# UNITED STATES
# INTERNATIONAL TRADE COMMISSION

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| **In the Matter of:** | **) Investigation Nos.:** |
| **WOOD MOULDINGS AND MILLWORK PRODUCTS** | **) 701-TA-636 AND 731-TA-1469-1470** |
| **FROM BRAZIL AND CHINA** | **) (PRELIMINARY)** |

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**Pages: 1 - 191**
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| | ) | (Preliminary) |

Wednesday, January 29, 2020

Main Hearing Room (Room 101)

U.S. International

Trade Commission

500 E Street, S.W.

Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Elizabeth Haines presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION OFFICER

SHARON D. BELLAMY, RECORDS MANAGEMENT SPECIALIST

ANTHONY COURTNEY, PROGRAM SUPPORT SPECIALIST

ELIZABETH HAINES, SUPERVISORY INVESTIGATOR

CHARLIE CUMMINGS, INVESTIGATOR

SARAH SCOTT, INTERNATIONAL TRADE ANALYST

JOHN BENEDETTO, ECONOMIST

EMILY KIM, ACCOUNTANT/AUDITOR

KARL VON SCHRILTZ, ATTORNEY/ADVISOR

Opening Remarks:

In Support of Imposition (Laura El-Sabaawi, Wiley Rein LLP)

In Opposition to Imposition (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

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

Wiley Rein LLP

Washington, DC

on behalf of

Coalition of American Millwork Producers

Gary Trapp, Executive Vice President & Chief Financial Officer, Cascade Wood Products, Inc.

Kevin MacDonald, Vice President Operations, Endura Products, Inc.

Bruce Procton, President, Endura Products, Inc.

Bill Carroll, Millwork Division Manager, Sierra Pacific Industries

Jon Gartman, Secretary, Sierra Pacific Industries

Greg Easton, Vice President, Millwork Division, Woodgrain Millwork Inc.

Timothy C. Brightbill, Laura El-Sabaawi - Of Counsel

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

BakerHostetler

Washington, DC

on behalf of

Weston Wood Solutions Inc.

Alan Lechem, President, Weston Wood Solutions Inc.

Michael S. Snarr, Elliot J. Feldman, Mark B. Lehnardt, Lindita V. Ciko Torza - Of Counsel

Barnes & Thornburg LLP

Washington, DC

on behalf of

Composite Technology International, Inc. ("CTI")

Griff Reid, Chief Executive Officer, CTI

Tony Casey, Senior Vice President, Sales & Marketing, CTI

Bryan Settje, Senior Vice President, Manufacturing Sales, CTI

Jerrie Mirga, Vice President, Economic Consulting Services LLC

David M. Spooner, Christine J. Sohar Henter, Clinton K. Yu, Adetayo O. Osuntogun, Richard Kaye - Of Counsel

Steptoe & Johnson LLP
Washington, DC
on behalf of
Associacao Brasileira da Industria de Madeira Processada Mecanicamente ("ABIMCI")
Gian Carlo Almeida Marodin, Director of Sales, Araupel S.A.
Norton Luis Fabris, Chief Executive Officer, Araupel S.A.
Giovani Tadeu Simoes Pires Giacomet, Finance Director, BrasPine Madeiras Ltda. and Braslumber Industria de molduras Ltda.
Phillip Kleiss, USA Sales Representative, Solida Brasil Madeiras Ltda.
Patrick Burke, Director of Pine Procurement, Metrie Inc.
Louis Donavon Ammons, Managing Trader, Shamrock Building
Materials, Inc.
Marcia Pulcherio, International Consultant, Steptoe and Johnson LLP
Eric C. Emerson - Of Counsel

Mowry & Grimson, PLLC
Washington, DC
on behalf of
American Moulding and Millwork Alliance ("AMMA")
Joe Caldwell, Chief Executive Officer, MJB Wood Group, Inc.
George Liu, Chief Executive Officer, Evermark
Jeffrey S. Grimson, Kristin H. Mowry - Of Counsel

REBUTTAL/CLOSING REMARKS:
In Support of Imposition (Timothy C. Brightbill, Wiley Rein LLP)
In Opposition to Imposition (Eric Emerson, Steptoe & Johnson LLP and Jeffrey Grimson, Mowry & Grimson, PLLC)

I N D E X

I N D E X

P R O C E E D I N G S

MR. BISHOP: Will the room please come to order?

MS. HAINES: Good morning and welcome to the United States International Trade Commission's Conference in Connection with the Preliminary Phase of Antidumping Countervailing Duty Investigation Nos. 701-TA-636 and 731-TA-1469 and 1470 concerning wood mouldings and millwork products from Brazil and China.

My name is Elizabeth Haines. I am the Supervisory Investigator of these investigations and I will preside at this conference. Among those present from the Commission Staff are from my far right: Charlie Cummings the Investigator; Karl Von Schriltz the Attorney; John Benedetto the Economist, Emily Kim the Accountant and Sarah Scott the Industry Analyst.

I understand that the parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn in before

presenting testimony. Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Yes, Madam Chairman. With your permission, we will add the following to the witness list on page 2. Tony Casey, Senior Vice President of Sales and Marketing with CTI and Brian Segi, Senior Vice President of Manufacturing Sales with CTI. There are no other preliminary matters.

MS. HAINES: Okay, thank you.

MR. BISHOP: We will begin with opening remarks. Opening remarks on behalf of those in support of imposition will be given by Laura El-Sabaawi of Wiley-Rein. Ms. El-Sabaawi, you have five minutes.

STATEMENT OF LAURA EL-SABAAWI

MS. EL-SABAAWI: Good morning Ms. Haines and Commission Staff. I'm Laura El-Sabaawi for the Coalition of American Millwork Producers. On behalf of the Domestic Industry and its workers we greatly appreciate your work on this important new investigation.

We are here today in an effort to restore fair trade to the wood mouldingss and millwork products market in the United States. While information is still being added to the record, the evidence collected so far already shows a fact pattern that you have seen in many of the other investigations of wood products. You are seeing the same,

unmistakable signs of material injury to this important American Industry, which includes many family-owned companies that have been in business for decades.

Dumped and subsidized imports from Brazil and China are damaging the market share of prices and profits of U.S. Producers. The volumes of Subject Imports have increased significantly during the Period of Investigation. The Commission should analyze Subject Imports cumulatively.

Wood mouldings and millwork products from Brazil and China are interchangeable, both with each other and the domestic like product and compete in the same geographic regions. They are sold through the same channels of distribution and were simultaneously present in the U.S. during the period.

Assessed cumulatively, Brazilian and Chinese Imports totaled already nearly 400 million dollars in 2016. By 2018 they had reached nearly 550 million dollars for an increase of 32 percent. In the first three-quarters of 2019 Subject Imports grew by another ten percent.

While U.S. demand was strong and growing during the period, the increase in Subject Imports far exceeded the growth and apparent domestic consumption. As a result, Subject Imports steadily took market share from the Domestic Industry, with Subject Imports market share reaching its peak at the end of the period.

Our preliminary analysis of the data shows that by value Subject Imports took 5 percentage points of market share directly from the Domestic Industry from 2016-2018 and they took more than four points of share from interim 2018 to interim 2019. As shown by these market share data, Subject Imports also took more than 82 million dollars worth of sales and revenues from Domestic Producers and these are only the sales that we could formally document.

Subject Imports took these sales and revenues using dumped and subsidized pricing. Average unit value data shows substantial underselling by Subject Imports and we expect that the pricing product data the Commission is compiling will show the same. These imports have suppressed U.S. prices.

Numerous Domestic Producers have told you that despite increasing raw material costs and growing demand they have been unable to pass costs through in their prices because of competition with unfairly traded Subject Imports. These effects have been particularly pronounced because competition in this industry is based on price. Price is the major factor that meaningfully distinguishes between domestic and subject wood mouldingss and millwork products.

The sales, market share and pricing that the Domestic Industry lost to Subject Imports directly harmed its financial performance. U.S. Producers' operating income

margin dropped substantially during the POI to the point that the Domestic Industry is now operating at a loss. Capacity utilization was low and dropping leaving substantial available capacity even while demand was growing.

Subject Imports are driving U.S. Producers to shutter facilities including plants in Oregon, Tennessee and Washington. Multiple other U.S. Producers have reported shift reductions and employee reductions, that their facilities are threatened and that they have been unable to complete equipment upgrades and make other important investments due to the market conditions caused by Subject Imports.

This is simply not what you would expect to see in a strong market and it is a direct effect of unfair Brazilian and Chinese imports. These should be good times for the domestic wood mouldingss and millwork products industry. instead, because of Subject Imports, sales and revenues are being lost, profits are non-existent and facilities are closing.

Finally, the Commission should define a single like product and a single Domestic Industry coextensive with the scope. The various types of wood mouldingss and millwork products subject to the scope have the same general market and production process. They are made on the same

equipment in the same facilities with the same employees.

We look forward to providing you with additional information today which along with the evidence already on the record will show the Commission that dumped and subsidized imports and wood mouldingss and millwork products from Brazil and China are injuring and threaten to injure the Domestic Industry. we ask the Commission to make an affirmative determination and to restore a level playing field to the U.S. Wood Mouldingss and Millwork Products Market. Thank you.

MR. BISHOP: Thank you, Ms. El-Sabaawi. Opening remarks on behalf of those in opposition to imposition will be given by Jeffrey S. Grimson of Mowry & Grimson. Mr. Grimson, you have five minutes.

STATEMENT OF JEFFREY S. GRIMSON

MR. GRIMSON: Good morning. Jeff Grimson from Mowry and Grimson here representing the American Mouldings and Millwork Alliance and its members CTI, MJB Wood Group as well as others we will list in our post-conference brief.

Today the Petitioners are telling a simple but incorrect story. Imports up, Domestic Industry condition down. One caused the other. Case closed. However, the reality is much more complicated. Here, that complication is caused by the way the Petitioners have approached this case, by gerrymandering both the Domestic Industry

definition and the targeted countries.

There are two gaping holes in the Petition that undercut the Petitioners causation case. Those gaping holes are medium density fiberboard or MDF and Chile and while we don't concede injury today, we're going to be focused mostly on causation in the public session.

Let's start with the definition of Domestic Industry. many of the Petitioners and even more unlisted Domestic Producers are increasing their production and sales of mouldings and millwork made from MDF. The rise in sales of MDF is at the direct expense of the Petitioners' production of finger-jointed product.

When challenged on this point, the Petitioners confirmed two things. First, they confirmed that MDF is definitely not in the Commerce scope of the case. Second, they said that MDF mouldings and mill work is a different industry because unlike finger-jointed products MDF is not finger-jointed, without explaining why that makes any difference.

You will hear from our witnesses today that MDF millwork is not only substitutable with a large share of finger-jointed millwork but that demand change is driven by fashion and decorating trends are actually accelerating a shift from finger-jointed millwork to MDF. Plus, MDF stock is cheap and plentiful in the United States and comes in

narrow thicknesses that reduce milling waste so manufacturers love it.

It is a fact that Domestic Production of MDF mouldings and millwork, not Subject Imports is replacing Petitioners' sales of finger-jointed product in many applications. the MDF industry is huge, perhaps larger than the Petitioners' stated Industry and it's growing by the day.

It's telling that the selection of Petitioner witnesses today appears to come almost entirely from companies that do not also mill MDF products. So if you hear from them that the products are not substitutable or not made on the same machinery you need to be careful to ask whether that's true of the other members of Domestic Industry who are not here. You'll hear from our Panel's witnesses today that it does not make any difference.

Another flaw in the Petition is that it includes laminated veneer lumber or LVL which is used in door frames, jams and window components. This is an application that used to be served by finger-jointed product but now is mostly shifting to LVL. It has superior production efficiencies and superior performance characteristics to finger joint.

At some exterior door applications such as framing for fiberglass doors, LVL is the only wood material

that will work although composite materials are now beginning to edge into that market. Petitioners problem is that they don't make LVL and in this example they are losing out on fiberglass door sales parts. But there is a Domestic Producers of LVL, Pacific Wood Laminates but you wouldn't know that from the Petition. We will argue in our post-conference brief that LVL is a distinct product.

Now let's turn to Chile, the second largest source of imports by volume and 2nd lowest in terms of AUVs. This is the second example of some extreme gerrymandering by the Petitioners. I guess it was left out because of commercial relationships between Petitioners and the Chileans. Chile is enormously large and among the lowest priced sources of imports and volume and price affects must be examined in light of the Chilean product. We don't see how you can distinguish between Brazil and Chile when you're assessing causation.

One more note on Chile, the Petitioners have been crystal clear that finger-jointed and edge-glued mouldings in millwork blanks are included in the scope of the case and they've said that merchandise is not removed from the scope by trimming, cutting to size, notching and other steps typical of the initial stages of milling in another country.

Now, it's widely known in the industry that many of the Petitioners use finger-jointed blanks from Chile and

other import sources whether imported directly or purchased from brokers. If it's true as Petitioners say that trimming and cutting does not result in a transformative change for dumping purposes then isn't it also true that the Petitioners production of millwork from Chilean blanks should not be counted as Domestic Production.

Looked at it that way, many of these Petitioners are more properly considered outsourced Chilean millwork producers rather than Domestic Producers. The Commission should probe this very carefully to ensure that the Domestic Industry production data reported by the Petitioners truly aligns with the scope of the case as they are asking.

I know this is a prelim and everybody says it's just a prelim but there is a legal standard and in our view this case does not meet it and you should terminate this case at the beginning stage. We look forward to answering your questions today.

MR. BISHOP: Thank you, Mr. Grimson.

Would the panel in support of the Imposition of the Antidumping and Countervailing Duty Orders please come forward and be seated.

Madam Chairman, all witnesses on this panel have been sworn in. This panel has 60 minutes for their direct testimony.

(Pause.)

Welcome to this panel. You may begin when you're ready.

STATEMENT OF TIMOTHY C. BRIGHTBILL

MR. BRIGHTBILL: Good morning, Ms. Haines and -- good morning, Ms. Haines and Commission staff. [Adjusting the microphone].

Good morning, Ms. Haines and Commission staff. Thank you for your hard work on these investigations. Can you hear me alright?

Hello? Alright. Good morning, Ms. Haines and Commission staff. Thank you for your hard work already on these investigations. The Commission is of course still compiling the record, but what I'd like to do today is lead you through the record as we've compiled it so far, and then we'll hear from our domestic industry witnesses.

There is a reasonable indication that imports of wood mouldings and millwork products from Brazil and China are materially injuring and threaten further injury to the domestic industry.

We have subject imports that have increased by nearly 50 percent during the Period of Investigation to more than $550 million in the last full year of the POI. U.S. demand is growing, but imports from Brazil and China are taking market share at the direct expense of the domestic industry.

We believe the record will show consistent underselling, and the domestic industry sales and financial performance has declined significantly.

Petitioners represent a substantial majority of the domestic industry. The Petitions that we filed alleged dumping margins of more than 85 percent for Brazil, and 181 percent to more than 300 percent for China. The Countervailing Duty Petition on China identifies more than 35 subsidy programs that have benefitted Chinese producers.

I will review briefly the scope of the investigation, just some of the highlights. The merchandise that is subject consists of wood, LVL, bamboo, or a combination of wood and composite materials continuously shaped throughout its length. It also includes profiled wood with a repetitive design and relief, similar milled wood accessories such as rosettes and plinthblocks, and finger-jointed or edge-glued moulding or millwork blanks.

And the scope includes building components such as interior paneling and jamb parts, and door components such as rails and styles. I will point out, we have brought a few product samples on the table. We're not going to pass those around. We'd be happy to show them off after our presentation is completed.

Yes, the products may be solid wood, may be laminated, finger-jointed, edge-glued, face-glued, or

otherwise joined, and they are covered whether or not imported raw, coated, primed, painted, stained, or with any combination of coatings, and whether they incorporate rot-resistant elements in them.

Several products are excluded from the scope of the investigation, including exterior fencing, decking, and exterior siding products that are not LVL or finger-jointed; finished and unfinished doors; flooring; parts of stairsteps; and picture frame components three feet and under in the individual lengths.

As Laura mentioned, there is a single domestic like-product co-extensive with the scope, and if you go through the factors it's very clear the physical characteristics and uses of the product are same or very similar. They are interchangeable. They are made in the same or similar manufacturing facilities, using the same processes and the same employees. They have the same or similar channels of distribution. Producers and customers perceive them the same way. And the pricing is based on the raw materials, and so the pricing is very similar as well. The cumulation factors are also met.

Here is a high-end overview of how the product is made. Our industry witnesses will talk more about this, but basically there is a front end process, and then a moulding and finishing process.

So the wood comes in. It is dried and conditioned. And then it is scanned and ripped lengthwise. It is then cut to remove knots and defects. It is then finger-jointed back together in longer lengths so that it can be moulded or milled into the finished product.

You then have that moulding and milling process finishing where there's prime coating for their machining, and then the product is shipped out.

This slide shows the finger joint which is again how the wood is put back together so that it can be moulded or milled in the longer lengths, and it's joined with an adhesive at those finger joints.

This is a part of the website from Home Depot covering moulding and millwork products. It refers to all of these moulding and millwork products as one product group. You'll see things like crown moulding, baseboard, door and window products, picture frame, general purpose moulding, quarter-round, all sold and marketed together.

There is a single continuum of wood mouldings and millwork products. The Brazilian, Chinese, and domestic producers make and sell the same product configurations to the same customers. We believe the record will show consistent underselling of the domestic product. It is shown in the average unit values already, and these producers have taken substantial market share from the U.S.

industry, including over $82 million in documented lost sales during the Period of Investigation.

Turning to the material injury factors, we believe the questionnaire responses and record information already show a reasonable indication of material injury in this case, rising import volumes, increased import market share, underselling and lost sales, and a huge decline in sales and financial performance for the industry. So now we'll go through a few of those factors individually.

Here you see the subject import increase from Brazil the blue bars, and China the red bars. Brazil is the largest source of imports. China is the fastest-growing source of imports during the period. And you have the three full-year period and then the interim on the end.

The subject imports have increased absolutely and relative to U.S. production. So here you see subject imports in red, and the U.S. producers production declining in green, declining during the period, and declining again during the interim.

Importantly, subject imports have not only increased and captured market share, they're taking share from the domestic industry and also, to a lesser extent, from nonsubject imports. So again you see the green bars, the U.S. producer production dropping during the period, during the interim. Subject imports increasing throughout

the Period of Investigation, and nonsubject import share decreasing during the Period of Investigation.

And this is the same data viewed by value rather by volume, and you reach the same result, which is subject imports, the red bars taking market share away from U.S. producers. And again this is happening in a growing market where demand is strong.

Turning to price effects, the subject import average unit values are low and declining, and we believe the record will show substantial underselling once it's all compiled.

Here you see the gap between subject import average unit values and domestic average unit values, so there is a very significant gap, and that gap is growing during the Period of Investigation.

Turning to impact, again demand for these products increased by nearly 8 percent during the period. Despite this strong demand, the domestic industry was deprived of increased shipments and the sales and financial performance has clearly suffered by all of the Commission's traditional measures, production, employment, capacity utilization have fallen. Operating and net profits are down and are negative. And there have been closed facilities, laid off employees, and bankruptcies. This harm is intensifying.

This slide shows the U.S. production declines -- that's the red line -- versus apparent U.S. consumption, which is the black line. So rising consumption, declining U.S. production.

The capacity utilization data is even more stark. Sharp declines. Those are the red lines again, reaching a low right around 51 percent at the end of -- at the September 2019. Again, despite increased demand.

The same is reflected in the number of production and related workers. That's the lower line. Again, declining, and then you see hours worked, the red line, and wages, the upper line, but all declining during the period and during the interim period, despite increased demand.

And then this is reflected in losses. The operating income are losses shown by the blue bars. And again the industry is in an operating loss position at the end of 2018, and also the end of the interim period. And the net losses are even greater. So we are -- unfortunately there is a negative operating income for the industry as a whole.

And U.S. producers have not been able to invest enough in their businesses. You see that there have been declines in capital expenditures, particularly since 2017.

Although this is a compelling injury case, the threat factors are also present. The domestic industry,

because of its declining profits and loss of market share, is vulnerable. The subsidies received by the Chinese industry encourage exports. The Brazilian and Chinese industries have large amounts of available capacity. That's already evident from the questionnaires that have come in so far.

Brazilian and Chinese imports, again we think the underselling data will be clear once it's all compiled. And because of their competition, there has been new investments that have been discouraged that the domestic industry would like to make and needs to make.

So this is the summary of all the factors that strongly support an affirmative preliminary determination. Again, these are all the things that you look at in every investigation. The record is very compelling already, and we think it will become even more clear as you compile your, your report.

With that, I will wrap up and we'll turn to our domestic industry witnesses, starting with Bill Carroll from Sierra Pacific Industries.

STATEMENT OF BILL CARROLL

MR. CARROLL: Good morning. I am Bill Carroll from Sierra Pacific Industries. I have been in the wood industry for the past 46 years, with the last 29 years working for Sierra Pacific Industries in the North Division,

starting out as a floor manager, into a superintendent, and working into a plant manager position, and currently as the Millwork Division Manager.

Here with me today is Jon Gartman, with Sierra Pacific. Sierra Pacific Industries is a family-owned --

MR. COURTNEY: Can you turn on your mike, please? Or switch mikes?

MR. CARROLL: Sierra Pacific Industries is a family-owned company that has been in operation since about 1950, approximately 70 years.

Sierra Pacific started out with one sawmill on the Coast of California, and over the years we have grown to 14 sawmills in California and Washington State, and two millwork plants primarily in California.

We have participated in the millwork industry for the past 45 years. SPI is one of the largest, if not the largest, millwork producer in the United States. We have about 100 millwork customers that vary in purchasing volume from a truck or two a year, to hundreds of truckloads per year.

Sierra Pacific produces a large variety of the mouldings and millwork projects subject to this investigation, from finger-joint blanks to door jambs and baseboard, casing, and trim products all in the same facilities and with the same equipment.

Sierra Pacific has always made our people our priority. Our employees in the millwork division historically have been accustomed to very competitive wages, benefits, retirement, and very steady work with little to no layoffs over the years. The only downtime our crews had experienced prior to the inflow of the Chinese and Brazilian products was during the recession years of 2008-2009.

The steady workflow allowed us to attract and keep good employees to run our plants safely and efficiently with minimal turnover. More than one-third of our employees have 20-plus years of seniority, with many having generations of their families working for SPI.

Unfortunately, things have changed in the U.S. market for Sierra Pacific in recent years. We have seen more and more under-priced Chinese and Brazilian imports pouring into the U.S. recently. With this increased volume of unfair imports, we have lost market share.

We also have been forced to lower our prices in order to maintain somewhat of an order file with our remaining customers, to the point that we're experiencing a negative cash flow.

For some of our largest customers that were buying imports in the past, they also kept a decent volume with domestic U.S. suppliers and did not have all their eggs in one basket. But this has changed now, too.

In the last couple of years, many of these customers have gone, in my estimate, to more than 90 percent imports because of the dumped and subsidized pricing from China and Brazil.

We simply cannot compete with the unfair trade in pricing of Brazilian and Chinese imports. We see unfairly traded imports in the U.S. market both from Brazil and China. Imports from each country can be head-to-head with one another, and each compete head-to-head with products produced in the United States, with devastating effects on U.S. producers like Sierra Pacific.

It is important to note that these negative effects on our company are happening in what should be a good market for us. Housing construction and remodeling have recovered and have grown in recent years, but imports from Brazil and China are taking all of this growth, preventing us from benefitting from healthy demand.

With this diminished sales volume, depressed prices, and revenue loss we have had to take some extreme measures in our millwork division.

In March of 2018, we started experiencing layoffs from one- to four weeks in duration that affected 50 to 90 crew members at a time in our Corning, California, location. In April of 2018, we curtailed one-quarter of the millwork capacity at our Red Bluff, California, location.

This curtailment impacted 39 of our employees, 13 of which were permanently laid off, and the balance we were able to offer jobs at some of our other SPI locations that were not millwork related.

The effects of imports on our operations and employees have continued. In October of 2019, we were forced to permanently shut down the in-process portion of our Corning facility, which included a rip scanner, ripsaw, a five-saw cut line, scanning equipment, and four finger joint machines. This machinery was scrapped or sold, when possible, but resulted in a permanent elimination of this millwork capacity and affected the lives of 70 people.

With our Red Bluff facility running at a diminished capacity and being 15 miles from the Corning location, we were able to consolidate these people into that plant and keep the majority of them working that were able and wanted to relocate.

But if unfair imports from Brazil and China continue, it will not be possible to keep moving people around and more employees could lose their jobs. And all of these changes recently in our Millwork Division has raised some uncertainty in our crew members, and we have lost some short- and long-term employees with valuable experience and knowledge that is going to take years to rebuild.

Sierra Pacific is a proud American manufacturer

and wants to produce quality mouldings and millwork products for our customers well into the future. We have plenty of available capacity to increase production and serve the market. However, the entire domestic industry is at risk from the surge of unfairly priced imports from China and Brazil.

I urge you, on behalf of the Sierra Pacific Industries, and our 600 employees that make the subject products, to make an affirmative finding of material injury in this case, as this affects the families of those 600 employees as well. Thank you.

STATEMENT OF GREG EASTON

MR. EASTON: Good morning and thank you for your time and work on this case. I am Greg Easton, Vice President of the Millwork Division at Woodgrain Millwork. I am here today in support of the Petition filed by the Coalition of American Millwork Producers and its members.

Woodgrain is a company with humble beginnings. It was founded over 65 years ago by my wife's grandfather who started out in Utah with a single sawmill. He worked long and hard to grow the company, and today we manufacture a large array of products at production facilities around the country. We are headquartered in Fruitland, Idaho, and have three other millwork facilities in North Carolina, Virginia, and Alabama.

I have been employed by Woodgrain since 2002, and I have led the Millwork Division as Vice President for the last five-and-a-half years since 2014. Prior to that, I served as the CFO for five years from 2009 to 2014, and as a division manager for Woodgrain Doors for three years before that.

Woodgrain produces a broad array of products, including just about every product falling within the scope of this investigation. We produce base mouldings, crown mouldings, door jambs, frames, and boards, among other products.

Woodgrain is also a vertically integrated company, focused on getting the best fiber value out of our lumber. In addition to our millwork facilities, we have a sawmill division, door division, window division, and a distribution division that allows us to get closer to our customers.

Woodgrain makes the various types of mouldings and millwork products covered by the scope in the same facilities, on the same equipment, and with the same employees.

The manufacturing process for our mouldings and millwork products is similar for all products. We introduce rough lumber in the front-end of the process where it is planed or surfaced and then scanned in order to optimize the

value.

The scanner communicates with a rip saw that cuts or rips lengthwise into long narrow pieces. After passing through another scanner, the ripstock is crosscut to remove knots and other defects. The small pieces are then finger jointed back together by making small cuts across the ends, applying glue, and pressing them together.

On the back-end, the finger-jointed blank is run through a moulder which has different heads or knife configurations depending on the pattern or profile. Products may also undergo further finishing processes such as precision end trimming, priming, or other coating and machining for hardware.

Over the past several years, demand for wood mouldings and millwork products in the United States has been strong. It has increased as housing demand has increased. This should be a very good market for domestic producers. But these healthy demand levels are not at all reflected in our domestic production or our profitability because of imports from the countries subject to this investigation.

While we have seen demand generally increase since 2010 as the U.S. economy recovered from the housing crisis, our share of the market has dwindled as subject producers have aggressively taken market share at our

expense. The market is growing, but we are being prevented from growing with it. And while the effects of these unfairly priced imports have been around for some time, they have magnified in the last three to four years.

Our distribution arm provides us with a unique perspective into the U.S. market and the effects of subject imports. Each month, I meet with members of our distribution group. They tell me that I must compete with the unfair import prices if I want to keep selling in this market.

In this way, subject import prices have a direct negative impact on our prices. The imports are setting the prices in the market -- prices that are unsustainable for our business, and I'm sure for other U.S. producers as well.

The increasing volume of unfairly traded subject imports has had a devastating effect on our company. There are numerous investments that Woodgrain would like to make in our facilities, including in new technology, but the effects of subject import have made them impossible.

Because of unfair competition, we have been unable to make the profit margins needed for such investments. And on the investments we have managed to make, the effects of subject imports on the market have prevented us from earning a decent return.

For example, Woodgrain opened a new plant in

North Carolina in 2015, but it has struggled to compete with the unfairly traded prices that have taken hold in the market. If unfair imports are not addressed, the future of that operation is in jeopardy.

In fact, subject imports have already played a role in the closure of a Woodgrain facility. In late 2014, after a major snowstorm, a portion of the roof collapsed in our Prineville, Oregon, plant. The unfair competitive environment in the U.S. market caused by subject imports made it uneconomical for us to repair the plant. Instead, we were forced to shutter the mill.

It closed in January of 2016 when the last 55 of what had previously been 250 workers were laid off. If not for subject imports and their disastrous effects on the market, we could have repaired that facility and stayed in operation and those workers could have kept their jobs. We've had to reduce our headcount even further since then. If this unfair trade doesn't stop, it is only a matter of time before more workers in the U.S. mouldings and millwork products industry are negatively affected.

Woodgrain also has a unique perspective because we have a joint venture in Chile that manufactures wood mouldings and millwork products, some of which we import into the United States.

While we have had our facility in Chile for more

20 years, recent competitive dynamics in the U.S. market -- meaning the influx of subject imports -- are forcing us to consider further increasing our imports to remain cost-competitive. We want to produce in the United States where we started and have grown as a company, but subject imports are making it very difficult.

The U.S. industry as a whole has been decimated by subject imports. The results have been reduced sales, unsustainable prices, and plant closures and layoffs. It is only going to get worse if the playing field isn't leveled, so we are here today to ask the Commission for an affirmative determination in our case.

Thank you very much for your time this morning. I am happy to answer questions later.

STATEMENT OF BRUCE PROCTON

MR. PROCTON: Good morning. My name is Bruce Procton, and I am the President of Endura Products. I am joined today by Kevin MacDonald, our Vice President of Operations at Endura, and we are here in support of the Petition filed by the Coalition of American Millwork Producers and its members.

My family has been manufacturing in the United States for nearly 70 years. My grandfather founded Endura in 1954, and we have been family owned and operated ever since.

Endura is headquartered in Greensboro, North Carolina, and has production facilities in North Carolina, Texas, Tennessee, and Oregon, and we employ approximately 700 people nationwide.

We began manufacturing exterior door thresholds in the 1970s, entered the exterior door frame market in 1993, and now produce millwork products including exterior frames, brickmould, casings, mullions, door sills, astragals, multi-point lock systems, and other components used in pre-hanging entry door systems. Endura takes great pride in manufacturing high-quality products and providing excellent service to our road base of customers.

I have been with Endura since 1992, and I have been president of the company since 1998. I have seen the company through several stages of growth, including our acquisition of a plant and purchase of the patented FrameSaver product in Texas in 2005, and our acquisition of a plant in Sparta, Tennessee in 2012. Until the last few years, these acquisitions, along with further investment in our plants and equipment, helped our company grow with a positive return. Our business grew from a small producer originally shipping four to eight trucks of material per month, to a significant participant in the exterior frame segment.

We competed on a fair basis of price, quality,

and delivery, against many of my cohorts at this table. Sometimes we gained business. Sometimes we lost it.

Unfortunately, after all these years things have now changed in our business. Dumped and subsidized imports of wood mouldings and millwork products from Brazil and China have surged into the U.S. market over the past several years, and they are devastating the domestic industry.

The pricing pressure we face from these unfairly traded imports is enormous. When trying to expand or renew our business with existing customers, or when seeking out new customers, we are often directly confronted with subject import prices -- prices which are much lower than we can afford to sell at even to recoup our costs of production.

Subject imports going through distribution channels, with additional costs and multiple levels of profit mark-up built in, are even priced lower than we can profitably sell and deliver product.

This is a huge problem for our business, because many customers now buy predominantly on the basis of price. Other factors that may have once made a difference in getting a sale -- like quality or customer service -- are now far out shadowed by the vast disparity between domestic and subject import pricing. Even for products we've developed and invested in, subject import knock off products have set the price we can charge, limiting our ability to

sell profitably or recover market share.

We know for a fact that subject import prices are unfair because Endura has a global supply chain. While some of our wood, what we call "fiber," is sourced domestically, some of it comes from global sources. We are competing against companies from all over the world, including China, when we buy fiber, so we are aware of Chinese producers' cost for this raw material in particular.

In recent years, the cost of that fiber has at times increased, and Chinese companies have experienced those cost increases as well because they buy their wood inputs from abroad. But despite these higher costs, China's prices have remained unsustainably low. This forces us to absorb raw material cost increases rather than pass them along in our prices, for fear we would be squeezed out of the market entirely.

The price effects of subject imports have harmed our profitability, and our production levels as well. Most notably, we were forced to cease operations at our Sparta, Tennessee, plant in 2018. We were informed by our largest frame customer they were discontinuing their business with us, business which accounted for over 70 percent of this plant's production, and would otherwise source product from a competitor whose product originated in China.

With such a massive loss of business, we had no

choice but to close the plant in Sparta, laying off more than 70 employees in the process. This closure was a direct result of lost sales to unfairly priced imports from China.

The impact doesn't end there, unfortunately. At our plant in Nacogdoches, Texas, where we once ran two shifts but are now down to one -- again, because order levels have decreased as we've not been able to compete with subject import pricing.

This is indicative of what we've experienced throughout our millwork product operations: our capacity vastly exceeds our production, causing us to reduce our workforce because unfairly priced imports are taking our sales.

Manufacturing wood mouldings and millwork products is a capital-intensive business. To be able to produce our products most efficiently and to the highest quality and with constraints on available labor, we often need to invest in new equipment.

These are substantial investments, with equipment systems each typically costing between $1- and $5 million. Because of the effects of subject imports on the market, we are constrained from further investing in new equipment and making other improvements to our facilities.

The equipment we have invested in is being underutilized. For example, we recently invested a

significant amount of money in a rough mill, a equipment system that optimizes our raw material use, and it is running at 50 percent capacity.

Again, this is because subject imports are taking our sales. Were it not for the extreme pricing pressure placed on us by subject imports, we'd be able to invest much more significantly in our workforce and our infrastructure. However, because of the imports, we have been forced to do the exact opposite.

These should be good years for Endura and for the U.S. wood mouldings and millwork products industry as a whole. Demand is healthy and has been increasing in recent years. Strong overall economic conditions and a stable housing market should be good signs for the industry. However, instead of reaping the rewards of these good years, growth for domestic manufacturers like ourselves has slowed to a crawl or gone backwards, while Brazilian and Chinese product sales have increased significantly.

While the effects of subject imports on the U.S. market have been devastating, there is still some hope. If a level playing field were re-established, we would be able to turn things around and continue to grow our business.

Although it is currently shuttered, our mill and equipment in Sparta, Tennessee, is still there and we could readily bring back a second shift at our Texas plant. We

could make full use of the investments in wood processing. I believe we have one of the most productive mouldings and millwork industries in the world, and if given the opportunity, U.S. producers can absolutely compete in a fair market. But this won't happen unless unfairly traded imports are addressed, and quickly, before it is too late to recover.

Thank you for your time this morning, and I'll be happy to answer your questions.

STATEMENT OF GARY TRAPP

MR. TRAPP: Good morning, and thank you, Commission staff, for your time and hard work on this case. I am Gary Trapp, Executive Vice President and CFO at Cascade Wood Products. I've been with Cascade for more than 20 years, since 1997.

At Cascade, we produce a broad range of products covered under the scope of this investigation, including lineal mouldings, door frames, brick mould, and other millwork products. Thank you for having me today and giving me the opportunity to explain why it is critical that trade remedy orders be imposed on wood mouldings and millwork products from China and Brazil.

Cascade has been in business for more than 70 years. During this time, it has been home to generations of craftsmen and women in Southern Oregon who have grown up in

manufacturing and made it an integral part of their lives.

We have grandparents and parents that have worked with us, and sons and daughters who have followed in their footsteps. We are proud to say that we're a multi generational company. Cascade has a "Silver Circle Club," where we recognize more than 50 employees who have 25 years or more of service to our company, and we have a number of employees that have worked with us for more than 40 years.

Our own President Gary Moore started at Cascade not long after graduating from high school, and worked his way up to become an owner of the company. When I was first asked to come onboard as CFO, I never imagined that 20 years later I would still be at the same company. Today I can't imagine being anywhere else. It's the tremendous level of dedication that this company has to its employees that sets it apart from anyone else and makes it a really great place to work.

Over the decades we've been in business, Cascade has faced and overcome many challenges. The housing crisis in 2008-2009 could have easily defeated the company. But Cascade was able to manage and adapt to the challenges and continue to provide good jobs for families in our community. We were able to do this through innovation, investment, and by focusing on our areas of strength.

But the challenge we're facing today -- the

onslaught of unfairly priced imports from Brazil and China--is different. I am here because these unfairly traded imports pose a grave threat to Cascade and the workers that depend upon the company. Cascade is facing insurmountable pressure caused by the influx of imports of wood mouldings and millwork products from China and Brazil that are being sold at unimaginably low prices.

Significantly, these imports are taking away our sales of large-production-run items -- large quantities of the same product, with the same pattern, and in standard sizes. By taking away these most profitable sales, subject imports have pushed us into short runs, which require a lot of changeovers and longer set-up times, and which are therefore less efficient and more costly.

Cascade has always been willing to provide excellent service to our customers by selling mixed truckloads of multiple products. But with the influx of subject imports, we're getting fewer and fewer of our bread-and-butter long-run orders. And we cannot survive on small runs alone.

Subject imports are taking these sales from us based on price and price alone. And there is no way these imports are being priced fairly. For example, I know that many Chinese producers buy lumber based on the same pricing

index that we do -- the well-known publication Random Lengths.

In 2017, and 2018, raw material costs shot upward, not just for us but for producers worldwide. Everyone should have been in the same boat, and everyone should have raised prices. But subject import prices barely budged. There is no way we could compete with their prices. We lost sales, and for the sales that we were able to maintain we were unable to pass on raw material cost increases in our prices and this severely impacted Cascade's profitability.

You have now seen our data. You have seen how our production has decreased, how our workforce has been reduced, our financials impacted, and our investments hindered as a result of subject imports.

The effects on our employees have been especially devastating. As a result of the sales we have lost to subject imports, we have had to reduce our workforce by more than 25 percent since 2016. Those workers that have remained have not received wage increases that we would have otherwise wanted to make. And it's getting harder and harder to maintain the benefit packages that Cascade provides to its employees. In this market, we should be growing and taking on new employees. Instead, we've had to consolidate facilities and reduce our workforce.

Our ability to invest in new technologies has also taken a tremendous hit due to the market effects of subject imports. Over the last five years, we invested in scanning and cutting systems which allow us to utilize more of our raw material and operate as efficiently as possible. The benefits of this investment have been severely undercut by the negative impacts of subject imports, preventing us from earning the expected return on the investment. In fact, if we knew back when we made this original investment decision that subject imports would surge into the market as they have, we probably would not have made that investment.

We are trying to hang on until something changes, but for that to happen we need the Commission to address the unfairly priced imports coming in from China and Brazil. We are proud to manufacture our products in the United States, and we can compete with anyone on a level playing field. But we can't compete when foreign producers are not abiding by trade rules.

On behalf of our company, our employees and their families, I urge the Commission to find that the imports of wood mouldings and millwork products from the subject countries have injured our industry and threaten us with further material injury.

Thank you very much for your time.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

Can you hear this microphone? Is this one picking up? Good, okay. So that concludes our presentation. We'll share some microphones and we're happy to answer any questions. Thanks.

MS. HAINES: Thank you very much for the helpful testimony. We'll start with staff questions with Charlie Cummings, our Investigator.

MR. CUMMINGS: Good morning. Charlie Cummings from U.S. ITC staff. Thank you for the information that you've shared with us so far this morning. I have a few questions. Having looked at the record as it currently stands, are there any major missing companies from the U.S. producer importer or foreign producer data sets? And do you see any major holes in our coverage that you'd like to bring to our attention?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We think the data is still coming in, of course. We received a large release late Monday which we're compiling. But we think the domestic industry representation is very strong. All of the largest producers have reported, and we think that based on an early read that the foreign producer and importer responses is strong as well.

So we don't see any holes at this time, but I'd like to be able to comment on that after we look at it a little closer.

MR. CUMMINGS: Do you believe official import statistics are the most accurate measure for this product, or do you believe that questionnaire data coverage would be a better measure? And for official import stats, which HTS numbers are most important? Can you speak to that?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. So the challenge with this product is that imports are reported in lineal meters, whereas this industry really tries -- that doesn't give you any sense of the dimension of the mouldings and the work products. Which is why we recommended to the staff and why the Commission is collecting data in thousands of board feet, and why you also properly included in the questionnaires asking for any conversion factor if any party reporting was required to convert their data to the thousands of board feet.

So we can comment further in the brief on the best source. I think regardless of whether you look at the import statistics by volume or value, or by the questionnaire responses, you'll see the same trends. Strong increase in imports, price effects and huge impacts on the domestic industry.

MR. CUMMINGS: Okay. You actually spoke to my next question there as well, which actually was about the unit of measure challenges. You spoke to, you know, the challenge of some companies reporting in lineal feet versus

board feet versus cubic meters. So you know, any additional information you can provide us with how we might deal with those challenges would be appreciated.

MR. BRIGHTBILL: Great and -- Tim Brightbill, Wiley Rein. I didn't address your HTS question. We listed primary HTS codes as well as codes that the product may enter under, and we think the primary codes have very good coverage of the product.

MR. CUMMINGS: Okay. Do you believe that Global Trade Atlas data are accurate enough to portray global export trends specific to this product, and are they useful?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We believe so, but I think we'd like to be able to comment on that in the post-conference brief.

MR. CUMMINGS: Okay. Can you comment on the major non-subject sources of imports?

MR. BRIGHTBILL: Yes. Tim Brightbill, Wiley Rein, and then maybe the domestic industry can comment as well. Chile is definitely the largest source of non-subject imports, and we looked very closely at this as we planned filing the case, because it is a large source of imports. Really what we saw is that the pricing and the AUV data was different from Chile, and certainly what's happened in terms of market share is different as well.

So I can go back to -- I think that's Slide 16. I can't quite tell. There we go. Again, the subject imports are taking share from the non-subject imports. So we saw a clear difference in behavior between the subject imports and the other sources of imports. So Chile is a large source of non-subject imports, but it's -- the behavior is different according to what we saw, which is why we're challenging the unfair trade practices of Brazil and China. If anyone else would like to comment.

MR. PROCTON: Yes. This is Bruce Procton from Endura Products. So as I mentioned in my statement, we source fiber globally. We've done so. We originally got into business in North Carolina, and we have a regional species, Eastern White Pine, that we utilized. Over the years, and I remember one of our employees saying, you know, this could be like the furniture business. Imports are going to kill you. This is back in the 1990s.

Chile and other sources began becoming a factor in terms of supply of fiber. New Zealand as well. The west coast has Ponderosa and other species of pine. Together collectively, I would say as a company we always looked at the market and bought what would result in the best valued product we could produce, whether it was utilizing blanks from Chile or indigenous species.

Something has changed in the last several

years, because as long as we were in business, we were playing on a level playing field until we saw a disparity between what the finished product coming in was versus what I would say would be the global basket of pricing. So there are other sources. I think that everybody at this table has utilized some of those sources. It's the finished goods when you see the same inputs seem to come out with different outputs.

MR. EASTON: Greg Eston with Woodgrain Millwork. As we looked at the data outside of Brazil and China, the largest two non-subject countries were Chile and Mexico. As we looked at the data over the last four years, we really did not see growth and it's demonstrated in the slide that Mr. Brightbill showed. The market share of those non-subject countries declined during the period.

MR. TRAPP: Gary Trapp, Cascade Wood. In looking over the last few years, our loss of customers has been primarily to the flux of imports out of China being number one, their pricing being the number one factor in loss of customers.

MR. PROCTON: Bruce Procton, Endura Products. One other area that we're starting to see product come from is Indonesia I would say.

MR. CUMMINGS: Okay, thank you. Charlie Cummings, U.S. ITC staff again. Can you comment on the

scope of the investigation? Is there potential for out of scope products to be caught up in our data collection set, and if so which out of scope products might be captured? Do you have any suggestions for how we might handle that?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I'll think about that but I think the scope was clear the way the Commission put it forward, and although we've made some minor revisions to the scope language, it doesn't change the coverage since the questionnaires went out. The primary change was done in consultation with Customs and Border Protection, to sort of eliminate the long list of examples of products that were covered but it didn't change the coverage.

Similarly, we clarified that bamboo products are subject merchandise. Bamboo is not a huge source in this area anyway. So that shouldn't have a huge impact, and we did make a change with small picture, individual picture frame components. Again, I don't think that distorts the data in any great way. So we think the scope is clear and the coverage will be accurate.

MR. CUMMINGS: Okay, thank you. Can you comment on the breakdown of subject product by material type and product type? In the questionnaires for product type right now we've collected data for crown cove mouldings, door frames or jambs, astragals, base caps, corner guards and

other in scope products, and for material type right now we've collected data for softwood, hardwood temperate, hardwood tropical, laminated veneer lumber and combination composite.

Are these appropriate breakouts? Are there any other product or material type breakouts that might be appropriate to add?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. On species, I mean we as the Petitioners did not recommend these breakouts. So the Commission did them and there's nothing wrong with them. I think you'll a large predominance of softwood product, but that's true for subject imports as well as the domestic industry.

The product types, I think some of the individual products broken out in the questionnaire have very -- are rather small in terms of the scheme of things. There are a lot of different variations of these products, but they're all made in the same way using the same equipment and the same employees, and they're marketed the same way so it's really a continuum of products.

So I think having door frame-related products broken out from all the other products is not unreasonable, but given that they're made the same way by the same employees using the same processes, I don't think it sheds that much light and you'll see injury regardless of how you

look at it. Of course, we think it is a single like product.

MR. CUMMINGS: Okay. Can you talk to alternative products that might be produced on the same equipment and how easy it is to ship production between alternative products, and factors that might motivate a shift in production?

MR. BRIGHTBILL: Sure. Maybe our industry witnesses can talk about this too. By and large, there are not other products that can be made using this equipment, but maybe they can comment on sort of the uses of their equipment versus any other products out there.

MR. EASTON: Greg Easton, Woodgrain Millwork. Generally speaking, our equipment's divided up into two components. The first half of the front end is dedicated to ripping lumber and taking defects out of the wood, and I don't see that equipment being useful for anything else other than that. The moulders downstream, you can make anything that needs to go through a moulder which is most of the products that we make.

MR. PROCTON: Bruce Procton, Endura Products. The only thing I'd say, he said exactly what I would say, and I think that the same thing, that every -- you can't be in this business without the equipment that is utilized to take the defects out of the equipment (sic), which is very

significant equipment, and I think we also have very similar systems from many of the same equipment vendors, and then the moulding side as well.

So it is -- it's really a dedicated equipment specialty for converting wood to a finished product, moulded product.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Also Brazil and China use the same or similar equipment as well. There was some talk during Respondents' opening about MDF. I think there are substantial differences. There's, you know, the optical scanning to remove the defects and the knots and so forth is obviously something that you don't need or don't use for MDF products. So that's dedicated to this industry.

MR. CUMMINGS: Okay, thank you. To the best of your knowledge, are there any anti-dumping or countervailing duty orders in third country markets that you know of?

MS. EL-SABAAWI: This is Laura El-Sabaawi from Wiley. We have looked at this and we have not identified any AD/CVD orders in third countries. We will continue to look a little more and let you know post-conference if we do find anything, but preliminarily no.

MR. CUMMINGS: Thank you. I have no further questions.

MS. HAINES: Next, we'll turn to Mr. von Schrilz.

MR. VON SCHRILZ: Good morning. I'm Karl von Schrilz from the Office of the General Counsel here at the Commission. Thank you for coming this morning to discuss your case on mouldings and millwork. I'll begin my questions with the like product issue. Now you've argued that the Commission should define the single like product coextensive with the scope, but in their opening remarks, the Respondents suggested that perhaps the domestic like product should be defined to include MDF, millwork and mouldings produced from MDF instead of wood.

Could you please address? I mean assuming they make that argument, could you address it in terms of the Commission's six like product factors, whether there's a clear dividing line that stops at the scope of the petitions?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I'll start, and then our witnesses can testify, and we'll do some more of this in our post-conference brief. In terms of physical characteristics and uses, MDF obviously has very different physical characteristics. And so although it could be used in the same way, maybe our industry can comment on the use of wood mouldings versus MDF.

MR. PROCTON: So this is Bruce Procton from

Endura Products. Finger joint products are actually one of the things about them is not only do they not have any of the defects, the knots that existed in the board before it was processed, but the process of recombining them and fingerjoining them back together actually makes for a stronger and more stable product. That product or a lot of these products are used in structural type of applications.

Because of the composition of MDF, it is much weaker, cannot be used for similar structural applications. So what we're losing our sales to are actually similar type products, not MDF products. Door frames, which are what we produce, are not replaced by MDF door frames.

MR. EASTON: Greg Easton, Woodgrain Millwork. Ultimately, it's up to the customer to decide and the end user, and we've had very few cases where customers tell us we don't want to buy that product in wood, we want to buy it in MDF. They may buy both, but it's not buying one and not buying the other.

MR. TRAPP: Gary Trapp from Cascade Wood. Just to echo, the customers we've had that have moved, have moved based on price for exactly the same product. It's the fingerjoint door frames and similar like products. It's not been anything going to MDF on our part.

MR. BRIGHTBILL: Again the import -- Tim Brightbill, Wiley Rein. The import data and the market

share data again show growth of subject imports in wood mouldings, and the corresponding loss by these producers. So we've touched a little on customer perceptions as well, which is the like product factor.

In terms of manufacturing facilities, one thing we discussed with the domestic industry is the fact that you have to have a source of MDF input into the mills, and therefore often the MDF production is associated with someone who owns a MDF producing facility. So maybe our witnesses could comment on that for a minute as well.

MR. EASTON: Greg Easton, Woodgrain Millwork. As Mr. Brightbill alluded to, most of the successful MDF moulding manufacturers either share ownership or very tight relationships with somebody who produces MDF board. In order to produce MDF board, we're talking about investments on the scale of say $100 million, very large facilities, dramatically different from the processes and products that we make on the wood moulding side.

MR. BRIGHTBILL: So Tim Brightbill, Wiley Rein. I think that gives you insight into some of the key differences, and we'll be happy to expound on those in our brief.

MS. EL-SABAAWI: This is Laura El-Sabaawi from Wiley Rein. Sorry, just one additional smaller point. The MDF mouldings do come in under a different HTS number as

well. So there's a separation there, and none of the data that you've collected in your questionnaire responses, nothing that would be in the scope HTS numbers would include MDF.

MR. VON SCHRILZ: Thank you for that. What about channels of distribution? Are the MDF millwork and mouldings sold through the same channels of distribution as the wood mouldings and millwork?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I think there's sales -- we can talk about the main channels of distribution. There's sort of retail and then distributor channels. Certainly some sell both, but maybe the witnesses can comment on the distribution channels and so forth, or we can do it in the brief. Why don't we comment in the brief on that?

MR. VON SCHRILZ: That would be fine, thank you. What about the price of MDF mouldings and millwork versus the wood mouldings and millwork?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I think what you heard from our witnesses is that the impact, the prices of wood mouldings are affected by the prices of the subject imports, not by the prices of MDF mouldings.

MR. EASTON: Greg Easton, Woodgrain Millwork. We've talked a lot about MDF the last week here, and

honestly I don't know what the price of a comparable MDF molding is, if it was the same profile as wood moulding. I don't know where the MDF moulding price is and I don't track it.

MR. BRIGHTBILL: Oh, and Tim Brightbill, Wiley Rein. I should have said the producers, the domestic industry that you have here and in our coalition generally does not make MDF mouldings.

MR. PROCTON: Bruce Procton from Endura Products. Sorry. I just -- one last comment. We don't compete against MDF. We make at least our company makes exterior door frames and related components. There are no MDF products that can be utilized for that activity. It's a structural application. It requires, you know, MDF moisture-wise wouldn't stand up to an exterior application like that. So we just don't see it.

MR. VON SCHRILZ: The follow-up. What about the decorative applications for mouldings and millwork? Would there be some degree of interchangeability between the wood mouldings and millwork and MDF mouldings and millwork for decorative applications?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Our witnesses can comment. I think certainly you could use one or the other. I think many of these companies see a strong preference for wood moulding, and not for MDF.

MR. TRAPP: Gary Trapp, Cascade Wood Products. We really don't see MDF as a main competitor in our line of business. It's not been something our customers have come to us and said they have a strong preference for, nor do we recognize much of a price differential on those. Again, our real threat has been coming from the subject countries.

MR. GARTMAN: John Gartman, Sierra Pacific Industries. I just have a personal experience I'd like to relate. I had a broken pipe in my bathroom, and I had MDF in the bathroom and it melted. Our source of mouldings and products we manufacture do not.

MR. VON SCHRILZ: Thank you. Thank you for responding to my questions. Right. Turning to cumulation, now you argue that there's a reasonable overlap of competition between subject imports from Brazil, China and the domestic like product. Could you talk to me a little bit more about the degree of substitutability or fungibility between subject imports from Brazil, subject imports from China and the domestic like product?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I think our industry witnesses can talk about the fact that these are all fully substitutable. They're very similar in terms of physical characteristics. They clearly are substitutable and that's why they compete on price, but

perhaps they can all comment.

MR. PROCTON: Bruce Procton, Endura Products. So there are no moulding shapes. There's actually book out there of moulding patterns, whether it's WM 180 brickmould or an exterior door frame. They're all moulded to the exact same shapes, whether it's coming from my plant or Woodgrain or Sierra or Cascade or any of the competition that we see from some of the subject imports.

MR. CARROLL: Bill Carroll, Sierra Pacific. One thing to note is that most of these products run linearly through a moulder, and the pattern's been varied slightly and can be simply changed by regrinding the shape in the moulder heads to cut the profile. So there's very much interchangeability, there's thousands of millwork patterns that are close to each other. But they all perform the same function in the same type of industry.

MR. MACDONALD: Kevin MacDonald from Endura Products. These products are widely accepted in the marketplace and considered interchangeable with the products that we sell as domestic manufacturers, as well as being manufactured in the same way. They're considered as an equivalent to the products that we manufacture.

MR. VON SCHRILZ: Are there any physical differences between the subject imports and the domestic like products such as wood species or quality that might

distinguish subject imports from the domestic like product?

MR. EASTON: Greg Easton, Woodgrain Millwork. The overwhelming majority of the subject products end up being primed or coated before they're sold to the downstream customers. So the species of wood underneath and the end mix makes very little difference.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. The coating, some of the products you'll see on the table over there have a Gesso coating on them, and so the coating is a little bit thicker, particularly from some of the subject imports, which is used to hide, in some cases to hide some of the imperfections in the wood itself. But these are minor differences and as the witnesses said, the product's likely to be painted further when it's installed, and so really they're interchangeable physically.

MR. PROCTON: This is Bruce Procton from Endura Products. I just, I think I've said it before. The fiber, the logs that are used for this, for these purposes, whether they're going to China and Brazil, the U.S., wherever, they're all coming from the same sources. New Zealand is radiata; you've got Chile; you've got radiata down there. You've got Taeda elliottii from the Brazilian area.

So we're all, whether we're manufacturing domestically or whether somebody's manufacturing elsewhere,

the fiber source is very similar.

MR. BRIGHTBILL: Tim Brightbill. One other thing that the Commission has seen before, particularly in the cabinets case, is that the move toward white kitchens, white cabinets, plain shape or styles has helped encourage the subject imports in their, and the same is true as well on these products. So it just is another reason why subject imports can readily enter the market.

MR. CARROLL: Bill Carroll, Sierra Pacific. One thing our sales staff often get asked for quote orders and they're competing. The same quotes go to our Chinese friends, our Brazilian friends. They all end up quoting on the same material, the same orders. So I think that represents that they are pretty interchangeable. Thank you.

MS. EL-SABAAWI: This is Laura El-Sabaawi from Wiley Rein. Just to reinforce that, I mean we gave you some lost sales and revenues information that shows that there are -- these producers, the U.S. producers are quoting for the exact same projects as Chinese and Brazilian producers, and the products aren't just substitutable. They're actually being substituted for the U.S. product. So they're really the exact same things, and that's from both of the subject countries.

MR. VON SCHRILZ: Is there a market for uncoated millwork and mouldings, where you can see the

woodgrain, and if there is a market for that, do the domestic producers have an advantage?

MR. EASTON: Greg Easton, Woodgrain Millwork. I would say generally there are two markets for uncoated or what one might call raw. One would be a fingerjoint market where it's very similar manufacturing process, and it's ultimately going to be painted. It's just not sold at the initial step as primed.

The other case where you could have raw or something would be more of what we would call a clear or a solid product, and that's something that's likely to be stained in the end. So people don't want fingerjoint. It's going to be defect free, and that's the high end premium line of moulding.

MR. GARTMAN: John Gartman, Sierra Pacific Industries. We used to produce an appearance grade moulding and quite frankly just the market dropped very, very low so we just could not produce at volume. The market would not demand the volume that it would take for us to be profitable in it. We could still make it, it's just the market's not there.

MR. VON SCHRILZ: All right. Thanks for your responses. Something else that I heard from the Respondents' opening statement this morning concerned the importation -- it sounded to me like the importation of

blanks from Chile for further processing in the U.S. market.

Is it your position -- first of all, do domestic producers import blanks of some kind for further processing into subject mouldings and millwork in their U.S. facilities? If they do that, is it your position that that represents domestic production?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. So for blanks and boards and things, the U.S. industry makes, manufactures, produces many of them, and also imports some of them as well. As far as whether it represents production or not, that's sort of a creative argument I haven't heard before. I think we'd like to address that in the brief.

The Respondents were referencing some of the circumvention language in the scope in terms of minor processing, so we'll respond to that in the brief. But if anyone else wants to comment on the fact that you manufacturer these as well as import some of them.

MR. EASTON: Greg Easton, Woodgrain Millwork. We do import blanks periodically both from Chile and from Brazil. It's a supplement to what we do domestically. I don't know the numbers off the top of my head, but I'm confident less than ten percent of what we produce in the U.S. comes from a blank from overseas.

MR. TRAPP: Gary Trapp, Cascade Wood Products.

Just to add, we do what Greg Easton said. We do import some, but it's a small percent and it's just a minor supplementation of what we produce here in the United States.

MR. PROCTON: Bruce Procton from Endura Products. We as well as everybody else in this room more than likely who's a manufacturer here do supplement what we do domestically with blanks. We have a plant in beautiful Nacogdoches, Texas. There's no indigenous species for us to utilize in that area to do the front end of this. So when we bought that plant, they imported all their blanks. Over time, we have turned that into getting product mostly from North Carolina.

But in the industry, we need to be competitive on the front end and the back end, and so you as a manufacturer look at the market. Does that diminish the amount of manufacturing in the U.S.? No. The vast amount of our labor and manufacturing goes to the moulding and processing of the product in the back end. That's the customer specification part, that's the intensive part of the process.

I think everybody's invested in systems up front that make that process efficient as possible. So that's -- it's a mixture.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

I was just going to say from a layperson's perspective, the front end is also very impressive, where there's the optical scanning of the wood to use it as efficiently as possible, and it's computer sorted and then there's manual operations as well just from the visit I've had. It's a very sophisticated operation to do that part of the process as well.

MR. PROCTON: Bruce Procton from Endura. And given -- the investment in the front end is significant. I think that we have all the desire in the world to process as much wood on the front end as possible, to make good on that investment. We need to be able to swing and compete as well. So thanks.

MR. VON SCHRILZ: Thank you, and in addressing this issue in your post-conference brief, I would focus on the production-related activities that the Commission generally looks at when assessing whether production-related activities in the United States qualify as domestic production.

MR. GARTMAN: If I could just make one -- Jon Gartman, Sierra Pacific Industries. I just wanted to I guess tell our story a little bit. We're an integrated U.S. producer. All of the timberland we own is in the United States. We have sawmills all in the United States, as well as our millwork plants are all in the United States.

In these unfairly dumped products, subject imports from Brazil and China not only affects our millwork division, but reduces the value of our lumber and that's not obviously within your scope or your purview of this investigation. But it also reduces the value of our timberland.

MR. VON SCHRILZ: To follow up, so Mr. Gartman, does your firm import blanks for further processing in the United States?

MR. GARTMAN: We do not.

MR. VON SCHRILZ: To follow up on an issue concerning substitutability, I heard testimony earlier that subject imports from Brazil and subject imports from China are all produced to the same general shapes. Apparently, there is a book of shapes and profiles, so that everything is kind of standardized. But I'm wondering, are subject imports from Brazil and China concentrated in any particular end uses? The petitions list ten end use applications. Clearly, that's not exhaustive.

There are a lot of different end uses for these products, but among those ten end uses listed on pages 6 and 7 of the petition, are subject imports used for all ten of them, or are they concentrated in certain particular end uses?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

We'll look again, but I don't see any applications where Brazilian -- where subject imports can't be used from the ones that we've listed in the petition. So and as the witnesses have commented on, they're all according to a pattern book.

I think we submitted the pattern book as one of our petition supplements, and we also included a glossary with a long list of product types. I'm not aware of any that the subject imports cannot make among those product types or list. If you, if the industry could comment as well?

MR. PROCTON: Bruce Procton, Endura Products. We've seen subject imports in every profile that we make.

(Pause.)

MR. VON SCHRILZ: Thank you. Mr. Easton, I heard testimony from you earlier that your company entered into a joint venture with a Chilean producer, and that you've been forced to source more mouldings and millwork from your joint venture partner to compete with low subject import prices. I'm wondering, why did Woodgrain enter into that joint venture and when did it do so.

I'm also wondering if the imports from your joint venture partner in Chile are lower cost, why hasn't woodgrain simply shifted all sourcing of moulding and millwork from the United States to Chile?

MR. EASTON: Greg Easton, Woodgrain Millwork. There were multiple questions there, so please remind me if I forget some of the answers or don't address all of your questions. First one I remember was when did we get started in Chile? We got started in Chile in the mid-1990's. That was before I was involved with woodgrain. So I can tell you from what I understand it's not -- I wasn't directly involved at that point.

This is a long history lesson, but if I understand right, a lot of what sparked some of the early move to imported products was the spotted owl crisis, as people had more concern about cutting domestic timberlands, particularly in the Pacific Northwest. There was a need to generate wood fiber from other parts and places in the world, and places like New Zealand, Chile and Brazil began investing in forest assets that began to mature.

As those forest assets matured, naturally manufacturing capacity was added in those countries. Does that address that question, that particular question?

MR. VON SCHRILTZ: The first part of my question, yes. The second part has to do with your imports -- your firm's imports of non-subject moulding and millwork products -- non-subject products from Chile -- from your joint venture partner in Chile. And it's basically, if they're cheaper -- if you can import those non-subject

moulding and millwork products from Chile for lower costs, then you can make them in the United States, why not just replace your domestic production entirely with non-subject imports from Chile?

MR. EASTON: Our company is maybe a little unique from some of the others up here in that we also operate in the distribution space. So, as a distributor of moulding and millwork, our demand for moulding and millwork exceeds our manufacturing capacity in house with how we're currently staff. So, we source product from all over the world in our distribution arm. We source product in meaningful volumes from Brazil, from China, from Chile, and from our domestic manufacturing plants.

Our domestic manufacturing plants, as I stated in my testimony earlier, we have a monthly discussion and we have to compete with the import prices on like products to get the orders domestically.

MR. BRIGHTBILL: I think you also asked why not just shift all to Chile. Of course, that we negate the huge investment that Woodgrain and other companies have made for decades and you know the hundreds of workers the employ and so forth, so that's obviously an important consideration as well. And the domestic industry's fully competitive. They just can't compete with unfairly traded imports.

MR. VON SCHRILTZ: Okay, thank you for your

response. I appreciate it. I'm wondering are there -- I heard testimony from you that in recent years due to the increase of low-priced subject imports customers have increasingly focused on price; whereas, before perhaps they were also interested in quality and service. Are there factors, other than price, that U.S. purchasers still consider important when choosing between suppliers -- foreign and domestic?

MR. TRAPP: Quality and service used to be a factor, timeliness in being able to get the product, but price has become the overwhelming factor and our customers that have left they simply state they cannot compete with their competition based on the low prices that they're buying out of the subject countries, so they have to move in order to be competitive as well, which means that what we're losing is based on price and that is the number one factor.

MR. PROCTON: So, are there other things that they consider? When they are in a hot rush, when it's like -- we've become the short-order chefs of the millwork industry. So, the volume runs the things that make your plant efficient that business is the portion of the business that really price is the factor on that, but when they get in a bind, they might call us up. There's a point of diminishing returns in trying to set up moulders and production to be able to accommodate that sort of thing.

What you end up doing is sitting on a huge amount of inventory, hoping for that order so you can process it quickly; otherwise, they might as well get it overseas. So, it's diminishing returns on that portion of the business that may be less price sensitive.

MR. CARROLL: Yes, we find the same things, the long run orders. In the past, we used to run truckload volumes of certain patterns and certain items. These days it's one or two units of items to appease the market that Chinese and Brazilians are not doing the small runs. They're continuing to do the large-volume runs that are best for all of us because they are cheaper to run. You have less changeover time, so better productivity, and better profitability if you can get enough dollars for the product to make a profit.

MR. VON SCHRILTZ: Thank you. I'd like to talk a little bit about price. Is it appropriate for the Commission to look at average unit values in this industry or is the range of products too great? Are average unit values influenced by differences in product mix and changes in product mix over time?

MR. BRIGHTBILL: Certainly, there's some variation in the average unit values, but it provides evidence. And as we showed in our slides, it provides evidence that the gap between subject imports in the U.S. is

large and growing, but I think all the questionnaires are complied you'll also have other sources of information on prices as well that will show the same thing -- underselling by subject imports.

MR. VON SCHRILTZ: To follow up, I'm wondering to what extent do the lower average unit values of subject imports reflect differences in product mix between the product mix for subject imports and the product mix for the domestic industry. In particular, I'm thinking about these short runs you were just talking about. The customers are less price sensitive when it comes to shorter runs, so would the domestic industry's greater reliance on shorter runs with higher AUVs account for the domestic industry's higher AUVs relative to subject imports?

MR. BRIGHTBILL: That may be part of the picture. I think there's probably a number of things going on, so it might be best to comment in our brief.

MR. VON SCHRILTZ: I heard testimony this morning that costs have increased -- the cost of wood fiber and that everyone's cost around the world go up at about the same -- to the same extent; that there's a global market for wood fibers. So, Chinese and Brazilian producers would've been facing roughly the same cost increases. What accounts for the increasing cost of wood fiber over the period of investigation?

MR. GARTMAN: Well, our raw material, of course, is lumber and I think it's actually been more volatile, up and down, than you know millwork products. But the housing industry has been increasing, not -- the trajectory is up, not very steep, but it's up. I think each year it's getting a little bit better; consequently, lumber prices are kind of following along with that subject again to the vagaries of supply and demand for various reasons. It's not a straight line. So, I think increasing economy, increasing repair and remodel, all affecting an increase in lumber prices.

MR. BRIGHTBILL: The data already show for the domestic industry, and will show, a cost-price squeeze, which the Commission is quite familiar with.

MR. PROCTON: So, again, we buy fiber from various sources and so just too kind of go back to what causes fluctuation out there sometimes we see regionalized activities. If it's a wet spring in Virginia and you can't get much lumber from the area, so costs will go up for reasons like that; obviously supply and demand. We're in the midst of a continued slow recovery in the housing industry. I would say that's probably the largest utilizer of wood fiber.

The U.S. building products industry is the largest users of wood products worldwide from that extent, so we continue to see that increase in demand, and then

there's just various swings in the market. I wish we had a crystal ball for what is going to happen, but you know we're kind of at the tail end. We hear that "X" number -- 400 containers have been sold to China for remanufacturing or this many containers went there, so we end up you know basing on Random Lengths as well as trying to negotiate with any of the mills that we do work with.

MR. EASTON: With published prices on the wood fiber value and Random Lengths publication, it's easy to get a good sense of where the market's at on the raw material side. But unfortunately, with the subject import impact the price of moulding has not always followed suit with the price of raw materials.

MR. VON SCHRILTZ: Thank you very much, very helpful. Were domestic producers forced to rescind any announced price increases during the period of investigation?

MR. TRAPP: We do mainly spot orders. So, a customer will come to us, say here's what we need, what's your price? Oops, you're so many dollars higher than the competition, mainly, subject imports. That's where the order is going. We did not rescind price increases, but we could not put any price increases into place because of the downward pressure coming from subject imports.

MR. PROCTON: Much like Cascade, with our

customers on these products it's, generally speaking, you have your price. You're not able to move it. The only time that we've moved our prices over the time period has been downward, responding to competitive factors. We're probably a little different than our direct competitors inasmuch as we do publish a price list for certain quantities. We have not been able to increase or change that price list. As a matter of fact, on some of the products we manufacture we've had to reduce pricing over the timeframe.

MR. CARROLL: Our sales force tries to daily get more money for our product on a constant basis.

MR. BISHOP: Can you either get closer to the mike or use a different mike, please?

MR. CARROLL: Our millworks Sales Department constantly tries to get more money for our product to try to make us more profitable, but we are quoting the same orders as our competitors, as the Chinese, the Brazilians, and typically, if we try to raise our prices we don't get the order. So, we just don't have the opportunity to raise our prices.

MR. VON SCHRILTZ: Thank you. Now, another question concerning non-subject imports, were non-subject imports -- and in particular, non-subject imports from Chile priced lower than domestically-produced moulding and millwork during the period of investigation?

MR. EASTON: Obviously, we have first-hand knowledge of prices out of Chile and the prices out of Chile have to be consistent with and follow the prices out of the subject import countries if they want to get orders.

MR. BRIGHTBILL: We can pull together some information on pricing on non-subject imports for the post-conference brief.

MR. VON SCHRILTZ: Great, thank you. To sort of follow up, I'm wondering if competition is purely price-based and if non-subject import prices are similar to subject import prices, why didn't non-subject imports capture market share from the domestic industry during the period of investigation?

MR. BRIGHTBILL: I'll let our industry comment, but I think what we've seen is the price leadership is, unfortunately, by the dumped and subsidized imports and they're clearly the ones that captured share as a result.

MR. TRAPP: One of the things we did not see out of Chile is them coming in as aggressively as anyone else. In fact, a lot of their fiber wound up going to China and a lot of their lumber and such was being shipped directly to China for China then to turn around and produce it into competitive products and those are the ones that really flood the market and had the big increase.

MR. EASTON: I think that raises some further

interesting questions of if Chile also makes wood, but chooses to ship raw materials to China that then turns around and goes to the U.S. at cheaper prices than Chile can make it, it's an interesting story.

MR. TRAPP: One more follow up on that. There are times when it makes sense to buy lumber from Chile. We have not been able to buy it because it was all being shipped into China for the subject imports.

MR. VON SCHRILTZ: So, to follow up, is it fair to say that China doesn't have a lot of domestic fiber that it can rely on in making these products? Do they have to import much of the wood fiber they use, to your knowledge?

MR. TRAPP: My understanding is most of their fiber for the subject imports is coming out of Chile and New Zealand, the radiata pine.

MR. BRIGHTBILL: This is something the Commission has seen before too. For example, in the hardwood plywood case where, again, China is behind lumber and logs and they're buying from the same sources as the domestic industry and then it's coming back in the form of finished products at dumped and subsidized price levels. So, again, you've seen this pattern before with the raw materials being converted, but the dumped pricing resulted.

MR. VON SCHRILTZ: Alright, I'd like to talk about a slide that I saw this morning. Let's see if I can

find it. I think it's Slide 24 during your presentation. Yes, there it is. It shows the U.S. producers operating income and net income over the period of investigation.

Now, it looks like the industry's losses narrowed in interim 2019 compare to interim 2018. Why is that? Why did the industry do a little bit better in interim 2019 than it did in the corresponding period in 2018?

MR. PROCTON: We saw some pretty rapid escalation in 2018 of the fiber costs. That has ameliorated somewhat in 2019. So, we're not able to get better prices, but the cost factor has gone down a little bit.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Again, this is an industry that clearly was profitable at the start of the POI, so something else is going on. There is also a lesser factor with respect to the Section 201 tariffs, but I think, in talking with our industry, that's played a really minor role in the process, and of course, those tariffs are temporary and they can be absorbed, and have been absorbed in some cases by the Chinese industry.

MR. VON SCHRILTZ: All right, thank you very much for your responses to my questions. And I may have some questions later, but for now, I'll turn the microphone over to my colleagues.

MS. HAINES: Thank you. We'll turn to Mr.

Benedetto.

MR. BENEDETTO: Thank you all very much for coming here today. If any of my questions touch on any confidential information, please just say so and follow up in the brief. I don't have many questions. I think Mr. Von Schriltz got most of mine.

How does most of the wood moulding you all make go from your mill and get into a house? I heard you all reference distributors. Does most of it go through distributors? Does some of it go to Big Box retailers? If so, roughly how much -- how does it get from your factory into a house?

MR. EASTON: Greg Easton, Woodgrain Millwork. There are a couple of primary channels, some of which you touched on. The Big Box, primarily those products go through a distributor to a Big Box retailer and then are sold to the end user, again, most of the Big Box products go into repair and remodel market on the professional side, or the contractor side. Much of that volume flows ultimately through what we'd call a "pro dealer" or something like a builder's first source, or a BMC, and they buy their products a combination of direct from manufacturers in large volumes and also through distributors.

MR. BENEDETTO: Okay. So what's the -- I guess, why does the distribution market exist? What value do they

add to the process?

MR. EASTON: In an example like Home Depot, again, we do a lot of business with our distribution arm with Home--sorry Greg Easton, Woodgrain Millwork--the distribution provides a lot of value for Home Depot because we buy full truckloads and containers of product, put it in a warehouse, Home Depot orders at the store level, a bundle of this, a bundle of that, in very small quantities in our warehouse and fill, put in several stores worth of orders on an individual truck and deliver it to their stores, and then we provide the service in the store, we put it up in the rack as well.

MR. BENEDETTO: Okay.

MR. PROCTON: Bruce Procton, Endura Products. So there's another segment of this whole thing, and it's almost like manufacturers. Our products go into pre-manufactured door units, and so there's an entire industry out there that is dedicated to assembling door units and that would be our, you know, they call it one- and two-step distribution, but they are essentially manufacturers of these products. So that's who we supply, they in turn will supply the builder.

MR. BENEDETTO: Okay, thank you. To the best of your knowledge, the subject imports then compete with you at what level? In sales to distributors or to those manufacturers or to the builders' networks?

MR. PROCTON: Bruce Procton, Endura Products. All of those levels we just mentioned. So I've got customers who would normally have bought from me, they will bring in container from an importer or an import distributor, I think it happens at the retail level and much the way Greg was describing. We see them everywhere.

MR. BENEDETTO: Anyone else? Or -- no? Okay. This may be a sensitive question, so again, feel free to say it's confidential and follow up in the brief.

Are any of your contracts, either on the cost side or the selling side, explicitly indexed to something like Random Lengths? Or is that something you just keep an eye and use as a guide when you're thinking about pricing?

MR. TRAPP: For us, again, we sell on the spot. Sorry, Gary Trapp, Cascade Wood. For us we sell generally on the spot, so a customer will call us up, ask for an order, is not tied to Random Lengths at all, it's based purely on price.

MR. CARROLL: Bill Carroll, Sierra Pacific. As stated before, we kind of are doing the same thing, spot pricing, customers come in with an order they want quoted and we quote it and try to get the most out of it we can to try to get the order.

MR. BENEDETTO: Okay, we had a question in our questionnaire that everyone had trouble with in this

industry, which is understandable, which is the one about the end uses and the cost share.

What we're trying to get at with that is, sort of speaking generally, when the price of wood mouldings rises or falls, does that lead to a strong response in terms of how much your customers buy? Or are they making their decision at sort of a larger level? Like I can imagine someone building a house may not think that much about whether the price of wood moulding has gone up that much. Is my impression correct that way?

MR. PROCTON: Bruce Procton, Endura Products. The value of the products in the moulding and millwork as a portion of the overall costs of house is minute, so they're not making their decision not to build or to build or to sell or not to sell based upon the fluctuations in pricing of these products.

MR. BENEDETTO: Anyone else have something?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Understand some folks had trouble with that question, but your impression is correct. The cost of these products is a very small, very small percentage of the end use product, a house or something else. So hopefully we've addressed that, at least on the domestic producers' side at this point.

MR. EASTON: Greg Easton, Woodgrain Millwork. I would say the demand for moulding and millwork products is

quite inelastic -- I'm sure what I put in my questionnaire that I filled out, we estimated the cost of an end house, the moulding and millwork was maybe half a percent of the house and so I don't see that being material in people's decisions whether or not to build a house.

MR. BENEDETTO: Okay, and then one last question just to follow up on what Mr. Von Schriltz was asking about species. You can make these products out of a range of species and you do, that's correct? And I'm seeing nodding heads, and so do you sometimes supply one customer with the same specification, but the only difference being species, but there is different species within one order?

MR. EASTON: Greg Easton, Woodgrain Millwork. Again, we have facilities in various parts of the country and our facilities source with a combination of whatever the domestic regional species is: In Virginia, North Carolina, it's Eastern White Pine; in the Pacific Northwest, it's Ponderosa. But as I said previously, we do supplement our production with blanks that could be from Chilean Radiata Pine or Taeda from Brazil and those locations.

MR. BENEDETTO: Okay, anyone else?

MR. TRAPP: Gary Trapp, Cascade Wood Products. Again, we'll use regional species, Ponderosa, Sugar, again, with a little bit of supplemental products out of Chilean Radiata, but being that most everything is primed, covered,

it really doesn't matter what the subspecies is underneath, because customer's really not seeing the wood, because they're seeing a primed product.

MR. MACDONALD: Kevin MacDonald from Endura Products. In our four facilities across the United States, we use Ponderosa Pine, Eastern White Pine and some Radiata and Taeda from South America. I can't think of a customer that requires any one of those species, so we use them virtually interchangeably.

MR. BENEDETTO: So customers don't specify in the orders anything like, "I want Radiata," or something like that?

MR. MACDONALD: No, we don't see that.

MR. CARROLL: Bill Carroll, Sierra Pacific. These moulding products are primary an appearance type product, so what they are looking for is a good finish product --

MR. BISHOP: Closer to the mic, please.

MR. CARROLL: -- with a smooth appearance and a paintable finish. So typically the species underneath is not critical.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. In addition to the four companies here, there are some others in our coalition that make a bit more on the hardwood species than softwood, but so it's a slightly different

emphasis, but again, you know, there can be variation among species there, so everything you've just heard is the same for them as well.

MR. BENEDETTO: Thank you all very much for coming here today and thank you for answering my questions.

MS. HAINES: Thanks. We'll move to Ms. Kim.

MS. KIM: My name is Emily Kim. I'm the auditor for this investigation. Actually, I have a lot of questions, but my questions are related to the proprietary information. So I'm gonna contact U.S. producers individually with my questions.

MS. HAINES: Okay, we'll move to Ms. Scott.

MS. SCOTT: Hi, thank you for coming and I'd like you to make sure that if any of my questions that touch on business information, that you submit it separately. So my first one should be pretty easy to answer. Regarding the lumber that you use, when you dry it, to make your product. What's the optimal percent moisture content for making these products?

MR. CARROLL: Bill Carroll, Sierra Pacific. Typically from 8-12% moisture content is kind of the industry standard.

MS. SCOTT: Okay. And then my next question has to do with the information that you use to provide your production information in the petition, you used MMPA and

I'd like to know if we could have a copy of the source information?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We can check with them and see if that's possible.

MS. SCOTT: Okay. That's all that I have. Thank you.

MS. HAINES: Thank you. I wanna ask -- so it sounds like a lot of you are importing, I think you said, a small quantity, or a quantity of the blanks. So then you're finishing them? And that's still within the scope? Is that correct? So that you're -- so I guess my question is, is "finishing" a large -- is something that we should be looking at?

MR. EASTON: Greg Easton, Woodgrain Millwork. There's a very important step that's skipped if you're talking about buying a blank and then finishing it. So any blank that anyone of us would purchase has to first go through a moulding process to have a profile put on the wood and any other end work or finishing details, and then it would be primed after that. Or coated.

MS. HAINES: Anyone else?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. So just to confirm, if you're talking about surface finishing, that's just the very end of the process. And the moulding process is also very capital-intensive and involves a lot

of, you know, the extremely important part of the production costs.

MS. HAINES: Okay. Mr. Brightbill, you mentioned tweaking the scope with regards to frames, picture frames? Can you enlighten me as to what that is? The tweak that was made?

MR. BRIGHTBILL: Yes. Tim Brightbill, Wiley Rein. So we simply added an exclusion for picture frame components three feet and under in individual lengths, so even though the product is made and can be made, it's not the primary focus of what this case is about and could be confusing, given arts and crafts shops and things like that. So, for that reason, we made that exclusion as an accommodation.

MS. HAINES: Okay, thank you. In the opening statement, the respondents discussed LVL -- my notes, if I can read my handwriting -- that the petitioning firms do not produce LVL, that you are sort of separate from some of the other producers in the market that do produce LVL? I'm not sure I'm characterizing exactly what they said, but would you like to address that comment or argument?

MR. BRIGHTBILL: If anyone wants to comment, they can, but given that it involves the whole industry and not just the people that are here, we'll definitely comment on it in the brief as well.

MR. EASTON: Greg Easton, Woodgrain Millwork. I think I would just say that no, we don't make LVL mouldings today. There's no reason, if the price was fair, that we couldn't buy an LVL substrate and run it through our moulders and finishing process to make an LVL coated millwork product.

MR. MACDONALD: As Greg indicates, we also have the capability of manufacturing LDL jambs, but we don't have customers requesting that. They're requesting finger-joint jambs.

MR. CARROLL: It's the same for us. We do not make LVL, but we could mill it if it was --

(Speaking off mic.)

MR. CARROLL: Sorry, Bill Carroll, Sierra Pacific. We do not make LDL and do not use it for moulded products but -- not to say that we couldn't buy LVL and mill it. It would go through the same processes as our finger-jointed pine does.

MS. HAINES: Okay, thank you. Also, I think -- did I understand that you, Mr. Brightbill, I think he said that the technology that the foreign industries are using is comparable, very similar, to what the domestic industry is using. Is that accurate?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Yes, I mean, there's a wide range in China, as you would

expect. But it ranges from extremely sophisticated and very comparable with everything that the domestic industry does and some that is less sophisticated. And Brazilian imports: those facilities are also fully comparable and, many times, state of the art. Some of the witnesses have been -- have seen some of these facilities or their companies have.

MS. HAINES: Okay. I guess any other -- I guess my last question is, if there's any publicly available information on any of the, the, broader industry, or foreign industry that you can get your hands on to help us plug any holes in our data that would be helpful.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We'll look for that and happy to submit it.

MS. HAINES: Okay. Mr. von Schriltz has some questions.

MR. VON SCHRILTZ: Thank you, Betsy. Just a few follow-up questions. I'd like to follow up on a question that Betsy had for you and that is, LVL, I think in their opening statements Respondents were arguing that LVL is increasingly replacing wood mouldings in millwork in window and door frames because of its superior performance. They also said that fiberglass is displacing wood mouldings and millwork and, since none of you produce mouldings and millwork using LVL, has this -- first of all, have you seen this trend? Have you seen the market shifting from wood to

LVL? And if it has, has this caused you to lose sales to producers -- to products using LVL?

MR. PROCTON: Bruce Procton, Endura Products. I hope I don't massacre this one. Um, I just kind, to clear things up, when they were talking about fiberglass, essentially. I believe they were addressing stiles and rails within doors. So, when a door itself is made then there's some elements within the door that holds the front and the back skin of the door together and that would be the stiles and rails and that's where, um, either finger-joint stiles and rails or LVL stiles and rails could be used.

I would only say that, over the period of the inquiry, we have -- we don't make doors, but we're very familiar with door construction because we work with all the door companies out there. We have not seen any appreciable change in the utilization of LVL stiles and rails versus wood stiles and rails -- wood finger-joint stiles and rails. So, there are -- the construction of fiberglass door, whether it's from any of the domestic manufacturers, therma tru, Masonite, Jeld-Wen, etc. etc. hasn't appreciatively changed one way or another over the last several years.

As far as the products that, at least, our company manufactures, we have never been requested, nor demanded, LVL versus finger-joint pine one way or another.

MR. EASTON: Greg Easton, Woodgrain Millwork,

similar experience to Endura in that we don't get requests or inquiries for LVL door frames. Obviously doesn't mean they're not being sold in the marketplace, but we've not seen a big shift to that. I was in a large door shop, or pre-hanger recently and -- where they hang a very large quantity of extra doors and in that door shop there were not any at all -- LVL exterior frames.

MR. TRAPP: Gary Trapp, Cascade Wood. Our experience is very similar in that we're not getting requests or inquiries or, to the best of our knowledge, losing any sales to LVL. Our customers are quite frank and open where we're losing it and it's to the subject import countries.

MR. PROCTON: Bruce Procton, Endura Products. I do hear, in the initial rebuttal, mention made of a supplier of LVL frame products, Pacific Wood Laminates. We're familiar with Pacific Wood Laminates. We source from Pacific Wood Laminates. Endura has a division that makes styles and rails that use LVLs so we're intimately familiar with that. But they've had exterior frame products in LVL out for years since going back -- I don't know -- we bought some about 15 years ago. I bring this up because, again, we've not seen any appreciable change in demand for those products in our segment over the course of the last 15 years.

MR. VON SCHRILTZ: Thank you, that's very

helpful. One last question. Again, it's an issue that the Respondents raised in their opening statement. It concerns MDF. They claim that there's been a shift from wood moulding and millwork to MDF mouldings and millwork due to a change in fashion which, I guess, relates to the increased demand for white millwork and mouldings, the Shaker style cabinetry and the like. Could you comment on that? Has there been a shift in consumer fashion that's led to a shift from wood mouldings to MDF mouldings?

MR. EASTON: Greg Easton, Woodgrain Millwork. I think if you go back over a very long period of time there's been a shift in -- Wood has lost some share to MDF. If you look back over the last three or four years of the subject period, I don't see a dramatic change during that period.

As far as the styles and preference goes, definitely there's been a shift towards more painted and more square-ish profiles but those are made out of finger-joint materials as well.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. As some of our witnesses mentioned earlier, there's actually a preference for wood mouldings over MDF in many markets and many situations. And yet, the dump pricing from Brazil and China is causing them to lose market share despite that preference.

MR. VON SCHRILTZ: Great. Thank you for your

responses to my questions and thank you again for being here to educate us on this product.

MS. HAINES: I think that concludes the staff questions. Thank you very much for coming to provide the very helpful testimony. We will take a one-hour break. So, we'll reconvene to hear the other respondents in an hour at ten of one. Okay. Thank you very much.

MS. BELLAMY: Will the room please come to order? We will begin when you're ready. Please spell out your name for the court reporter. Thank you.

MR. GRIMSON: Good afternoon. Jeff Grimson from Mowry and Grimson for the American Alliance of Molding and Millwork Producers. We have a big group here today from a variety of segments of the industry. We are only going to hear direct statements from four of them, but everyone else is here because they are anxious to give you as much information as we can convey. So we will start right now with Joe Caldwell from MJB.

STATEMENT OF JOE CALDWELL

MR. CALDWELL: Good afternoon. I'm Joe Caldwell. I'm the CEO of MJB Wood Group out of Dallas, Texas. I've been employed with the company for 33 years. We're an international wood products manufacturing and distribution company who focuses on sourcing and managing our customer supply chains. We operate three molding manufacturing

operations located in Texas, Arkansas, and South Carolina. Plus we have a joint venture in Elkhart, Indiana.

We employ three hundred hardworking Americans in our factories. We also have production and distribution operations in Mexico, plus a sales office in China. I have customers and competitors in this room today on both sides of the case, so I think you can understand that. I'm here today for one reason and that is to discuss whether the ITC is looking at the right data to evaluate the Petitioners' case.

I believe that the Petitioner is mistaken on two issues. First, is that they have included LVL Millwork, especially door and window components which is a very different industry and should not be lumped together with finger-joint. The second is that they have left out the MDF millwork production from your analysis.

The MDF production is virtually indistinguishable from the Petitioners' finger-jointed product. Let me first address LVL or laminated veneer lumber. This is a product that we source from China as well as other Southeast Asian Countries for the three largest U.S. Door manufacturers in the assembly of their products. Most windows and doors are constructed in a way that requires a structural element in the frame that's covered by some other exposed material.

Historically, pine lumber rails from South

America were used for this purpose and are still today but they are declining. In the past few years we are replacing this with an engineered, laminated veneer product or LVL which today is coming from China. LVL is a product that is produced with veneer layers that primarily are oriented in the same direction, which is different from your standard plywood which we all know which is standard plywood construction.

Unlike other multilayer veneer products which are produced in dimensions matching usually a hot press, LVL is typically produced with lap joints rather than finger joints and it's in lengths up to 50 to 60 feet and is done in a continuous press. It does not need to be finger jointed because it is so highly engineered it does not suffer from knots or imperfections that need to be cut back or cut out or spliced back together.

This product is very strong and straight due to many thin layers of wood that's glued together to make a better product than the solid wood it's replacing. The modulus of elasticity which is known as the bending strength allows LVL to be a more desirable product for the door manufacturers than the pine lumber since it reduces the rejects to bowing or crook in the long pieces.

The reason LVL molding is so scarce in the US is that LVL billets are unavailable. The hardwood panel

producers like Columbia Forest Timber Products, they do not make it which is one reason why they wrote an exemption for us on certain LVL window and door components into the scope of the hardwood plywood case.

We have tried to source LVL billets from domestic suppliers but we have found that due to the industrial grade of the veneers that are required and the thickness and the length requirement it's not a product they want to make. I'm aware of one producer of LVL window and door components and that's Pacific Wood Laminates. They are out of Brookings, Oregon. Their website lists numerous LVL window and door components. It's marketed under their pack work trademark.

They do manufacture their own LVL stock in house and they mill it into door and window components. To my knowledge PWL is the only domestic manufacturer of LVL window and door components. It's very strange to me that the Petitioners did not list them as a Domestic Producer even though they have worded the scope to hit imported LVL window and door components with dumping and countervailing duties.

This confirms to me that the Petitioners do not consider themselves to be in the same industry as PWL which produces window and door components. None of these six pricing products that the Petitioners suggested to the

Commission relate to the LVL industry at all. To my knowledge, none of the Petitioners or any other members of the Domestic Industry makes LVL window and door components.

As I mentioned before, LVL billet does not need to be finger-jointed. It's a characteristic that Petitioners recently said was the main difference between the Domestic Finger-Joint Millwork Industry and the Industry producing the same products from MDF. They said there's no substitution between these materials in the production of millwork.

In my experience that's not correct. MJB Wood is the largest Domestic Producer of MDF millwork today. There are at least five other MDF millwork producers including TLC, Sunset, Aralco's recent purchase of Primeline, Alexandria and Pacific MDF. Petitioners listed MJB and Alexandria but they left out everyone else.

My estimate is that MJB plus the other five MDF producers' output is over eleven hundred trucks a month, which is very significant. Also I understand that several of the Petitioners make MDF millwork. It is a surprise to me that they do not consider it as a substitutable product with finger-joint. There is no difference between MDF and finger-jointed wood in terms of our production process.

We can run finger-jointed molding blanks on the exact same machines we use to produce millwork from MDF.

The only thing we have to change is the cutting knives. We use carbide blades for MDF and we use steel blades for the finger-joint stock. That's the only difference. It takes us fifteen minutes to switch those knives out to produce the same product that the Petitioners do on our MDF mill. We have produced millwork products using finger-jointed wood when our customers have requested it and it was no problem.

Our employees would need no additional training. The finished products are virtually indistinguishable to the customer. They are sold to the same channels of distribution. For example, both are sold at the big boxes and more and more the big boxes are specifying that the finger joint and the MDF is both either Gessoed or primed so that when the consumer sees when you walk down the aisle a complete aisle of white molding.

They are interchangeable for many applications. In many cases the MDF is smoother and it looks better after painting than the finger joint. Paint grade molding used to be only about 8 percent of the market 5 years ago but because consumers where staining the molding. This is declining. Now, about 50 percent of the market is paint grade.

MDF and imported Gessoed molding is benefitting from this home design change. It is not due to dumping. We use MDF not because it makes any difference in our

production process but rather because it is a cheaper raw material than lumber needed for finger joint. Also, we can get MDF in very precise thicknesses which reduces our production waste compared with typical finger joint blanks, which is sold only in nominal thicknesses.

Efficiency and customer preference is why MDF is gaining market share from the domestic finger-joint molding industry. As a company, we expect to gain significant business on our millwork products if this case results in price hikes on finger-jointed products. This would accelerate a trend of increasing acceptance of MDF millwork that corresponded with the fashion changes away from the ornate dentil molding and towards the simpler shaker decorative style, which are simple and clean lines that is perfect for an S4S piece.

MDF can achieve that look very well and it is a cheaper alternative to finger-jointed molding. LVL window and door components are produced by an industry not represented by these Petitioners. It's a very different product from finger-joint. The ITC should consider LVL and finger joints separately.

The Petitioners cannot complain about sales or product that they do not make. They cannot establish injury on a product of an industry that they do not represent. On the finger joint product this substitutes easily with MDF.

In my opinion, if duties are imposed on this product it is not going to bring jobs to the finger joint producers. Instead, it will just send those orders to Chile and other non-Subject Countries or it will accelerate the change to MDF millwork which is already happening today.

So for this reason, on behalf of our 300 employees and the over 1600 door customer employees, jobs that we helped preserve, I'm asking you to please vote negative on this case. Thank you for your time.

STATEMENT OF CLINTON YU

MR. YU: Good afternoon, Commission staff. My name is Clinton Yu, a partner at Barnes & Thornburg, appearing today on behalf of my client, Composite Technology International, also referred to as CTI.

Before Griff Reid, CEO of CTI, provides his testimony, I just wanna make a comment on how unusual it is to be representing a respondent in this case in which neither the largest volume nor the lowest average unit value of subject merchandise is attributable to China. And so we hope to address the data to support this fact in a post-conference brief, and we will.

But as Griff will describe in more detail, the majority of the projects that CTI sources from China, are new and innovative products such as their LVL products and importantly for this proceeding, are not made by the

petitioners at all. CTI has also brought some samples that are on the table over there which we'd be happy to enter into the record for the Commission to review.

And it's also important to note that CTI has demonstrated its ingenuity in the industry without having to rely solely on Chinese production, and indeed, Griff will get into the details in his testimony about how production has actually shifted away from China to other countries like Indonesia. And so with that, I'd like to turn it over to Griff.

STATEMENT OF GRIFF REID

MR. REID: Thanks, Clinton. Good afternoon, Commission staff. My name is Griff Reid and I am the CEO of Composite Technology International of Sacramento, California. We are a supplier of high-quality millwork products.

My family has been in the timber and wood products industry for the past four generations. My great-great grandfather, a German immigrant to the United States, established the Schafer Brothers Logging Company in the late 1800s. My father started his millwork career there right out of college and eventually starting his own company, Reid & Associates, which I joined early in my career in the early 1990s.

At Reid & Associates, we represented different

U.S. manufacturers of various products in millwork, providing sales and customer service that would span through the start of our new venture, CTI. Mom, Dad and I established CTI in 2004 with the goal of providing the best, high-quality specialty millwork products in America.

Our motto is that if we do not add value in quality, innovation and performance every year, then we will fall behind. It is this philosophy that has made CTI successful in producing products out of China. There is no unfair advantage provided by the Chinese government or dumping from any of the factories that we own or partner with.

We built our three joint venture partnerships from the ground up. We purchased the land, we bought the equipment, and we built a strong business over the past five-plus years with hard work and ingenuity. In fact, the Commission will see that average unit values from China are higher--much higher--than prices from other large exporters such as Chile.

CTI is proud of what we've built. In fact, because of our philosophies we have grown at an average rate of 30% year over year for the past ten-plus years, even during a recession, and our imports account for approximately 50% of all the millwork produced in China that is sold in the United States. The majority of our net

growth over the past four years has come from our innovative products, primarily from our LVL lines and patented SuperJamb and Jamboo products.

We are the main supplier of door components and millwork to the two largest door manufacturers in the world. We are their supplier because of our innovation and our high quality, not price. This petition will not change that fact.

Coincidentally, Woodgrain, a petitioner, is one of our largest customers. We have worked with Woodgrain in developing new markets for our products, such as our patented SuperJambs and our LVL molding line, giving them a competitive advantage in the marketplace.

Sierra Pacific as well, another petitioner, was previously a customer, but no longer buys from us because they've told us our prices are simply too high. Representatives from both Woodgrain and Sierra Pacific have traveled to our China facilities and know our manufacturing process is actually very different from theirs.

In November of 2019, Woodgrain in fact visited our Indonesian facility, and is currently our largest customer of Indonesian product today. We have outstanding orders to supply Woodgrain not only from our Chinese and Indonesian facilities, but also from our Malaysian facility as well starting this month. Woodgrain and our other

customers are supplying our LVL product line to the majority of the Big Box retailers and home improvement centers.

Although CTI has sourced innovative products from China, including our patented SuperJambs and Jamboo product, we have been diversifying our supply chain and shifting production out of China.

We are not the only ones doing this either. Today there are four companies that are currently producing product in Indonesia and marketing them in the United States. Some are at this very table. There is also a very large producer of millwork in North America that is already producing gesso products and has a state-of-the-art facility.

I know for a fact that there is over 500 containers worth of capacity that has been built within the last six months in Indonesia and elsewhere which is not being utilized today. These production lines are using the exact same technology that China has developed over the past fifteen years, that the U.S. is not.

I'd like to touch upon several additional key points today:

First, and I can't stress this enough, the current producers of molding and millwork in the United States are producing an outdated product as compared to what is made in both China and Brazil. Petitioners' products do

not cater to the evolving and more sophisticated millwork products and are outdated for our customers' current demands. In contrast, our factories continue to innovate our products and processes.

The majority of CTI's net growth over the POI is due to CTI's new and innovative products, and we will provide support in our post-conference brief. Our fastest growing product line is LVL, and that is not produced by any of the petitioners. And to the best of our knowledge, there is no domestic production of LVL mouldings and only a small number of producers of LVL door components. These U.S. LVL producers of door components are not even parties to this petition.

As the petitioners said this morning, CTI's LVL product is not displacing market share from the petitioners. So I'm not sure why it's included at all. CTI is also aware that the domestic industry is losing its market share, not due to pricing, but due to other competing nonsubject merchandise, such as certain composites like PVC, MDF and other similar materials. CTI is responding to the needs of the future -- petitioners are not.

What is Laminated Veneer Lumber, or LVL? It is an engineered wood product that uses multiple layers of thin wood assembled in a continuous lay-up line, pressed together to produce our long-length lineal LVL products. LVL

mouldings are produced using essentially the same molding manufacturing process as MDF. And just as the petitioners have stated with regards to LVL, "There is no need to cut boards to remove defects and therefore no need to finger joint." We do not finger joint any of our mouldings today.

LVL has several qualities that distinguish it--and make it superior--to the outdated millwork products made by the petitioners. LVL is stronger, straighter, and more uniform than traditional millwork. Due to its composite nature, it's much less likely to warp, twist, shrink, crack or break. It doesn't have the imperfections of milled lumber such as knots and bowing. It is dimensionally stable and the components are completely customizable.

In fact, our customers have told us that the breakage, or defect rate, for petitioner's finger joint, small mouldings, such as this quarter round you'll see on the petition table, and actually there's a picture up there of our quarter round stretched over Tony's head, but you can see how strong and durable it is, you cannot do that with finger joint mouldings today. And that is 20% of the product produced by the petitioners either arrives broken or is damaged by in-store handling because of the finger joints.

In contrast, CTI's LVL products breakage rate is

less than 3%. What does this mean for customers? It means that customers of petitioners' products must replenish stock at a much higher rate and replace these items at their own expense. This is why Big Box retailers prefer our products over the petitioners. And why our sales have grown so significantly in this sector. This has nothing to do with price.

Petitioners have failed to innovate and to keep up with the demands of the evolving marketplace. In addition to LVL, CTI can procure goods from China with coatings that are superior to U.S. offerings. These coatings are extruded on the substrates--Pine, other softwoods and LVL--and completely seal the wood, and unlike traditional coatings offered by the petitioners, our coatings can expand and contract with the wood without cracking, peeling or bubbling, even under extreme heat and cold.

Meanwhile, our patented SuperJambs outperforms traditional finger-jointed offerings of domestic manufacturers as well. It's a product that has an engineered substrate that goes through a cast steel dye for coating, which allows the dimensions to be identical on each and every piece. This patented product saves an installer approximately 15 to 30 minutes of prep time per door and we all know how there is a labor shortage in the builder

sector today, so this savings is significant.

We can only get these SuperJambs and other products from outside the United States today. I wish it were otherwise, but these petitioners have simply failed to adapt to current market demands. In fact, we will provide letters with our post-conference brief from past and current customers of the petitioners that state they moved their business to CTI not because of price, but solely because we can provide a better quality and consistent product.

As I have stated, the cost advantage of our process that achieves the significant quality and yield we have developed in China are easily transferrable to other countries. We have proven this by opening new factories in Indonesia and this month in Malaysia, with equal or superior cost structures and pricing. The same could be done here in the United States if the petitioners chose to adapt their processes to achieve a better yield and invest in what is now the industry standard finishing process.

Finally, I must say I was and am still shocked by this petition. CTI has been sourcing from China for decades. As I noted at the outset, we have imported goods from China for twenty-two years. More than two years before the Commission's period of investigation, CTI began to source product from outside of China, that is, from Indonesia. We did so--and continue to do so--for a number

of reasons, but basically because we worry about rising costs and supply-chain risk.

During the POI, China was--and still is not--the lowest-cost producer in the industry, and it became clear that diversification would be required to remain competitive in the marketplace. In fact, prices from China are far higher than from other major exporting countries.

We respectfully request the Commission to recognize that Chinese imports have not injured and do not threaten to injure U.S. manufacturers. U.S. millwork producers have failed to innovate and have brought this petition at a time when our company among others, are shifting production outside of China.

Thank you and I'm happy to answer any questions later.

STATEMENT OF LOUIS DONOVAN AMMONS

MR. AMMONS: Good afternoon. My name is Louis Donavon Ammons, but I go by Don. I am the Managing Trader of Shamrock International, which is a division of Shamrock Building Materials.

I've been with Shamrock for over twenty years, and today I run our international moulding and millwork division based in Santa Rosa, California. I have been with a few other trading companies before and also was the North American Sales Manager for the largest New Zealand

sawmilling and moulding company for four years. In total, I have over thirty years of experience in the international and domestic millwork business as a trader and sales representative.

Shamrock is a member of the World Millwork Alliance, the key industry association. Our imported moulding and millwork is globally sourced, and as a result, I do business with millwork companies in the United States and around the world. Our products include a wide array of finger-jointed mouldings, as well as finger-jointed raw and primed boards for exterior and interior applications. In addition, Shamrock supplies small primed mouldings, door jambs and frames. In terms of our customer base, half of our sales are made to distributors and the other half are to door pre-hangers. These are companies that purchase door components for assembly into pre-hung doors.

Sources of supply. In order to supply such a diverse range of products, Shamrock sources products from around the world. We buy our products from Brazil, Chile, New Zealand, Mexico and the United States. However, these sources of supply are not always interchangeable. Each country or company tends to specialize in a particular type of product and quality.

From South America, we buy from both Brazil and Chile. From Brazil, we buy the bulk of our products from

BrasPine. They supply us with mouldings for use throughout the home. In Chile, our major supplier is Davidson, who sells us finger-jointed boards, which are used for moulding and/or interior design. We also buy MDF products from Chile, which producers in Brazil do not supply. In North America, we have bought from Sierra Pacific, the largest U.S. producer, and from Pinelli in Mexico, but we usually look to these sources because of their ability to deliver products quickly and also in smaller quantities.

Chile. Given my extensive experience purchasing from both Brazilian and Chilean producers, I found the omission from this petition of imports of moulding and millwork from Chile to be surprising. In my experience, the finger-jointed products produced in and exported from Brazil and Chile are nearly interchangeable. The only slight difference between the products comes from a difference in species. Chilean products are generally produced from Radiata Pine and Brazilian products are generally produced from a southern yellow pine mixture also known as Taeda Pine.

But this difference is slight, and normally does not affect purchasing decisions or the price of the product. Chilean producers are also very active in the market, and most have their own U.S. sales presence. We can therefore only assume that Chile was excluded for commercial reasons,

as one of the petitioners is part owner of one of the largest Chilean producers/exporters of finger-jointed products to the United States.

The petition also fails to include equally competitive product from Argentina and Mexico from the petition. Shamrock buys moulding and millwork from Mexico, and in general, their product range, product quality and delivery infrastructure are nearly identical to the U.S. producers. While we do not buy from Argentinean suppliers, I am generally aware of their product offering, and they also sell a comparable range of product as the other South American suppliers do.

As to MDF and finger-jointed products, while petitioners have focused their complaint solely on wood finger-jointed products, in order to develop a complete picture of the market, the Commission must also examine the role played by medium density fiberboard, or MDF, products.

Over the last several years, MDF millwork products have become significantly more popular in the U.S. market, particularly in the West Coast, where they account for perhaps 80% or more of the moulding market. MDF has a number of advantages over finger-jointed products in terms of surface finish and workability. When finished and primed, it is almost impossible for consumers to distinguish MDF from finger-jointed products, and for nearly

every application, MDF products have become an alternative to finger-jointed and other solid wood products.

Perhaps most importantly, MDF is significantly less expensive on a per-foot basis than a comparable finger-jointed product. Because of this high degree of interchangeability, the Commission must consider the role played by MDF products in its injury analysis.

As MDF products have become more popular in the market, we have seen U.S. producers expand their MDF production. Certain U.S. companies have substantially increased their investment in and production of MDF products at the expense of their wood moulding production. Certain foreign producers have also increased their MDF production. For example, Shamrock purchases MDF products from producers in Chile, and we are aware that there is an Argentinean producer who has expanded into MDF production. However, to our knowledge, almost no MDF moulding products are produced in Brazil and exported to the United States.

Transportation costs is something I'd like to be considered. One critical issue that drives our purchasing decisions is transportation cost. You'll note that all but one of the petitioners is located on the West Coast. Shamrock is also headquartered in California, but we supply products across the country, including up and down the East Coast.

Over the past several years, U.S. overland freight costs have increased to the point where it is now cheaper to ship a container from a Brazilian factory to an East Coast port than it is to ship a comparably-sized truckload of product from a U.S. factory on the West Coast to that same port. Given today's transportation costs, the majority of the U.S. industry is simply located in the wrong place to satisfy a substantial amount of U.S. demand economically, and we have to take this into account when making our sourcing decisions.

Production Capacity. In addition to minimizing transportation costs, another important factor that drives our sourcing decisions is production capacity. Brazil and Chile both enjoy an abundance of naturally fast-growing timber, and as a result, producers in both countries can produce large quantities of single moulding profiles very cost-effectively.

The timber supply available to U.S. mills to produce moulding products, by contrast, is limited. This is due in part to longstanding U.S. environmental policies that restrict logging, and also U.S. producers' commercial decisions to devote a larger share of timber supply to the production of other products, such as window components and dimensional lumber. As a result, U.S. mills tend to ship smaller quantities of a more diverse range of products in a

single truckload, often at higher prices.

In fact, it's common to find U.S. mills advertising their ability to ship "highly mixed loads." While Shamrock purchases these smaller quantities from domestic mills to fill in particular needs, we could never shift the majority of our purchase volume to the domestic industry. Our major customers require large quantities of individual moulding profiles to stock in their inventory locations. We could never satisfy the needs of these customers with domestic production, as the U.S. industry simply lacks the capacity to meet our needs.

Changes in Customer Perceptions. Finally, I would like to highlight the impact of customer tastes and trends on demand. The moulding and millwork that we sell is used for decorative purposes, and that means that as consumer tastes change, so does the material sold in the market. Over the last few years, we've seen a shift in customer preferences from highly decorative, highly profiled mouldings to a simpler square moulding, in a more craftsman style. This may account for some of the increase in imports from China, which tends to specialize in simpler products like S4S boards that U.S. producers do not supply.

Many thanks for your time and attention, and I would be pleased to answer any questions you might have. Thank you.

STATEMENT OF PATRICK BURKE

MR. BURKE: Good afternoon. My name is Patrick Burke. I am the Director of Pine Procurement for Metrie, Inc. I have been working at Metrie for 32 years and in the area of procurement for 20 years. I am responsible for securing and maintaining our supply chain for pine moulding and millwork.

Background on Metrie. Metrie began as a small family-owned business almost a hundred years ago and has grown to become a wholesale distributor of moulding and millwork products across North America. We operate two medium-density fiberboard, or MDF, manufacturing facilities outside the United States and one solid wood facility in Washington state. We have 15 distribution centers throughout the United States and employ approximately 700 employees in this country.

We purchase moulding and millwork products, including S4S boards, door frames, door jambs, and an extensive offering of moulding profiles from both domestic producers and from Brazil, China, Chile, Argentina, Mexico, and many others. We distribute those products to lumberyards, millwork houses, retailers, and facilities that hang doors. Having an extensive network of distribution centers makes it easier to react to regional needs and to provide better, and more, responsive logistical support for

our customers.

Overall Changes in the U.S. Industry. I understand that the ITC will be looking at a relatively recent period, from 2016 to present, in assessing the injury to the U.S. industry. However, in order to understand the domestic industry today, it's important for you to have some historical context.

When I started in this business thirty years ago, the U.S. industry dominated the market and there were very few imports into the market for moulding and millwork products. But in the early 1990s the U.S. Environmental Protection Agency began to impose rules on U.S. logging activities to protect endangered species. This, combined with more aggressive environmental regulations in California (where a large part of the U.S. industry was located) limited the domestic industry's access to timber. Around that time, imports from South America began to arrive in the market, first from Chile, then from Brazil and then from Argentina. Over time, these producers were able to increase their production capacity because of their access to large quantities of high quality, fast-growing timber, and, at the same time, also improved the overall quality of their products. Around the same time, Chinese producers also started arriving into the market. At first, their products were substandard, but, over time, their quality also

increased until they were equal of the South American imports.

In response to the increased competition, U.S. producers simply failed to keep up. They declined to invest in their mills and, instead, several U.S. producers put their resources behind MDF production. As a result, U.S. producers cannot deliver in the quantities and time periods that we need, and the U.S. millwork is no longer the top or the best quality that we can buy. I have brought with me moulding samples on the table produced by a leading U.S. producer and a sample of similar moulding produced by a leading Brazilian producer. You can easily tell the difference between the two, as the surface of the domestic product is far rougher, and would need finishing on-site prior to painting, in order to give it the smooth finish that the Brazilian product already has.

Metrie does purchase from domestic producers, particularly when we have a need for a niche product, or a product with a short delivery lead time. This lower volume, specialized production means that on a per-foot basis, domestic mills are generally able to charge a price premium. However, while the quality of some U.S. products may be acceptable, the fundamental long-term changes I've described make it impossible for us to rely on the domestic mills as our principal source of supply.

Over time, I have also seen changes in demand and consumer tastes. Overall, the moulding and millwork market is extremely mature. With the exception of MDF, which I'll speak about in a minute, we don't see much in terms of significant changes in the supply or the demand. Today, the millwork that is installed is generally a simpler craftsman style, a style in which foreign producers specialize and the U.S. producers do not.

South American Producers. As I mentioned before, Metrie buys from Brazil, Chile, and Argentina and, in our view, the wood millwork products we buy from these countries are virtually interchangeable in terms of product type, product quality, and price. For that reason, we were initially somewhat surprised that Chile and Argentine were excluded from this petition, and we can only assume that at least Chile was excluded because of the commercial and corporate relationships between some of the petitioners and certain Chilean mills. But, regardless, because of the high quality of fungibility among products from the South American countries, we believe it would be extremely difficult, if not impossible, for the Commission to conclude that any injury suffered by the domestic industry was by reason of imports from Brazil and not from Chile and Argentina.

China. However, while these South American

suppliers are largely interchangeable with each other, in our experience, Chinese suppliers tend to specialize in different segments of the market, and thus are distinguishable. Whereas Brazilian producers largely focus on moulding products, Chinese producers principally produce S4S boards, door frames, jambs, internal door components commonly used in the manufacture and pre-hanging of doors. Also, unlike Brazilian producers, China produces LVL products, laminated products that are used in the production of smaller mouldings, and door frames and door components. As a result of this market differentiation, we rarely, if ever, sell competing Brazilian and Chinese products to the same customer.

Similarly, we also do not believe that Chinese millwork products compete unfairly with U.S. millwork products. For example, the Chinese have developed unique production techniques suited for the quality of their wood materials, such as finishing their products with a combination of Gesso and latex paint. This sets them apart from U.S. production, which does not use similar coatings. Overall, we see little competition between Brazilian and Chinese imports, and little competition between those imports and domestic production.

MDF. In considering the impact of imports of wood mouldings and millwork from countries other than Brazil

and China on the domestic industry, the Commission must also consider the important role that MDF products play in the market. In my opinion, it is entirely unreasonable for the petitioners to ask the ITC to focus solely on solid and finger-jointed wood millwork products without considering MDF millwork products as well.

While MDF and wood mouldings are produced from very different raw materials, when finished and primed they are virtually indistinguishable. I have passed around some samples (which are actually on the table) of finger-jointed millwork and MDF millwork with the same profile and finish, and you can tell these products are nearly identical even before the final coating of paint is applied. Furthermore, except for very specific end uses such as door jambs, frames, and applications where structural integrity is needed, MDF can -- and indeed has replaced wood and indeed, given its softness and lightness, some contractors prefer MDF millwork to wooden millwork. But, perhaps important of all, MDF products are sold at substantially lower prices than comparable wood products. All of these factors have contributed to a significant growth in demand for MDF in the U.S. market.

As a result of these trends, we have seen the U.S. industry dramatically increase its production and sale of MDF products. In some cases, we understand that certain

domestic producers responded to this trend by converting their manufacturing facilities to produce MDF instead of wood products as both production methods generally use the same machines and operations. We have seen imports of MDF products from certain countries, like Chile, entering the U.S. market to take advantage of this increased demand. Thus, just as the Commission cannot consider the impact of Brazilian and Chinese imports of wood millwork on the U.S. industry without considering imports from other countries, in particular Chile, I equally do not believe that the Commission can consider their impact without analyzing MDF production and sales as well.

Prices. Finally, I would like to touch upon price trends in the marketplace, particularly since 2016. We understand that the Commission will be collecting confidential pricing information from market participants and this will give insight into pricing during this period. I would like to give you my sense of price trends. While prices declined after the housing crisis, prices for millwork products have remained largely stable in the last several years, and certainly since 2016. The only meaningful price changes we observed during that time occurred after the initial imposition of 25% tariff on imports of millwork products from China that started in September 2018. After these duties were imposed, Chinese producers increased their

prices and prices from other non-Chinese producers, including those in the United States, took the opportunity to increase their prices as well. In the latter half of 2019, we have seen prices decrease slightly as the shock of the 25% tariff has dissipated into the market. In considering any price trends during the period of investigation, it will be important for the Commission to consider this significant event.

We appreciate the opportunity to provide this testimony and I look forward to your questions.

MR. GRIMSON: That concludes our prepared presentations, and now we would be happy to answer questions you may have.

MR. BISHOP: Madam Chairman, before we turn to questions, with your permission we would like to add Rich Kaye with counsel with Barnes & Thornburg, to page 3 of the witness list. Thank you.

MS. HAINES: Thanks. Okay, we will turn to Mr. Cummings.

MR. CUMMINGS: Charlie Cummings, USITC staff. Thanks to you all for sharing information with us.

I heard a lot about MDF and LVL. Is MDF imported under the same HTS codes that were provided in the Petition? If not, are they imported under a different HTS code?

MR. GRIMSON: I'll doublecheck on that, but I

think MDF is definitely in different tariff codes on the import side. It's not under the same one.

MR. CUMMINGS: So we wouldn't be collecting any data that may include MDF?

MR. GRIMSON: The scope doesn't include MDF.

MR. CUMMINGS; Correct, yes.

MR. GRIMSON: So in terms of tariff codes, I don't know what data you'd be collecting.

The problem is that there's a big giant of data on the domestic industry side that's left out, but I take your question and we'll answer it on the import side. But it's not a question of what import data you'd be looking at.

MR. CUMMINGS: Okay. For Respondents that producer -- have joint ventures that produce wood moulding or millwork, can they describe production process differences compared to U.S. producers?

MR. SETTJE: I am Bryan Settje of CTI. The short answer to your question, when it comes to LVL, which we've talked about, Griff has a lot, and other people have, the production is quite different. It's produced in a continuous line, very long presses. It does not require the defect cutting and finger-joining. So that's regards the LVL.

For the pine production, we use a similar process

as the domestic with the defect cutting, and the finger joining, edge gluing. The primary difference comes at the end where we're using our extrusion-coated products that allow us to use a different standard of wood, alright, so a different grade. So instead of buying a higher grade wood, we can buy a lower grade wood, as was talked about earlier today, that that made a minor difference in the cost. It's actually very significant versus when we were buying furniture grade versus shop grade.

And also, a major difference for us is the size of the material we can buy. We can buy material cut exactly to the size we need, sourced from New Zealand, and that gives us that slight advantage -- I shouldn't say "slight," it's more like 10 percent.

So the processes in the finger joining is very similar domestic, China, Brazil. And then the major difference would be when it comes to LVL, and it's quite a bit different. Does that answer your question?

MR. CUMMINGS: Yes.

MR. REID: Griff Reid, CTI. I think he's correct. The processing initially of the wood is very similar. But like he said, the extrusion process is much different, which allows us to use a lower grade wood and not the nominal sizes that are used by the U.S. market, five-quarter and six-quarter. We actually use specialized

thicknesses that give us a much higher yield, and we're able to use a lower grade because of the extruded finish on it, which you'll see over here on this side.

MR. CUMMINGS: For the importers, can you describe your role as an importer, who your customers are. Do you sell to distributors, to big box stores?

MR. GRIMSON: Okay, so can you repeat that question?

MR. CUMMINGS: Yeah. So for the importers, can they describe who their customers are, if they're selling to distributors, to big box stores, kind of what the breakout might be.

MR. GRIMSON: Okay, and then just to be clear, you're not asking for names of customers, but types?

MR. CUMMINGS: No.

MR. AMMONS: Yes, I understand. Okay, thank you. I'll answer that, yes, sir. Don Ammons, Shamrock International. So we sell to regional distributors. And these distributors will go out 400, you know, 2- 3- 400 miles from their location and service the mom and pop retail lumber yards, as well as the Lowe's and Home Depots of the world.

And then we also sell large and medium-size prehangers. Now if you've ever been to a retail lumber store, you've probably seen where there is a door, and it

has jambs on it. And so you're a contractor, or you if you're very good you can go buy that door, put it in your truck, go home and install that door.

So we sell the guys, or the companies that assemble those parts, the jambs, the head, and the door, and they put on the hardware. And then that door goes to a retail lumber yard.

MR. BURKE: Patrick Burke from Metrie. We're both an importer and a distributor, but would follow pretty much what Don said as far as the type of customers, whether it's a door prehanging facility, a millwork house, a retail customer, or a pro dealer.

MR. CUMMINGS: Is there a regional breakout? A preference in certain regions by product type? Is LVL preferred in certain regions of the country versus others?

MR. BURKE: MDF specifically has certain geographical preferences. In my opinion, the West Coast of the United States is predominantly an MDF millwork market, whereas the Southeast and the Eastern U.S., the Eastern U.S. would have a higher concentration of wood or finger-joint wood moulding and millwork products.

MR. REID: Griff Reid, CTI. LVL is an engineered product. So the advantages are generally in the type of moulding that's produced, not geographical locations. So, for instance, like he said, small mouldings are very

advantageous to make an LVL because it's stronger. And, door parts, as well.

MR. BURKE: Patrick Burke from Metrie again. One thing I would add is that the humidity does play a role in preference with MDF over finger-joint pine at times. Just given relative humidity, MDF responds a bit differently and is more favorable on the West Coast rather than the East Coast where we've got maybe a higher concentration of humidity and you'll see a product like pine used a bit more.

MR. SETTJE: Bryan Settje, CTI. We heard about the sales through distribution for more traditional business. Nearly 50 percent of the sales for CTI is done to the OEM manufacturing. So we sell the largest door manufacturers, particularly Jeld-Wen, and so that's going to be a bit different. And I don't think the questionnaire actually, you know, addressed that really well for us. So we had to put a lot of notes in our questionnaire, whether or not we're selling to the end user, or whether we're going through distribution.

The large door manufacturers take our product, and the Mister from MJB the same thing. Will they take our product? And are they going to use it to produce doors? So this is the interior styles and rails, lock blocks, this type of thing for the door. And they also buy our millwork products, the door frames, door jambs, some moulding, brick

mould, a couple of the items that were in the pricing list. And they're going to use that to make these prehung doors you're going to find in all the Home Depot and Lowe's.

So we have the distribution side, which is going to be very similar to, as Metrie spoke, and then we have our OEM side which I think is probably 45 percent of our business. And it's sold a bit differently. And I can go into that later, too, but more on program, not spot prices but more on program business where we're actually developing new products for them, value engineering, this type of thing. So it's definitely not a price. We're talking about long term supply agreement contracts that are based on index costs. And so that's quite a bit different for CTI.

MR. CALDWELL: Joe Caldwell with MJB. I'll just add to that, that we have the same distribution network. We're a manufacturer and a distributor, and we do sell a large portion of our capacity to the OEMs. And we are similar to CTI in the fact that we get involved in the value and the construction of our customer's products. They look for us for engineering their products and helping them improve them, and that's what we do.

MR. CUMMINGS: Okay, thank you. Having looked at the record as it currently stands, are there any major missing companies from either U.S. producers, importers, or foreign producers in our data sets? Do you see any major

holes that you want to bring to our attention?

MR. GRIMSON: Yeah, Jeff Grimson, Mowry & Grimson. The ones that we -- the ones that I mentioned in my opening statement. So, Pacific Wood Laminates. And then Mr. Caldwell mentioned five producers of MDF millwork that we request be queried about this case with an instruction to respond in the event that the Commission does expand the domestic like-product to include them, as we think it should.

MR. EMERSON: This is Eric Emerson with Steptoe. Just to dovetail on what Mr. Grimson said, to the extent that any of the petitioning U.S. companies that have responded to the Commission's questionnaire so far also have MDF activities, if they could be queried for their MDF activities as well. So it's not simply -- so the companies that Mr. Grimson mentioned clearly do need to be added, but, you know, again probing to make sure that the companies that have responded also respond as to MDF production.

MR. CUMMINGS: Noted. Can you comment on the unit of measure issue? We have queried folks. Some products are measured in cubic meters versus board feet, and any suggestions on the challenges of the unit measure difference for our data collection purposes?

Mr. Grimson: Jeff Grimson, Mowry & Grimson. Yes, it's a challenge. It's a challenge across the board

for everybody converting from linear meters to board feet for a product that has this diversity in it.

I guess for purposes of this preliminary phase investigation, we're simply adopting the Petitioner's proposed converter of .65. We're still looking at it. We may have more to add, if we think that needs refining, but at this point it's the best that we have.

MR. GIACOMET: Sorry, just to add on that, Giovani Giacomet from BrasPine, just on the conversion topic. I think it's a really difficult issue to address and compare within different markets. Because the .65 reference on the Petition, it can vary a lot depending on what type of upper files it's produced. So we do think that this needs to be further addressed later on.

MR. CUMMINGS: So you believe there's the potential for some distortions there when comparing --

MR. GIACOMET: Yes, we do. Yeah. I mean just -- and we have included that on our questionnaire, just based on the wrong conversions that we heard from other players that would be distortions of up to 35 percent on just the numbers that we heard.

MR. CUMMINGS: Do you believe that official import statistics are the most accurate measure of this project? Or do you believe the questionnaire data coverage will be a better measure?

MR. GRIMSON: So that's -- Jeff Grimson, Mowry and Grimson. That is something again that we're still trying to figure out.

I guess that the test will be when all the questionnaire data are in and compiled, how close is the value from the questionnaire data to the census questionnaire data, the census value data. If that's similar, then would tend to corroborate the quantity data as well. At that point, maybe you could go off of the census data for quantity basis and onto simply the questionnaire.

I think that Mr. Brightbill earlier said his sense is that there's pretty good coverage in the questionnaire data, but at the moment we're -- we are using the census data as a reference, and we're using the converter that they proposed.

MR. CUMMINGS: To the best of your knowledge, are there any anti-dumping or countervailing duty orders in any third country markets?

MR. GRIMSON: Jeff Grimson, Mowry and Grimson. A lot of head shaking no's, and I think you have people here that are producing around the world, and I think that we, word would have bubbled up to the surface by now if there were one.

MR. CUMMINGS: In the questionnaire, we asked for a breakout by material type and product type. Do you

think the breakouts were appropriate, and do you have any suggestions on that?

MR. EMERSON: This is Eric Emerson. I think, and I'll let others respond as well. We think that the -- we appreciate the fact that the Commission did take a step toward trying to do those breakouts, because we do think that is a very important step. The scope as it's written is incredibly broad, covers a wide range of products that really hit the market at different places, different kinds of products, and so a product breakout, I think, is critical.

The categories that the Commission identified might be the right ones. To the extent that this investigation does go to a final, we will certainly want to provide comments on draft questionnaires to try to true that up. I think in our experience, it was a little difficult in the time provided for companies to really divide into some of those categories.

So I think there was -- the four categories, there's kind of an All Others category at the bottom that I think captured probably a disproportionate share of exports, just because people were, I think, unable to sort of in the time, short time permitted by statute, but time permitted to really do that division.

So but we do think it is critical for a number

of reasons, causation, also cumulation, that the Commission do -- that the Commission does collect disaggregated data, and will help you in the final.

MR. CUMMINGS: Okay, thank you. No further questions at this moment.

MS. HAINES: Okay. Mr. von Schrilz.

MR. VON SCHRILZ: Thank you. Karl von Schrilz, Office of General Counsel. Thank you to everyone for being here to answer our questions. We really appreciate it. It's very helpful.

Mr. Grimson, I think I heard you say that you're going to argue that the domestic like product should be defined to include MDF?

MR. GRIMSON: Jeff Grimson, that's correct.

MR. VON SCHRILZ: Okay. Are you also going to make a domestic like product argument based on LVL?

MR. GRIMSON: We are.

MR. VON SCHRILZ: That is should be a separate domestic like product?

MR. GRIMSON: That it is a separate domestic like product, and I think you heard the Petitioners this morning basically saying they don't know that much about LVL. The one LVL producer is not here. We got the definite impression from them that it is a market that they don't play in, and that made us more confident to follow up on

this in the post-conference brief.

MR. VON SCHRILZ: Okay. Well, I'd like to ask a few questions about this. So I heard testimony that there's one known domestic producer of LVL, Pacific something?

MR. GRIMSON: Pacific Wood Laminates.

MR. VON SCHRILZ: Pacific Wood Laminates. Are the Pacific Wood Laminates, do they sell LVL mouldings and millwork? Do they sell those products to the same sorts of customers and channels of distribution that wood molding --

MR. GRIMSON: Yes. Yes, to our knowledge yes. If you look on their website, you'll see some pictures of window and door components that are all constructed of LVL. You can see the layers on them, correct. Did you have a follow up?

MR. REID: Griff Reid, CTI. They only make it in short lengths. So the difference between the production here and the production methods, domestic versus China, the production methods are different but the construction is similar. So method's different, construction similar, and they only make it in certain lengths.

MR. VON SCHRILZ: So for LVL, just to focus on LVL, so LVL you said they make door and window components that are described by the scope of the petitions. Are those interchangeable with the wood door and window components?

MR. GRIMSON: Do you want to address this?

MR. REID: The LVL door components that we supply have to go through stringent testing, independent testing by independent agencies, INTERTEC, and wood, fingerjoint wood styles do not pass that testing. So it is not possible to interchange fingerjoint styles with LVL styles today. It's not possible.

MR. VON SCHRILZ: They have the same uses and dimensions as the wood door and window components?

MR. REID: They're made in the same shape. That's Griff Reid, CTI. Sorry.

MR. VON SCHRILZ: And so the LVL parts that are made in the same shape as the wood parts would be used in the same applications?

MR. SETTJE: Bryan Settje, CTI. We've left some samples on the table that are probably going to be very useful for you. The LVL parts used in exterior door manufacturing, and I think we need to differentiate that from the interior doors. The LVL parts and pieces developed over the past 15 years are not interchangeable with fingerjoint pine.

The properties that are allowed, the LVL, that others have talked about, change the performance of that door that allow it to pass, such as Miami Dade hurricane ratings, other depression ratings, this type of thing. So

it goes to the integral part of Jeld-Wen, other companies making these fiberglass and steel doors.

So the predominant, you know, door construction using LVL, that requires the LVL because of the structural strength, screwholding ability of the door. Today, very little fingerjoint pine is used and none of the door producers could make a change quickly without essentially retesting all of their doors and remanufacturing the way all those doors are made. I'm sorry. I spent 23 years with Jeld-Wen before joining CTI, so I was a customer before.

MR. VON SCHRILZ: Thank you for providing that. Is LVL used in wooden doors?

MR. SETTJE: Bryan Settje. Yeah, it is to some extent as cores for wooden doors, like stile and rail doors if we're speaking of that. So our product line mainly goes to exterior fiberglass steel domestically made doors. Some of our product will go into stile and rail doors as the cores. Some of the same reasons, that they need the strength for it.

And then there is some use of LVL products in interior doors. In my experience, the LVL that we sell for use in interior doors would be interchangeable with fingerjoint pine. Does that answer your question?

MR. VON SCHRILZ: It does, thank you. Now I

know, is the actual, hmmm. In the production process for LVL, now the Commission's going to be most interested in how domestic producers produce LVL, but in your experience, are there -- are there similarities in the production processes between mouldings and millwork made at LVL and mouldings and millwork made of wood, specifically the second stage when you're actually molding the millwork into the right shape?

MR. CALDWELL: Joe Caldwell of MJB. In our factories today, we can bring they call them billets, LVL billets, which are blanks that come in in two foot widths, already pressed to the exact thickness of the product that we're going to machine, and we can rip those on our equipment in our production plants today without making any changes to any of our equipment.

So we can do that, and it runs through a molder and it runs through -- we have installed Gesso equipment, which is unlike a lot of our competition here domestically, and that gives us the capability of finishing the LVL.

MR. GRIMSON: Jeff Grimson, Mowry and Grimson. I just want to be clear on one point. What Mr. Caldwell's talking about is now the -- what they call the back end. I think they said it was you had the front end of the business and then the back end. The front end is the fingerjointing business, and the back end is the molding business.

He's saying you can start from the molding step forward with LVL as an input if you can get it. Now the Petitioners this morning said but it's the front end that's very important. In fact, that's the difference between fingerjointed and MDF. They said the MDF doesn't go through that front end part with the scanning and the cutting.

So now here, we have a producer that's not in this room, that makes the front end whole part of that operation under a very different process, the LVL process. If that is a distinct and different industry because of what happens between those two parts, the front end, the back end, then no, we think that you -- it has to be one way or another on this LVL and MDF question.

MR. REID: Griff Reid, CTI. I think to further that point, the front end and back end, we -- like I said, we produce the LVL completely, which is we're able to get the exact same thickness and length in this process. I think also, I think the Petitioners have said they have no problem finishing LVL.

It's taken us over five years to perfect this process and it's not easy to finish. It's difficult to get the substrate perfect. Maybe flat pieces are easy, but molded LVL has taken some trial and error. It's taken a number of, quite a few years of development to get a

finished product to the quality we've got it today.

So you can't take just a piece of LVL and throw it through a machine. It takes an expertise on how to produce the LVL, where the veneers go, how to finish it prior to sanding and coating.

And then of course the coating itself that's utilized in China is far different than was done here. So we put an extruded Gesso on, similar to what Joe does in China, and none of the producers today, that I know at least, produce anything Gesso-related at all, which is why our quality of finish is significantly better. Thank you.

MR. SETTJE: I'll just add to what Griff was saying is the extrusion coating that you know our customers specify that makes that LVL production for the moulding -- the finished product, the finished-wide product achievable in China.

I want to differentiate for you as well. We talked about two different things here. We talked about coating of the LVL and then we also talked about the door components. Some of the steel door components will have a coating on it -- on the outside edge and most of the fiberglass components don't. So, the OEM parts that go to Jeld-Wen and the other large door manufacturers go inside the door, may have a small amount of gesso coating, but the advantage that we've grown with the coated product, which

you market sort of like moulding or super jam, this type of product, it requires the extrusion coating. The stance that somebody could buy LVL billets and run it through a standard domestic manufacturing without having extrusion coating is probably not achievable.

The last thing I'd like to address -- anticipate one of your questions may be when it comes to LVL, you asked it earlier, is the wood source different. So, we heard a lot this morning about how you know radiata pine, tahiti pine, the domestic species of pine were sort of interchangeable and that was sort of a wood basket that has a market price.

LVLs are generally going to come from a domestic or local, so in our case China or Indonesia produced plantation species. Most of our -- I shouldn't say most -- almost all of our product in China is made from plantation-growth poplar and eucalyptus where they peel the log, create the veneers in the country. This isn't something that's exported. There's no standard price you know for this. It's somewhat of a bit of a local -- almost like a farmer's market for these products and the same thing for Indonesia where we're pulling mostly a species called acacia and also rubber wood. So, it's quite a bit different on the LVL side where it's not going to be the New Zealand, Chile, Brazil domestic you know pine prices where they

referenced those random lengths.

MR. YU: I mean what's clear is that we have the leaders in innovation for LVL here at this table. And so, you know as they get into some of the production processes, some of it, they might want to discuss confidentially in the post-conference brief. I just wanted to let you know.

MR. KAYE: I wanted to just let you see an example of the millwork and the coatings that are so much different than what Petitioners laid out earlier. They've taken it back, so it's hard for you to compare the two, but if they would put it back or give it back to you all to take a look at you'll see the differences in the coating and its gesso process that we use so that, as we brought up earlier, that when it comes time to finish the product the installer, the ultimate contractor, they don't have to go through the same sanding and finishing process that this Gesso that we apply is a finished product that can be installed directly.

MR. VON SCHRILTZ: So, whoever installed this product they wouldn't need to paint it; it can be installed just like this?

MR. SETTJE: You would still need to paint it.

MR. VON SCHRILTZ: Now, the wood mouldings and millwork they are gessoed, right. I mean you buy them with paint gessoed? Yes, I understand that you've got some kind of extruded coating process to gesso these, to put the --

it's basically a primer, right, so you can paint it with a smooth finish.

All the domestically-produced millwork that I saw on that table where also covered with a white gesso, so what is the difference between your special coating and the gesso that I saw on the domestically-produced millwork?

MR. REID: Ours extruded on there, so it actually goes through a cast steel dye and it coats the product with a gesso product. What's produced domestically is a paint -- paint only -- and it covers up a thin layer. And you can see by the samples that were brought earlier you can see the finger joints and the wood grain clearly showing through on the paint.

MR. BURKE: The product that we buy from Brazil and Chile would have a gesso finish on it -- a gesso and sometimes a top-laid text coat. The product that we buy domestically in the U.S. does not. It has, as Mr. Reid described, just a primer coat, a paint coat.

MR. AMMONS: And I would concur with Pat. The domestic product, although it's workable if you spend time with it, it's just not up to the standard the industry's requiring these days.

MR. VON SCHRILTZ: So, you can't simply paint the U.S. product?

MR. BURKE: Yes, you can. Sometimes it requires

preparation, addition sanding, but the gesso is a much smoother finish to start with, so when you paint it you get a superior top coat application. Sometimes with the painting of a non-gessoed product you'll get what's called "grain rays" or maybe even some bled through or some telegraphing of the substrate underneath.

MR. EMERSON: We've also got some samples of the domestic product from a domestic producer along with sort of a comparable, not exactly the same profile, but a similar profile from a Brazilian producer from BrasPine, so you could take a look at these later too or we can bring them up, whichever you like.

MR. VON SCHRILTZ: Great, thank you.

The channels of distribution for the LVLs, so the door components they would be sold to the door prehangers?

MR. REID: Yes, that's correct -- door manufacturers, joblin, basemat et cetera.

MR. VON SCHRILTZ: Great. Now, I'd like to turn to MDF a little bit. So, MDF I heard this morning one distinction that the Petitioners' panel drew between MDF and the wood moulding and millwork was that MDF -- the frontend operations have to be at a pretty significant scale. They claim that it costs $100 million to construct a facility with the scale necessary to produce the MDF efficiently to

feed the moulding equipment. Do you agree with that assessment?

MR. CALDWELL: We have three factories today and two lines in each factory and what it takes is a 5-foot wide, multi-rip saw. You can buy those today for 50 to $60,000. That's what we have in our plant. Now, there's frontend equipment you need to put to automation to that, so you know I would say, realistically, it's probably 200,000 if you add all the equipment and everything to handle that.

This is the handling of the panel that goes into it, so it's a rip saw -- multi-rip saw with feeding system because what we bring in when we run MDF is a panel that's 5-foot wide and it's 16-foot long and so that's very unlike lumber. Lumber comes in, they have rough mills, they have to process it, cut it, finger joint it. You don't have that on MDF, so that's on the frontend. But after that rip process, which again, for 200,000 you could automate your line to do that. The rest of the -- the backend of the line would work.

MR. BURKE: If I could clarify, I think the dollar figure that was referenced this morning is actually for a continuous press or a mat press that they produce what we would call the MDF sheet stock to produce the product. So, that can be very expensive and there are continuous presses that run continuously and produce a product then is

cut into 16 or 14 or 18-foot. I'm not familiar with how much that machinery costs, but it would be significant.

MR. CALDWELL: I'll add to that. I did misunderstand. You're talking about the manufacture of MDF. I thought you meant just processing it. Today what we have going on there's a new mill that's coming to the United States from Austria. It's called Eggers and they have started building their plant in North Carolina and that's about a $450 million investment, so it's significant to build an MDF plant. And we have more and more plants coming on and the reason is because the demand for MDF is increasing pretty substantial and again that's what -- if you just look at what our company has done with MDF, we've added two new plants -- two moulding plants since 2017, so we see the same trend.

MR. BURKE: Maybe just another point of clarification, there are a number of panel manufacturing plants throughout North America that would supply companies like Joe's, our company, and other manufacturers and they would supply, not only moulding and millwork producers -- pardon me. They would supply cabinet manufacturers, furniture manufacturers, anywhere that a medium density fiberboard product could be used. They would have alternative or other supply lines outside of just the moulding and millwork business.

MR. AMMONS: I'd like to add that in the moulding business in the West Coast of the U.S. two of the Petitioners who are not here actually have switched the majority of their production to MDF, meaning the moulding, buying panels and running mouldings.

MR. VON SCHRILTZ: And who are those companies; what are their names?

MR. AMMONS: That would be Yuba River and Sunset Moulding -- Yuba River Moulding and Sunset Moulding.

MR. VON SCHRILTZ: Thank you. Let's see if I have any more questions about like product. MDF mouldings and millwork are less expensive, generally, than the wood mouldings and millwork; is that what I heard you say this morning - or this afternoon?

MR. CALDWELL: Yes, that is correct.

MR. VON SCHRILTZ: Would there be any reason that a consumer -- someone building a house would choose wood millwork and mouldings instead of MDF millwork and mouldings?

MR. CALDWELL: Well, I think we heard this morning one example is in an area where there's a lot of water, so a bathroom, yes, they would choose wood over MDF, but again, just the opposite we're seeing in all the other areas. MDF is desired because there is no finger joints. There is no joints in it and it paints much better than

wood.

MR. VON SCHRILTZ: Thank you. I'd like to talk about substitutability a little bit.

Mr. Burke, I think I heard you testify earlier that in your experience there's very little overlap between subject imports from Brazil, subject imports from China, and subject imports -- and domestically produced mouldings and millwork. So, I'm wondering is it -- well, here, just to give you a concrete example. Like the Petitioner list a number of end uses for subject merchandise -- crown mouldings, door frames or jams, astrogols, base caps, corner guards, base shoes, brick molds, drip caps, and baton. They're the 10. They're listed on pages 6 and 7 of the petitions.

Do you import all of those products and sell them in the U.S.? Do you import them from Brazil or only certain of those products?

MR. BURKE: Many of those products, not all of those products. Yes, we would, as well as from Chile and possibly from China, but primarily, the moulding products -- the profile moulding products are purchased from Chile and Brazil, as well as some domestically.

MR. VON SCHRILTZ: So, you think you also import and sell a lot of those products from China as well?

MR. BURKE: Not mouldings, per say. Primarily,

what we would import from China would be S4S boards.

MR. REID: We specialize in LVL the small moulding. You'll see the base shoe, et cetera, to Mr. Burke and his company as well; primarily, small mouldings whereas Brazil and Chile, Argentina use the other size mouldings across the board.

MR. VON SCHRILTZ: Now, is there anyone else here who imports these products from China? No?

Mr. Reid, do you have any familiarity with the Chinese industry. I think I heard you testify you account for about half of the imports of subject merchandise from China.

MR. REID: Approximately.

MR. VON SCHRILTZ: Now, of the other half would that run the range of products that I just named from the petition, those 10 products?

MR. REID: We do supply a number of those products as well. Like I said, we supply the large door manufacturers who also pre-hang and supply to the home centers, so door frames, door jams. We do some specialized casing as well that go on these, brick mould, so we produce specifically for the door manufacturers to their specs and also distribute some through distribution as well.

MR. VON SCHRILTZ: Great. So, would you agree that imports from China consists of pretty much all the

products that are listed on pages 6 and 7 of the petitions -- the ones I listed?

MR. REID: I'll have to take a closer look, but it looks like there is definitely some overlap.

MR. VON SCHRILTZ: Great. You know Mr. Reid you testified that you believe the quality of your products is superior to the comparable products or that the similar products that are produced domestically. Mr. Burke, are the products you import from Brazil is the quality of those products comparable to the products that are produced domestically or also superior to the products produced?

MR. BURKE: They would be superior to the products that are manufactured domestically.

MR. VON SCHRILTZ: And how does the quality of the products you import from China compare to the quality of the products you import from Brazil?

MR. BURKE: Very similar, sir.

MR. REID: I'd add that -- Woodgrain can attest to this as well that their finishing process in Chile is different than their U.S. manufacturing as well. They produce a gesso product in Chile and they prime here in the United States.

MR. VON SCHRILTZ: Thank you for that. So, I'm wondering if the product range is similar for subject imports from Brazil and China and we know that the domestic

industry produces all the same products and the quality of subject imports from Brazil and China is similar and in your view higher than the quality of the products made in the U.S. in what way are the imports from Brazil and China not substitutable with each other and with products like the domestic-like product?

MR. EMERSON: I think one other aspect that's important to bear in mind, and it came up in both Mr. Burke's testimony and Mr. Ammons, it's not simply looking at the kind of products that are produced. It's also looking at what each of these producers can do. You know we have -- there was testimony about the Brazilian producers' capability of producing large runs of very similar profiles. And that, again, is because they have the advantage of ample timber stock in their countries and the same is true, for example, from Chile.

The domestic industry, by contrast, is a bit more constrained in terms of the raw material it has and so its production is oftentimes far more limited and so, again, we

see highly mixed loads. You know is there a profile in their highly mixed loads that might be the same as a profile from Brazil?

Yes, possibly, but in terms of commercial substitutability are these companies substitutable in terms of what they provide? No. I think the testimony is, no, they're not. And I think at least in that respect substitutability needs to be taken a look at, not just in terms of a list of products -- do you produce a door jam -- but you know how are you able to supply that market.

MR. YU: And as Griff testified earlier, that there's -- you know with certain products like the LVL the installation time between their product and others is significantly lower and so there is perhaps a labor limitation for certain commercial operations. And in that case, we wouldn't call that substitutable as well.

MR. VON SCHRILTZ: Okay, well, we just talked about some substitutability issues. I'd like to discuss -- well, to back up, demand. So, I've heard you argue this afternoon that demand is shifting from wood mouldings and millwork to MDF moulding and millwork. Well, if that's the case, how do you explain the apparent increase in U.S. consumption of wood mouldings and millwork over the period of investigation?

MR. GRIMSON: It would be easier to answer that question if we also had the MDF data in the picture. So, without that data, we can just say that MDF is clearly cannibalizing finger jointed sales. That's been the

consistent testimony from our players this afternoon and a lot of it goes with that simple shaker design. It's easy to make from MDF and it's much cheaper. So, overall consumption of this product, as defined by the Petitioners, is increasing. Their complaint is, but our market share is going down. Well, the reason their market share is going down is because they are not you know showing you that their market share may be going up on MDF or somebody's market share in this industry is going up on that. So, we really think that you aren't seeing the complete picture of what's happening in the marketplace right now.

MR. VON SCHRILTZ: Just to follow up, I mean they would argue that subject import market share has gone up. And again, if MDF is cannibalizing the wood mouldings and millwork how do you explain what the Petitioners argue has been a significant increase in subject imports of wood mouldings and millwork from Brazil and China.

MR. GRIMSON: Okay, so we just heard a whole discussion of the gesso coating and how great that is. So, if you're decorating your house with a very simple, flat moulding, you know the gesso is ideal. It's paintable. And Mr. Brightbill even mentioned the growing consumer preference we heard about in the Cabinets Case towards white, bright. Nobody is doing stained wood looks anymore. It's not very popular, let's say. It's going down.

So, the MDF and the imports that are already look really good for that application are tending to gain market share because of two things. One is the way that the Petitioners produce their product it doesn't look quite as bright and white when you're a consumer in the aisle. And the second thing is they are or somebody in the domestic industry is increasing their sales of MDF that is locally made in the United States. So, we don't think there's a lot of imports of that particular product of finished millwork of MDF, so it's really homegrown market shift.

MR. KLEISS: I think something you have to keep in mind is that the Brazilians have actually taken share from Chile over the last three years and that's why Chile should be included in the analysis because their share of the U.S. market is easily 30, 35 percent of the market in wood mouldings and Brazil has had an impact on Chile more so than on the domestic producers.

MR. VON SCHRILTZ: To follow up on your testimony, how has Brazil taken market share from non-subject imports from Chile; is it lower prices?

MR. KLEISS: It's certainly competitive prices are a factor. What we found is that Chile uses a radiata pine. Brazil uses a eliotus tiatus pine and there had been some -- in years past some negativity towards the Brazilian fiber, but with new finishing processes and the gesso

process it kind of has eliminated that distinction between the two. So, it's kind of got Chile and Brazil more on an even footing where Chile had an advantage probably five, ten years ago.

MR. VON SCHRILTZ: Thank you. Now, I've heard a lot of testimony that subject imports from Brazil and China are qualitatively superior to domestically-produced mouldings and millwork for a variety of reasons -- the smoother surface, the gessoing. Mr. Reid, you talk a lot about your -- the process is extruded, gesso coatings, and the superior strength and stability of your LVL products, so if that's the case, you'd expect to see overselling, wouldn't you?

I mean wouldn't most purchasers be willing to pay a premium for products that are qualitatively superior to domestically-produced products? So, we don't have the pricing product data yet, but the AUV data show that the average unit value of subject imports from Brazil and China is much lower than the average unit value of the domestic industry's shipments.

And Mr. Reid, I think you said about half of the subject imports from China are your products, so how do you explain the low average unit value of subject imports from Brazil and China if they're qualitatively superior?

MR. REID: Our percentage of LVL is not 50

percent, so LVL category is growing. Our incremental growth over the last four to five years have been on new products we're developing, so those products actually take quite a bit of sales in the market and product knowledge. So, in order to get out there and increase our sales, incrementally, you have to teach the market the benefits. And we've had significant -- more successes recently because the market is starting to accept them, to see the benefits of LVL. But historically, when it was produced many years ago in Malaysia, et cetera, they had some failure rates. They had some problems with LVL because it wasn't produced properly. So, by us developing LVL properly for this particular process and method and use, we've had success lately and that's the benefits we're having and we're obviously getting a premium for it as well. Thank you.

MR. CALDWELL: I want to add that. As we value engineer products for our customer, one of the things we've done out of China with LVL is we were able to take for the door industry a stile that use out of finger joint pine that would be an inch and a quarter thick and we've been able to use an LVL construction and make it out of a 13/16. So, if you were just comparing price, you might be misled by that because you may think we're undercutting the price. It's an apple and an orange. We've redesigned the product and it's actually stronger than the thicker piece of the

pine that they use, so that's another reason for the change that's happening in the door industry.

MR. EMERSON: Another, I think, an answer to your question as well is contained in the testimony of Mr. Burke and Mr. Ammons. The domestic industry plays a role in the market oftentimes filling in when companies like Shamrock, like Metrie need small quantities of a particular profile that don't happen to have in inventory and can't get from the Brazilian suppliers because of the distance.

So, as we said -- I think it was Mr. Burke's testimony talked about the Petitioners -- many of the Petitioners advertise on their websites selling highly mixed loads, so it's almost a little bit more like a retail business, in a sense, where you might say that a comparable product -- I mean the Brazilian product may have higher quality, but because it's being sold in larger volume its per unit price may be lower. The per unit prices from the domestic industry may be higher, even though the quality is different just because of the different roles they're playing in the marketplace currently.

MR. VON SCHRILTZ: Just to follow up on that. Of course, I heard testimony this morning from petitioners that they've been forced into this role, that in order to operate their facilities efficiently, they need large runs of the same product. But in their view, subject imports have

forced them into these smaller runs of different products, which are more expensive to produce and less profitable.

Is there any reason the domestic industry can't produce long runs of the same product as they say they want to?

MR. BURKE: Patrick Burke from Metrie. No.

MR. SETTJE: Bryan Settje, CTI. One of the things I spoke earlier about is, the OEM aspect of this business and it's significant for CTI. Since 2015, there's been a significant shift in the way JELD-WEN, Masonite and the other large door manufacturers have been purchasing. Before, they were buying more regionally, the decision-making wasn't centralized.

Since one of them became public, or I guess they both became public probably near that time zone, they become much more sophisticated in their purchasing. And so what was required of us is to take on the risk of multi-year contracts, index pricing, and it goes to your comments about longer runs. If you're running for a very standardized product like JELD-WEN's would be, you're gonna achieve longer runs, which we do, we enjoy.

We also, as we take these contracts, we also make all the other stuff, too. We make the short ones, the fat ones, the skinny ones, if you will. So that change is really about the behavior of the customers and what they

demand of the client, of the supplier. And also the other aspects, which we'll talk about, like the value-added engineer that comes with that, the partnership on the multi-year contracts' year-over-year projects.

And then I think also, the freight has become very significant when you're talking about taking a contract to service a nationwide, or North American-wide customer, there is some freight advantages we enjoy to touch all of the parts of the United States with a similar maintainable price.

MR. GRIMSON: Jeff Grimson, Mowry & Grimson. Just wanted to pick up on what Mr. Emerson was saying, because I think your original question was, if the quality of the subject imports is higher, why would the AUVs be lower? And he gave you a perfectly consistent explanation of that, which is that, if the quality of subject imports is lower, then over time, people are not going to want to buy as much from them, then they are forced into this emergency supplier role, or ad hoc supplier role, and when you're desperate, you're gonna pay a higher price. Those are consistent.

MR. EMERSON: This is Eric Emerson again and I'd just like to follow up, just to clarify one aspect. We don't have yet a full set of the--at least I don't have it here and I couldn't talk about it if I did--the petitioners'

capacity information. I think that there is a difference between production capacity, how much could they produce, and a separate issue of the feedstock that comes into the plant.\

And so I do think it's important when the Commissioner considers petitioners' claims that we have the capacity to be able to produce more. Are they looking solely just at their facilities? What they have under-roof? Or are we also looking at the feedstock that goes into that plant, and whether they can do it and whether they can do it economically.

Mr. Burke was talking about, you know, long-term trend in the U.S. industry starting in the 90s with heightened restrictions on logging in the United States because of environmental concerns. Other concerns, particularly in California where a number of the petitioners are located, that makes it more difficult to make this sort of product.

And so I think it's really critical, so while Mr. Burke may be--I'm not questioning him at all when he says yes, do they have the ability to do it, that may be true, they have the machinery to do it--but what's going in the raw material loading dock? Do they have enough stuff to run through the plant?

And I would also note then, that if the domestic

industry has the ability to make these long runs, why is the domestic industry instead investing in MDF? Right? Because, you know, that is a product that's being more demanded in the marketplace. So I think we also need to take a look at their economic decisions, too, about where they're putting their money, you know, when we're analyzing this issue of whether they could, in theory, put out the same kind of product and the same sort of volume that, say, the Brazilian producers could do.

MR. REID: This is Griff Reid, CTI. And just to dovetail what Bryan Settje said, we did pick up significant contracts because our producers of doors wanted the same, consistent product nationwide, and I don't think any of the producers or the petitioners could provide that quality of product on a full production line of all the products they require nationwide, and we're able to do that.

MR. VON SCHRILTZ: Thank you. I think I have a question, another question for you, Mr. Reid. You mentioned that your family's been in the wood products industry for generations. And you've been in the business for a long time, and you started out at Reid & Associates representing different U.S. manufacturers of millwork products.

So I'm wondering, when you established CTI, why did you decide to make your products in China instead of in the United States?

MR. REID: This is Griff Reid, CTI. Actually, we originally started our factory in Mexico, believe it or not, in 2000, and we were sourcing OSB from the United States. So our initial thought process was to produce an OSB jamb with a stop, and it was in Mexico we actually came up with our SuperJamb idea, where we patented that product, and our original plan was to produce all using U.S. raw materials.

Unfortunately, U.S. OSB market went through the roof and it was no longer viable. During that time, we started sourcing a blockboard-engineered substrate which we still use today, from China, because that was one of their main products, and it was very highly engineered, and we're able to go over there and teach them how to produce that product that would stay stable and straight all the time.

And then by laminating the stop on there and extruding a coating on it in Mexico, we were able to get all the qualities today, that we still use today, that actually save the installer significant labor and savings. And it was with that product, we actually developed our relationship with Masonite and selling into Home Depot.

And then unfortunately, because the raw material source was not available in the United States, we had to go where our raw material was sourced, which was China. And we actually closed our facility in Mexico in 2005. We were minority shareholder in Mexico starting in 2000 actually,

but we established CTI in 2004.

MR. VON SCHRILTZ: Thank you. I don't have any further questions at this time. Thank you very much for answering my questions.

MS. HAINES: Mr. Benedetto.

MR. BENEDETTO: Thank you all very much for being here today. As I said to the first panel, if my questions touch on anything confidential, please just say so and respond in the brief. I don't have many more questions. Just I wanna confirm something. Mr. Grimson or anyone else, most MDF you're saying, that's in the U.S. market, is made in the U.S., is that correct? I know we don't have data on it, but is that the anecdotal impression?

MR. CALDWELL: Joe Caldwell, MJB. MDF mouldings, right now, we're probably about, domestically, about half of the production.

MR. BENEDETTO: Okay. And again, I know we don't have data on it, but for MDF mouldings, how does that compare to the size of the in-scope mouldings? Is it a route the same size? I mean the markets, are they about the same size or is MDF larger or smaller, if you know?

MR. CALDWELL: I'm not sure I can answer that.

MR. BENEDETTO: Okay.

MR. EMERSON: This is Eric Emerson at Steptoe. I think the BrasPine folks estimate, if I can get this right,

about half of the products in the market now are U.S.-produced, half are Chilean-produced.

MR. BENEDETTO: Thank you. For our pricing products which you all were filling out the questionnaires on, given the way that we wrote the definitions, would you have included LVL product in the pricing products when you're giving us the data? Again, if this is confidential, feel free to respond in the brief.

MR. SETTJE: Specifically part of -- overall yes. Of the six, there were six items, I believe. Three of them called out specifically pine or fir.

MR. BENEDETTO: Okay, so they wouldn't be --

MR. SETTJE: They actually would not be.

MR. BENEDETTO: Right.

MR. SETTJE: And then the next three didn't call it a species or a substrate so it would've for CTI.

MR. BENEDETTO: Would've included LVL? Does the Section 301 apply to MDF? And does it matter?

MR. REID: There's relatively no mouldings or MDF mouldings coming from China. Zero.

MR. BENEDETTO: Okay. So it doesn't matter. Okay. And who supplies wood mouldings like the in-scope product to the rest of the world? Does the rest of the world buy this product, or do they buy something else that's different? And if so, who supplies it to them?

MR. REID: Griff Reid, CTI. Our facilities in China, we supply the Philippines, Australia, Indonesia, Europe today.

MR. BENEDETTO: Okay. Anyone else?

MR. GIACOMET: Antonio Giacomet from BrasPine. The vast majority -- we do export to fifteen countries as well. That's more than 90% comes to here, because this is the largest market by far for this kind of product. And most of these are countries, they have specific specs. Sometimes thickness that we cannot produce efficiently and then we cannot compete. And so we try to focus on the markets where we can compete more efficiently and unfortunately, there is not very much market for that.

I don't know if I can with that, I'm not asking about this, but I think it's very important to give an indication of the piece, the big market share of this thing, because I think that maybe not everybody knows about who's who in this equation. I started doing business in the states about forty years ago. Not necessarily finger-joint at that time, but in solid pine, because at that time, the vast majority would be solid with some finger-joint. I'm talking about 1975, there was no MDF, or almost no MDF, zero LVL.

During this forty-years' time, MDF now -- someone says 50% or the people say 40%, but we all on the

finger-joint, we are all finger-joint, lot market for MDF 40%, so our biggest, let's say, competitor, really, for all of us, is MDF. It's not China or Brazil or Chile. And then so 40% or 35 or 50 is MDF, and the balance of this roughly 1,000 containers from Chile or finger-joint, 1,000 plus containers from Chile in MDF, 1,000 containers, or 1,100 finger-joint from Brazil.

Yesterday we heard 1,100 or 1,200 containers of finger-joint and LVL from Asia. And then we have the domestics here that produce. We do not know exactly, but I would bet that is much less than a 1,000. So this is the size of the piece. Close to 3,000 containers out of this 7,000 that this adds up, is MDF. Majority produce it here and a good portion, between 45-50% in Chile and a little bit in Argentina. So I would like to state that, that gives an idea of the role thing. And these numbers are very estimated, is not exact, but I think it's not too far. Thank you.

MR. BENEDETTO: Does anyone else have a comment on that?

(No response.)

MR. BENEDETTO: My last question, I believe somebody on this panel said earlier that U.S. prices have remained stable. If lumber costs have been rising, or they rose in 2018, why have U.S. prices for moulding remained

stable?

MR. BURKE: Patrick Burke for Metrie. I think I said that our import prices have remained relatively stable. I think it's just due to competition. If one country became more expensive, this product might have been sourced elsewhere. The market will only bear what the end consumer would pay. And if raw materials went up at times, I think there was a lower margin from the manufacturer's perspective.

MR. BENEDETTO: Anybody else?

MR. EMERSON: This is Eric Emerson from Steptoe. I think the answer again goes back to MDF. You know, MDF is a -- is a comparable product. It's a substitutable product, and, you know, even if the Petitioners or anyone's costs of wood raw material rise, there's a natural constraint on the ability to raise prices because there is always this cheaper alternative on the bottom end.

On the top end, if as companies start to increase prices for wood moulding, then you start to get into a price where you could get into something that's a non-wood product altogether like a PVC, for example, that might have a much longer life span but is much more expensive.

But, you know, as a consumer, as that price starts to climb up, you might say, well, you know, I'm going to leave behind the wood finger-jointed product altogether

and go to a non-wood product.

And so, you know, I did hear counsel talk about a cost/price squeeze, of course. The assumption is that in a cost/price squeeze that producers can pass along cost increases, but I think for both essentially on the top end and on the bottom end in this market I don't know that that assumption is true.

MR. REID: Griff Reid, CTI. That's an excellent point, Mr. Emerson. I think the majority of these Petitioners today produce exterior door frames. The biggest threat to them with any increase would be PVC or composite frames. That delta on composite frames, which is a lifetime warranty and it's composite, is only about 20 percent today.

If you give any sort of a 20 percent increase, the market will move to composite almost completely if there's a capacity to do that. Or, more and more ability will be moved to composites as well.

So I think the reason you don't have the upward pressure and you have downward pressure is, like you said, the MDF mouldings and the ability to convert to composite is right around the corner.

So there's a small window there that we can plan. Thank you.

MR. KLEISS: Phillip Kleiss, Solida. I think it's worth noting that the barrier to entry in the moulding

business is not very large. You come with $100,000 in a building and you could be running mouldings and be in the moulding business. So what we found is that the market in general is over-supplied. There's too many suppliers in the market, and it keeps a lot of pressure on the pricing.

MR. BENEDETTO: Thank you all very much.

MS. HAINES: Ms. Scott, you're next.

MS. SCOTT: I want to echo that if I ask you a question that you feel provides sensitive information, please provide it separately in postconference.

Someone mentioned earlier that the reason that they felt that the LVL was superior to the finger-joining was because it had to pass a standard test. What is this test? And is it an international test, or is it a domestic test?

MR. REID: This is Griff Reid, CTI. The door manufacturers, after they install the stiles into the doors, they have to go through independent testing for different markets in the country, as well as fire rating, a number of independent tests that the door manufacturing market requires.

So they tested previously the finger-joint, and now they've moved to LVL. And because of the MOE and MOR, which is the elasticity of the actual substrate itself, it is significantly higher with LVL. And so the performance is

much higher, and that's the standard now.

MS. SCOTT: So that's an industry, a buyer-specific test that they perform for their own specification?

MR. REID: It's become the industry standard.

MS. SCOTT: Okay. Yes?

MR. FELDMAN: I think it's also a requirement in some state governments.

MS. SCOTT: Would you turn on the microphone, please?

MR. FELDMAN: I think it's on. I may be mistaken, but I think some of these standards are not industry standards, they're standards of state governments that are requiring this kind of testing.

MR. REID: That's correct. There are counties and specific governments that require specific testing --

MS. SCOTT: What I'm trying to get at is that you said LVL had to pass it, but finger-jointed didn't.

MR. REID: Did not pass the testing.

MS. SCOTT: Oh, I thought you were saying that it didn't have to do it, but you're saying both products had to?

MR. REID: Correct.

MS. SCOTT: Okay. For use of the interior versus exterior, I heard some discussion about whether the MDF,

LVL, and finger-jointed were the best use, and it sounded like you were saying that the LVL and finger-jointed were better for exterior and that the MDF was okay for either. Is that not true?

MR. CASEY: The MDF was far superior -- or better for interior. You do not want to use MDF outside.

MS. SCOTT: Okay.

MR. CASEY: Or expose it to the elements.

MR. REID: Griff Reid, CTI. LVL is used interior or exterior. The majority of actually the LVL we produced is still used in small mouldings and some interior use, used for exterior brick moulds. We don't do many exterior frames today in LVL. We only use exterior LVL frames in extreme environments like Phoenix where the heat is very high, or in Alaska where it's actually very cold. And in Denver, as well.

So it's three markets, because of the performance of the LVL product itself, that lends itself to be made in LVL or is predominantly across the country used finger-joint for exterior.

MS. SCOTT: Thank you.

You have mentioned significantly about the technology you use for your coating. Aside from the coating, is there any technological difference between the finger-jointed moulding and millwork you provide versus the

domestic product?

MR. CASEY: Could you --

MS. SCOTT: You were saying that your product was technologically superior. And is it mainly the coating? It's not?

MR. CASEY: Finger-joint only.

MS. SCOTT: Yes.

MR. AMMONS: Ma'am, Don Ammons, Shamrock International. Just as the Petitioner said earlier, they're buying the semi-finished material out of South America as well as converting material here. And so by them doing that, it shows that as a raw material it's all interchangeable.

But coating is what makes all the difference to the end user because of application.

MS. SCOTT: Thank you. In the finger-jointed only, is there a difference in the manufacturing process in China or Brazil versus the domestic product?

MR. AMMONS: Don Ammons, Shamrock International. I can't talk about China, but the process itself is very similar. The only thing I can say that's different is that when you're using what we call "shop lumber" domestically, that's provided by the large sawmills, they're only using a lower grade, and they're taking out the higher grade. And when they do that, the lower grade is giving them much less

yield compared to what you can get from South America.

See, the South Americans, they do what's called "cut a log." So they just cut the lumber, basically like a tomato, and then size it by the width, and then they send that to somebody.

And then also, the domestic folks, because they're cutting domestic species of Ponderosa Pine, the knots are too big. But some of the other species that you can use, the knots are smaller and that's where folks like in China and some other places are able to get a better yield, but they put defects underneath there.

And so when you say apples to apples, it's not really apples to apples because what's being done by some other places, they're actually -- they've innovated to the point where they can utilize material that the domestic people would throw out.

MS. SCOTT: So what I'm trying to get at is: Is the production process different? So you're speaking to the inputs, but as far as the process, is it different?

MR. AMMONS: Don Ammons, Shamrock International. The process is the same.

MS. SCOTT: Okay, thank you. Do you have any information on the non subject countries' markets that you're willing to provide? You mentioned Chile and Indonesia.

MR. REID: What information were you requesting?

MS. SCOTT: As far as the market and that type of thing.

MR. AMMONS: Don Ammons, Shamrock International. That information can be gathered for sure, and the process in Chile is the same as in Brazil. The process in Argentina is the same as in Chile, and Brazil. The process is all the same. That's why, if you'll note, some of the folks that we have as Petitioners are using all the same species and buying raw materials from these very markets.

MS. SCOTT: Okay, thank you.

MR. REID: Griff Reid, CTI. Same situation. The process would be similar in Indonesia and Malaysia as it is in China.

MS. SCOTT: And you're speaking to LVL?

MR. REID: Both finger-joint and LVL.

MS. SCOTT: Okay, thank you. That's all I have. Thank you.

MS. HAINES: I would just ask that if you have any information on the industries in Brazil and China for the entire industry, anything available, that you could provide it in your brief that would be great.

I have no other questions. Thank you very much for coming all this way to give us very helpful testimony. We greatly appreciate it. So we will go to the closing

statements.

MS. BELLAMY: This panel is excused.

(Pause.)

MS. BELLAMY: Will the room please come to order? Rebuttal and closing remarks in support of imposition, Timothy C. Brightbill of Wiley Rein, LLP. Mr. Brightbill, you have ten minutes.

CLOSING REMARKS BY TIMOTHY C. BRIGHTBILL

MR. BRIGHTBILL: Good afternoon. Thanks again to the staff for your patience today and all your hard work on these investigations. We are looking forward to having a complete record, and we think the complete record will show a material injury caused by subject imports.

To start, I'd just like to run through a few of the things we heard this afternoon and also one new development. The Commerce Department has initiated these investigations, including the anti-dumping margins of 86.73 percent from Brazil, and 181 to 359 percent from China. Several of the Respondents' points that I'll try to respond to quickly, and we'll do more in our briefs as well.

First of all, the notion that the domestic industry somehow makes outdated products I think was countered throughout the afternoon by all of the evidence that the products are fully substitutable and compete head to head. To the extent the domestic industry has been

unable to develop some new products and technologies, that's a form of injury caused by subject imports.

With regard to substitutability though, I think the staff asked very good questions and received answers from the Respondents that verify that there are comparable uses, that the Brazil and Chinese products are either similar or superior in quality to the U.S. product. Notwithstanding Mr. Emerson's discussion of commercial substitutability, the legal factors and the commercial factors all show substitutability of the domestic product with the subject imports.

In response to CTI and the Chinese imports, if these products are so new and so great and so innovative, how come the subject imports sell for so much less? The same with Brazil. If the quality is so much better for Brazil, why is the pricing so much less? The staff correctly targeted these flaws in Respondents' case.

If demand is shifting away from wood toward MDF, why does the data show increase in apparent domestic consumption, and how do you explain subject imports taking market share from the domestic industry? We heard no answers that were convincing or compelling from Respondents on these points. Again, the staff asked if subject imports are qualitatively better, why are the AUVs so much lower?

We do small runs, by the way. Small runs are

not an explanation there. We do small runs because we were forced into this role. Again, there were no real answers here. Despite what you heard about LVL and MDF, we will comment more during the post-conference brief. The facts before you are that demand for wood mouldings is up and the United States producers are losing share not to LVL or MDF but to Brazilian and Chinese wood mouldings. The data already shows that.

As the staff noted, MDF is in a different category of tariff codes, so the Commission can readily examine and document those trends, and we'll do so as well.

LVL. LVL is not a separate like product. Respondents said throughout the course of the afternoon the manufacturing is similar, the shapes are similar, the uses are similar. With respect to the tests and standards, our Petitioners can meet those standards. The molding process is the same, that is the back end.

Also LVL, I think, is a very small portion of the overall industry. All of these things together, it sounds like a continuum of products to me, which is what the Commission looks for in a single like product.

There were some contrasting answers from Respondents as far as capacity available. We heard at one point Respondents say the market is over-supplied. We also then heard earlier U.S. producers cannot deliver in the

quantities and the time periods that we need.

I think if you look at the capacity and the capacity utilization data from the domestic industry, that latter statement by Respondents cannot be correct. We can deliver. The domestic industry is ready and able, but they can't compete with dumped and subsidized prices.

And again, subject imports are not better able somehow to provide large orders. The subject imports took those orders away from U.S. producers based on price. U.S. producers would love to have those orders back, and they have the capacity to produce them. They have been left only with the small runs, which makes them less efficient, less productive, less profitable.

We also disagree that the Chinese imports somehow specialize in certain products. Our experience is they make everything. It's not niches that they fill. It's not certain market segments, and in fact of all the uses, the staff listed those out, the subject imports make all of those. We're confident the investigation will show the overlap and the substitutability.

With respect to coating, the U.S. industry does Jesso coat. There are multiple Petitioner facilities that do it and do extruded Jesso coating. It's also ridiculous to say that the U.S. product that has been around for decades is somehow highly inferior, and in fact

Respondents themselves also said the raw materials are interchangeable and the process is the same, making our case for us.

With regard to transportation costs, the U.S. producers service the market nationwide. The Commission's data will show that. Subject imports do not have an inherent freight or transportation advantage. What they is unfair trade when they're pricing their products.

There were several references to Woodgrain and particularly its distribution arm. Woodgrain does buy from CTI and they would be happy to explain why, and it's not because it's an LVL product. So we'll put that in our brief.

There's many points I could make, but instead let me just underscore some of the things you heard at the outset, and hopefully that we made clear throughout the day. There is a reasonable indication that imports of wood mouldings and millwork products from Brazil and China are materially injuring and threaten to injure the domestic industry.

U.S. demand is growing, but imports from Brazil and China are taking market share at the direct expense of the domestic industry. The record will show underselling, we're confident of that when all the data is in, and the domestic industry's sales and financial

performance has declined significantly.

There is a single domestic like product co-extensive with the scope. We've examined all the factors today, physical characteristics and uses, interchangeability, manufacturing facilities. They're the same or very similar, the other factors as well. So despite strong demand, dumped and subsidized Brazilian and Chinese imports deprive the domestic industry of increased shipments, and you've seen the harm already in the results of your questionnaire responses that have come in.

Sales and financial performance has suffered. Production, employment, capacity utilization all down across the board. Reduced production, reduced production workers, reduced hours worked, wages paid, U.S. facilities closed, prolonged shutdowns, some producers that have gone out of business, producers that have lost market share, at least seven and half percentage points to Brazilian and Chinese imports, to subject imports.

While demand increased, you have capacity utilization down, operating profits down and negative, net income down and negative. We have documented lost sales and lost revenue. We submitted $82 million worth of those, expansions cancelled, returns on investment harmed. At this stage of the preliminary determination, an affirmative is warranted on behalf of this long-existing domestic industry

and their workers that depend on this industry. Thank you very much.

MS. BELLAMY: Closing remarks of those in opposition to the imposition is Eric Emerson, Steptoe and Johnson LLP, and Jeffrey Grimson of Mowry and Grimson PLLC. You have ten minutes.

CLOSING REMARKS BY JEFFREY S. GRIMSON

MR. GRIMSON: Good afternoon Commission staff. Thank you for your attentiveness today. We're going to take a tag team approach here, starting out with like product. Petitioners seemed unable to grapple with their definition of like product when faced with a lot of testimony here and evidence on MDF. On the one hand, they said the scan and cut line, the front end of a mill, is very important. A lot of investment there.

But on the other hand they said so is the back end. That's why they are able to take in blanks from Chile and others and still mold that, and they want to count that as domestic production. Well, if that's true that you can buy a raw material substrate from somebody else and mill it, then you can't have it both ways really on this LVL thing.

So our main point on this is why isn't MDF part of this domestic industry? It is substitutable. It takes 15 minutes to shift the back end of a mill from one

raw material to another. It's cheaper, it's growing, people are investing hundreds of millions of dollars to provide that very MDF to them and others.

They seem incredibly oblivious to that product. They don't track it. They don't track the prices. They weren't aware they were losing sales, but several of them are actually engaged in a lot of MDF activity, which we hope comes out through the life span of this case. So to be clear, we think MDF needs to be included in the domestic industry analysis in this case.

CLOSING REMARKS BY ERIC EMERSON

MR. EMERSON: This is Eric Emerson. So I'd like to then turn to the issue of third country imports, which we talked about quite a bit. We talked about Chile. I think that got the most attention, but we also -- a number of the witnesses also mentioned Argentina and Mexico as other third country sources of product.

You know, if you take a look at the petition, Exhibit I-18, simply looking at the Petitioners' own data, if you were to add together the import volumes from Argentina, Chile and Mexico, they exceed Brazil in every single year that's recorded here in the petition, at prices that are similar to or sometimes below the Brazilian price.

So it really is, I think it's just not credible for the Petitioners to leave out such an enormous

chunk of import competition, particularly when as you've heard this afternoon, a number of importing witnesses who have extensive experience with products from all of these countries have told you that they're virtually indistinguishable in terms of quality, in terms of price, in terms of product range.

So we appreciate the fact that the preliminary questionnaires, the Commission requested pricing information on the Chilean imports, and in any final determination we may ask the Commission to expand that request for pricing data to cover some of these other very competitive countries as well.

MR. GRIMSON: Turning once more to the issue of the blanks, we would urge the Commission to ask the Petitioners to respond to the six factor test for who is a domestic producer basically, from the Iron Mechanical Transfer Device Controllers case, because it's important to nail down exactly what is the difference between the front end of this and the back end of the production, and the level of investment activity.

If the answer is that the back end is enough to make you a domestic industry, a domestic producer, then once again we say MDF must be in this industry.

MR. EMERSON: One issue that didn't come up this afternoon is the issue of price sensitivity. The

Petitioners placed a lot of weight on the importance of price in the purchasing decision, and that all of these decisions are based on price. But that goes against other testimony that you heard this morning.

There was a question about the confusion in the questionnaire, a little bit about the percentage value added to the finished product contributed by millwork of the value of a house. Obviously a trivial percentage, and counsel also talked about the demand insensitivity of this product. Both of those argue against a high level of price sensitivity in the market.

Similarly, as you heard, some of the end users in this case are some of the big box retailers, companies you've heard from before, companies like Lowe's and Home Depot. In order to be able to be a supplier to those companies, of course price is a consideration. But there are also extensive requirements for delivery, for quality, in order to be qualified as a supplier to those stores.

The notion that they run around simply seeking the lowest price from anyone I think is inconsistent with probably everything you've heard in a number of different cases, and is certainly not true here either.

MR. GRIMSON: Picking up on price specifically, the question that they really didn't seem to be able to answer this morning on Chile, if competition is

occurring solely on the basis of price, and if Chile is present in the market at a lower price, well why didn't Chile gain market share? Why didn't Chile also lose, provide injurious competition to them?

Their answer to that was kind of all over the place. One witness says, said you know they did have to compete with other import sources, but most interestingly one said that Chile just wasn't as aggressive as Brazil and China. I think that this shows that there's something else going on in the market than just price, because it can't be that -- the answer can't be basically the Chileans are lazy. That doesn't really work.

On profits, yes the Petitioners graphs show a decline in profitability in 2018 in making the price-cost squeeze argument. But it kind of falls apart if you look at 2019 then, when the inverse happened. So if they're only constrained on price by competition, so they can't raise prices when costs are going up, we heard today well costs went down in 2019 but their prices didn't seem to go down.

So this -- sometimes we get in these cases, the so-called photo negative post-petition effects. In my mind this 2019 really is the inverse of a cost-price squeeze, and it just is one more data point on the fact that there's a lot more going on in this market other than competition based purely on price. That's it for me.

MR. EMERSON: Then I'll end with threat, because we haven't really talked about threat at all. You know, for the same reasons that the Commission should make a negative determination as to material injury, a negative determination as to threat is equally warranted.

We have, I suspect we will see a relatively high level of AUVs by imports relative to the domestic industry. I think you'll see that there is -- the market trend toward MDF is going to be a significant factor that should lead the Commission to make a negative threat determination. We'll expand upon that obviously in our brief. But thank you very much for your time and your attention today.

MS. HAINES: Okay. On behalf of the Commission and the staff, I'd like to thank the witnesses who came here today as well as counsel, for helping us gain a better understanding of the product and the conditions of competition in the wood mouldings and millwork products industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, February 3rd. If briefs contain business proprietary information, a public version is due on Tuesday, February 4th.

The Commission has tentatively scheduled its vote on these investigations for Friday, February 21st, and the report, its determinations to the Secretary of Department of Commerce on Monday, February 24th. The Commission's opinions will be issued on Monday, March 2nd. Thank you all for coming. The conference is adjourned.

(Whereupon, at 3:17 p.m., the preliminary conference was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Wood Mouldings and Millwork Products from Brazil and China

INVESTIGATION NOS.: 701-TA-636 and 731-TA-1469-1470

HEARING DATE: 1-29-20

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 1-29-20

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