

**Testimony of  
Gary C. Trapp  
EVP, Cascade Wood Products, Inc.**

**Before The  
Office of the United States Trade Representative**

**The Impact of China's Trade Policies and Practices on Cascade  
Wood Products, Inc. and other United States Moulding and  
Millwork Manufacturing Companies**

**Presented  
International Trade Commission – Panel 17  
Court Room A**

**May 16, 2018  
12:30 pm**

Thank you for allowing me the time to express my deep concern over the impact of China's trade policies and practices on Cascade Wood Products, Inc. and other United States Moulding and Millwork Manufacturing Companies.

Until recently, Cascade Wood Products, Inc. (Cascade) would be considered a strong reflection of the American dream. The two principal owners, along with their families, started working at Cascade not long after graduating from high school. After a number of years of hard-work, and by being willing to risk all, they bought the company in 1978. From that point forward, they ran the company with a focus on providing well-paying jobs, along with great benefits for families in the community. They view the employees as an extension of their family and are very concerned about the welfare of both the employees and the community. Indeed, many of the employees have been with the company more than 25 years and for some, their entire working career will be at Cascade.

Over the last 40 years, Cascade has faced and overcome many different challenges. These range from the 1981-82 downturn in housing, reduced and restricted supplies of raw materials (ponderosa pine shop lumber) in the 1990s, an influx of South American competition in the early 2000s, and the collapse of the housing industry in 2008-09. While each of these periods were difficult, Cascade was able to manage and adapt to the challenges and continue to provide good jobs for families in Southern Oregon. We were able to do this through innovation, investment, and by focusing on our areas of strength during these difficult times.

Unfortunately, the challenge we face today from cheap Chinese imports, is far more difficult than the previous ones and poses a grave threat to Cascade and the 200 plus families that are dependent on Cascade. The two main areas of concern are the HS Codes 440910 (Wood,

Tongued, Grooved, Molded Etc., Coniferous) and 441820 (Doors And Their Frames And Thresholds, Of Wood). Since 2003, the combined imported value of these two codes has risen from \$29,355,000 to \$284,666,000 in 2017 (see Exhibit 1). This translates into a total percent growth from 2003 of 870% (see Exhibit 2). In comparing this to the actual US housing starts over this period, this means the combined number of Chinese mouldings and frames used per housing start, rose from \$15.89 in 2003 to \$236.65 in 2017 (see Exhibit 3). While this may not seem like a large increase, considering the overall cost of a new house, the loss of just a couple of dollars per start is devastating to Cascade and the employees.

Of course, the natural question is what is driving the move to Chinese imported mouldings and frames. The answer is very simple, below market prices. Currently, a pair of moulded, primed, and delivered door frames is being imported at a cost of \$8.42 per pair, or to use the common measurement in our industry, \$1,169 per thousand board feet. These prices are barely above the cost of raw material. Most of the imported Chinese frames are made from imported Radiata pine lumber from Chile and New Zealand. Based on the currently published price of Radiata #3 Shop plus freight, divided by the percent of recovered wood, their cost of material is approximately \$1,007 per thousand board feet or \$7.25 per pair of frames. This is before any labor and overhead for cutting, jointing, moulding, priming and shipping costs to the United States. This means they have \$1.17 or a markup of 16.1% to cover all of the manufacturing and shipping costs plus any profit (see Exhibits 4-5).

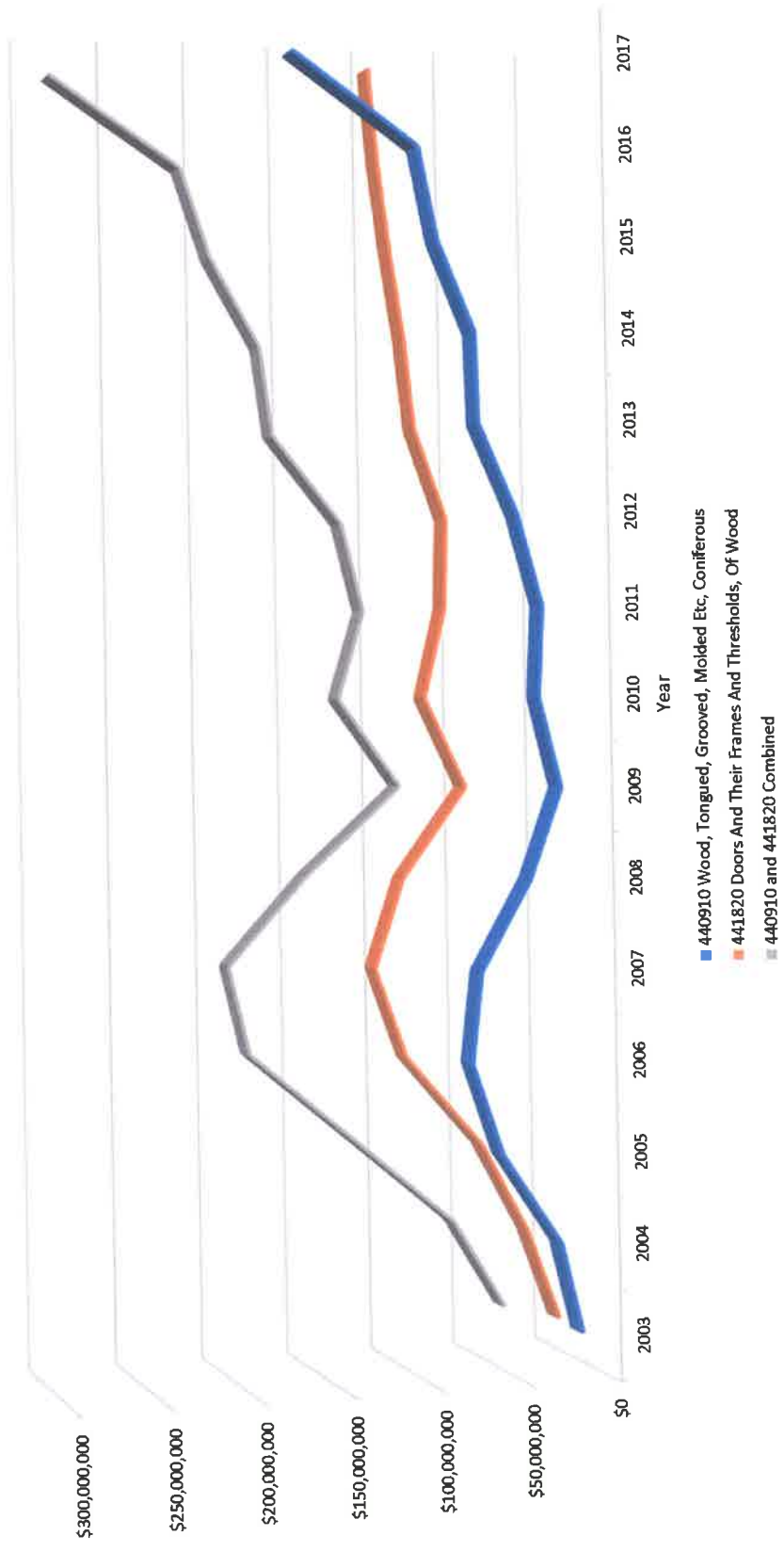
While labor costs are lower in China, it is very unlikely that the prices they are charging cover all of their costs or provide any profit for the seller. These prices are simply designed to gain market share and drive US producers out of business. The impact of these pricing policies

is already having an impact on US producers with a facility already being closed this year in Tennessee. Unfortunately, if nothing is done, more jobs will be lost and families hurt.

Although, we have invested heavily in creating one of the most effective and efficient cutting system for shop lumber, we cannot compete with prices that are below product cost and respectfully request that you add HS Codes 440910 and 441820 to the tariff list with a minimum tariff of 25%. This will help ensure the continued viability of both Cascade and other US wood product manufacturing companies and retain valuable jobs for families in smaller communities.

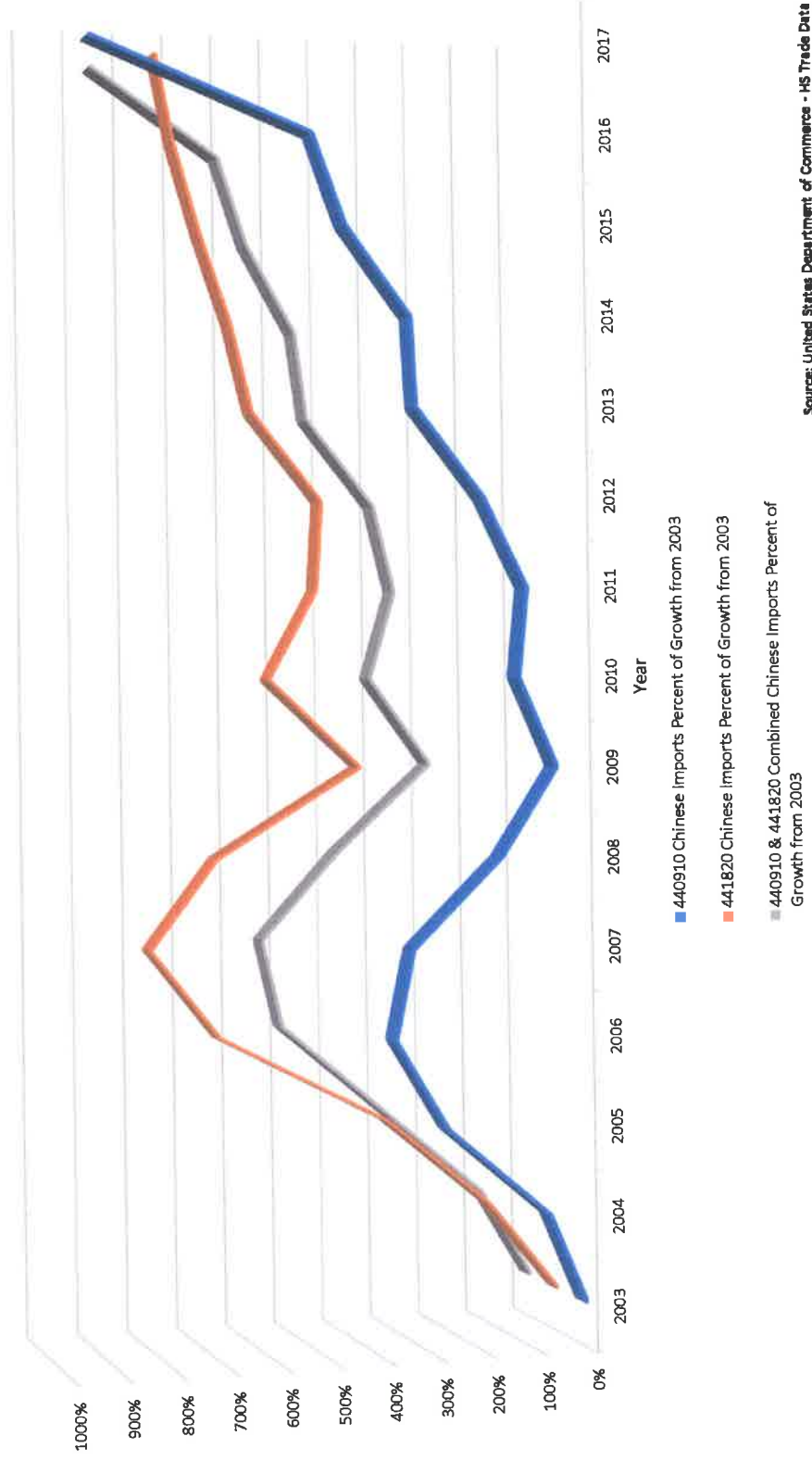
# US Imports of Chinese Frames and Mouldings

(Exhibit 1)

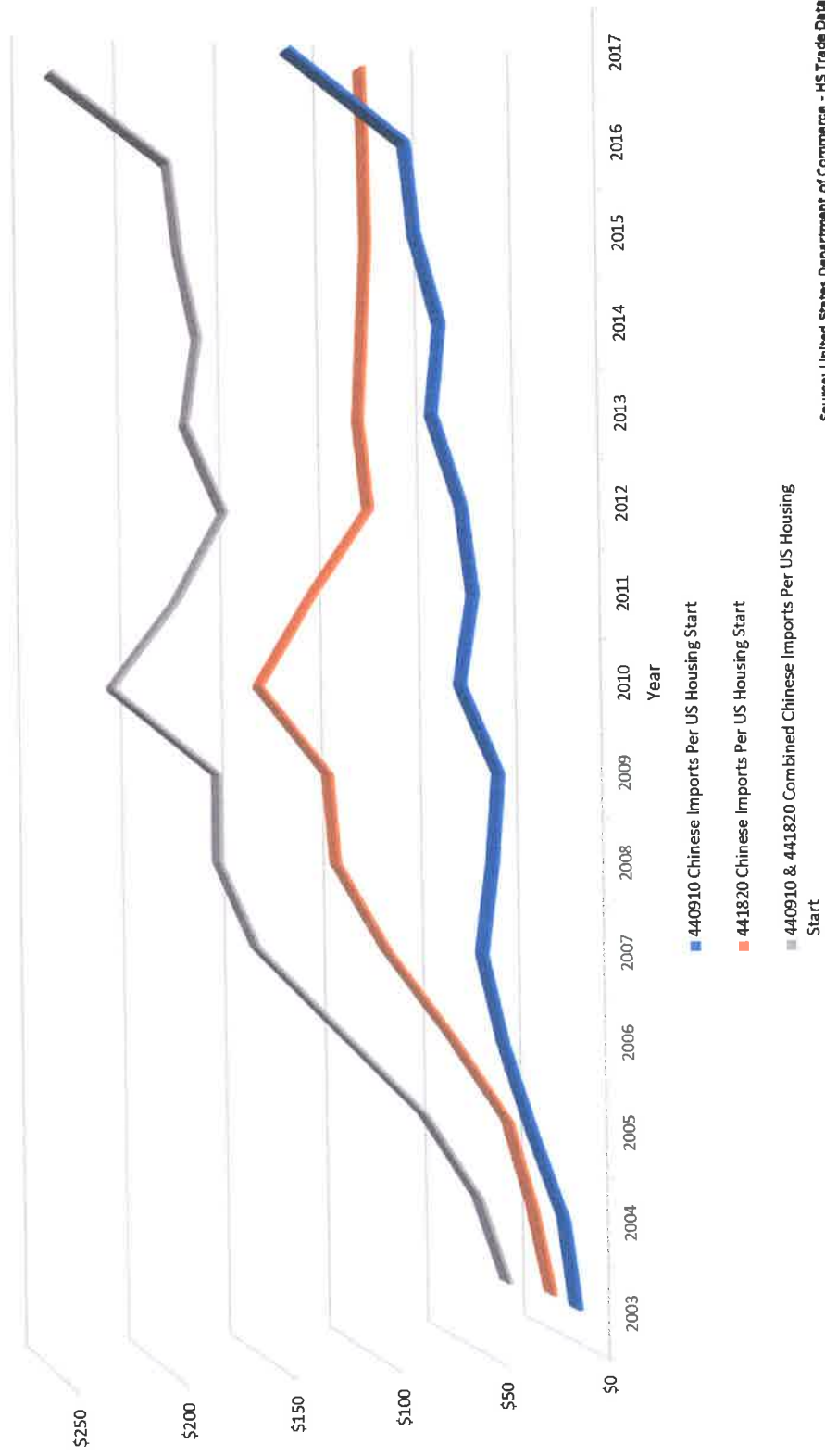


Source: United States Department of Commerce - HS Trade Data

## US Imports of Chinese Frames and Mouldings Percent of Growth from 2003 (Exhibit 2)



# US Imports of Chinese Frames and Mouldings Sales Per US Housing Start (Exhibit 3)



Source: United States Department of Commerce - HS Trade Data

# **RANDOM LENGTHS** (Exhibit 4)

DATE: 4/20/2018

<u>PONDEROSA PINE</u>						
MOULDING	3rd CLEAR	#1 SHOP	#2 SHOP	#3 SHOP	PARA. 99	
4/4	\$815	0	\$775	0	\$610	0
5/4	****	\$1030	0	\$1015	0	\$880
6/4	****	\$1055	0	\$1030	0	\$945
<u>RADIATA</u>						
5/4	****	\$915	0	\$840	0	\$760
6/4	****	\$995	0	\$955	0	\$870
<u>WHITE FIR</u>						
5/4	****	\$785	+10	\$660	+10	\$575
6/4	****	\$850	0	\$810	0	\$705
PONDEROSA		WHITE FIR		RADIATA PINE		
5/4	\$1240	+10	\$1080	+10		
6/4	\$ 1400	+10	\$1150	0		
<u>INDUSTRIAL FINGERJOINT</u>						
			BLOCKS		BLANKS	
5/4 Radiata		\$935	0		\$1050	0
5/4 Elliottii / Taeda		\$945	0		\$1025	0



## Cost of Material Calculation (Exhibit 5)

Random Lengths as of 4/20/2018

Radiata\*

Freight from Chile\*\*

Total Cost

#3 Shop	
\$	655.00
\$	50.00
\$	<u>705.00</u>

% of Recovered Wood\*\*\*

70%

Cost of Recovered Wood Per Thousand Board Feet (Total Cost/% of Recovered Wood)

**\$ 1,007**

Cost of Recovered Wood Per Pair of Chinese Door Frames (4 9/16 X 6"8")

**\$ 7.25**

Price of Chinese Door Frames (4 9/16 X 6'8" Moulded, Primed & Delivered)

\$ 8.42

Board Footage Per Pair of Chinese Door Frames

7.20

Cost Per Thousand Board Feet Per Pair of Chinese Door Frames (Price/Board Footage\*1000)

\$ 1,169.44

\$ Available for Cutting, Fingerjointing, Moulding, Priming, Shipping, and Profit

\$ 1.17

Cost of Material % Without Other Costs

**86%**

\* Price Per Thousand Board Feet

\*\* Assumed cost to ship shop lumber to China from Chile

\*\*\* This is the useable wood after the lumber has been cut and defects removed.