a variety of thicknesses, depending upon customer requirements and the intended end use, with the most common ranging from ⅛ inch (3.2 mm) to 1 inch (25.4 mm). The most common panel dimensions are 4 feet by 8 feet (1219 x 1829 mm), but hardwood plywood is also sold in smaller or larger sheet sizes.[11]

The most common uses of hardwood plywood are for furniture, kitchen cabinets, architectural woodwork, wall paneling, mobile homes, and recreational vehicles ("RVs"). The product is almost always used in interior applications in which moisture exposure is not an issue, although some hardwood plywood is made specifically for marine applications. Hardwood plywood is also used in some construction-related applications when structural strength is not a requirement, such as for providing a flat, stable underlayment for a finished flooring product. [12]

Hardwood plywood products are differentiated by species, quality of the veneer, thickness, number of plies, type of core (veneer, particleboard or MDF), and the type of adhesive used in the manufacturing process. Grades of hardwood plywood are determined by such factors as number and size of knots, visible decay, splits or insect holes, surface roughness, and other defects. Grades are assigned to both the face and back veneers. Plywood with the highest face grades is used in applications in which appearance is a primary consideration. Most hardwood plywood produced in the United States is graded according to a consensus-based standard developed by the Hardwood Plywood and Veneer Association (HPVA).[13]

C. Parties' Arguments

Petitioners argue that the Commission should define a single domestic like product that is coextensive with the scope of the subject merchandise, i.e. hardwood and decorative plywood.[14] For the purposes of the preliminary phase of these investigations, respondents accept petitioners' position that there is a single like product that is coextensive with the scope of the investigations.[15] [16]

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[10] CR at I-8, PR at I-6.

[11] CR at I-8, PR at I-6.

[12] CR at I-8, PR at I-7.

[13] CR at I-8 - I-9, PR at I-7.

[14] Petition at 19; Petitioners' Postconference Brief at 2.

[15] Chinese Producers' Association Postconference Brief at 2; AAHP's Postconference Brief at 2-3. However, respondents stated that they reserve the right to comment further on the domestic like product in any final phase investigations. Chinese Producers' Association Postconference Brief at 2-3; AAHP's Postconference Brief at 3. Parties are reminded that any requests for additional data sought through Commission questionnaires must be made in written comments to draft questionnaires pursuant to 19 C.F.R. section 207.20(b).

[16] The decision regarding the appropriate domestic like products 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. See, e.g., Cleo, Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); 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

(continued...)

D. Analysis

Physical Characteristics and End Uses. All hardwood plywood consists of two or more layers of wood veneer glued to a core. The outer ply, or face veneer, is made from various hardwood species and is the part of the product that will generally be visible. All hardwood plywood is used in a range of interior applications, most often when exposure to moisture is not an issue.[17]

Interchangeability. Various thicknesses and panel sizes of hardwood plywood are used in interior and non-structural applications. However, individual applications may require specific thicknesses, sizes, and/or grades.[18] It is unclear from the record, however, to what extent interchangeability is limited because of the species of hardwood.

Channels of Distribution. All hardwood plywood is sold in similar channels of distribution, namely to wholesalers or directly to original equipment manufacturers ("OEMs").[19]

Manufacturing Facilities, Production Processes, and Employees. Although the core material is typically manufactured separately from the veneers used for the face and/or back plies, all hardwood plywood is manufactured in the same facilities.[20]

Producer and Customer Perceptions. There are different grades of hardwood plywood, and hardwood plywood products differ according to the species of the hardwood used as well as the quality of the veneer, the type of core, and the type of adhesive used. Consequently, there are some differences in producer and customer perceptions among different hardwood plywood products.[21]

Price. The price of a hardwood plywood product is a function of the panel size, face species, quality, thickness, and finish (whether stained, distressed or otherwise treated).[22]

Conclusion. Based on the record in these preliminary phase investigations and because no party has argued to the contrary, we determine that there is one domestic like product, coextensive with the scope of the investigations.

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[16] (...continued)
the 'unique facts of each case'"). The Commission generally considers a number of factors, including the following: (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).

[17] CR at I-8, PR at I-6.

[18] CR at I-8 - I-9, PR at I-7. A small quantity of hardwood plywood is used in marine applications. CR at I-8; Tr. at 18 (Mr. Howlett).

[19] CR at I-14, PR at I-10.

[20] CR at I-12, PR at I-9.

[21] See CR at I-8 - I-9, PR at I-7.

[22] CR at I-14, PR at I-10.

IV. DOMESTIC INDUSTRY

The domestic industry is defined as the domestic "producers as a whole 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."[23] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. Petitioners have identified 21 firms known to produce hardwood plywood in the United States.[24]

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 19 U.S.C. § 1677(4)(B). Subsection 1677(4)(B) 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.[25] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[26] Three U.S. producers imported hardwood plywood directly from China during the period of investigation: ***. As such, they are related parties as defined by the statute.[27] Petitioners argue that appropriate circumstances do not exist to exclude *** and *** from the domestic industry as related

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[23] 19 U.S.C. § 1677(4)(A).

[24] CR/PR at III-1. One firm reported that it did not produce hardwood plywood and nine firms did not respond to the Commission's producer questionnaire. Id.

[25] 19 U.S.C. § 1677(4)(B).

[26] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following: (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 producer 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 (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 interest of the related producer lies in domestic production or importation. These latter two considerations were cited as appropriate factors in Allied Mineral Products, Inc. v. United States, 28 CIT 1861, 1865 (2004) ("The most significant factor considered by the Commission in making the 'appropriate circumstances' determination is whether the domestic producer accrued a substantial benefit from its importation of the subject merchandise."); USEC, Inc. v. United States, 132 F. Supp. 2d 1, 12 (Ct. Int'l Trade 2001) ("the provision's purpose is to exclude from the industry headcount domestic producers substantially benefitting from their relationships with foreign exporters."), aff'd, 34 Fed. Appx. 725 (Fed. Cir. 2002); S. Rep. No. 249, 96th Cong. 1st Sess. at 83 (1979) ("where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry").

[27] Two firms, ***, did not import subject merchandise directly, but did purchase such merchandise. The Commission has previously concluded that a purchaser may be treated as a related party if it controls large volumes of subject imports. The Commission has found such control to exist when the domestic producer was responsible for a predominant proportion of an importer's purchases and these purchases were substantial. See, e.g., Foundry Coke from China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 (Sept. 2001) at 8-9. The record does not contain information indicating whether either of these firms was responsible for a predominant proportion of an importer's purchases, and the purchases of each firm in 2011 represented less than one percent of total subject imports in that year. CR/PR at Tables III-5, IV-1.

Even assuming arguendo that these firms are related parties, however, we do not believe that appropriate circumstances exist to exclude either firm from the domestic industry. Neither firm appears to be benefitting from its purchases of subject merchandise and *** the petition. See CR/PR at Tables VI-2, III-1.

parties, but argue that such circumstances do exist to exclude ***.[28] AAHP does not argue for the exclusion of any party,[29] and the Chinese Producers' Association does not address the issue. We find that appropriate circumstances exist to exclude ***, but not the other related party producers.

A. Analysis

, accounted for *** percent of domestic production in 2011 and *** the petition.[30] The firm's current interests are no longer in domestic production, as ***.[31] It imported subject merchandise throughout the period of investigation (square feet in 2009, *** square feet in 2010 and *** square feet in 2011); it imported *** square feet in interim 2011 and *** square feet in interim 2012.[32] The ratio of its subject imports to its U.S. production was *** percent in 2009, *** percent in 2010, *** percent in 2011, and *** percent in interim 2011 (in interim 2012, it no longer had any U.S. production).[33] *** gave no reasons for its subject imports,[34] although it reported that it had ***.[35] *** operating income margin was *** percent in 2009, *** percent in 2010 and *** percent in both interim and full year 2011.[36] [37] [38] In view of the foregoing, for purposes of the preliminary phase of the investigations we find that appropriate circumstances exist to exclude *** as a related party. We do not find that appropriate circumstances exist to exclude any other producer as a related party.[39]

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[28] Petitioners' Postconference Brief at 5-8 & n.20.

[29] AAHP's Postconference Brief, Exh. 1 at 5.

[30] CR/PR at Table III-1.

[31] Petitioners' Postconference Brief at 7-8 n.20.

[32] CR/PR at Table III-5. *** also purchased subject imports throughout the period: (*** square feet in 2009, *** square feet in 2010, *** in 2011, *** square feet in interim 2011, and *** square feet in interim 2012). Id. It noted that its "purchases are based on price, service and reliability." CR at Table III-5 n.4. The record does not contain information indicating whether *** was responsible for a predominant proportion of an importer's purchases. CR/PR at Tables III-5, IV-1. *** purchases in full year 2011 represented less than one percent of total subject imports in that year. CR/PR at Tables III-5, IV-1.

[33] CR/PR at Table III-5.

[34] See CR/PR at Table III-5 n.4.

[35] CR/PR at Table III-1 n.6.

[36] CR/PR at Table VI-2.

[37] Consistent with her practice in past investigations and reviews, Commissioner Aranoff does not rely on individual-company operating income margins, which reflect a domestic producer's financial operations related to production of the domestic like product, in assessing whether a related party has benefitted from importation of subject merchandise. Rather, she determines whether to exclude a related party based principally on its ratio of subject imports to domestic production and whether its primary interests lie in domestic production or importation.

[38] For purposes of the preliminary phase of these investigations, Commissioner Pinkert does not rely upon any related producer's financial performance in determining whether there are appropriate circumstances to exclude it from the domestic industry. In his view, the present record is not sufficient to link the producer's profitability on its U.S. operations to any specific benefit it derives from its related party status.

[39] ***, a petitioner, is the *** domestic producer, accounting for *** percent of reported domestic production in 2011. CR/PR at Table III-1. It imported *** square feet of subject hardwood plywood from China in 2009, but reported no subject imports in the remainder of the period of investigation. Its ratio of imports to production was *** percent in 2009 and *** percent in the remainder of the period. Id. Its operating performance was below the industry average throughout the period of investigation. CR/PR at Table VI-2. In view of the foregoing, for purposes of the preliminary phase of the investigations we find that appropriate circumstances do not exist to exclude *** as a related party.

(continued...)

B. Conclusion

In light of the recommended definition of the domestic like product and the foregoing analysis, we define the domestic industry to include all U.S. producers of hardwood and decorative plywood, with the exception of ***.[40]

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS[41]

A. Legal Standard

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 or threatened with material injury by reason of the imports under investigation.[42] 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.[43] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[44] 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.[45] 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."[46]

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[39] (...continued)

***, accounted for *** percent of domestic production of hardwood plywood in 2011. CR/PR at Table III-1. It imported subject hardwood plywood throughout the period of investigation. The ratio of its subject imports to its U.S. production was *** percent in 2009, *** percent in 2010, and *** percent in 2011. It was *** percent in interim 2011 and *** percent in interim 2012. CR/PR at Table III-5. Its operating income margin was better than that of the majority of domestic producers during most of the period of investigation; it was *** percent in 2009, *** percent in 2010, and *** percent in 2011. It was *** percent in interim 2011 and *** percent in interim 2012. CR/PR at Table VI-2. However, in view of the foregoing, as well as *** status as a petitioner and the fact that no party argues for its exclusion from the domestic industry, for purposes of the preliminary phase of the investigations we find that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party.

[40] Commissioner Broadbent notes that the exclusion of *** from the industry as a related party did not have a significant impact on her analysis. Because *** is a small producer, its exclusion from the industry does not significantly affect the overall picture of the industry or significantly affect the industry's financial, sales or production trends.

[41] Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. In 2011, imports from China accounted for 55.7 percent of total imports of hardwood plywood, as measured by quantity, as compiled from official import statistics. CR at IV-3, PR at IV-3.

[42] 19 U.S.C. §§ 1671b(a), 1673b(a).

[43] 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).

[44] 19 U.S.C. § 1677(7)(A).

[45] 19 U.S.C. § 1677(7)(C)(iii).

[46] 19 U.S.C. § 1677(7)(C)(iii).

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[47] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[48] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[49]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[50] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[51] Nor does the

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[47] 19 U.S.C. §§ 1671b(a), 1673b(a).

[48] Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), aff'g 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[49] The United States Court of Appeals for the Federal Circuit (" Federal Circuit"), in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[50] Statement of Administrative Action ("SAA") on Uruguay Round Agreements Act ("URAA"), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); accord Mittal Steel, 542 F.3d at 877.

[51] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928

(continued...)

"by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[52] It is clear that the existence of injury caused by other factors does not compel a negative determination.[53]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way," as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[54] [55] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[56]

The Federal Circuit's decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject

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[51] (...continued)
(Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[52] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[53] See Nippon Steel Corp., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[54] Mittal Steel, 542 F.3d at 877-78; see also id. at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... . {and has} broad discretion with respect to its choice of methodology.") citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[55] Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal Steel, held that the Commission is required, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports, albeit without reliance on presumptions or rigid formulas. Mittal Steel explains as follows:

> What Bratsk held is that "where commodity products are at issue and fairly traded, price-competitive, nonsubject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether nonsubject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[56] Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 ("Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

imports.[57] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission's interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[58] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[59]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports from China.

1. Demand Conditions

U.S. demand for hardwood plywood depends on the demand for U.S.-produced downstream products in which it is used, including kitchen cabinets, underlayment, RVs, manufactured homes, and furniture. Cabinets are the largest end use for both domestic and imported products, with furniture being the next most common.[60] Demand for hardwood plywood is tied to trends in construction of new homes, as well as to remodeling of existing homes.[61] Housing starts, while improving significantly over the period of investigation, remain well below historic averages. Remodeling activity decreased overall over the period, although it increased at the end of the period and is expected to increase more quickly over the next year.[62] More specifically, kitchen cabinet sales declined from 2009 to 2011, but increased from January to June 2012. Shipments of RVs and manufactured homes increased from January 2009 to June

[57] Mittal Steel, 542 F.3d at 875-79.

[58] Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

[59] Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[60] CR at II-6, PR at II-5.

[61] See CR at II-7, PR at II-6.

[62] CR at II-7, PR at II-6.

2012, and domestic wood furniture shipments increased slightly from 2010 to 2011, as did flooring sales.[63]

Demand as measured by apparent U.S. consumption increased by 12.3 percent between 2009 and 2011, but was approximately the same (down by only 1.5 percent) in interim 2012 as it was in interim 2011.[64] Apparent U.S. consumption rose from 3.0 billion square feet in 2009 to 3.3 billion square feet in 2010 and 2011. It was 1.7 billion square feet in interim 2011 and interim 2012.[65]

2. Supply Conditions

Domestic producers supply a relatively small portion of the U.S. market, with a few domestic firms accounting for the large majority of U.S. production of hardwood plywood. Imports supply most of the U.S. market, with the largest share coming from China. Other countries, including Canada, Indonesia, Russia, and Chile, also ship large quantities of nonsubject hardwood plywood to the U.S. market.[66]

During the period of investigation, several U.S. production facilities experienced shutdowns and production curtailments.[67] The domestic industry's capacity decreased by *** percent between 2009 and 2011, although it was slightly higher, by *** percent, in interim 2012 than in interim 2011.[68]

The domestic industry's market share decreased slightly between 2009 and 2011, but was higher in interim 2012 than in interim 2011.[69] Subject import market share exhibited the opposite trend, rising steadily from 2009 to 2011; it was lower in interim 2012 than in interim 2011.[70] Nonsubject import market share exhibited the same trend as the domestic industry's market share, but decreased more substantially overall.[71]

3. Other Conditions

Respondents contend that there are several non-price distinctions between the subject imports and the domestic like product. According to AAHP, subject imports from China provide thinner face veneers supported by a hardwood core and are concentrated in products with thinner panels. It contends that there is a hard line at 0.4 mm veneer thickness that separates manual versus automated plywood production because at thicknesses below 0.4 mm it is not possible to use the automated core composers that are used by the domestic industry.[72] As a result, AAHP claims that domestic producers have limited production capabilities for thinner plywood that is used as underlayment in flooring.[73] AAHP further contends that thinner panels are more effective for use in standard RVs and mobile homes. AAHP argues that only the Chinese product meets the demand for paint-grade or non-decorative veneers and hardwood plywood for underlayment or other thin-panel applications, and that as the U.S. economy has improved, the market

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[63] CR at II-9, PR at II-8.

[64] CR/PR at Table IV-3.

[65] CR/PR at Table IV-3.

[66] CR/PR at II-1, Table VII-3.

[67] CR/PR at Table III- 1 nn.2, 3, 6. One mill, owned by ***, which we have excluded from the domestic industry as a related party, ceased operations in the first quarter of 2011. Id. at n.6.

[68] INV-KK-108 at Table C-3.

[69] INV-KK-108 at Table C-3.

[70] INV-KK-108 at Table C-3.

[71] INV-KK-108 at Table C-3.

[72] AAHP's Postconference Brief at 17, 21.

[73] AAHP's Postconference Brief at 19.

share of the subject imports has increased to fulfill demand in these product or end use market segments that are not served by domestic production.[74]

Because of the differences between domestic product and subject imports, respondents argue that there is only approximately a 15 percent overlap in competition between subject imports and the domestically produced product.[75] AAHP claims that kitchen cabinets are the only end use in which both the domestic product and subject imports are used in substantial volumes. However, it contends that kitchen cabinet producers use domestic and Chinese plywood for different cabinet parts; thus, the products complement rather than compete with each other.[76]

Petitioners submit that there are no distinctions between subject imports and the domestic product other than price. They argue that the U.S. and Chinese products are the same,[77] are directly substitutable notwithstanding veneer thickness,[78] and that the same products (as those that are imported from China) can be made in the United States.[79]

The record in the preliminary phase of these investigations indicates that there is some overlap between the domestically produced product and subject imports in terms of end uses. Both domestic producers and importers reported that they serve the following end uses: cabinets, furniture, and fixtures.[80] In addition, 75 percent of domestic producers and 36 percent of importers rated domestic and subject imported products as "always" or "frequently" interchangeable.[81] The pricing data show that both the domestically produced product and subject imports of varying thicknesses competed in the market throughout the period of investigation.[82]

However, importers also reported that interchangeability is limited for a number of reasons, including (1) differences between the domestic product and subject imports with regard to wood species, core construction, face and back veneer thicknesses, panel strength, tolerances for moisture content, and glues; (2) differences in quality; and (3) the fact that importers can supply smaller volumes and certain lengths and widths of the product. In addition, they reported that domestically produced hardwood plywood consists of high-quality decorative panels, whereas subject imports are typically used for non-decorative uses.[83]

We find, based on the record in the preliminary phase of these investigations, that there is some degree of substitutability between domestic and imported products.[84] In any final phase of these investigations, we intend to seek further information pertinent to respondent's arguments regarding attenuated competition. In particular, we will seek additional information, particularly from purchasers, regarding substitutability between the domestic like product and subject imports, with respect to overlap in uses, veneers, grades, thicknesses, and purchasers.

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[74] AAHP's Postconference Brief at 12, 15. AAHP also states that differences in raw materials create physical distinctions between the domestic and Chinese products. Id. at 19.

[75] Tr. at 148-49 (Mr. Simon), 203, 206 (Mr. Wilkinson).

[76] AAHP's Postconference Brief at 27. AAHP argues that kitchen cabinet manufacturers generally use Chinese plywood for cabinet backs, panels, and bottoms, as well as drawer sides and shelving, and use domestic product for the exposed faces of the cabinet. Id. at 28.

[77] Tr. at 65-66 (Mr. Howlett).

[78] Tr. at 86 (Mr. Thompson).

[79] Tr. at 213 (Mr. Clausen).

[80] CR at II-6, PR at II-6, CR/PR at Table II-3.

[81] CR at II-14, PR at II-11 - II-12.

[82] See CR/PR at Tables V-3 - V-6 (showing, for each of the four pricing products, sales of both domestic products and subject imports in all quarters of the period of investigation).

[83] CR at II-15, PR at II-12.

[84] See CR at II-12, PR at II-10.

Although non-price factors are important in purchasing decisions for hardwood plywood, price is important as well. Four out of seven responding U.S. producers, and twelve out of 26 responding importers, stated that differences other than price between U.S. and Chinese hardwood plywood were "never" or "sometimes" significant.[85] Each of the five purchasers responding to the lost sales allegations reported that they had shifted purchases of hardwood plywood from U.S. producers to subject imports since 2009, and three of these purchasers reported that price was the reason for the shift.[86] Further, parties agreed that purchasing decisions are driven at least in part by price.[87]

Raw material costs account for a large share of the total cost of hardwood plywood. Such costs increased from 78.9 percent of U.S. producers' total cost of goods sold during 2009 to 81.1 percent in 2011.[88] Logging prices increased by 14.8 percent over the period of investigation, while hardwood veneer and plywood prices increased by 2.2 percent.[89]

C. Volume of the 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."[90]

The volume of subject imports was already large at the beginning of the period of investigation, then increased steadily between 2009 and 2011. The volume was lower in interim 2012 than in interim 2011.[91] Subject import market share rose from 36.6 percent in 2009 to 41.8 percent in 2010 and 45.8 percent in 2011; it was 49.2 percent in interim 2011 and 44.2 percent in interim 2012.[92] U.S. production

[85] CR/PR at Table II-6.

[86] CR at V-14 - V-15, PR at V-11.

[87] Tr. at 43 (Mr. Malashevich) (purchasing decisions are closely focused on price), 148 (Mr. Simon) (customers increasingly buy lower grades, i.e. cheaper products).

[88] We note that some firms obtain inputs based on transfer prices. See CR at VI-10 nn.15, 17, PR at VI-2 - VI-3 at nn. 15, 17. It is unknown to what extent the transfer prices differ from costs and how the use of transfer prices may affect the observed financial results. We intend to gather more information on transfer prices in any final phase of these investigations.

[89] CR/PR at V-1.

[90] 19 U.S.C. § 1677(7)(C)(i).

[91] Subject imports rose from 1.1 billion square feet in 2009 to 1.4 billion square feet in 2010, then to 1.5 billion square feet in 2011. They totaled 848.6 million square feet in interim 2011 and 749.5 million square feet in interim 2012. CR/PR at Table IV-1. We note that the import data we use in making our volume finding in the preliminary phase of these investigations are compiled from official Commerce statistics. Were we to use data compiled from questionnaire responses, we would reach the same conclusions regarding significance of subject import volume. See CR/PR at Table C-2.

[92] CR/PR at Table IV-3.

and sales did not increase at the same pace as U.S. demand between 2009 and 2011,[93] and the domestic industry lost market share[94] while subject imports experienced significant gains.[95]

For purposes of the preliminary phase of these investigations, we find that the volume of subject imports is significant both in absolute terms and relative to consumption and production in the United States.

D. Price Effects of the Subject Imports

> Section 771(C)(ii) of the Act 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.[96]

The Commission collected quarterly pricing data on four products. Seven U.S. producers and 17 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for 7.5 percent of U.S. producers' shipments of hardwood plywood and 5.7 percent of U.S. shipments of subject imports during the period of investigation.[97]

The pricing data show that subject imports undersold the domestic like product in 55 of 56 quarterly price comparisons.[98] The margins of underselling ranged from *** percent to *** percent, and the average margin of underselling was 37.0 percent.[99] Given the high frequency of underselling, the magnitude of the underselling margins and the fact that price is an important consideration in purchasing decisions, we find the underselling to be significant.

Prices for three of the four domestically produced products declined over the period.[100] Thus, the record in the preliminary phase of these investigations provides some evidence of price depression.[101] However, domestic producers' prices for the fourth product, which was sold in the highest volume, increased.[102] We intend to examine closely the issue of adverse price effects and price comparisons in any final phase of the investigations. In particular, we intend to review the products for which we seek

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[93] Apparent U.S. consumption increased from 3.0 billion square feet in 2009 to 3.3 billion square feet in 2011. CR/PR at Table IV-3.

[94] The domestic industry's market share, as measured by quantity, fell from 18.3 percent in 2009 to 17.2 percent in 2010, then rose slightly to 17.8 percent in 2011. It was 18.1 percent in interim 2011 and 19.1 percent in interim 2012. CR/PR at Table IV-3.

[95] The ratio of subject imports to U.S. production increased significantly between 2009 and 2011. It was *** percent in 2009, *** percent in 2010 and *** percent in 2011. It was *** percent in interim 2011 and *** percent in interim 2012. Computed from INV-KK-108 at Table C-3.

[96] 19 U.S.C. § 1677(7)(C)(ii).

[97] CR at V-4, PR at V-3.

[98] CR at V-14, PR at V-10.

[99] CR/PR at Table V-8.

[100] CR/PR at Tables V-3 - V-4, V-6.

[101] Commissioner Aranoff finds that underselling by subject imports led to shifts in market share from the domestic industry to subject imports. She does not find that subject imports caused price depression for purposes of these preliminary determinations.

[102] Compare CR/PR at Table V-5 with CR/PR at Tables V-3 - V-4, V-6.

pricing information, with a view toward examining more comprehensively the extent of competition between subject imports and the domestic product. In that regard, we invite the parties to suggest appropriate pricing products in their comments on our draft questionnaires.

The Commission staff confirmed $*** million in lost sales from six purchasers. Although there were no allegations of lost revenues,[103] all five responding purchasers reported that they had shifted purchases of hardwood plywood from domestic producers to subject imports since 2009, and three of the five reported that price was the reason for the shift.[104] In addition, one purchaser reported that domestic producers have reduced their prices since 2009 in order to compete with subject imports.[105]

Accordingly, based on the record in the preliminary phase of these investigations, we find significant price underselling by subject imports and some evidence of price depression.

E. Impact of the Subject Imports[106]

Section 771(7)(C)(iii) of the Act 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."[107] 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."[108]

Over the period of investigation in the preliminary phase of these investigations, the indicators of the industry's condition showed some positive and some negative trends. From 2009 to 2011, the industry's capacity declined slightly, by *** percent, but its production rose by *** percent.[109] The industry's capacity utilization was below *** percent from 2009 to 2011, although it increased by *** percentage points.[110] Shipments also increased, by *** percent, between those years.[111] Inventories

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[103] CR/PR at Table V-9, CR at V-14, PR at V-11.

[104] CR at V-14 - V-15, PR at V-11.

[105] CR at V-15, PR at V-11.

[106] In its notice initiating an antidumping investigation on hardwood plywood from China, Commerce estimated dumping margins ranging from 298.36 percent to 321.68 percent. 77 Fed. Reg. at 65175.

[107] 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.")

[108] 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).

[109] Capacity was approximately *** square feet from 2009 to 2011. It was *** square feet in interim 2011 and *** square feet in interim 2012. INV-KK-108 at Table C-3.

[110] Production increased from *** square feet in 2009 to *** square feet in 2010, then to *** square feet in 2011. It totaled *** square feet in interim 2011 and *** square feet in interim 2012. Capacity utilization rose from *** percent in 2009 to 46.4 percent in 2010, then to *** percent in 2011. It was *** percent in interim 2011 and *** percent in interim 2012. INV-KK-108 at Table C-3.

[111] U.S. shipments increased from *** square feet in 2009 to *** square feet in 2010, then to *** square feet in 2011. They totaled *** square feet in interim 2011 and *** square feet in interim 2012. INV-KK-108 at Table C-3.

increased slightly between 2009 and 2011.[112] With respect to employment, the number of production and related workers decreased over the period of investigation,[113] but their total wages paid and hours worked increased between 2009 and 2011.[114] Labor productivity also increased over the period.[115]

The industry's financial data were mixed as well, but do not indicate appreciable improvement since the end of the economic recession in 2009 and the subsequent increases in demand. In particular, the domestic industry's operating income margin increased between 2009 and 2011, but remained at a low level; it was *** percent in 2009, *** percent in 2010, *** percent in 2011, *** percent in interim 2011, and *** percent in interim 2012.[116] Two-thirds of the reporting firms experienced operating losses during the period.[117] Capital expenditures increased steadily from 2009 to 2011, but were lower in interim 2012 than in interim 2011.[118] Research and development expenses decreased substantially over the period and were nonexistent in both interim periods.[119]

Thus, despite increasing demand over the period of investigation, the domestic industry was able to sustain only a low, albeit positive, operating margin, and suffered from low capacity utilization. We find, for purposes of the preliminary phase of these investigations, that there is a reasonable indication that the large and increasing volume of low-priced subject imports, which took market share from the domestic industry as demand was recovering from the recession, had an adverse impact on the domestic industry. However, as indicated above, in any final phase investigations we intend to examine further the degree to which competition between subject imports and the domestic product may be attenuated.

We have considered the role of other factors, such as nonsubject imports, so as not to attribute injury from other factors to subject imports.[120] We do not attribute the domestic industry's difficulties

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[112] Inventories increased from *** square feet in 2009 to *** square feet in 2010, then to *** square feet in 2011. They totaled *** square feet in interim 2011 and *** square feet in interim 2012. INV-KK-108 at Table C-3.

[113] The number of production and related workers fell from *** in 2009 to *** in 2010, then rose slightly to *** in 2011. They totaled *** in interim 2011 and *** in interim 2012. INV-KK-108 at Table C-3.

[114] Wages paid increased from $*** in 2009 to $*** in 2010, then to $*** in 2011. They totaled $*** in interim 2011 and $*** in interim 2012. INV-KK-108 at Table C-3. Hours worked totaled *** hours in 2009 and 2010, then climbed to *** hours in 2011. They totaled *** hours in both interim periods. Id.

[115] Labor productivity increased from *** square feet per hour worked in 2009 to *** square feet per hour worked in 2010, then fell slightly to *** square feet per hour worked in 2011. It was *** square feet per hour worked in interim 2011 and *** square feet per hour worked in interim 2012. INV-KK-108 at Table C-3.

[116] INV-KK-108 at Table C-3.

[117] See CR/PR at Table VI-2. We intend to examine the variations in profitability among the domestic producers in the final phase of these investigations.

[118] Capital expenditures increased from $3.1 million in 2009 to $4.2 million in 2010, then to $7.6 million in 2011. They totaled $3.0 million in interim 2011 and $2.7 million in interim 2012. INV-KK-108 at Table C-3.

[119] Research and development expenses fell from $*** in 2009 to $*** in 2010 and 2011. CR/PR at Table VI-4.

[120] Based on the record evidence in the preliminary phase of these investigations, Commissioner Pinkert finds that price competitive, nonsubject imports of hardwood plywood were a significant factor in the U.S. market during the period of investigation in this investigation. He also notes, however, that, regardless of whether hardwood plywood is a commodity product, the current record does not support finding that nonsubject imports would have replaced the subject imports without benefit to the domestic industry had the subject imports exited the market during the period. Nonsubject imports' U.S. market share ranged between 36 and 45 percent of the market from 2009 to 2011 and declined as the market share of subject imports increased. CR/PR at Table C-1. For nonsubject imports to have replaced the subject imports during the period, they would have had to account for over 80 percent of the total U.S. market, and there is insufficient evidence of other exporting countries' capabilities to show that this would or could have occurred. See CR/PR at VII-5 to VII-9. Moreover, even if nonsubject imports had replaced subject imports, they were generally sold at higher prices than subject imports during the period of investigation, meaning that there

(continued...)

during the period of investigation to nonsubject imports. Those imports steadily lost market share between 2009 and 2011,[121] while the gain in market share of subject imports exceeded the loss of market share by nonsubject imports.[122] In addition, pricing data indicate that nonsubject imports from Canada, Chile and Russia were priced higher than subject imports in 86 of 103 quarterly price comparisons.[123] Thus, for purposes of this preliminary phase of the investigations, we find that the adverse effects that we have attributed to subject imports are not a function of the nonsubject imports.

Consequently, we conclude that, for purposes of the preliminary phase of these investigations, the subject imports have had a significant adverse impact on the domestic industry.

CONCLUSION

For the foregoing reasons, and based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized and dumped hardwood plywood from China.[124]

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[120] (...continued)
would have been a price benefit to the domestic industry. CR/PR at Appendix D.

[121] Nonsubject import market share fell from 44.8 percent in 2009 to 40.7 percent in 2010, then to 36.4 percent in 2011. It was 32.6 percent in interim 2011 and 36.7 percent in interim 2012. CR/PR at Table IV-3.

[122] Subject import market share increased from 36.6 percent in 2009 to 41.8 percent in 2010, then to 45.8 percent in 2011. It was 49.2 percent in interim 2011 and 44.2 percent in interim 2012. CR/PR at Table IV-3.

[123] CR/PR at Table D-1.

[124] We note that there is only limited information in these preliminary investigations as to overlap of competition and interchangeability between the domestic product and subject hardwood plywood. Under these circumstances, we cannot conclude that the record as a whole contains clear and convincing evidence that there is no reasonable indication of material injury and no likelihood exists that contrary evidence will arise in any final phase investigations. See American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986).

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Columbia Forest Products (Columbia), Greensboro, NC; Commonwealth Plywood Co., Ltd. (Commonwealth), Whitehall, NY; Murphy Plywood (Murphy), Eugene, OR; Roseburg Forest Products Co. (Roseburg), Roseburg, OR; States Industries LLC (States), Eugene, OR; and Timber Products Company (Timber Products), Springfield, OR, combined as *The Coalition for Fair Trade of Hardwood Plywood* ("CFTHP") on September 20, 2012, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of hardwood plywood[1] from China. Information relating to the background of the investigations is provided below.[2]

Effective date	Action
September 27, 2012	Petition filed with Commerce and the Commission; institution of Commission investigation (77 FR 60460, October 3, 2012)
October 18, 2012	Commission's conference[1]
October 24, 2012	Commerce's notice of initiation of countervailing duty investigation (77 FR 64955)
October 25, 2012	Commerce's notice of initiation of antidumping duty investigation (77 FR 65172)
November 9, 2012	Scheduled date for the Commission's vote
November 13, 2012	Commission determinations due to Commerce
November 19, 2012	Commission views due to Commerce

[1] A list of witnesses appearing at the conference is presented in app. B.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and . . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

> *In evaluating the volume of imports of merchandise, 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.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, 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.*
> . . .
> *In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to*
> . . .
> *(I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

Organization of the Report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV and V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

U.S. MARKET SUMMARY

Hardwood plywood generally is used in the manufacturing of furniture and cabinetry. The leading U.S. producers of hardwood plywood are ***. Member companies of the China National Forest Products Industry Association (CNFPIA) accounted for the majority of total reported Chinese production. The leading U.S. importers of hardwood plywood from China are ***.

Apparent U.S. consumption of hardwood plywood totaled approximately 3.3 billion square feet ($2.0 billion) in 2011. Currently, 11 firms are known to produce hardwood plywood in the United

States.[3] U.S. producers' U.S. shipments of hardwood plywood totaled 596.1 million square feet ($673.6 million) in 2011, and accounted for 17.8 percent of apparent U.S. consumption by quantity and 33.5 percent by value. U.S. imports from subject sources totaled 1.5 billion square feet ($707.3 million) in 2011 and accounted for 45.8 percent of apparent U.S. consumption by quantity and 35.1 percent by value. U.S. imports from nonsubject sources totaled 1.2 billion square feet ($632.7 million) in 2011 and accounted for 36.4 percent of apparent U.S. consumption by quantity and 31.4 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, tables C-1 (using imports compiled from official Commerce statistics) and C-2 (using imports from data submitted in response to Commission questionnaires). Except as noted, U.S. industry data are based on questionnaire responses of nine firms that accounted for the majority of U.S. production of hardwood plywood during 2011. U.S. imports are based on official Commerce statistics.

PREVIOUS AND RELATED INVESTIGATIONS

Hardwood plywood was subject to a Section 332 investigation in 2007-08, *Wood Flooring and Hardwood Plywood: Competitive Conditions Affecting the U.S. Industries, Inv. 332-487*, USITC Pub. 4032 (August 2008) and has not been the subject of prior countervailing or antidumping duty investigations in the United States.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged Subsidies

On October 24, 2012, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on hardwood plywood from China.[4] Commerce identified the following government programs in China:

A. Income Tax Programs

1. Tax Exemptions and Reductions for ''Productive'' Foreign Invested Enterprises ("FIEs") (i.e., the ''Two Free, Three Half'' Program)
2. Provincial Tax Exemptions and Reductions for ''Productive'' FIEs
3. Tax Reductions for FIEs in Designated Geographic Locations

B. Other Tax Programs

1. VAT and Tariff Exemptions on Imported Equipment

C. Government Provision of Goods or Services For Less Than Adequate Remuneration ("LTAR")

1. Electricity

[3] It should be noted that the Commission sent questionnaires to 21 firms believed to produce subject plywood and only one confirmed they did not produce subject product.

[4] *Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Countervailing Duty Investigation* , 77 FR 64955, October 24, 2012.

Commerce is including in its investigation the following program alleged to benefit producers and exporters of the subject merchandise in China: Provision of Timber at Less Than Adequate Remuneration (LTAR).

Alleged Sales at LTFV

On October 25, 2012, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on hardwood plywood from China.[5] Commerce has initiated antidumping duty investigations based on estimated dumping margins range from 298.36 percent to 321.68 percent for hardwood plywood from China.

THE SUBJECT MERCHANDISE

Commerce's Scope

The following language is requested as the scope definition for the subject merchandise:

> Hardwood and decorative plywood is a panel composed of an assembly of two or more layers or plies of wood veneer(s) in combination with a core. The several layers, along with the core, are glued or otherwise bonded together to form a finished product. A hardwood and decorative plywood panel can be composed of one or more species of hardwoods, softwoods, or bamboo, (in addition to other materials that are used for the core, as detailed below).
>
> Hardwood and decorative plywood is generally manufactured to American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP–1– 2009; it is differentiated from ''structural plywood'' (also known as ''industrial plywood'' or ''industrial panels''), which must meet the ''bond performance'' requirements set forth at paragraph 5.8.6.4 of U.S. Products Standard PS 1–09 for Structural Plywood.
>
> Hardwood and decorative plywood is primarily manufactured as a panel. The most common panel sizes are 1219 x 1829 mm (48 x 72 inches), 1219 x 2438 mm (48 x 96 inches), and 1219 x 3048 mm (48 x 120 inches). However, these panels may be cut- to-size by the manufacturer in accordance with a customer's requirements, or made to other sizes.
>
> A ''veneer'' is a thin slice of wood, rotary cut, sliced or sawed from a log, bolt or flitch. The face veneer is the exposed veneer of a hardwood and decorative plywood product which is of a superior grade than that of the other exposed veneer of the product (i.e., as opposed to the inner veneers). The face veneer is also either side of the product when the two exposed veneers are of the same grade. The face veneer is also the side of the product that is intended to be exposed for view after installation.
>
> The core of hardwood and decorative plywood consists of the layer or layers of material(s) that are situated between the front and back veneers. The core may be composed of a range of materials, including but not limited to veneers, particleboard, and medium-density fiberboard (MDF).

[5] *Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Antidumping Duty Investigation* , 77 FR 65172, October 25, 2012.

All hardwood and decorative plywood is included within the definition of subject merchandise regardless whether or not the face and/or back veneers are surface coated. Additionally, the face veneer of hardwood and decorative plywood may be sanded, smoothed or given a ''distressed'' appearance through such methods as hand-scraping or wire brushing. The face veneer may also be stained (i.e., to achieve a particular color).

Unless subject to a specifically enumerated exclusion detailed below, all hardwood and decorative plywood is included within the definition of subject merchandise, without regard to: dimension (overall thickness, thickness of face veneer thickness of back veneer, thickness of core, and thickness of inner veneers; width; and length); wood species used for the face, back and inner veneers (including hardwoods, softwoods or bamboo); core composition; the grade of the face and back veneers; and whether or not surface coated (i.e., ''unfinished'' or ''prefinished''). The face and/or back veneers of the product may be sanded, smoothed, scraped or stained.

Hardwood and decorative plywood is generally manufactured to American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP–1– 2009. Regardless of whether the product meets the ANSI/HPVA standard, all hardwood and decorative plywood is included within this definition if it meets the physical description set forth therein.

The scope of the investigation excludes the following items: (1) Structural plywood that is manufactured and stamped to meet U.S. Products Standard PS 1–09 for Structural Plywood (including any revisions to that standard or any substantially equivalent international standard intended for structural plywood), including but not limited to the ''bond performance'' requirements set forth at paragraph 5.8.6.4 of that Standard and the performance criteria detailed at Table 4 through 10 of that Standard; (2) plywood platforms with a face and back ply of cork; (3) multilayered wood flooring, as described in the antidumping duty and countervailing duty orders on Multilayered Wood Flooring from the People's Republic of China, Import Administration, International Trade Administration, U.S. Department of Commerce Investigation Nos. A–570–970 and C–570–971 (published December 8, 2011); (4) plywood further manufactured or further worked aside from sanding, surface coating (i.e., ''prefinishing''), scraping or staining (e.g., bent or molded plywood; bent or molded plywood is defined as a flat panel that is purposely further manufactured through whatever means to achieve a shape or design other than a flat plane).

Imports of the subject merchandise are provided for under the following subheadings of the Harmonized Tariff Schedule of the United States (HTSUS): 4412.10.0500; 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.2510; 4412.31.2520; 4412.31.4040; 4412.31.4050; 4412.31.4060; 4412.31.4070; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.5175; 4412.31.6000; 4412.31.9100; 4412.32.0520; 4412.32.0540; 4412.32.0560; 4412.32.2510; 4412.32.2520; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.5600; 4412.39.1000; 4412.39.3000; 4412.39.4011; 4412.39.4012; 4412.39.4019; 4412.39.4031; 4412.39.4032; 4412.39.4039; 4412.39.4051; 4412.39.4052; 4412.39.4059; 4412.39.4061; 4412.39.4062; 4412.39.4069; 4412.39.5010; 4412.39.5030; 4412.39.5050; 4412.94.1030; 4412.94.1050; 4412.94.3111; 4412.94.3121; 4412.94.3131; 4412.94.3141; 4412.94.3160; 4412.94.3171; 4412.94.4100; 4412.94.6000; 4412.94.7000; 4412.94.8000; 4412.94.9000; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170;

4412.99.4100; 4412.99.5710; 4412.99.6000; 4412.99.7000; 4412.99.8000; and 4412.99.9000.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise as set forth herein is dispositive.[6]

Tariff Treatment

Imports of hardwood plywood are classified within several subheadings within Chapter 44 of the Harmonized Tariff Schedule of the United States (HTSUS). The predominant classifications are subheadings 4412.31 and 4412.32, HTSUS, which provide as follows:

4412.31	Plywood, veneered panels and similar laminated wood. Other plywood consisting solely of sheets of wood, each ply not exceeding 6 mm in thickness; with at least one outer ply of tropical wood.
4412.32	Plywood, veneered panels and similar laminated wood. Other plywood consisting solely of sheets of wood, each ply not exceeding 6 mm in thickness; with at least one outer ply of nonconiferous wood.
4412.39	Plywood, veneered panels and similar laminated wood. Other plywood consisting solely of sheets of wood, each ply not exceeding 6 mm in thickness; with both outer plies of coniferous wood.
4412.94	Plywood, veneered panels and similar laminated wood. Blockboard, laminboard and battenboard.
4412.99	Plywood, veneered panels and similar laminated wood. Other.

THE PRODUCT

Description and Applications

Hardwood and decorative plywood (hardwood plywood) is a wood panel product made from gluing two or more layers of wood veneer to a core which may itself be composed of veneers or other type of wood material such as medium density fiberboard (MDF), particleboard, lumber, or oriented strand board (OSB). The outer ply or face veneer is typically the identifying species for the hardwood plywood product and is the side of the product that will be visible in most uses. A wide variety of hardwood species is used in hardwood plywood manufacture including oak, birch, maple, poplar, and cherry. However, hardwood and decorative plywood includes plywood that may have a face veneer and/or other layers of veneer of softwood species.

Hardwood plywood is manufactured in a variety of thicknesses, with the most common ranging from 1/8 inch (3.2 mm) to 1 inch (25.4 mm), depending upon customer requirements and the intended

[6] *Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Countervailing Duty Investigation* , 77 FR 64955, October 24, 2012. *Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Antidumping Duty Investigation* , 77 FR 65172, October 25, 2012.

end-use[7]. The most common panel dimensions are 4 feet by 8 feet (1219 x 1829 mm), but hardwood plywood is also sold in smaller or larger sheet sizes. The distinguishing characteristic of hardwood plywood and decorative plywood products is that they are used in interior and non-structural applications.

The most common uses of hardwood plywood are for furniture, kitchen cabinets, architectural woodwork, wall paneling, manufactured homes, and recreational vehicles (RVs). The product is almost always used in interior applications where moisture exposure is not an issue, although some hardwood plywood is made specifically for marine applications. Hardwood plywood is also used in some construction-related applications where structural strength is not a requirement, such as for providing a flat, stable underlayment for a finished flooring product.

Hardwood and decorative plywood products are differentiated by species, quality of the veneer, thickness, number of plies, type of core (veneer, particleboard or MDF), and the type of adhesive used in the manufacturing process. Grades of hardwood plywood are determined by such things as number and size of knots, visible decay, splits or insect holes, surface roughness, and other defects. Grades are assigned to both the face and back veneer. Plywood with the highest face grades is used in applications where appearance is a primary consideration. Most hardwood plywood produced in the United States is graded according to a consensus-based standard developed by the Hardwood Plywood and Veneer Association (HPVA).[8]

Manufacturing Processes

The production of hardwood plywood begins with the debarking of logs of a size and quality suitable for peeling or slicing to make veneer. Veneer is a thin sheet of wood that has been rotary cut, sliced, or sawed from a log, bolt, or flitch. Veneer quality logs, or peeler logs, are generally of higher quality than those used for other wood products.

Rotary cut veneer is made using a lathe that spins a log against a blade at very high speed. This makes a continuous layer of thin veneer that is then cut to the desired length and width. Sliced or sawed veneer is cut from lumber, flitches, or blocks with a veneer knife. It is cut into variable lengths and widths depending upon the form and dimension of the wood raw material. Whether rotary produced or sliced, veneer is cut to thicknesses ranging from as thin as 0.01 inch (0.25 mm) to greater than 1/4 inch (6.35 mm). Veneer is graded by quality, sorted, and dried prior to use in hardwood plywood manufacturing. Face veneers are often, but not always, produced at a separate facility or by a different company than the manufacturer of hardwood plywood.

Some U.S. producers employ a "one-step" process which is a fully automated, continuous system from the log to finished product.[9] The other prevalent system, referred to as a “two-step” process, combines a core that is manufactured separately with the face and back veneers. In either case, the veneer needs to be dried, sorted for defects, repaired or patched, taped or stitched to make larger sheets from smaller pieces, and trimmed. To make the core or plywood product, the veneers are glued and sandwiched in a heated press, each layer with its grain in the alternating direction in order to provide strength and stability to the product. The thickness and number of plies depends upon the product.

After pressing and trimming, panels are sanded and, in some cases, finished depending on the end-use. Finishing can involve some degree of texturing for a particular appearance, grooving, and/or staining or coloring. The process will vary somewhat if a core of composite wood (e.g., MDF or particleboard) or other material is used. For the U.S. industry, veneer cores are used in approximately

[7] Petition, p. 6.

[8] Hardwood Plywood and Veneer Association (HPVA), American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP-1-2009. Petition Supp, October 15, 2012, Supp. Exhibit I-15.

[9] Conference transcript, p. 110 (Thomson).

70 percent of production, MDF cores in 15 percent, and particleboard in 5-10 percent.[10] In many cases, face veneer which is of particular species and grade is manufactured separately or purchased for gluing onto the core material to complete the manufacturing.

The adhesive formulation is a key factor in hardwood plywood manufacturing and performance. Thermosetting adhesives are used to bond the veneer plies and/or core material. Urea-formaldehyde based resins (UF) are the most common type of adhesives used in hardwood plywood manufacture. These types of adhesives are suitable for interior use, have relatively fast cure times, and do not bleed color.[11] Currently, under California law, formaldehyde emissions from hardwood plywood and other wood products sold in that state are regulated. Similar federal regulations restricting formaldehyde emissions from hardwood plywood and other wood products are scheduled to take effect in 2013. To reduce formaldehyde emissions, manufacturers have changed the formulation of adhesives through the use of various additives or by using soy-based alternatives. Another type of adhesive formulated with phenol-formaldehyde (PF) resins emits less formaldehyde and is more moisture resistant. However, PF resins are darker in color, more expensive, and used only if the plywood product is made for exterior applications.

Generally, the basic steps in the manufacturing process are similar for both imported and domestic hardwood plywood. However, subject imports are typically manufactured utilizing more labor and less automation, particularly for repairing defects, preparing veneers, and laying up veneer sheets for pressing.[12]

DOMESTIC LIKE PRODUCT ISSUES

The petitioner proposes that the Commission define the domestic like product co-extensive with the scope of the petitions.[13] For purposes of the preliminary investigations, respondents do not challenge the like product as defined by petitioners.[14]

Physical Characteristics and Uses

The scope definition for hardwood and decorative plywood includes plywood that can be made from wood species of hardwood, softwood, or bamboo in its face, back, or inner veneers.[15] Also included in the scope is hardwood plywood made with a core of lumber or composite wood such as MDF or particleboard. All thicknesses of veneer and finished panels are included. The scope specifically excludes structural plywood, plywood made with cork faces or backs, multilayered wood flooring manufactured subject to a CVD/AD order, and plywood further worked beyond basic finishing.

Respondents state that Chinese plywood is produced with a thinner “paint grade” face veneer than the domestic product, and thus does not compete in the decorative segment of the market.[16] According to respondents, Chinese plywood, unlike the U.S. product, uses a face veneer that is too thin to

[10] Petitioners’ postconference brief, Answers to Staff Questions, p.1.

[11] Conference transcript, p.70-71 and p. 97 (Howlett).

[12] Conference transcript, pp. 108-109 (Clausen).

[13] Petition, p. 19

[14] CNFPIA postconference brief, p. 2; AAHP postconference brief, p. 3.

[15] Scope definition, I-5 and Petition, p. 11.

[16] Conference transcript, pp. 133-134 (Loe).

be used in applications requiring sanding, and thus is used in different applications than the U.S.-made product.[17]

Hardwood and decorative plywood includes plywood that may be made of softwood species. However, structural plywood, in contrast to the subject product, is made to meet a structural standard and is used in framing, sheathing and other construction applications.[18] Softwood plywood not graded to a structural performance standard would be included in the scope of the subject product.

Certain other panel products may compete with hardwood plywood for some applications. These include medium density fiberboard (MDF), hardboard, particleboard, and, to a lesser extent, oriented strand board (OSB). Examples of similar uses are as cabinet back or side panels and drawer components. Often, these products have a printed or laminate surface to give an appearance similar to wood grain in place of real wood veneer. However, each of the alternatives has a particular cost, quality, and appearance characteristic that distinguishes it from hardwood plywood.

Manufacturing Facilities and Production Employees

Unless a "one-step" process is used, the "core" material used in hardwood plywood is typically manufactured separately from the veneers used for the face and/or back plies. Whether veneers are produced by the hardwood manufacturers or purchased, the manufacturing technique is similar. Producers that use cores made from MDF, HDF, or other materials almost always purchase that material from other manufacturers. Plants and equipment used to manufacture hardwood plywood may also produce veneer or core material for sale to others which, in turn, is used in manufacturing hardwood plywood panels. In hardwood plywood facilities that also manufacture veneer, the same employees may be utilized.

The machinery used in Chinese plywood manufacturing ranges from primitive (e.g., hand-cranked lathes) to very sophisticated.[19] Both petitioners and respondents note that Chinese manufacturing is more labor-intensive.[20]According to respondents, the Chinese production process differs because veneer is cut to thicknesses of less than 0.4 mm and thus veneer pieces must be combined by hand using a wet veneer lay up process.[21] This allows lower quality veneers to be manually repaired and taped prior to pressing.[22] Veneers used in Chinese manufacturing are commonly air-dried in contrast to the use of jet dryers in the "one-step" manufacturing in the United States.[23]

Structural plywood is also fabricated from layers of veneers, commonly of softwood species. The manufacturing process is almost always a continuous process. Different formulations of glues are used for binding the plies together in manufacturing structural plywood than for hardwood plywood. In contrast to hardwood plywood, structural plywood is made to meet strength and performance requirements needed for structural applications. Similar equipment may be used for manufacturing structural plywood and hardwood plywood, but the two types of products are most often produced separately and at different facilities.

MDF, hardboard, particleboard, and OSB (collectively, composite panels) are different forms of panel products made by bonding wood fibers or small pieces of wood together with adhesives under high heat and pressure. The size and form of the wood particles differs in each case, as does the type of

[17] Conference transcript, p. 140 (Loe).

[18] Department of Commerce Voluntary Product Standard PS-109 is the nationally recognized product standard for structural plywood. See Petitioner's Supplemental Submission, October 15, 2012, Exhibit Supp. I-16.

[19] Conference transcript, p. 109 (Clausen).

[20] Confer. Tr. at 108-109 (Clause) and 138-140 (Loe).

[21] Post Conf. Brief, Mowry & Grimson, affidavit of Greg Simon, Ex. 2, para. 11.

[22] Confer. Tr. at 137-138 (Loe).

[23] Confer. Tr. at 137-138 (Loe).

bonding agent and the manufacturing process generally. The manufacturing processes for making MDF, hardboard, particleboard, and OSB are each separate and distinct from manufacturing hardwood plywood.

Interchangeability

Petitioners submit that hardwood and decorative plywood products are interchangeable in the market and in their end uses, distinguished by species, grade, appearance and quality.[24] Respondents state that Chinese plywood is physically different from the U.S.-produced product and is not interchangeable.[25]

Petitioners indicate that hardwood plywood products are perceived as the same class of product by producers and consumers.[26] Respondents state that the market distinguishes between lower grade hardwood plywood used for utility or non-appearance purposes, and hardwood plywood used for applications where appearance is a consideration. Respondents state that U.S. hardwood plywood demand has shifted from the higher end grades to lower grades that are not available in the United States.[27]

Hardwood and decorative plywood is generally not interchangeable with structural plywood. However, MDF, particleboard, and hardboard are sometimes used in the same applications as hardwood plywood such as for cabinet back panels, drawer bottoms, or laminated applications.

Channels of Distribution

Information provided by the petitioners indicates that U.S. hardwood plywood manufacturers sell the majority of the product to wholesalers or directly to secondary manufacturers (i.e., OEMs).[28] Retail outlets, including “big box” stores represented approximately 11 percent of U.S. producers' shipments in 2011, but petitioners suggest that they have a significant impact on pricing and are purchasing large volumes of imports.[29] Manufacturers do not generally sell directly to consumers who instead are purchasing a finished product utilizing hardwood plywood (such as a piece of furniture).

The channels of distribution are similar for composite panels as for hardwood plywood, but structural plywood is sold through a distribution network that serves home builders and construction contractors directly as opposed to OEMs and other secondary manufacturers.

Price

The price of hardwood plywood products is a function of the panel size, face species, quality, thickness, and finish (i.e., whether stained, distressed, or otherwise treated). Respondents state that pricing differs between subject imports and domestic products because of differences in the product and its applications.[30]

Prices of other types of panel products also vary depending on grade, thickness, application, and other characteristics. However, each type of panel product is sold and priced according to different standards. For example, the grades and other characteristics by which structural plywood is priced differently from hardwood plywood. Composite panels such as MDF, particleboard, and hardboard are

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[24] Petuition, p. 20.

[25] Conference transcript, pp. 129-130 (Loe).

[26] Petition, p. 21.

[27] Conference transcript, p. 147 (Simon).

[28] Conference transcript, p. 47 (Malashavich) and Exhibit 1.

[29] Conference transcript, pp. 46-47 (Malashavich).

[30] CNFPIA postconference brief, p. 11.

also priced and sold separately from hardwood plywood. Generally, but not always, structural plywood and composite panels are less expensive than hardwood and decorative plywood of similar thickness and dimension.

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

U.S. MARKET CHARACTERISTICS

Hardwood plywood is used in a variety of mostly indoor applications, particularly home remodeling applications such as kitchen cabinets, RVs, manufactured homes, new homes, and commercial buildings. Domestic producers supply less than 20 percent of the U.S. market with a few domestic firms accounting for the large majority of U.S. production of hardwood plywood.[1] Imports supply most of the U.S. market, with the largest share coming from China, but other countries including Canada, Indonesia, Russia, and Chile also ship large quantities to the U.S. market.

Hardwood plywood is made from a variety of different wood species, in a variety of thicknesses, and in a variety of different grades (i.e., AA, A, B, C, D, and E). Grades A and B are used in visually important areas while lower grades are often used as shelves and in the backs of cabinets.[2] Most U.S. produced hardwood plywood is sold unfinished.[3]

CHANNELS OF DISTRIBUTION

U.S. producers and importers sold hardwood plywood mainly to distributors (table II-1). Petitioners provided additional information showing that in 2011, 69 percent of U.S. producers' shipments were to distributors, 21 percent to OEMs, and 10 percent to retailers (primarily big box stores).[4] According to petitioners, although big box stores account for a relatively small share of domestic sales, this channel "currently wields a disproportionately severe impact on pricing."[5] In 2011, shipments of unfinished panels produced in North America went to the following markets: single wholesale distributor (28 percent), multiple wholesale distributor 43 (percent), cabinet OEMs (11 percent), furniture OEMs (4 percent), fixture OEMs (3 percent), and retail (11 percent).[6] From 2010 to 2011, North American hardwood plywood shipments to the OEM and single distributor markets increased while sales to the multiple wholesale distributor market and to the retail market declined.

Respondents assert that the domestic industry "has a rigid distribution system where a limited number of distributors are permitted to sell the product and no outside distributors have the ability to purchase the domestic product." They further contend that Chinese plywood is sold by a large number of distributors that can meet quick delivery schedules and that many small distributors are unable to purchase from the petitioners.[7]

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[1] Five U.S. companies have a combined 70 percent market share. Conference transcript, p. 16 (Howlett).

[2] Conference transcript, p. 32 (Oglesby).

[3] Unfinished panels accounted for 91 percent of North American production of hardwood plywood in 2011. HPVA, *Hardwood Stock Panels, Annual Statistical Report for Calendar Year 2011*, p.vii.

[4] Petitioners' conference exhibit 1.

[5] Conference transcript, p. 47 (Malashevich).

[6] HPVA, *Hardwood Stock Panels, Annual Statistical Report for Calendar Year 2011*, p. 34.

[7] AAHC postconference brief, pp. 32-33.

Table II-1
Hardwood plywood: U.S. producers' and importers' U.S. shipments of hardwood plywood, by sources and channels of distribution, 2009-11, January-June 2011, and January-June 2012

Item	Period				
	2009	2010	2011	Jan.-June 2011	Jan.-June 2012
	Share of reported shipments (*percent*)				
U.S. producers' U.S. shipments of hardwood plywood to:					
Distributors	85.4	85.0	83.1	82.6	83.9
End users	14.6	15.0	16.9	17.4	16.1
U.S. importers' U.S. shipments of hardwood plywood from China:					
Distributors	90.5	90.7	87.6	89.1	82.1
End users	9.5	9.3	12.4	10.9	17.9
U.S. importers' U.S. shipments of hardwood plywood from all other countries to:					
Distributors	72.4	68.5	71.5	69.2	57.7
End users	27.6	31.5	28.5	30.8	42.3
Source: Compiled from data submitted in response to Commission questionnaires.					

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling hardwood plywood to all U.S. regions (table II-2). U.S. producers reported that 4 percent of their sales were within 100 miles of their production facilities, 68 percent were between 101 and 1,000 miles, and 28 percent were over 1,000 miles. Importers sold 48 percent within 100 miles of their U.S. points of shipment, 35 percent between 101 and 1,000 miles, and 17 percent over 1,000 miles.

Table II-2
Hardwood plywood: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
	Number of firms	
Northeast	9	22
Midwest	7	25
Southeast	8	24
Central Southwest	7	25
Mountains	6	18
Pacific Coast	5	26
Other[1]	2	6

[1]All other U.S. markets, including AK, HI, PR, VI, among others.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. hardwood plywood producers have the ability to respond to changes in demand with moderate to large changes in the quantity of shipments of U.S.-produced hardwood plywood to the U.S. market. The main contributing factor to the moderate to high degree of responsiveness of supply is the availability of unused capacity. Responsiveness is constrained by the lack of significant alternate markets, low inventory levels, and the inability of most producers to produce alternate products.

Industry capacity

Domestic capacity decreased from 1.33 billion square feet in 2009 to 1.29 billion square feet in 2010 and remained near this level in 2011. Capacity utilization increased during 2009-11, owing to the decrease in capacity and a 7.6 percent increase in production during 2009-11. Capacity utilization increased from 43.4 percent in 2009 to 48.2 percent in 2011. This relatively low level of capacity utilization suggests that U.S. producers may have substantial capacity to increase production of hardwood plywood in response to an increase in prices.

Alternative markets

U.S. producers have a limited ability to divert shipments to or from alternative markets in response to changes in the price of hardwood plywood. U.S. producers' exports accounted for only 2 to 3 percent of total shipments during 2009-11.

Inventory levels

U.S. producers' inventories as a ratio to total shipments were relatively stable over 2009-11 at about 6 percent. These inventory levels suggest that U.S. producers may have a limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Only 2 of 9 responding producers produce other products on the same equipment used to produce hardwood plywood. One firm reported producing *** on the same equipment and another firm reported producing ***.

Supply constraints

No responding producer reported it had refused, declined, or was unable to supply hardwood plywood during the period examined except for one that commented that this was the case only when it will not lower its price "to meet cheap Chinese plywood prices."

Subject Imports from China

Based on available information, Chinese producers have the ability to respond to changes in demand with moderate to large changes in the quantity of shipments of hardwood plywood to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the availability of unused capacity and existence of alternate markets.

Industry capacity

Chinese producers' capacity to produce hardwood plywood increased from 2.4 billion square feet in 2009 to 2.6 billion square feet in 2011. With production rising faster than capacity, capacity utilization increased from 78.0 percent in 2009 to 87.4 percent in 2011.

Alternative markets

Chinese shipments were nearly evenly split between the home market, exports to the U.S. market, and exports to third-country markets. The existence of these other large non-U.S. markets indicates that Chinese producers likely have some ability to shift shipments between markets in response to a change in price.

Inventory levels

Chinese producers' inventories as a ratio to total shipments declined from 8.5 percent in 2009 to 6.4 percent in 2011.

Production alternatives

Most responding Chinese producers reported that they do not produce other products on the same equipment used to produce hardwood plywood.

Nonsubject Imports

Nonsubject imports accounted for 44 percent of total imports in 2011. The largest sources of nonsubject imports were Chile, Russia, Indonesia, and Canada. Combined, these countries accounted for 76 percent of nonsubject imports in 2011.

U.S. Demand

Based on available information, the overall demand for hardwood plywood is likely to change moderately in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the moderate cost share of hardwood plywood in most of its end-use products. Apparent U.S. consumption of hardwood plywood increased by 12.3 percent during 2009-11.

End Uses

U.S. demand for hardwood plywood depends on the demand for U.S.-produced downstream products in which it is used, including kitchen cabinets, RVs, manufactured homes, underlayment, and furniture. Petitioners estimate that 40 to 50 percent of hardwood plywood production is used in kitchen cabinets.[8] Respondents estimate that the percentage of imported Chinese hardwood plywood used in various end uses is as follows:[9]

Cabinets	34
Underlayment	18
RV/mobile home	12
Furniture	12
Store fixtures	7
General use	17
	100 percent

Petitioners and respondents report that cabinets are the largest end use for both domestic and imported products, and a large number of both producers and importers reported this end use as among their top three end uses (table II-3). The next most commonly listed end use reported by both producers and importers was furniture. While 4 of the 7 responding producers named fixtures as one of their top three end uses, only one importer did so. Two producers but no importers reported architectural panels or interior trim as a top end use, while one or more importers reported a number of end uses, including subflooring and RVs, that were not reported by any producers.

[8] Conference transcript, p. 82 (Oglesby).

[9] AAHC postconference brief, exh. 1, p. 12. Data by end use is not available for U.S. producers.

Table II-3
Hardwood plywood: Top three end uses

End use	Number of firms reporting each end use among its top three end uses	
	U.S. producers (7 firms responding)	Importers (22 firms responding)
Architectural wall panels/interior trim	2	0
Cabinets	7	14
Fixtures	4	1
Furniture	6	8
Underlayment/Subfloor/Flooring	0	4
RVs	0	2
General use/utility panels	0	2

Note: Firms were asked to report the top 3 end uses for their U.S.-produced or imported hardwood plywood. In addition to the end uses listed above, one importer each reported the following end uses: agricultural panels, boxes, concrete forming, construction, laminating, tack strand/carpet gripper, and truck bodies.

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

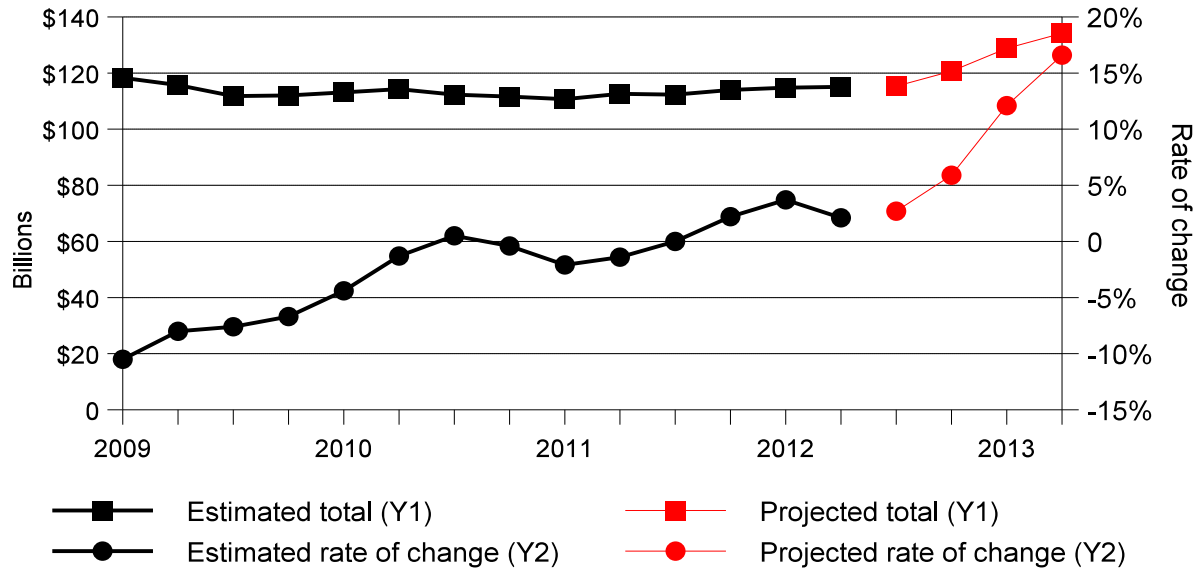
According to petitioners, demand for hardwood plywood is more closely tied to remodeling activity, and construction of RVs, manufactured homes, and furniture cabinetry, than to new home construction.[10]

The "Leading Indicator of Remodeling Activity" (LIRA) (see figure II-1), which measures the value of homeowner improvements, decreased by 6 percent between the first quarter of 2009 and the first quarter of 2011, and then increased by 2 percent through the second quarter of 2012. Remodeling activity is expected to increase more quickly over the next year, with the value of the LIRA projected to increase by 16 percent between the second quarter of 2012 and the second quarter of 2013.

Seasonally adjusted housing starts increased by 44 percent between January 2009 and September 2012 (figure II-2), with most of the increase in the latter part of 2011 and in 2012. Housing starts, however, remain well below historic averages.

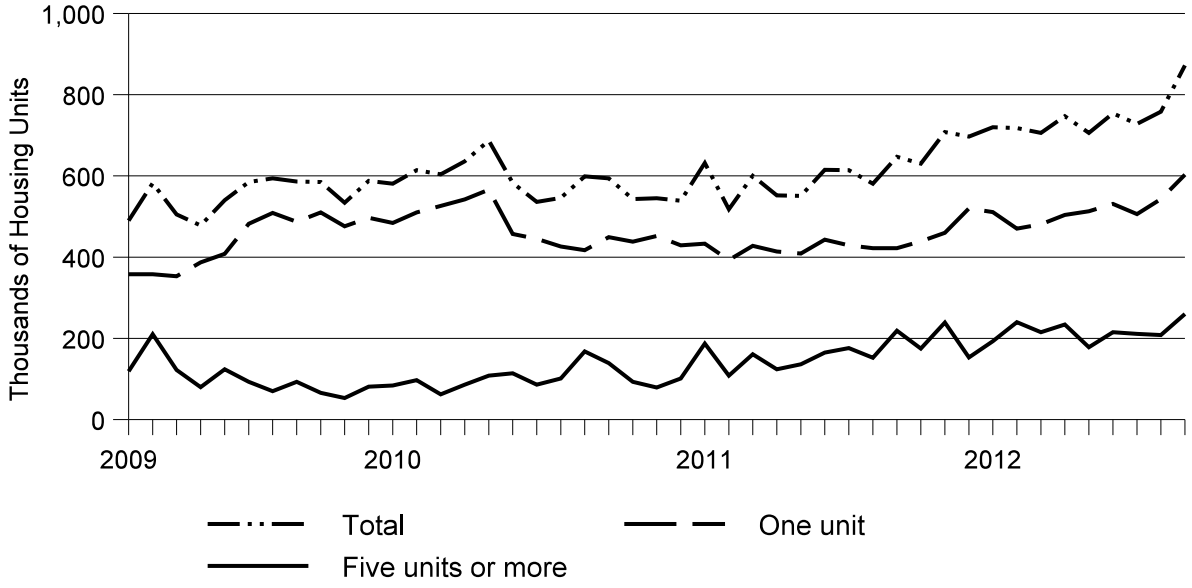
[10] Petitioners' postconference brief, pp. 20-21.

Figure II-1
Homeowner improvements: Leading indicator of remodeling activity, four quarter moving total and rate of change, estimated and projected: quarterly, January 2009-June 2013



Source: Joint Center for Housing Studies of Harvard University. http://www.jchs.harvard.edu/media/lira/ (retrieved October 26, 2012).

Figure II-2
Housing starts: Seasonally adjusted housing starts, monthly, January 2009- September 2012
Source: U.S. Census Bureau, Manufacturing, Mining and Construction Statistics, Construction Spending.

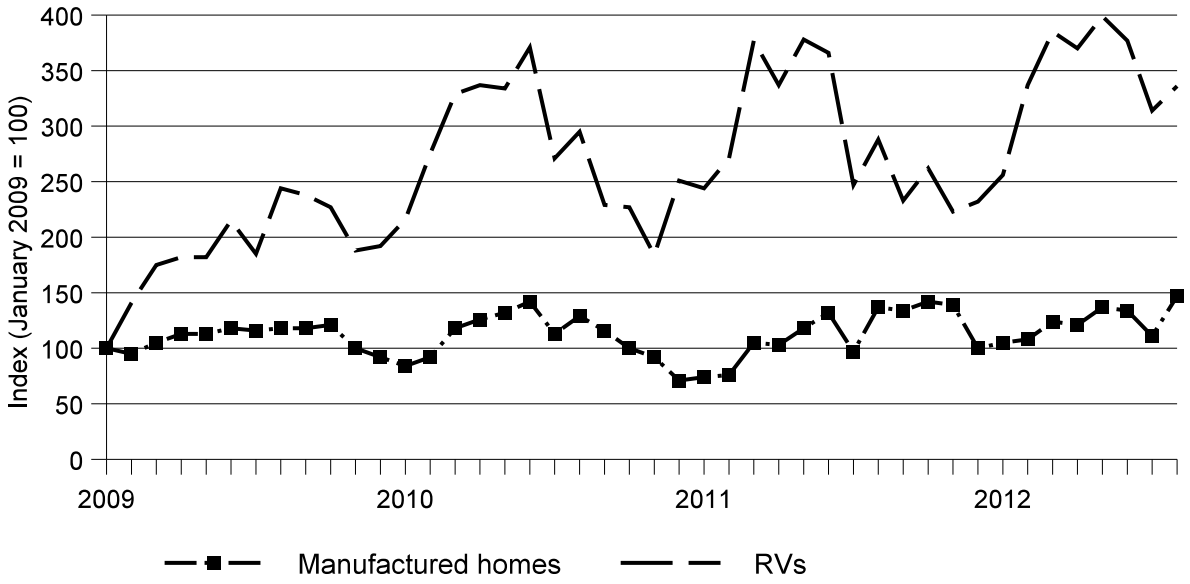


http://www.census.gov/const/startssa.pdf (retrieved October 30, 2012).

Kitchen cabinet sales declined from 2009 to 2011, but increased during January-June 2012.[11] Shipments of RVs and manufactured homes increased from January 2009 to June 2012 (figure II-3).[12] Domestic wood furniture shipments increased slightly from 2010 to 2011 as did flooring sales.[13]

Petitioners reported that the commercial building sector, where hardwood plywood is used in office building foyers, libraries, and conference rooms, did not decline as much as did the housing sector during the recession.[14]

Figure II-3
Manufactured homes and RVs: Index of monthly shipments, January 2009-August 2012



Sources: Recreational Vehicle Industry Association Petitioners and U.S. Census Bureau, presented in Petitioner's postconference brief, exhibit 12.

[11] AAHC postconference brief, p. 9.

[12] RV wholesale shipments (in thousands of units) were 165.7 in 2009, 242.3 in 2010, and 252.3 in 2011, and are projected to be 273.6 in 2012 and 275.3 in 2013. Manufactured home shipments (in thousands of units) were 49.8 in 2009, 50.0 in 2010 and 51.6 in 2011. The Recreational Vehicle Industry Association: Business Indicators, September 28, 2012, presented in AAHC postconference brief, exh. 9.

[13] Domestic wood furniture shipments ***. Flooring sales increased by 2.5 percent from 2010 to 2011 and increased by 3.6 percent in first quarter 2012 and 1.3 percent in second quarter 2012. AAHC postconference brief, p. 11.

[14] Conference transcript, p. 82 (Howlett).

Demand Perceptions

Most U.S. producers (5 of 8) reported a decrease in U.S. demand since 2009, and most importers reported that demand decreased or fluctuated (table II-4). Producers reporting decreases cited weak demand in residential housing, remodeling, and commercial construction; low consumer confidence; and the impact of imported Chinese wood furniture. The two producers reporting increases cited improvements in housing starts and consumer confidence and the slight economic upturn. Importers reporting a decrease in demand cited the U.S. economic downturn, including the weak housing market. Importers reporting an increase in demand cited a slight improvement in the overall economy.

Table II-4
Hardwood plywood: Firms' perceptions regarding demand

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	2	1	5	0
Importers	5	3	11	12
Demand outside the United States				
U.S. producers	0	1	3	0
Importers	4	3	3	9
Source: Compiled from data submitted in response to Commission questionnaires.				

Respondents assert that demand is especially strong for the products imported from China, that are thinner overall and/or have a thin face veneer on top of a hardwood core.[15] According to respondents, demand for these products grew as a result of the recession when customers found that the thinner Chinese product was more efficient and more effective in certain applications where the hardwood plywood is not visible or will be painted or laminated.[16]

Business Cycles

Four of nine U.S. producers and 15 of 32 importers indicated that the market was subject to business cycles or distinctive conditions of competition, including seasonal demand that varies somewhat by region and by end use product. The four producers noted seasonal trends such as high demand from January-June or July, and slower demand in summer and in November and December.[17] Two of these producers also noted that hardwood plywood demand at least partially follows housing demand. Some importers also reported similar seasonal trends as well as cyclical trends in the overall building industry based on new home construction, commercial construction, and remodeling. One importer noted that seasonality is based on the weather so can differ between regions, for example, in the Midwest demand is

[15] AAHC postconference brief, pp. 13-14.

[16] AAHC postconference brief, pp. 14-15.

[17] Remodeling activity is lower during October to December because of the Thanksgiving and Christmas holidays. Conference transcript, p. 77 (Oglesby).

high in the winter when people are inside doing winter projects, whereas in Texas, people prefer indoor projects in the summer when it is too hot to be outside. One importer reported that demand for plywood for truck bodies is higher during the first half of the year than during the second half of the year. Another importer reported that furniture sales are higher in the fall and also that different end use markets exhibit different trends.[18]

Two producers reported changes in conditions of competition; specifically, one reported that cheap Chinese hardwood plywood and furniture had reduced demand for domestic product and one reported that housing starts had dropped. Importers reported changes including the large decline in the housing market and the gradual recovery; changes in input costs and ocean freight costs, and currency fluctuations; volume purchasing; less kitchen remodeling (homeowners choosing to upgrade roofs and HVAC systems rather than kitchens); and moderate improvement in demand in homebuilding, remodeling, and RVs. One importer reported that Chilean supply was greatly reduced in 2010 and 2011 after the largest Chilean plywood mill was destroyed in an earthquake in February 2010 and then the rebuilt mill suffered a fire in 2011; and it reported that in 2012, Chilean supply is being replaced by Chinese supply.

Substitute Products

Most responding U.S. producers (7 of 9) and importers (15 of 20) reported that there were no substitutes for hardwood plywood. Firms that reported substitutes listed solid wood, laminates, softwood plywood, and MDF.

Cost Share

Hardwood plywood typically accounts for a moderate share of the cost of the end-use products in which it is used. Average reported cost shares for cabinets, furniture, and fixtures were 30 to 35 percent.[19] Reported cost shares for other end uses included: 2 to 30 percent for RVs and 74 to 80 percent for underlayment.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported hardwood plywood depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, etc.), and conditions of sale (e.g., price discounts/rebates, leadtimes between order and delivery dates, payment terms, product services, etc.). Based on available information, staff believes that there is a moderate degree of substitutability between U.S. produced hardwood plywood and that imported from China.

According to respondents, there is limited competition between imported and domestic hardwood plywood since the domestic products contain a softwood core with thick outer veneers of at least 0.5 mm while the Chinese products contain a hardwood core with outer veneers of 0.22 mm to 0.28 mm.[20]

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[18] For example, its sales to the residential kitchen cabinet market dropped off markedly at the height of the recession in 2009 while its sales to the luxury yacht market were much more stable.

[19] Firms reported cost shares ranging from 6 to 60 percent for cabinets, 22 to 40 percent for fixtures, and 10 to 75 percent for furniture.

[20] AAHC postconference brief, p. 16.

Petitioners, however, assert that the appearance of the panel, rather than the thickness of the outer veneers (face thickness), is what is important to customers.[21]

Respondents also contend that domestic producers cannot produce panels with overall thickness less than 6 mm while a large proportion of Chinese plywood has an overall thickness of 5.2 mm or less.[22] They report that these thinner panels are reportedly used as a flooring substrate (5.2 mm panels), and in RVs and manufactured homes (2.7 mm and 3.4 mm panels).[23]

Most North American produced panels contain a veneer core (62 percent), with most of the remainder MDF (17 percent) or particleboard (15 percent).[24] The most common face species are maple (38 percent), birch (22 percent), and red oak (18 percent).[25]

Respondents assert that there is limited overlap in end-uses except for kitchen cabinets, and that even within the cabinet sector, the domestic market serves the high-end segment and Chinese product serves a lower-end market in which the wood is laminated or painted.[26] According to respondents, kitchen cabinet manufacturers use the domestic product for the fronts of cabinets while the Chinese product may be used for cabinet backs, bottoms, shelves, and drawer sides.[27] Petitioners assert that although Chinese product was initially present only in the low end of the market, in the last few years, imported Chinese product has also competed in the high end of the market with panels made of walnut, oak, maple, and cherry hardwood veneer from U.S. logs.[28]

U.S. producers reported selling 85 to 100 percent of their hardwood plywood produced to order with lead times generally between 7 and 14 days. Importers reported that about two-thirds of their sales are from U.S. inventory with lead times typically of one week or less, with most of the remaining sales produced to order with lead times of 60 to 180 days.

Comparison of the U.S.-Produced and Imported Products

As shown in table II-5, 75 percent of U.S. producers but only 36 percent of importers rated domestic hardwood plywood and imported Chinese product as "always" or "frequently" interchangeable. In comparing domestic hardwood plywood to nonsubject imports, the majority of producers and importers found the domestic and Canadian products to be "always" or "frequently" interchangeable but that imports from Chile, Indonesia, and Russia were "sometimes" or "never" interchangeable with domestic product. Similarly, producers and importers generally agreed that imports from China were only "sometimes" or "never" interchangeable with imports from Chile, Indonesia, and Russia. Producers and importers disagreed on the extent of interchangeability between Chinese and Canadian hardwood plywood.

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[21] Petitioners' postconference brief, p. 17. Conference transcript, pp. 86-87 (Thompson).

[22] According to respondents, 40 percent of Chinese imports are thicknesses of 5.2 mm or less. Conference transcript, p. 14 (Grimson). Available data indicate that in 2011, 18 percent of North American production of hardwood plywood was 1/4 inch (5.2 mm) or thinner. The percentage of production of other thicknesses was as follows: 3/8 inch (2 percent), ½ inch (15 percent), 5/8 inch (7 percent), 3/4 inch (53 percent), and other (3 percent). HPVA, *Hardwood Stock Panels, Annual Statistical Report for Calendar Year 2011*, p. 8.

[23] AAHC postconference brief, p. 19.

[24] HPVA, *Hardwood Stock Panels, Annual Statistical Report for Calendar Year 2011*, p. 9.

[25] The remainder are cherry (6 percent) and other species (16 percent). HPVA, *Hardwood Stock Panels, Annual Statistical Report for Calendar Year 2011*, p. 10.

[26] AAHC postconference brief, pp. 27-28.

[27] AAHC postconference brief, p. 28.

[28] Conference transcript, p. 37 (Clausen).

Table II-5
Hardwood plywood: Perceived interchangeability between products produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	2	4	1	1	5	4	15	1
U.S. vs. nonsubject countries:								
U.S. vs. Canada	5	1	1	1	6	7	3	0
U.S. vs. Chile	2	0	2	3	0	4	7	1
U.S. vs. Indonesia	1	1	4	4	2	2	11	3
U.S. vs. Russia	1	2	4	4	2	2	10	5
U.S. vs. other countries	1	0	0	0	0	0	0	0
China vs. nonsubject countries:								
China vs. Canada	2	3	1	1	2	1	10	0
China vs. Chile	1	0	2	3	0	2	3	2
China vs. Indonesia	2	0	3	3	2	2	10	1
China vs. Russia	1	1	3	3	1	1	10	2
China vs. other countries	1	1	0	0	0	0	0	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Importers reported that interchangeability between various sources including domestic and Chinese hardwood plywood is limited by the following: lengths and widths needed not available domestically; differing characteristics such as wood species, core construction, face and back veneer thicknesses, panel strength, tolerances for moisture content, and glues; differing quality; smaller volumes available from importers; and availability of product. Some importers noted that Chinese product has thinner veneer faces (0.25 mm to 0.35 mm) than domestic product (0.5 mm to 0.75 mm). They also reported that domestic hardwood plywood consists of high quality decorative panels whereas imports are typically used for non-decorative uses.

One importer reported differences between domestic and Chinese product in the design of the tongue and groove, the finishings, and the treatments. Another firm noted that Chinese plywood is sized in millimeters while domestic plywood uses the Imperial System, and as a result the two cannot be mixed in the same application. Another firm reported that the Chinese material is of adequate quality for certain finishing operations but that higher end cabinetry requires the thicker face veneer to achieve the required end quality on finish.[29] One importer reported that hardwood plywood from the United States, Canada, and Russia is higher quality and is more often interchangeable than product from other sources. This importer reported that product from China and Southeast Asia lacks core quality consistency leading to

[29] It noted that it "does interchange US and Chinese hardwood plywood for the purposes of supply chain diversity and supply risk mitigation. However, the domestic supplier base does not offer a face veneer in the 0.25-0.35 mm thickness range. Since the domestic producers do not slice veneer to the lower spec, their veneer logs do not produce as many sheets of veneer. Unfortunately, this lowers the amount of A grade faces available for sale by the domestic vendors, and forces face grade negotiations (i.e, the kitchen cabinet manufacture is asked to sacrifice face grade versus the veneer thickness)."

panels that "warp, crackle when handled, and mold after use," and also "contain many holes and delaminate easily."

U.S. producers reported that nonsubject imports from Chile, Indonesia, and Russia were not always substitutable with domestic product because of differing wood species (Chile and Indonesia do not have access to birch), densities, and prices. One producer reported that for product from Chile, the lack of hardwood faces and backs in panels make them hard to substitute for decorative applications that require a specific decorative face. One producer reported that Indonesian product uses thin (3.0 mm to 5.2 mm) Luan Meranti plywood. One producer reported that Russian hardwood plywood has a different standard width and length and differing grade standards than plywood from other sources.

Importers also reported differences in the type of product and wood species of hardwood plywood from Russia, Indonesia, and Chile and that available from U.S. producers. One importer reported that Indonesian hardwood plywood uses tropical species that are more stable and can make thinner products (2.3 mm and 3.4 mm) than is produced in the United States. Another importer reported that Indonesian plywood is mainly Meranti and complements domestic product, and that Russian plywood also complements domestic product. Another importer reported that "South American products are generally perceived to be well built structurally, but are always lacking in consistent face quality."

Slightly more than half of importers (14 of 26) but less than half of U.S. producers (3 of 7) found that differences other than price between U.S. and Chinese hardwood plywood were "always" or "frequently" significant (table II-6).

Two U.S. producers noted that Chinese quality was lower than that of U.S. and Canadian hardwood lumber. Three U.S. producers commented on nonsubject products noting that Russian product is good quality but limited to birch production, and that Russian product has different standard widths and lengths, and differing grade standards, and that Chile has a very limited hardwood mix.

Importers reported a number of differences other than price between domestic products and Chinese products. Firms noted differences in sizes, veener thickness, core species, and quality (including Chinese lower quality). Several firms noted that customers may source hardwood plywood offshore because domestic product is higher quality and has a thicker face veneer than is needed for certain applications, or conversely that Chinese thin-veneered product may not be suitable for some end users. One importer reported that China has a wide range of product and makes timely deliveries while another reported that Chinese product is shipped in containers rather than truckloads, with longer lead times, small product range, no technical support, and no showrooms for builders/dealers.

One importer reported that Chinese and Russian products are poplar and birch and are used for lower quality applications such as apartments and rentals, whereas higher end applications use domestic red oak, cherry, maple, fir, and pine. Other comments regarding comparisons with nonsubject product include that the Russian and Indonesian products are very different than domestic product; Russian and Chinese have different cores and different sizes; and that Indonesian panels are 2.7 mm to 3.4 mm thickness as a result of the tropical hardwood species used, and that these products cannot be produced by domestic producers.

Table II-6
Hardwood plywood: Perceived significance of differences other than price between products produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	2	1	4	0	9	5	9	3
U.S. vs. nonsubject countries:								
U.S. vs. Canada	1	1	2	3	1	0	9	3
U.S. vs. Chile	2	0	1	0	2	1	5	0
U.S. vs. Indonesia	3	0	3	0	4	2	9	1
U.S. vs. Russia	3	1	3	0	5	4	6	3
U.S. vs. other countries	0	0	1	0	0	0	0	0
China vs. nonsubject countries:								
China vs. Canada	1	1	4	0	2	0	6	1
China vs. Chile	2	0	1	0	2	0	3	0
China vs. Indonesia	2	0	3	0	3	2	6	1
China vs. Russia	2	0	3	0	3	1	7	1
China vs. other countries	0	0	1	0	0	0	0	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 11 firms that accounted for the majority of U.S. production of hardwood plywood during 2011.

U.S. PRODUCERS

The Commission sent producer questionnaires to 21 firms identified in the petition as producers of hardwood plywood; nine provided completed responses that they produced hardwood plywood during the period of investigation, two provided trade data only, one reported it did not produce hardwood plywood, and nine did not respond.[1] No tolling or production in foreign trade zones was reported.

Presented in table III-1 is a list of current domestic producers of hardwood plywood and each company's position on the petition, production location(s), related and/or affiliated firms, and share of reported production of hardwood plywood in 2011. Changes in hardwood plywood production operations since 2009 are also presented in table III-1. Those in support of the petition accounted for over 93 percent of reported 2011 hardwood plywood production.

As indicated in table III-1, two U.S. producers are related to foreign producers of the subject merchandise and two are related to U.S. importers of the subject merchandise. In addition, as discussed in greater detail later in this section, three U.S. producers directly import[2] the subject merchandise and five purchase the subject merchandise from U.S. importers.

[1] Non-responding firms were contacted and they stated that they were trying to amass the requested information but had many difficulties in compiling it in the time allowed. When asked, they all indicated that their production would be less than 1 percent of total U. S. production.

[2] Petitioners argue ***. Petitioners' postconference brief, pp. 5-8. Respondent AAHP does not advocate the exclusion of any party. AAHP postconference brief, exh. 1, p. 5.

Table III-1
Hardwood plywood: U.S. producers, positions on the petition, U.S. production locations, related and/or affiliated firms, and shares of 2011 reported U.S. production

Firm	Position on petition	U.S. production location(s)	Related and/or affiliated firms	Share of reported production (*percent*)
Columbia Forest Products[1]	Petitioner	Old Fort, NC; Klamath Falls, OR; Chatham, VA; Truman, AR	***	***
Commonwealth Plywood Co., Ltd.[2]	Petitioner	Whitehall, NY	***	***
Darlington Veneer Company, Inc.	***	Darlington, SC	***	***
Mt. Baker Products, Inc [3]	***	Bellingham, WA	***	***
Murphy Plywood	Petitioner	Eugene, OR	***	***
Owl Hardwood Lumber & Plywood Inc.[4]	***	Des Plaines, IL	***	***
Pittsburgh Forest Products, Inc.[6]	***	McMurray, PA; Vienna, OH	***	([5])
Roseburg Forest Products Co.[7]	Petitioner	Roseburg, OR	***	***
S.J. Morse Company	***	Capon Bridge, WV	***	***
States Industries LLC	Petitioner	Eugene, OR	***	***
Timber Products Company [8]	Petitioner	Corinth, MS; Grants Pass, OR; Medford, OR	***	***

[1] "***."
[2] "***."
[3] "***."
[4] "***."
[5] ***.
[6] "***."
[7] ***.
[8] "***"

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 for hardwood plywood are presented in table III-2.

Table III-2
Hardwood plywood: U.S. capacity, production, and capacity utilization, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June--	
	2009	2010	2011	2011	2012
Capacity (*1,000 square feet*)	1,328,573	1,287,496	1,288,809	664,404	666,158
Production (*1,000 square feet*)	577,079	599,716	620,943	325,516	338,510
Capacity utilization (*percent*)	43.4	46.6	48.2	49.0	50.8

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

Producers were asked to comment on constraints to their capacity and production levels and their comments follow. Columbia (***) stated, "***." Commonwealth (***) cited the ***. Darlington Veneer (***) stated, "***."[3]

Mt. Baker Products (*** stated, "***." Murphy (***) stated, "***." Owl Lumber & Plywood (***, cited ***. Pittsburgh ***." S.J. Morse (***) had ***." States (***) reported that it, "***." Roseburg*** stated, "***."

Timber Products (***) stated, "***."

"***."

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of hardwood plywood are presented in table III-3. Over the period examined, U.S. commercial shipments accounted for the vast majority of U.S. producers' shipments. Between 2009 and 2011, the quantity and value of U.S. producers' U.S. shipments increased and unit values increased by $0.02 from 2009-11.

*** reported transfers to related firms. *** reported exports to ***.

[3] A press opening is the open space between two plates in the press where a single piece of plywood can be produced at one cycle time. For example, you can produce 20 pieces of plywood at a time in 20 opening press. Knowing the time cycle per press charge, the loading and unloading time, you can then calculate the average pressing capacity for all the presses. Therefore, you are limited in capacity by the number of presses and the press openings. If they were to have more presses or more press openings, their capacity would increase.

Table III-3
Hardwood plywood: U.S. producers' shipments, by types, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June--	
	2009	2010	2011	2011	2012
			Quantity (*1,000 square feet*)		
Commercial shipments	534,003	552,238	577,536	304,573	313,529
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	554,644	577,523	596,055	313,048	324,705
Export shipments	14,709	21,961	24,040	12,967	10,909
Total shipments	569,353	599,484	620,095	326,015	335,614
			Value (*1,000 dollars*)		
Commercial shipments	595,696	615,294	652,814	344,510	355,968
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	617,121	641,587	673,622	353,928	368,703
Export shipments	16,086	24,128	27,963	15,696	13,383
Total shipments	633,207	665,715	701,585	369,624	382,086
			Unit value (*per square foot*)		
Commercial shipments	$1.12	$1.11	$1.13	$1.13	$1.14
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	1.11	1.11	1.13	1.13	1.14
Export shipments	1.09	1.10	1.16	1.21	1.23
Total shipments	1.11	1.11	1.13	1.13	1.14
			Share of quantity (*percent*)		
Commercial shipments	93.8	92.1	93.1	93.4	93.4
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	97.4	96.3	96.1	96.0	96.7
Export shipments	2.6	3.7	3.9	4.0	3.3
Total shipments	100.0	100.0	100.0	100.0	100.0

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

U.S. PRODUCERS' INVENTORIES

Table III-4, which presents end-of-period inventories for hardwood plywood, shows that inventories rose slightly over the period of investigation although the ratio to production and shipments dipped.

Table III-4
Hardwood plywood: U.S. producers' end-of-period inventories, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June--	
	2009	2010	2011	2011	2012
Inventories (*1,000 square feet*)	34,259	34,666	35,293	34,118	38,053
Ratio to production (*percent*)	5.9	5.8	5.7	5.2	5.6
Ratio to U.S. shipments (*percent*)	6.2	6.0	5.9	5.4	5.9
Ratio to total shipments (*percent*)	6.0	5.8	5.7	5.2	5.7

Note.–Partial-year ratios are based on annualized production and shipments.

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

Three of the 11 U.S. responding producers imported hardwood plywood directly from China during the period for which data were collected. Five firms reported purchases of hardwood plywood from China and six reported purchases from nonsubject sources that include Canada, Chile, Indonesia, and Russia. U.S. producers' imports and purchases of hardwood plywood (as well as reasons for importing and purchasing) are presented in table III-5.

Table III-5
Hardwood plywood: U.S. producers' imports and purchases, 2009-11, January-June 2011, and January-June 2012

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for hardwood plywood are presented in table III-6.

Table III-6
Hardwood plywood: U.S. producers' employment-related data, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June--	
	2009	2010	2011	2011	2012
Production and related workers (PRWs)	1,913	1,805	1,851	1,906	1,854
Hours worked by PRWs (*1,000 hours*)	3,897	3,873	4,041	2,070	2,085
Hours worked per PRW	2,037	2,146	2,183	1,086	1,125
Wages paid to PRWs (*1,000 dollars*)	67,026	67,727	68,905	35,353	35,148
Hourly wages	$17.20	$17.49	$17.05	$17.08	$16.86
Productivity (square feet produced per hour)	148.1	154.8	153.7	157.3	162.4
Unit labor costs (*per square foot*)	$0.12	$0.11	$0.11	$0.11	$0.10

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

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

U.S. IMPORTERS

Importer questionnaires were sent to 150 firms believed to be importers of subject hardwood plywood, as well as to all identified U.S. producers of hardwood plywood.[1] Usable questionnaire responses were received from 48 companies, representing 64.1 percent of total imports from China, as reported by official Commerce statistics, between January 2009 and June 2012. Two firms reported no imports from China, 11 firms reported imports from China alone, and the remaining 35 firms reported subject imports from China as well as the following countries: Brazil, Chile, Indonesia, Malaysia, Romania, Russia, Uruguay, and Vietnam.

U.S. IMPORTS

Table IV-1 presents data for U.S. imports of hardwood plywood from China and all other sources. During the POI, the amount of U.S. imports from China increased by nearly 443 million square feet, or about 40 percent, while U.S. imports from nonsubject countries decreased by 117 million square feet, or about 9 percent. However, the January-June 2012 period shows a decrease in imports from China by 99 million square feet, and an increase in imports from nonsubject countries by 61 million square feet. The value of the imports increased between 2009 and 2010 for both China and the nonsubject countries, but decreased between 2010 and 2011 for both before increasing during the January-June 2012 period for both China and nonsubject countries.

The unit value per square foot for subject imports decreased by $0.11 per square foot from 2009-2011 before rising $0.06 in January-June 2012. Nonsubject countries' unit value increased $0.06 from 2009-11, further increasing $0.04 in January-June 2012. China's share of the quantity started 10 percent below that of the nonsubject countries in 2009, but the shares reversed by 2011. China, however, maintained a higher share of the value throughout the period of investigation.

[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have imported at least $1 million or greater of both subject and nonsubject imports as identified in Part I of this report in any one year since 2009.

Table IV-1
Hardwood plywood: U.S. imports, by sources, 2009-11, January-June 2011, and January-June 2012

Source	Calendar year			January-June	
	2009	2010	2011	2011	2012
			Quantity (*1,000 square feet*)		
China	1,092,135	1,376,408	1,534,788	848,580	749,534
Nonsubject	1,335,721	1,339,454	1,218,331	562,092	623,447
Total	2,427,856	2,715,863	2,753,119	1,410,672	1,372,982
			Value (*1,000 dollars*)[1]		
China	617,930	735,648	707,283	357,410	390,662
Nonsubject	608,418	700,680	632,728	282,397	350,567
Total	1,226,348	1,436,328	1,340,011	639,807	741,229
			Unit value (*per square foot*)[1]		
China	$0.57	$0.53	$0.46	$0.42	$0.52
Nonsubject	0.46	0.52	0.52	0.50	0.56
Average	0.51	0.53	0.49	0.45	0.54
			Share of quantity (*percent*)		
China	45.0	50.7	55.7	60.2	54.6
Nonsubject	55.0	49.3	44.3	39.8	45.4
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	50.4	51.2	52.8	55.9	52.7
Nonsubject	49.6	48.8	47.2	44.1	47.3
Total	100.0	100.0	100.0	100.0	100.0

[1] Landed, U.S. port of entry, duty-paid.

Source: Compiled from official Commerce statistics.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[2] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[3] Imports from China accounted for 55.7 percent of total imports of hardwood plywood by quantity during 2011.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of hardwood plywood during the period of investigation are shown in table IV-2 and figure IV-1. Both U.S. producers' U.S. shipments and U.S. imports from China increased during the period of investigation, while imports from nonsubject countries decreased. Imports from nonsubject countries land U.S. producers' shipments increased during the January-June 2011-12 periods, while subject imports from China decreased. Apparent US consumption has increased throughout the 2009-11, but declined between the interim periods.

[2] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[3] Section 771(24) of the Act (19 U.S.C. § 1677(24)).

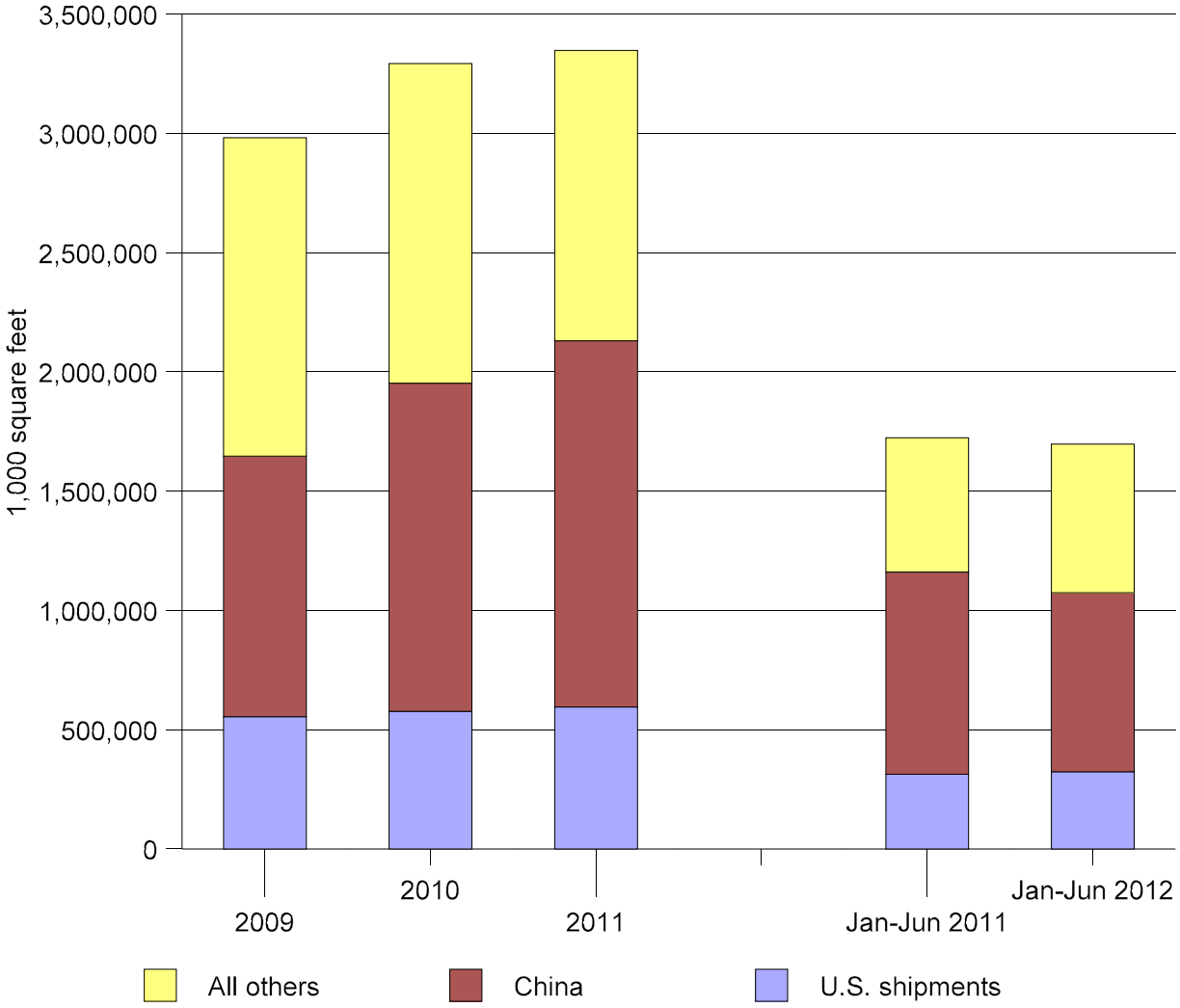
Table IV-2
Hardwood plywood: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June	
	2009	2010	2011	2011	2012
	Quantity (*1,000 square feet*)				
U.S. producers' U.S. shipments	554,644	577,523	596,055	313,048	324,705
U.S. imports from–					
China	1,092,135	1,376,408	1,534,788	848,580	749,534
Nonsubject countries	1,335,721	1,339,454	1,218,331	562,092	623,447
Total U.S. imports	2,427,856	2,715,863	2,753,119	1,410,672	1,372,982
Apparent U.S. consumption	2,982,500	3,293,386	3,349,174	1,723,720	1,697,687
	Value (*1,000 dollars*)				
U.S. producers' U.S. shipments	617,121	641,587	673,622	353,928	368,703
U.S. imports from--					
China	617,930	735,648	707,283	357,410	390,662
Nonsubject countries	608,418	700,680	632,728	282,397	350,567
Total U.S. imports	1,226,348	1,436,328	1,340,011	639,807	741,229
Apparent U.S. consumption	1,843,469	2,077,915	2,013,633	993,735	1,109,932

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

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

Figure IV-1
Hardwood plywood: Apparent U.S. consumption, by sources, 2009-11, January-June 2011, and January-June 2012



Source: Table IV-2.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-3. U.S. producers' market share declined irregularly from 2009 to 2011 and then increased in interim 2012 compared with interim 2011. The market share of imports from China increased steadily from 36.6 percent in 2009 to 45.8 percent in 2011. Interim 2012 data indicate a decline in market share for Chinese imports compared with interim 2011.

Table IV-3
Hardwood plywood: U.S. consumption and market shares, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June	
	2009	2010	2011	2011	2012
	Quantity (*1,000 square feet*)				
Apparent U.S. consumption	2,982,500	3,293,386	3,349,174	1,723,720	1,697,687
	Value (*1,000 dollars*)				
Apparent U.S. consumption	1,843,469	2,077,915	2,013,633	993,735	1,109,932
	Share of quantity (*percent*)				
U.S. producers' U.S. shipments	18.6	17.5	17.8	18.2	19.1
U.S. imports from--					
China	36.6	41.8	45.8	49.2	44.2
Nonsubject countries	44.8	40.7	36.4	32.6	36.7
All countries	81.4	82.5	82.2	81.8	80.9
	Share of value (*percent*)				
U.S. producers' U.S. shipments	33.5	30.9	33.5	35.6	33.2
U.S. imports from--					
China	33.5	35.4	35.1	36.0	35.2
Nonsubject countries	33.0	33.7	31.4	28.4	31.6
All countries	66.5	69.1	66.5	64.4	66.8

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

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of hardwood plywood is presented in table IV-4.

Table IV-4
Hardwood plywood: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June	
	2009	2010	2011	2011	2012
	Quantity (*1,000 square feet*)				
U.S. production	577,079	599,716	620,943	325,516	338,510
Imports from:					
China	1,092,135	1,376,408	1,534,788	848,580	749,534
Nonsubject countries	1,335,721	1,339,454	1,218,331	562,092	623,447
Total imports	2,427,856	2,715,863	2,753,119	1,410,672	1,372,982
	Ratio of U.S. imports to production (*percent*)				
Imports from:					
China	189.3	229.5	247.2	260.7	221.4
Nonsubject countries	231.5	223.3	196.2	172.7	184.2
Total imports	420.7	452.9	443.4	433.4	405.6

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

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

PART V: PRICING AND RELATED INFORMATION

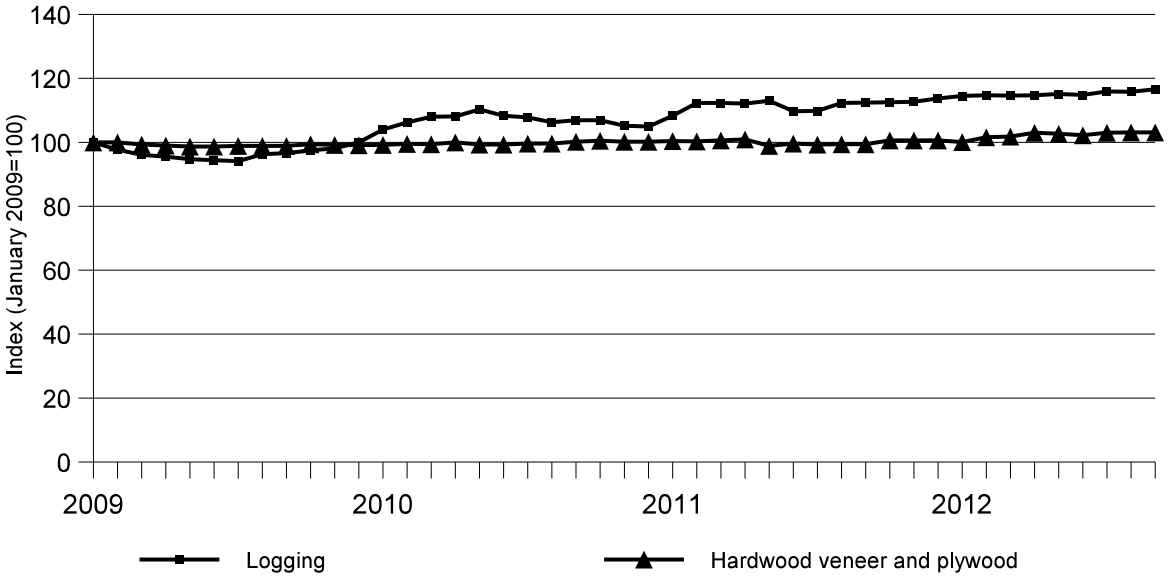
FACTORS AFFECTING PRICES

Raw Material Costs

Raw material costs increased from 78.9 percent of U.S. producers' total cost of goods sold during 2009 to 81.1 percent in 2011. Logging prices increased by 14.8 percent over the period January 2009-June 2012, while hardwood veneer and plywood prices increased by 2.2 percent (figure V-1).

U.S. producers reported that increases in raw material prices were the result of various factors including increases in the prices of logs, MDF, imported platforms, composite core materials, softwood veneers, veneer cores, and resin. Firms reported that rising demand in the United States and abroad for raw materials, including increased Chinese demand for logs, and curtailments in hardwood and softwood veneer availability, contributed to increased raw material prices. Firms also reported increased costs for labor and freight.

Figure V-1
Logging and hardwood veneer and plywood: Producer price indices, monthly, January 2009-September 2012



Source: Bureau of Labor Statistics, http://data.bls.gov/cgi-bin/dsrv, retrieved October 18, 2012.

U.S. Inland Transportation Costs

Most responding producers (8 of 9)[1] and most importers (27 of 32) reported that they typically arrange transportation to their customers. U.S. producers' U.S. inland transportation costs averaged 6 percent while importers' costs averaged 13 percent.

[1] One producer reported that it sometimes arranges transport to the customer and that sometimes the customer arranges transport.

PRICING PRACTICES

Pricing Methods

All U.S. producers and most importers reported using transaction-by-transaction negotiations to determine hardwood plywood prices (table V-1). Some firms also reported using contracts and set price lists. The majority of sales by U.S. producers and by importers of Chinese product were on a spot basis (table V-2).

Table V-1
Hardwood plywood: U.S. producers' and U.S. importers' price setting methods

Supplier	Number of firms[1]			
	Transaction-by-transaction	Contracts	Set price lists	Other
U.S. producers	9	3	2	0
U.S. importers	24	7	6	1

[1] The sum of responses across will not add up to the total number of responding firms by category as each firm was instructed to check all applicable price setting methods employed.

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

Table V-2
Hardwood plywood: U.S. producers' and importers' U.S. commercial shipments by type of sale, 2011

Supplier	Shares of 2011 U.S. commercial shipments *(percent)*		
	Long-term contract	Short-term contract	Spot sales
U.S. producers	2	19	79
U.S. importers	12	38	54

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

Sales Terms and Discounts

U.S. producers and importers quote prices on both an f.o.b. and a delivered basis.[2] Most producers (5 of 9) reported no discounts, although 2 offered quantity discounts, 3 offered annual volume discounts, and one offered other discounts (for early payment). Most importers (21 of 30) reported no discounts, although 3 reported quantity discounts, 4 reported annual volume discounts, and 8 reported other discounts (including early payment discounts and rebates to a single customer). U.S. producers and importers reported sales terms of net 30 days, with some firms reporting a 2 percent discount for payment within 10 days.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following hardwood plywood products shipped to unrelated U.S. customers during January 2009-June 2012:

[2] Five U.S. producers reported f.o.b. pricing and four reported delivered pricing. Ten importers reported f.o.b. pricing and 18 reported delivered pricing.

Product 1.--12 mm (1/2") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch; whole piece), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

Product 2.--12 mm (1/2") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch; whole piece), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, prefinished.

Product 3.--18 mm (3/4") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

Product 4.--5.2 mm (1/4") thickness (actual or nominal), 4x8 panel size, Maple face (whether plain or rotary sliced), face Grade B or substantially equivalent, Maple back (whether plain or rotary sliced), back grade 2/3 or substantially equivalent, veneer core, unfinished.

Seven U.S. producers and 17 importers of Chinese hardwood plywood provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for 7.5 percent of U.S. producers' shipments of hardwood plywood and 5.7 percent of U.S. shipments of subject imports from China during January 2009-June 2012.

Price data for domestic and subject import shipments of products 1-4 are presented in tables V-3 to V-6 and figure V-2. Nonsubject country prices are presented in Appendix D.

Table V-3
Hardwood Plywood: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2009-June 2012

	United States		China		
	Price (*per square foot*)	Quantity *(1,000 square feet)*	Price (*per square foot*)	Quantity *(1,000 square feet)*	Margin (*percent*)
2009:					
Jan.-Mar.	$0.87	680	$0.51	1,950	41.1
Apr.-June	0.86	822	0.47	2,406	46.0
July-Sept.	0.88	988	0.45	2,475	49.3
Oct.-Dec.	0.87	1,741	0.44	2,495	49.0
2010:					
Jan.-Mar.	0.86	1,931	0.45	2,479	48.0
Apr.-June	0.88	1,590	0.45	4,063	48.9
July-Sept.	0.89	1,244	0.45	3,073	49.9
Oct.-Dec.	0.91	1,379	0.48	2,419	47.4
2011:					
Jan.-Mar.	0.87	1,642	0.46	3,123	47.3
Apr.-June	0.86	1,673	0.44	2,755	48.6
July-Sept.	0.87	2,016	0.48	2,685	45.2
Oct.-Dec.	0.85	2,086	0.47	2,904	44.3
2012:					
Jan.-Mar.	0.85	2,529	0.50	2,515	40.3
Apr.-June	0.85	2,559	0.50	3,609	41.6

[1] Product 1: 12 mm (1/2") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch; whole piece), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

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

Table V-4
Hardwood Plywood: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2009-June 2012

	United States		China		
	Price (*per square foot*)	Quantity *(1,000 square feet)*	Price (*per square foot*)	Quantity *(1,000 square feet)*	Margin (*percent*)
2009:					
Jan.-Mar.	$***	***	$0.59	470	***
Apr.-June	***	***	0.62	685	***
July-Sept.	1.14	26	0.64	679	43.9
Oct.-Dec.	***	***	0.63	491	***
2010:					
Jan.-Mar.	1.07	111	0.64	626	40.7
Apr.-June	***	***	0.73	1,193	***
July-Sept.	1.05	98	0.77	1,000	26.3
Oct.-Dec.	1.04	100	0.76	731	26.5
2011:					
Jan.-Mar.	1.08	126	0.74	1,135	31.4
Apr.-June	1.07	211	0.61	1,086	43.3
July-Sept.	1.04	150	0.64	1,149	38.2
Oct.-Dec.	1.03	172	0.68	1,312	34.1
2012:					
Jan.-Mar.	0.98	125	0.67	1,592	31.1
Apr.-June	1.08	221	0.95	1,614	11.9

[1] Product 2: 12 mm (1/2") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch; whole piece), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, prefinished.

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

Table V-5
Hardwood Plywood: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2009-June 2012

	United States		China		
	Price (*per square foot*)	Quantity *(1,000 square feet)*	Price (*per square foot*)	Quantity *(1,000 square feet)*	Margin (*percent*)
2009:					
Jan.-Mar.	$0.95	6,205	$0.72	8,157	24.8
Apr.-June	0.98	6,779	0.65	7,549	33.4
July-Sept.	1.00	7,382	0.62	8,266	38.3
Oct.-Dec.	0.99	8,271	0.63	6,126	36.6
2010:					
Jan.-Mar.	0.98	10,510	0.62	7,545	36.8
Apr.-June	1.00	8,798	0.62	10,122	38.2
July-Sept.	1.01	7,447	0.62	9,575	38.9
Oct.-Dec.	1.00	8,934	0.57	7,647	42.7
2011:					
Jan.-Mar.	1.00	9,751	0.61	9,228	39.3
Apr.-June	1.02	8,829	0.62	8,117	39.4
July-Sept.	1.01	8,991	0.65	8,025	36.1
Oct.-Dec.	1.01	8,586	0.64	8,216	37.0
2012:					
Jan.-Mar.	1.00	10,486	0.69	7,466	31.6
Apr.-June	1.02	9,730	0.68	6,430	33.5

[1] Product 3: 18 mm (3/4") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

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

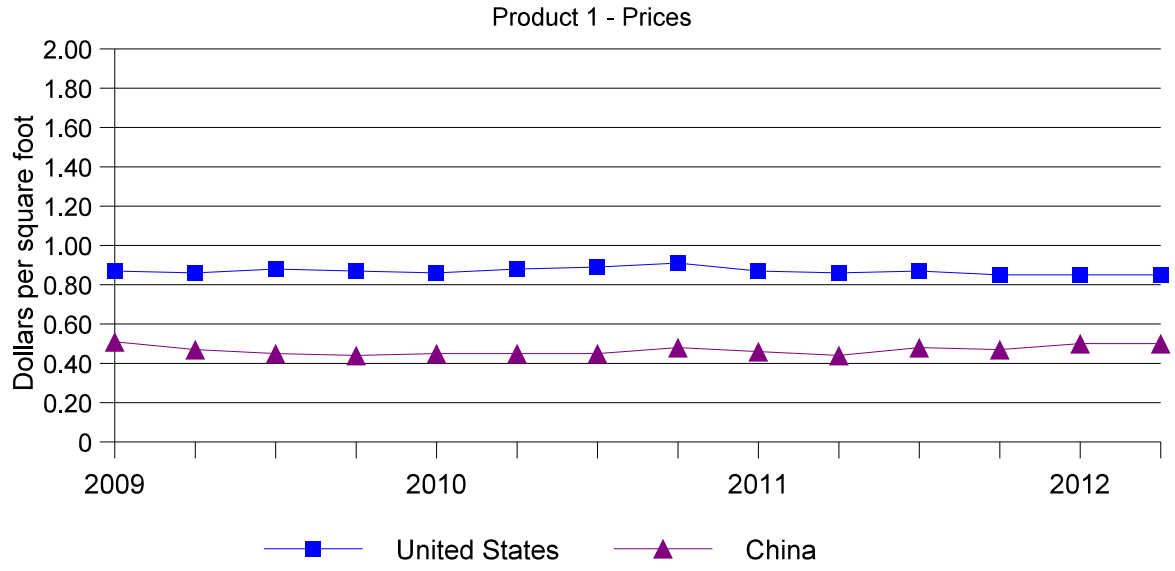
Table V-6
Hardwood Plywood: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2009-June 2012

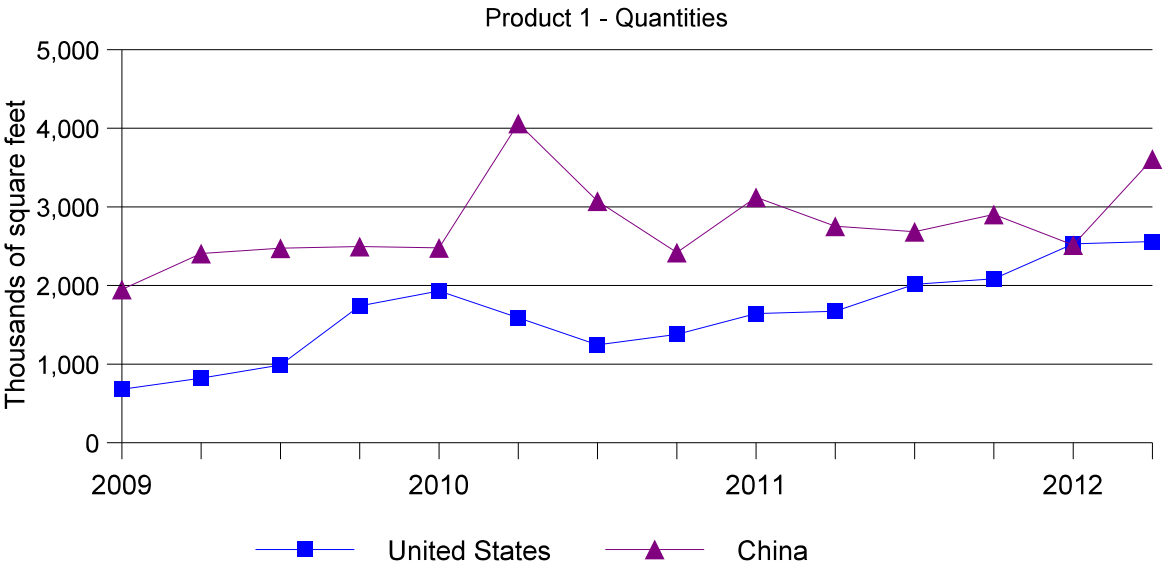
	United States		China		
	Price (*per square foot*)	**Quantity *(1,000 square feet)***	**Price (*per square foot*)**	**Quantity *(1,000 square feet)***	**Margin (*percent*)**
2009:					
Jan.-Mar.	$0.78	397	$***	***	***
Apr.-June	0.78	382	0.45	139	42.6
July-Sept.	0.74	388	***	***	***
Oct.-Dec.	0.76	317	0.41	23	45.8
2010:					
Jan.-Mar.	0.61	862	0.43	75	28.8
Apr.-June	0.61	824	***	***	***
July-Sept.	0.60	687	***	***	***
Oct.-Dec.	0.59	870	0.55	87	8.0
2011:					
Jan.-Mar.	0.62	899	***	***	***
Apr.-June	0.64	806	***	***	***
July-Sept.	0.63	771	0.53	100	15.3
Oct.-Dec.	0.66	546	0.54	71	17.5
2012:					
Jan.-Mar.	0.65	766	0.36	116	43.8
Apr.-June	0.67	838	0.54	83	19.9

[1] Product 4: 5.2 mm (1/4") thickness (actual or nominal), 4x8 panel size, Maple face (whether plain or rotary sliced), face Grade B or substantially equivalent, Maple back (whether plain or rotary sliced), back grade 2/3 or substantially equivalent, veneer core, unfinished.

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

Figure V-2
Hardwood plywood: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2009-June 2012

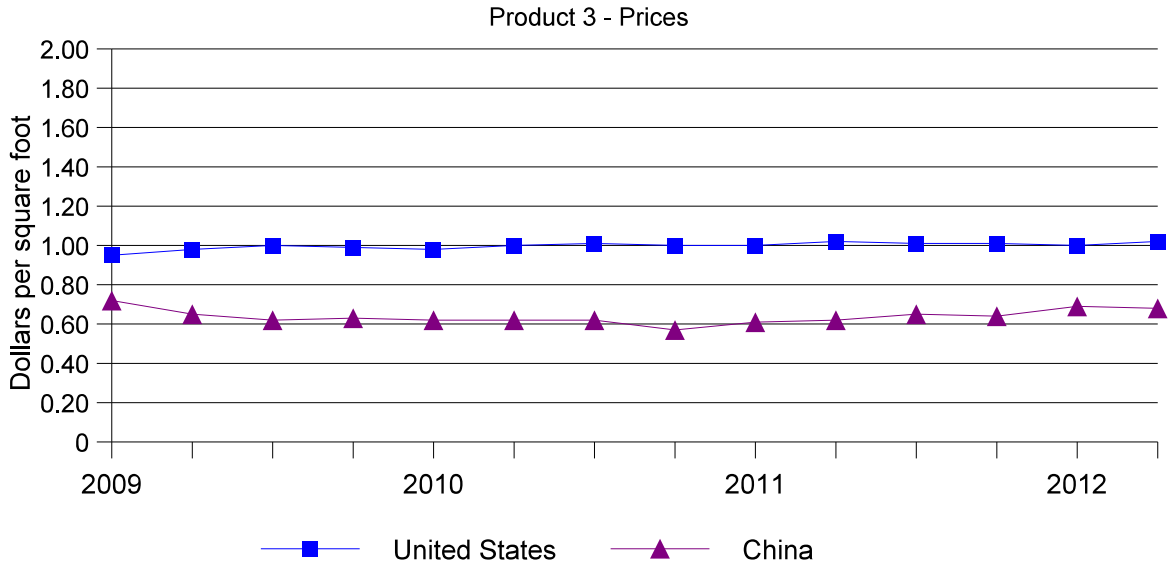


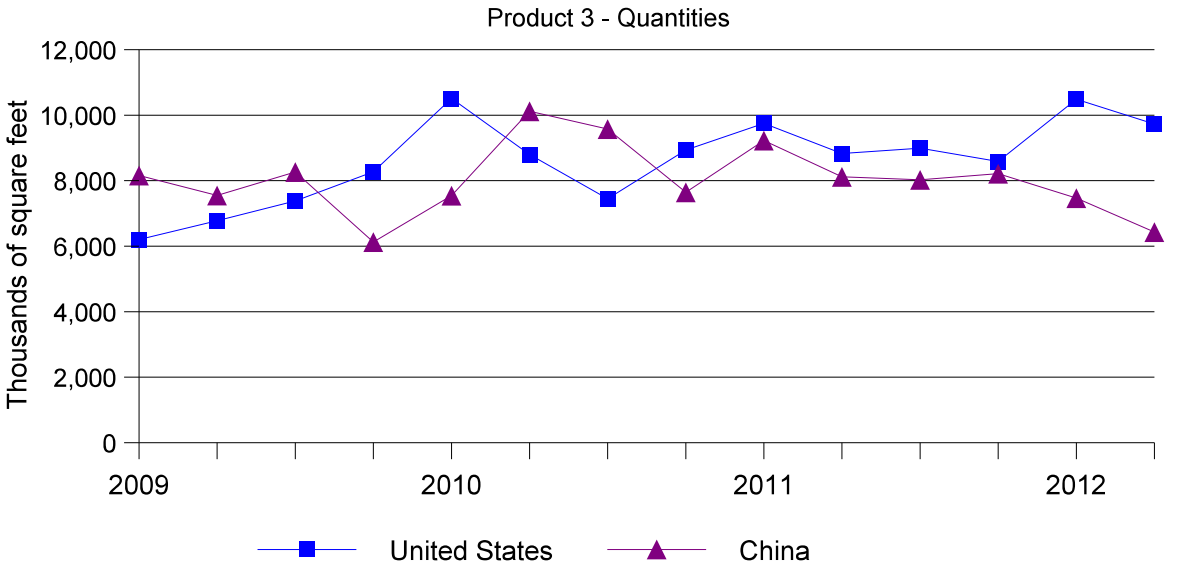


Product 1: 12 mm (1/2") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch; whole piece), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

* * * * * * *

Figure V-2--*Continued*
Hardwood plywood: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2009-June 2012





Product 3: 18 mm (3/4") thickness (actual or nominal), 4x8 panel size, Birch face (whether white birch, natural birch or artisan birch), face Grade C/D+ or substantially equivalent, Birch back (whether white birch, natural birch or artisan birch), back grade 2/3 or substantially equivalent, veneer core, unfinished.

* * * * * * *

Price Trends

Table V-7 summarizes price trends for U.S. producers and importers of Chinese products 1-4. Note that product 3 was the highest volume of the four pricing products for both U.S. producers and for importers, followed by product 1. U.S. producers' prices for products 1, 2, and 4 declined over the period examined but prices for product 3 increased.

Table V-7
Hardwood plywood: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China

Item	Number of quarters	Low price (*per 1,000 square feet*)	High price (*per 1,000 square feet*)	Change in price[1] (*percent*)
Product 1				
United States	14	$0.85	$0.91	(2.8)
China	14	0.44	0.51	(3.6)
Product 2				
United States	14	0.98	1.24	***
China	14	0.59	0.95	61.6
Product 3				
United States	14	0.95	1.02	7.3
China	14	0.57	0.72	(5.1)
Product 4				
United States	14	0.59	0.78	(14.7)
China	14	0.29	0.66	***

[1] Percentage change from first quarter 2009 to second quarter 2012, based on unrounded data.

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

Price Comparisons

As shown in table V-8, prices for hardwood plywood imported from China were below those for U.S.-produced hardwood plywood in 55 of 56 instances; margins of underselling ranged from 8.0 to 52.5 percent. In the remaining instance, prices for hardwood plywood from China were 5.6 percent above the price for the domestic product.

Table V-8
Hardwood plywood: Instances of underselling/overselling and the range and average of margins, January 2009-June 2012

	Underselling			Overselling		
	Number of instances	Range (*percent*)	Average margin (*percent*)	Number of instances	Range (*percent*)	Average margin (*percent*)
China	55	8.0 to 52.5	37.0	1	--	5.6

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

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of hardwood plywood to report any instances of lost sales or revenues they experienced due to competition from imports of hardwood plywood from China since January 1, 2009. Five of the nine responding U.S. producers reported that they had to either reduce prices or roll back announced price increases. Two of the seven responding U.S. producers reported that they lost sales to lower-priced imports from China. Three of these firms reported specific lost sales allegations. These lost sales allegations involved 9 purchasers and totaled $44.6 million and involved 73 million square feet of hardwood plywood. No firm reported specific lost revenues allegations. Staff contacted all nine purchasers to verify the allegations; five purchasers submitted responses. The lost sales allegations and purchaser responses are shown in table V-9 (responses to specific allegations) and in table V-10 (responses to general questions).[3] In response to the general questions, all five responding purchasers reported that they had shifted purchases of hardwood plywood from U.S. producers to subject imports since 2009; three of these purchasers reported that price was the reason for the shift. One of the five purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2009.

Table V-9
Hardwood plywood: U.S. producers' lost sales allegations

* * * * * * *

Table V-10
Hardwood plywood: Purchaser responses regarding purchase shifting

* * * * * * *

***.

***.

***

[3] Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of hardwood plywood from U.S. producers to suppliers of hardwood plywood from China since 2009, and whether U.S. producers had reduced their prices in order to compete with suppliers of hardwood plywood from China.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Nine firms provided usable financial data on their operations producing hardwood plywood.[1] These reported data are believed to represent the majority of production of hardwood plywood in the United States in 2011.[2] One firm, ***, ceased manufacturing in February of 2011; ***.[3]

OPERATIONS ON HARDWOOD PLYWOOD

Income-and-loss data for U.S. producers of Hardwood plywood are presented in table VI-1. Generally speaking, total net sales in both quantity and dollar terms rose between 2009 and 2011 and were higher in January-June 2012 than in January-June 2011. Total cost of goods sold ("COGS") increased in dollars and as a per-unit of sales but declined *** as a ratio to sales; raw materials, which increased with the increase in quantity sold, rose *** as a ratio to sales and was the driver behind the increase in COGS.[4] Selling, general, and administrative ("SG&A") expenses increased in dollar terms but declined *** when expressed as a ratio to sales and were unchanged on a per-unit basis. Operating income irregularly increased from 2009 to 2011 but was lower in January-June 2012 than in January-June 2011.

Table VI-1
Hardwood plywood: Results of operations of U.S. producers, 2009-11, January-June 2011, and January-June 2012

* * * * * * *

Petitioners commented in their postconference brief on certain aspects of cost and impact.[5] First, petitioners state that domestic firms have made efforts to reduce fixed costs (chiefly in the categories of labor and factory overhead) because they are unable to raise prices due to underselling by imports. Further, petitioners stated that they closed plants or curtailed production, reduced employment,

[1] Nine firms provided usable financial data compared with 11 firms reporting trade data and 21 firms identified in the petition. The firms are: ***. Hence, differences between total shipments in the trade and total sales in the financial sections of the Commission's producers' questionnaire *** are attributable to differences in company reporting. *** were not used because it reported only for the first quarter of each year. EDIS document 495767, October 31, 2012. Each of the firms is privately held.

[2] The share of U.S. production accounted for by members of the petitioning coalition was estimated at approximately 80 percent in 2011, similar to that ***. Conference transcript, p. 7 (Levin). A spokesman for the Hardwood Plywood and Veneer Association stated that it is a concentrated industry with five firms having a combined 70 percent market share. He further stated that the industry has shrunk due to bankruptcies and plant closures and there were approximately 20 U.S. producers (compared with the nine firms that responded to the financial section of the Commission's questionnaire), and that net income before taxes was about 2 percent of sales compared with 1 percent in 2010. Conference transcript, pp. 16 and 18 (Howlett) and table VI-1.

[3] Questionnaire response of ***, section I-2 and of ***, section II-2. ***.

[4] Ascribed to cost-cutting efforts by petitioners in their postconference brief, p. 26. Lower unit costs also are attributable to greater quantity sold between periods.

[5] Petitioners' postconference brief, pp. 26-27.

or restructured labor agreements.[6] Second, U.S. producers' sales of the lesser quality grades of hardwood plywood, which account for the majority of production volume, have been undercut because subject imports dominate in those grades. This argument goes to both maximizing sales volume and price in all grades and fully utilizing raw materials of lower grades. Regarding these two items, respondents point to questionnaire data that indicate that production, shipments, prices (the average unit values of sales), and operating income have increased;[7] respondents also argue that the imported subject product differs from the domestic like product (attenuated competition, which means that the imports either do not compete or complement the domestic product by serving market segments that the domestic product does not),[8] and they state that the effect of the 2008 recession, not imports, necessitated the actions taken. Petitioners' third point was that data gathered by the Commission reflects the impact of survivor bias. Respondents argue that the evidence of plant closures is not persuasive of impact due to imports of subject product but was related to the 2008 recession and they cite public statements to that effect by officials at two *** firms named; they also stated that domestic producers have achieved gains in production efficiency.[9]

Three of the U.S. domestic producers imported from China (neither direct imports nor purchases of imports are included in either the trade data or the financial data of these firms). As noted in in table III-5 in Part III of this report, these firms were: ***,[10] and petitioners argue ***.[11] The effects of ***.[12]

Selected company-specific financial data are presented in table VI-2.[13]

Table VI-2
Hardwood plywood: Selected results of operations of U.S. producers, by firm, 2009-11, January-June 2011, and January-June 2012

* * * * * * *

The cost of raw materials used in the production of hardwood plywood increased during the period for which data were gathered on a dollar-basis, as a ratio to sales, and on a per-unit basis as depicted in table VI-1. Such costs also increased as a share of total COGS from *** percent in 2009 to *** percent in 2010 to *** percent in 2011, and were *** percent in January-June 2012 compared to *** percent in the same time period one year earlier. The increase in these indicators was due in large part to the higher quantity of sales between 2009 and 2011 as well as between January-June 2011 to January-June 2012. "Domestic manufacturers predominantly purchase face veneers of hardwood and softwood species either in the open market or from related parties. Some domestic manufacturers purchase logs in the open market from which they peel veneers used for core material."[14] [15] According to petitioners, for

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[6] U.S. producers' questionnaire responses of ***, section II-2. Additionally, Commission staff calculated that the ***. Also see, Part III of the report.

[7] AAHP postconference brief, p. 43. Also, see Chinese Producers' Association postconference brief, pp. 11-12.

[8] AAHP postconference brief, pp. 15-20.

[9] AAHP postconference brief, p. 48.

[10] As noted in table III-5, ***.

[11] Petitioners' postconference brief, pp. 5-8. Respondent AAHP does not advocate the exclusion of any party. AAHP postconference brief, exh. 1, p. 5.

[12] ***.

[13] Data derived from questionnaires.

[14] Petitioners' postconference brief, "Answers to Commission Staff Questions," p. 1.

[15] Among *** purchases logs as well as other upstream raw materials like hardwood veneer. *** purchases logs (for the manufacture of cores) and veneer for inner plies to supplement production; the firm also ***. *** purchases

(continued...)

the U.S. industry, the vast majority of veneer cores, representing 70 percent of total core usage, are manufactured by the firm producing the hardwood plywood panel while MDF and particleboard cores, representing 20 to 25 percent of usage, are purchased on the outside market.[16] Timber Products is integrated in that the firm harvests its own timber used in the production of hardwood plywood; a spokesman testified that Timber Products is one of the low cost producers in the industry and that the cost of manufacturing Hardwood plywood is primarily composed of raw materials.[17] Timber Products also purchases logs from independent sources. Questionnaire data indicate that the raw material costs ***.

A variance analysis for the operations of U.S. producers of hardwood plywood is presented in table VI-3.[18] The information for this variance analysis is derived from table VI-1 but differs in that only total net sales is shown. This indicates that the increase in operating income between 2009 and 2011 was mainly due to the increase in average unit vales of total net sales (a favorable price variance) that outweighed the increase in net cost/expenses (higher unit costs and expenses). Operating income was lower between 2010 and 2011 and between January-June 2012 compared to January-June 2011 because the increase in unit sales values was less than the increase in unit costs and expenses.

Table VI-3
Hardwood plywood: Variance analysis on the operations of U.S. producers, 2009-11, and January-June 2011 to January-June 2012

* * * * * * *

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures and research and development ("R&D") expenses are shown in table VI-4.

[15] (...continued)
hardwood veneers as well as ***. ***. E-mail attachment from counsel to petitioners to staff, October 28, 2012. EDIS document 495769, October 31, 2012.

[16] Petitioners' postconference brief, "Answers to Commission Staff Questions," p. 1.

[17] Conference transcript, p. 38 (Clausen). In an e-mail to staff, counsel to Timber Products noted ***. E-mail attachment from counsel to petitioners to staff, October 28, 2012. EDIS document 495769, October 31, 2012.

[18] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense (cost/expense) variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small. All things being equal, a stable overall product mix, which is assumed here for purposes of the preliminary investigation, generally enhances the utility of the Commission's variance analysis.

Table VI-4
Hardwood plywood: Capital expenditures and research and development expenses of U.S. producers, 2009-11, January-June 2011, and January-June 2012

Item	Fiscal year			January-June	
	2009	2010	2011	2011	2012
	Value (*1,000 dollars*)				
Capital expenditures:					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	3,107	4,208	7,559	3,010	2,717
R&D expenses:					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	***	***	***	***	***
***					

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

Firms reported capital expenditures for the purchase of new equipment and to refurbish existing equipment, including a "***.[19] Petitioning firms provided a more detailed list of capital expenditures by email subsequent to their postconference brief.[20] For Columbia, these included the ***. Commonwealth's improvements included ***. Murphy ***. Roseburg stated that ***. States indicated that ***. Timber Products listed its capital expenditures by year: ***.

ASSETS AND RETURN ON INVESTMENT

\

Data on the U.S. producers' total assets and their return on investment ("ROI") are presented in table VI-5. Total assets declined by approximately $***, accounted for by the decrease in book value of property, plant and equipment between 2009 and 2011, accounted mostly for by ***. ROI followed the trend in operating income, shown earlier in tables VI-1 and VI-2.

[19] Petitioners' postconference brief, "Answers to Commission Staff Questions," p. 1.

[20] E-mail attachment from counsel to petitioners to staff, October 28, 2012. EDIS document 495769, October 31, 2012.

Table VI-5
Hardwood plywood: U.S. producers' total assets and return on investment, fiscal years 2009-11

* * * * * * *

The return on investment calculated in table VI-5 is based on the combined reported assets and operating income of the nine U.S. producers that responded to the Commission's questionnaire. Excluding ***, compared to that shown in table VI-5. ROI for the nine firms calculated using net income before taxes would be ***, or, by ***.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of hardwood plywood to describe any actual or potential negative effects of imports of hardwood plywood from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Their responses are shown as follows:

Actual Negative Effects

***

"No." This firm also checked "the cancellation, postponement, or rejection of expansion projects."

***

"No."

***

"Yes. The cancellation, postponement, or rejection of expansion projects; reduction in the size of capital investments; rejection of bank loans. Other–loss of business!"

***[21]

"No."

***

"Yes. Other–pricing deterioration and loss of jobs."

***

"Yes. A reduction in the size of capital investments. Other–lower selling volumes and prices."

***

"No."

[21] This firm stated that ***. U.S. Producers' questionnaire response, section II-2.

Anticipated Negative Effects

***

"Yes. Continued pricing of low-grade product from China will have ongoing effects on our ability to provide competitive products to our customers."

***

"No."

***

"Yes. See above."

***

"No."

***

"Yes. Continued price deterioration and job reductions."

***

"Yes. Chinese plywood is imported and sold at half of our production cost."

***

"Yes. Lost sales and revenues."

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies was presented earlier in this report; 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries and the global market.

THE INDUSTRY IN CHINA

The petition identified hundreds of alleged producers of hardwood plywood in China. The California Air Resources Board ("CARB") website identifies 303 approved hardwood plywood mills in China. The Commission emailed and faxed questionnaire requests to 350 firms and 118 firms (accounting for about 61.6 percent of U.S. imports of hardwood plywood as reported by official Commerce statistics) responded. Table VII-1 presents data for these firms during 2009-11, January-June 2011, January-June 2012, and forecasts for 2012 and 2013.

The responses of the members of CNFPIA were submitted from both trading companies and Chinese producers. Each of the responses states whether the company is a producer or just a trading company. Because a great deal of the volume of the shipments of hardwood plywood to the United States comes through the trading companies, CNFPIA made diligent efforts to avoid double counting, so the Commission would have clean data for its determination. CNFPIA wanted to avoid having the producer count a shipment to a trading company as a U.S. sale and then have the trading company count that sale again as a U.S. sale. CNFPIA did the following to avoid double-counting:

> 1). Where a producer sold to trading companies, it did not report such sales as U. S. sales but rather as domestic sales since the sales were internal in China (the producers did not always know the final destination of the product); the producers did fully report capacity and production for the review periods in the normal manner.
>
> 2). The trading companies reported their shipments to various markets but did not report any production or capacity (they are not producers).
>
> 3). To the extent that producers sold directly to the United States and not through trading companies they reported their shipments as U. S. sales in their own responses.
>
> 4). To some extent, trading companies may have bought from some producers in addition to those reporting so their shipments are not going to match exactly the production being reported.

Chinese capacity and production of hardwood plywood increased from 2009 to 2011, totaling 2.6 billion square feet and 2.3 billion square feet in 2011, respectively. Both capacity and production are projected to decrease by an average of 1 percent in 2012 and 2013. In terms of volume, there was an increase in exports to the United States, starting at 678.5 million square feet in 2009 and going up to 945.6 million square feet in 2011. Increases in those shipments are projected for 2012 and 2013.

Table VII-1
Hardwood plywood: Subject Chinese producers' operations, 2009-11, January-June 2011, January-June 2012, and projected 2012-13

Item	Full years			January-June		Projections	
	2009	2010	2011	2011	2012	2012	2013
				Quantity (*1,000 square feet*)			
Capacity	2,362,044	2,492,677	2,620,657	1,357,337	1,391,067	2,668,304	2,654,082
Production	1,842,556	2,065,450	2,291,754	1,131,725	1,182,059	2,272,861	2,275,018
End of period inventories	182,007	182,532	185,451	168,015	188,427	182,204	169,568
Shipments:							
Internal consumption	20,305	23,480	23,693	13,023	13,627	28,358	27,069
Home market	712,501	827,912	921,185	460,330	470,688	909,959	920,491
Exports to--							
The United States	678,476	829,577	945,574	470,256	557,046	1,034,361	959,767
All other markets	735,661	797,970	987,677	495,326	564,290	962,903	1,056,008
Total exports	1,414,137	1,627,547	1,933,252	965,582	1,121,336	1,997,264	2,015,775
Total shipments	2,146,942	2,478,939	2,878,130	1,438,934	1,605,650	2,935,581	2,963,335
				Ratios and shares (*percent*)			
Capacity utilization	78.0	82.9	87.4	83.4	85.0	85.2	85.7
Inventories to production	9.9	8.8	8.1	7.4	8.0	8.0	7.5
Inventories to total shipments	8.5	7.4	6.4	5.8	5.9	6.2	5.7
Share of total shipments:							
Internal consumption	0.9	0.9	0.8	0.9	0.8	1.0	0.9
Home market	33.2	33.4	32.0	32.0	29.3	31.0	31.1
Exports to--							
The United States	31.6	33.5	32.9	32.7	34.7	35.2	32.4
All other markets	34.3	32.2	34.3	34.4	35.1	32.8	35.6
Total exports	65.9	65.7	67.2	67.1	69.8	68.0	68.0

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

U.S. INVENTORIES OF PRODUCT FROM CHINA

Reported inventories of U.S. imports are presented in Table VII-2. Chinese hardwood plywood inventories rose over 65 percent from 2009 to 2011 and inventories from all other sources rose over 35 percent. January-June 2012 inventories were nearly 20 percent higher than January-June 2011 inventories.

Table VII-2
Hardwood plywood: U.S. importers' end-of-period inventories of imports, by source, 2009-11, January-June 2011, and January-June 2012

Item	Calendar year			January-June	
	2009	2010	2011	2011	2012
China - subject:					
Inventories (*1,000 square feet*)	168,578	262,498	278,734	286,398	282,318
Ratio of inventories to imports (*percent*)	27.1	29.6	29.0	28.4	24.4
Ratio to U.S. shipments of imports (*percent*)	26.4	33.6	29.0	30.0	25.6
All other sources:					
Inventories (*1,000 square feet*)	177,278	254,794	241,016	189,398	226,088
Ratio of inventories to imports (*percent*)	24.1	22.5	24.5	18.4	23.1
Ratio to U.S. shipments of imports (*percent*)	21.3	24.3	23.7	16.4	25.6
All sources:					
Inventories (*1,000 square feet*)	345,855	517,292	519,751	475,796	508,406
Ratio of inventories to imports (*percent*)	25.5	25.6	26.7	23.3	23.8
Ratio to U.S. shipments of imports (*percent*)	23.5	28.3	26.3	22.6	25.6

Note.–Ratios were calculated using data from firms providing information on both inventories and imports or U.S. shipments of imports.

Source: Compiled from data submitted in response to the Commission's questionnaire.

U.S. IMPORTERS' CURRENT ORDERS

Forty-eight U.S. importers reported that they had placed orders for subject hardwood plywood from China scheduled for entry into the United States after June 30, 2012. The quantities of these orders were reported in a variety of different ways (i.e., containers of different sizes, square feet, cubic feet, cubic meters, square meters, and a number reported by value only); hence, an exact total quantity of the orders could not be established.

ANTIDUMPING INVESTIGATIONS IN THIRD-COUNTRY MARKETS

In 2011, the Council of the European Union imposed a definitive antidumping duty on imports of okoumé plywood originating in the Peoples Republic of China.[1] The duty levels imposed ranged from 6.5 percent to 23.5 percent for four Chinese producers and 66.7 percent for all others.[2] Antidumping duties have also been imposed by Turkey and Israel on certain Chinese imports of plywood products.[3]

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[4]

Global Market

With respect to foreign industry data, the Commission sought publicly available information regarding worldwide trade of hardwood plywood. The Commission obtained official Commerce data for U.S. imports by country and they are presented in table VII-3. Data for the major global exporters of hardwood plywood are presented in Table VII-4.

Hardwood and decorative plywood is manufactured in many countries in addition to the United States and China. Other major producers include Malaysia, Indonesia, Russia, India, and Brazil. According to FAO statistics, China is the world's largest plywood producer and its production has more than doubled during the past decade.[5] China is also the world's largest exporter, accounting for 31.1 percent of global exports of plywood products that included the subject product in 2011.[6] The next three largest exporters were Indonesia, Malaysia, and Russia which together represented 32. 9 percent of world exports in 2011.

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[1] Regulation No. 82/2011 of January 31, 2011. The definitive anti-dumping duty on Chinese imports of okoumé plywood followed a review of the original investigation that imposed the duties in 2004. See Petition, Exhibit I-27.

[2] The duty rates on four Chinese producers were as follows: Zhejiang Deren Bamboo-Wood Technologies Co. Ltd. had a rate of duty of 23.5 percent, Zhonglin Enterprise (Dangshan) Co. Ltd. had 6.5 percent, and Jiaxing Jinlin Lumber Co. 17 percent. All other companies had a rate of duty of 66.7 percent.

[3] WTO, Committee on Anti-Dumping Practices, Semi-Annual Report Under Article 16.4, Turkey (G/ADP/N/223/TUR) and Israel (G/ADP/N/223/ISR), respectively. See Petition, Exhibit I-27.

[4] Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 17 (Fed. Cir., Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006).

[5] FAO statistics rank China as the world's largest plywood producer, followed by the United States, Malaysia, Indonesia, and Russia. The FAO statistics do not differentiate hardwood from softwood or structural plywood. FAOSTAT, http://faostat.fao.org/site/626/default.aspx#ancor (accessed October 19, 2012).

[6] Table VII-4 (data sourced from GTIS).

Table VII-3
Hardwood plywood: U.S. imports, by sources, 2009-11, January-June 2011, and January-June 2012

Source	Calendar year			January-June	
	2009	2010	2011	2011	2012
			Quantity (*1,000 square feet*)		
China	1,092,135	1,376,408	1,534,788	848,580	749,534
Chile	341,732	260,093	335,849	176,274	98,460
Russia	181,703	226,405	244,308	70,579	158,429
Indonesia	169,438	243,407	177,926	80,233	109,852
Canada	227,106	192,369	168,908	86,218	105,785
Malaysia	97,115	169,682	92,749	42,957	54,660
Ecuador	43,298	59,339	46,348	23,434	27,713
Brazil	141,472	59,773	29,171	16,630	17,028
Finland	9,578	9,849	28,387	17,146	1,880
Italy	11,297	16,567	18,485	12,165	7,087
All other	112,982	101,971	76,200	36,456	42,554
Total	2,427,856	2,715,863	2,753,119	1,410,672	1,372,982
			Value (*1,000 dollars*)[1]		
China	617,930	735,648	707,283	357,410	390,662
Chile	113,350	100,873	135,439	68,370	43,241
Russia	75,702	106,931	107,107	36,563	70,442
Indonesia	101,722	157,347	132,586	55,049	86,499
Canada	130,304	112,952	90,724	46,468	57,833
Malaysia	50,238	95,660	63,958	25,454	41,949
Ecuador	21,450	29,915	24,167	12,125	14,451
Brazil	48,839	29,054	17,276	10,322	9,827
Finland	9,940	8,344	6,946	3,176	2,266
Italy	7,878	8,237	9,499	4,419	4,654
All other	48,996	51,367	45,027	20,451	19,405
Total	1,226,348	1,436,328	1,340,011	639,807	741,229

Table continued on next page.

Table VII-3--*Continued*
Hardwood plywood: U.S. imports, by sources, 2009-11, January-June 2011, and January-June 2012

Source	Calendar year			January-June	
	2009	2010	2011	2011	2012
	Unit value (*per square foot*)[1]				
China	$0.57	$0.53	$0.46	$0.42	$0.52
Chile	0.33	0.39	0.40	0.39	0.44
Russia	0.42	0.47	0.44	0.52	0.44
Indonesia	0.60	0.65	0.75	0.69	0.79
Canada	0.57	0.59	0.54	0.54	0.55
Malaysia	0.52	0.56	0.69	0.59	0.77
Ecuador	0.50	0.50	0.52	0.52	0.52
Brazil	0.35	0.49	0.59	0.62	0.58
Finland	1.04	0.85	0.24	0.19	1.21
Italy	0.70	0.50	0.51	0.36	0.66
All other	0.43	0.50	0.59	0.56	0.46
Average	0.51	0.53	0.49	0.45	0.54

[1] Landed, duty-paid.

Source: Compiled from official Commerce statistics.

Table VII-4
Hardwood plywood: Reporting countries' export statistics 2009-11

Source	Calendar year		
	2009	2010	2011
	Value (*Dollars*)		
China	2,523,673,701	3,401,235,958	4,339,424,397
Indonesia	1,190,372,963	1,638,695,231	1,953,470,098
Malaysia	1,419,942,434	1,597,569,848	1,729,594,341
Russia	493,854,546	696,116,101	910,246,312
Finland	470,127,508	538,013,574	620,771,814
Chile	288,612,687	332,665,049	415,037,769
United States	247,755,287	400,145,293	398,177,670
Brazil	343,271,307	418,294,399	370,372,551
Germany	253,546,409	288,399,001	336,951,373
Austria	229,473,579	248,206,709	300,466,731
Latvia	133,634,570	171,123,527	237,450,587
Belgium	194,638,935	221,421,518	232,629,409
Italy	168,647,513	201,537,819	218,509,649
Spain	128,242,768	151,469,094	202,592,781
France	190,006,843	169,135,329	182,064,257
Canada	199,228,765	182,695,926	179,300,972
Poland	93,912,608	105,796,431	132,215,160
Czech Republic	65,076,934	72,223,469	111,593,965
New Zealand	66,225,297	93,237,519	111,476,758
Vietnam	([1])	65,394,473	82,326,327
All others (62 countries)	649,829,231	751,581,492	877,613,484
Total World Exports	9,350,073,885	11,744,957,760	13,942,286,405

[1] Not available.
Source: Compiled from *Global Trade Information Service* (4412.10, 4412.31, 4412.32, 4412.39, 4412.94, 4412.99).

APPENDIX A

FEDERAL REGISTER NOTICES

ITC

Investigation Nos. 701–TA–490 and 731–TA–1204 (Preliminary): Hardwood Plywood From China: Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations (77 FR 60460, October 3, 2012):
http://www.gpo.gov/fdsys/pkg/FR-2012-10-03/pdf/2012-24286.pdf

ITA

Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Countervailing Duty Investigation (77 FR 64955, October 24, 2012):
http://www.gpo.gov/fdsys/pkg/FR-2012-10-24/pdf/2012-26220.pdf

Hardwood and Decorative Plywood From the People's Republic of China: Initiation of Antidumping Duty Investigation (77 FR 65172, October 25, 2012):
http://www.gpo.gov/fdsys/pkg/FR-2012-10-25/pdf/2012-26221.pdf

APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Hardwood Plywood from China

Inv. Nos.: 701-TA-490 and 731-TA-1204 (Preliminary)

Date and Time: October 18, 2012 - 9:30 a.m.

Sessions were held in connection with these preliminary investigations in the Main Hearing Room (Room 101), 500 E Street, S.W., Washington, D.C.

OPENGING REMARKS:

Petitioner (**Jeffrey S. Levin**, Levin Trade Law, P.C.)
Respondents (**Jeffrey S. Grimson**, Mowry & Grimson, PLLC)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders:

Levin Trade Law, P.C.
Bethesda, MD
on behalf of

The Coalition for Fair Trade of Hardwood Plywood

Clifford T. ("Kip") Howlett, Jr., President, Hardwood Plywood and Veneer Association

Bradley Louis ("Brad") Thompson, President and Chief Executive Officer, Columbia Forest Products

Patrick ("Pat") Lynch, Plywood Business Director, Roseburg Forest Products

Dennis Waverly ("Wave") Oglesby, Vice President For Sales and Marketing, Columbia Forest Products

Michael ("Mike") Clausen, Vice President of Sales, Domestic/International, Timber Products Company

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Bruce Malashevich, President and Chief Executive Officer,
Economic Consulting Services, LLC

Jeffrey S. Levin) – OF COUNSEL

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Mowry & Grimson , PLLC
Washington, D.C.
on behalf of

The American Alliance of Hardwood Plywood ("AAHP")

Shawn Dougherty, Director-Asia, Northwest
Hardwoods, Inc.

Ryan Loe, President, Shelter Forest International

Greg Simon, Vice President, Far East America, Inc.

Gregg Wilkinson, Senior Vice President, Liberty Woods
International, Inc.

C. Richard Titus, Executive Vice President, The Kitchen
Cabinet Manufacturers Association

Thomas L. Rogers, Principal, Capital Trade Inc.

Jeffrey S. Grimson)
) – OF COUNSEL
Kristin H. Mowry)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Barnes, Richardson & Colburn
Washington, D.C.
on behalf of

China National Forest Products Industry Association
and Its Members

Jeffrey S. Neeley)
) – OF COUNSEL
Stephen W. Brophy)

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, D.C.
on behalf of

Shelter Forest International

Ryan Loe, President, Shelter Forest International

Daniel L. Porter) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioner (**Jeffrey S. Levin**, Levin Trade Law LLC; **Bradley Thompson**,
Columbia Forest Products; **Patrick Lynch**, Roseburg Forest Products;
and **Michael Clausen**, Timber Products Company)
Respondents (**Jeffrey S. Grimson**, Mowry & Grimson, PLLC)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
Hardwood plywood: Summary data concerning the U.S. market, 2009-11, January-June 2011, and January-June 2012

(Quantity=1,000 square feet, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per square foot; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2009	2010	2011	2011	2012	2009-11	2009-10	2010-11	2011-12
U.S. consumption quantity:									
Amount	2,982,500	3,293,386	3,349,174	1,723,720	1,697,687	12.3	10.4	1.7	-1.5
Producers' share (1)	18.6	17.5	17.8	18.2	19.1	-0.8	-1.1	0.3	1.0
Importers' share (1):									
China	36.6	41.8	45.8	49.2	44.2	9.2	5.2	4.0	-5.1
All other sources	44.8	40.7	36.4	32.6	36.7	-8.4	-4.1	-4.3	4.1
Total imports	81.4	82.5	82.2	81.8	80.9	0.8	1.1	-0.3	-1.0
U.S. consumption value:									
Amount	1,843,469	2,077,915	2,013,633	993,735	1,109,932	9.2	12.7	-3.1	11.7
Producers' share (1)	33.5	30.9	33.5	35.6	33.2	-0.0	-2.6	2.6	-2.4
Importers' share (1):									
China	33.5	35.4	35.1	36.0	35.2	1.6	1.9	-0.3	-0.8
All other sources	33.0	33.7	31.4	28.4	31.6	-1.6	0.7	-2.3	3.2
Total imports	66.5	69.1	66.5	64.4	66.8	0.0	2.6	-2.6	2.4
U.S. imports from:									
China:									
Quantity	1,092,135	1,376,408	1,534,788	848,580	749,534	40.5	26.0	11.5	-11.7
Value	617,930	735,648	707,283	357,410	390,662	14.5	19.1	-3.9	9.3
Unit value	$0.57	$0.53	$0.46	$0.42	$0.52	-18.6	-5.5	-13.8	23.7
Ending inventory quantity	168,578	262,498	278,734	286,398	282,318	65.3	55.7	6.2	-1.4
All other sources:									
Quantity	1,335,721	1,339,454	1,218,331	562,092	623,447	-8.8	0.3	-9.0	10.9
Value	608,418	700,680	632,728	282,397	350,567	4.0	15.2	-9.7	24.1
Unit value	$0.46	$0.52	$0.52	$0.50	$0.56	14.0	14.8	-0.7	11.9
Ending inventory quantity	177,278	254,794	241,016	189,398	226,088	36.0	43.7	-5.4	19.4
All sources:									
Quantity	2,427,856	2,715,863	2,753,119	1,410,672	1,372,982	13.4	11.9	1.4	-2.7
Value	1,226,348	1,436,328	1,340,011	639,807	741,229	9.3	17.1	-6.7	15.9
Unit value	$0.51	$0.53	$0.49	$0.45	$0.54	-3.6	4.7	-8.0	19.0
Ending inventory quantity	345,855	517,292	519,751	475,796	508,406	50.3	49.6	0.5	6.9
U.S. producers':									
Average capacity quantity	1,328,573	1,287,496	1,288,809	664,404	666,158	-3.0	-3.1	0.1	0.3
Production quantity	577,079	599,716	620,943	325,516	338,510	7.6	3.9	3.5	4.0
Capacity utilization (1)	43.4	46.6	48.2	49.0	50.8	4.7	3.1	1.6	1.8
U.S. shipments:									
Quantity	554,644	577,523	596,055	313,048	324,705	7.5	4.1	3.2	3.7
Value	617,121	641,587	673,622	353,928	368,703	9.2	4.0	5.0	4.2
Unit value	$1.11	$1.11	$1.13	$1.13	$1.14	1.6	-0.2	1.7	0.4
Export shipments:									
Quantity	14,709	21,961	24,040	12,967	10,909	63.4	49.3	9.5	-15.9
Value	16,086	24,128	27,963	15,696	13,383	73.8	50.0	15.9	-14.7
Unit value	$1.09	$1.10	$1.16	$1.21	$1.23	6.4	0.5	5.9	1.3
Ending inventory quantity	34,259	34,666	35,293	34,118	38,053	3.0	1.2	1.8	11.5
Inventories/total shipments (1)	6.0	5.8	5.7	5.2	5.7	-0.3	-0.2	-0.1	0.4
Production workers	1,913	1,805	1,851	1,906	1,854	-3.2	-5.6	2.5	-2.7
Hours worked (1,000s)	3,897	3,873	4,041	2,070	2,085	3.7	-0.6	4.3	0.7
Wages paid ($1,000)	67,026	67,727	68,905	35,353	35,148	2.8	1.0	1.7	-0.6
Hourly wages	$17.20	$17.49	$17.05	$17.08	$16.86	-0.9	1.7	-2.5	-1.3
Productivity (square feet per hour)	148.1	154.8	153.7	157.3	162.4	3.8	4.6	-0.8	3.2
Unit labor costs	$0.12	$0.11	$0.11	$0.11	$0.10	-4.5	-2.8	-1.7	-4.4
Net sales:									
Quantity	530,932	559,574	578,425	291,394	299,606	8.9	5.4	3.4	2.8
Value	593,471	624,070	656,537	330,922	342,666	10.6	5.2	5.2	3.5
Unit value	$1.12	$1.12	$1.14	$1.14	$1.14	1.5	-0.2	1.8	0.7
Cost of goods sold (COGS)	541,834	563,654	595,656	296,951	309,360	9.9	4.0	5.7	4.2
Gross profit or (loss)	51,637	60,416	60,881	33,971	33,306	17.9	17.0	0.8	-2.0
SG&A expenses	46,724	48,382	50,819	24,261	24,489	8.8	3.5	5.0	0.9
Operating income or (loss)	4,913	12,034	10,062	9,710	8,817	104.8	144.9	-16.4	-9.2
Capital expenditures	3,107	4,208	7,559	3,010	2,717	143.3	35.4	79.6	-9.7
Unit COGS	$1.02	$1.01	$1.03	$1.02	$1.03	0.9	-1.3	2.2	1.3
Unit SG&A expenses	$0.09	$0.09	$0.09	$0.08	$0.08	-0.2	-1.8	1.6	-1.8
Unit operating income or (loss)	$0.01	$0.02	$0.02	$0.03	$0.03	88.0	132.4	-19.1	-11.7
COGS/sales (1)	91.3	90.3	90.7	89.7	90.3	-0.6	-1.0	0.4	0.5
Operating income or (loss)/ sales (1)	0.8	1.9	1.5	2.9	2.6	0.7	1.1	-0.4	-0.4

(1) "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. Unit values and shares are calculated from the unrounded figures.

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

Table C-2
Hardwood plywood: Summary data concerning the U.S. market, 2009-11, January-June 2011, and January-June 2012

(Quantity=1,000 square feet, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per square foot; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2009	2010	2011	2011	2012	2009-11	2009-10	2010-11	2011-12
U.S. consumption quantity:									
Amount	2,027,617	2,407,710	2,575,380	1,367,989	1,318,385	27.0	18.7	7.0	-3.6
Producers' share (1)	27.4	24.0	23.1	22.9	24.6	-4.2	-3.4	-0.8	1.7
Importers' share (1):									
China	31.6	32.4	37.3	34.9	41.8	5.7	0.8	4.9	6.9
All other sources	41.1	43.6	39.6	42.2	33.5	-1.5	2.5	-4.1	-8.6
Total imports	72.6	76.0	76.9	77.1	75.4	4.2	3.4	0.8	-1.7
U.S. consumption value:									
Amount	1,235,182	1,397,024	1,609,150	799,924	837,244	30.3	13.1	15.2	4.7
Producers' share (1)	50.0	45.9	41.9	44.2	44.0	-8.1	-4.0	-4.1	-0.2
Importers' share (1):									
China	25.5	26.4	31.4	28.1	32.0	5.9	0.9	5.0	3.9
All other sources	24.5	27.7	26.7	27.6	23.9	2.2	3.2	-1.0	-3.7
Total imports	50.0	54.1	58.1	55.8	56.0	8.1	4.0	4.1	0.2
U.S. shipments of imports from:									
China:									
Quantity	639,758	780,099	960,569	477,968	551,612	50.1	21.9	23.1	15.4
Value	314,864	368,378	505,090	225,033	268,313	60.4	17.0	37.1	19.2
Unit value	$0.49	$0.47	$0.53	$0.47	$0.49	6.8	-4.1	11.4	3.3
Ending inventory quantity	168,578	262,498	278,734	286,398	282,318	65.3	55.7	6.2	-1.4
All other sources:									
Quantity	833,215	1,050,087	1,018,756	576,973	442,068	22.3	26.0	-3.0	-23.4
Value	303,197	387,059	430,438	220,963	200,228	42.0	27.7	11.2	-9.4
Unit value	$0.36	$0.37	$0.42	$0.38	$0.45	16.1	1.3	14.6	18.3
Ending inventory quantity	177,278	254,794	241,016	189,398	226,088	36.0	43.7	-5.4	19.4
All sources:									
Quantity	1,472,973	1,830,187	1,979,325	1,054,941	993,680	34.4	24.3	8.1	-5.8
Value	618,061	755,437	935,528	445,996	468,541	51.4	22.2	23.8	5.1
Unit value	$0.42	$0.41	$0.47	$0.42	$0.47	12.6	-1.6	14.5	11.5
Ending inventory quantity	345,855	517,292	519,751	475,796	508,406	50.3	49.6	0.5	6.9
U.S. producers':									
Average capacity quantity	1,328,573	1,287,496	1,288,809	664,404	666,158	-3.0	-3.1	0.1	0.3
Production quantity	577,079	599,716	620,943	325,516	338,510	7.6	3.9	3.5	4.0
Capacity utilization (1)	43.4	46.6	48.2	49.0	50.8	4.7	3.1	1.6	1.8
U.S. shipments:									
Quantity	554,644	577,523	596,055	313,048	324,705	7.5	4.1	3.2	3.7
Value	617,121	641,587	673,622	353,928	368,703	9.2	4.0	5.0	4.2
Unit value	$1.11	$1.11	$1.13	$1.13	$1.14	1.6	-0.2	1.7	0.4
Export shipments:									
Quantity	14,709	21,961	24,040	12,967	10,909	63.4	49.3	9.5	-15.9
Value	16,086	24,128	27,963	15,696	13,383	73.8	50.0	15.9	-14.7
Unit value	$1.09	$1.10	$1.16	$1.21	$1.23	6.4	0.5	5.9	1.3
Ending inventory quantity	34,259	34,666	35,293	34,118	38,053	3.0	1.2	1.8	11.5
Inventories/total shipments (1)	6.0	5.8	5.7	5.2	5.7	-0.3	-0.2	-0.1	0.4
Production workers	1,913	1,805	1,851	1,906	1,854	-3.2	-5.6	2.5	-2.7
Hours worked (1,000s)	3,897	3,873	4,041	2,070	2,085	3.7	-0.6	4.3	0.7
Wages paid ($1,000)	67,026	67,727	68,905	35,353	35,148	2.8	1.0	1.7	-0.6
Hourly wages	$17.20	$17.49	$17.05	$17.08	$16.86	-0.9	1.7	-2.5	-1.3
Productivity (square feet per hour)	148.1	154.8	153.7	157.3	162.4	3.8	4.6	-0.8	3.2
Unit labor costs	$0.12	$0.11	$0.11	$0.11	$0.10	-4.5	-2.8	-1.7	-4.4
Net sales:									
Quantity	530,932	559,574	578,425	291,394	299,606	8.9	5.4	3.4	2.8
Value	593,471	624,070	656,537	330,922	342,666	10.6	5.2	5.2	3.5
Unit value	$1.12	$1.12	$1.14	$1.14	$1.14	1.5	-0.2	1.8	0.7
Cost of goods sold (COGS)	541,834	563,654	595,656	296,951	309,360	9.9	4.0	5.7	4.2
Gross profit or (loss)	51,637	60,416	60,881	33,971	33,306	17.9	17.0	0.8	-2.0
SG&A expenses	46,724	48,382	50,819	24,261	24,489	8.8	3.5	5.0	0.9
Operating income or (loss)	4,913	12,034	10,062	9,710	8,817	104.8	144.9	-16.4	-9.2
Capital expenditures	3,107	4,208	7,559	3,010	2,717	143.3	35.4	79.6	-9.7
Unit COGS	$1.02	$1.01	$1.03	$1.02	$1.03	0.9	-1.3	2.2	1.3
Unit SG&A expenses	$0.09	$0.09	$0.09	$0.08	$0.08	-0.2	-1.8	1.6	-1.8
Unit operating income or (loss)	$0.01	$0.02	$0.02	$0.03	$0.03	88.0	132.4	-19.1	-11.7
COGS/sales (1)	91.3	90.3	90.7	89.7	90.3	-0.6	-1.0	0.4	0.5
Operating income or (loss)/ sales (1)	0.8	1.9	1.5	2.9	2.6	0.7	1.1	-0.4	-0.4

(1) "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. Unit values and shares are calculated from the unrounded figures.

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

Table C-3
Hardwood plywood (with Pittsburgh excluded from U.S. producer data): Summary data concerning the U.S. market, 2009-11, January-June 2011, and January-June 2012

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APPENDIX D

NONSUBJECT COUNTRY PRICE DATA

Nonsubject Price Comparisons

Table D-1 compares quarterly prices of nonsubject imports from Canada, Chile, and Russia with U.S. producer prices and prices for imports from China for products 1-4 during January 2009-June 2012. Data were also requested for Indonesia; however, no importer reported importing any of the four pricing products from Indonesia. Figure D-1 presents prices and shipment quantities for each of the four products.

Table D-1
Hardwood plywood: Number of quarterly price comparisons of imported nonsubject and U.S. products 1-4, and imported nonsubject and Chinese products 1-4

Nonsubject countries	United States		China	
	Higher[1]	Lower	Higher[1]	Lower
Canada	16	24	34	6
Chile	0	26	24	2
Russia	15	22	28	9
Total	31	72	86	17

[1] "Higher" signifies that the price of the nonsubject country's product was higher than the U.S. or China price.

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

Figure D-1
Hardwood plywood: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2009-June 2012

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