

IMPORTERS FIGHT PLYWOOD DUTY

Hoping to boost their exports to the U.S. while keeping prices down, Brazil's largest plywood producer is trying to rally support among domestic distributors, dealers, builders and contractors to persuade the U.S. to permanently rescind the "most favored nations" duty on plywood shipments from Brazil. Since July 1, Brazilian shippers have been forced to pay an 8% duty on softwood plywood entering the U.S. Under the United States Generalized System of Preferences (GSP), certain developing countries such as Brazil were excused from paying tariffs on certain products as long as total shipments did not exceed either (1) 50% of all imports of the particular product or (2) a maximum annual value (in 2004, \$115 million). In 2004, Brazil surpassed both "competitive need limits," by shipping \$250 million of product-50% of all softwood plywood imported into the U.S. As a result, Conex Forest Products, Jacksonville, Fl., expects Brazilian imports to "nose-dive," according to Steve Conowall. "A lot of mills can no longer afford to ship to the U.S. [Plywood] prices have been falling since they spiked after Katrina. Gas prices are up. Ocean freight costs are higher. Adhesives are more. Currency exchange rates have changed dramatically. The mills are being squeezed. Manufacturers are cutting production just when we need more plywood." Conex's primary supplier of Brazilian plywood, the Guararapes group of mills, has retained Washington, D.C.-based law firm Adduci, Mastriani & Schaumberg, LLP, to convince the U.S. to drop the duty. "It is our position that rescinding the tariff will have no adverse affect on the U.S. plywood industry as it is operating at capacity and selling all the plywood it can manufacture at prices higher than the norm," said attorney William C. Sjoberg. Citing recent APA forecasts that show U.S. plywood production falling increasingly behind demand, he argues that domestic producers have been drastically reducing plywood capacity while increasing

OSB capacity, thereby becoming less able to meet the demand for plywood. "Thus," contends Sjoberg, "Brazilians are meeting a need which the U.S. panel industry is unable-there is a scarcity of peeler logs in the U.S., particularly in the Gulf region-or unwilling-insufficient investment in new U.S. plywood capacity-to meet." Yet, APA's Jack Merry disagrees with the assertion that U.S. producers cannot meet the demand. "Actually, the U.S. plywood industry's production-to-capacity ratio is fore-cast to decline in each of the next three years, to 93% in 2008, so there's more than enough domestic plywood capacity to meet demand," Merry said. "Moreover, most of the Brazilian plywood imports actually compete in the single-layer floor market, a major market for OSB, which faces an even more precipitous decline in the production-to-capacity ratio-something on the order of 80% by 2008. So the problem ahead is too much capacity, not too little." APA and a number of U.S. plywood producers support continuing the tariff, Merry said, "on the principle that 'preferential' treatment ought to have limits. U.S. imports of Brazilian plywood through May [2005] represented almost 70% of the value of all plywood imports, far beyond the 50% threshold." Adduci, Mastriani & Schaumberg filed a petition in June requesting that the competitive need limits be waived on Brazilian plywood. In August the GSP subcommittee agreed to review the petition for review, and hearings were held in October by the subcommittee and by the U.S. International Trade Commission. Conowall and Larry Warner, Roberts & Dybdahl Inc., Des Moines, Ia., were among those testifying at the hearings. Conex, Roberts & Dybdahl, and Sherwood Lumber Corp., Islip, N.Y., have formed an ad hoc committee, the Plywood Distributors Association, to back the effort. The subcommittee is currently deliberating and this spring should make its recommendation to President Bush, who will ultimately decide whether or not to lift the 8% duty, effective July 1, 2006.