
Coalition for Enforcement of Antidumping And Countervailing Duty Orders

CASE STUDY: M & B HANGERS (LEEDS, ALABAMA)

Milton M. Magnus, III recently fired up a half-million dollar paint-coating oven for his Leeds, Alabama-based wire garment hanger manufacturing business, M & B Hangers. His products are sold through distributors to drycleaners, industrial clothing rental companies and formal wear companies across America, and used daily by millions of Americans.

But unless demand for that product returns to where it was a year ago, the new oven may have been a waste of his time, money and line of credit.

Ironically, the recession isn't the problem. The problem is illegally dumped hangers, manufactured in China and shipped to the U.S. in boxes marked "Made in Korea" or "Made in Vietnam." These hangers are being falsely labeled and dumped at prices below the cost of production, undercutting U.S. manufacturers' prices and putting a hammerlock on the industry. An investigation by a coalition of U.S. steel wire products manufacturers reported clear evidence that these shipments are part of a widespread pattern of deliberate evasion of antidumping import duties ordered by the U.S. Department of Commerce. The illegal practice is costing the U.S. Treasury millions of dollars.

M & B is a third-generation, family-run business that was founded 67 years ago by Mr. Magnus' grandfather, Milton M. Magnus Sr., and a partner, Roy Brekle. They worked for Pepsi Cola in Birmingham at the time and left the company to re-form old bottle caps – steel for bottle caps was hard to obtain, due to World War II shortages. A local dry cleaner told them that hangers were also hard to get, so they built a machine, bought a coil of wire at a hardware store and the business grew from there. Mr. Magnus' father, Milton Jr., ran the company after Milton Sr. died in 1965. Milton's son, Milton, IV, now works for the company in sales.

"My father faced the same challenges most business owners faced, but nothing like the unfair trade that surfaced in the last decade," Mr. Magnus said.

"We started work on the new paint oven last May, and it's going through tests right now," he said. "Business was still good when we began planning the project over a year ago, but right now we don't have the capacity necessary to run it. So we'll probably alternate it in production with our other ovens, just to keep it from deteriorating."

He also notes that he has hanger machines sitting idle and that his employment is down 15 percent over the last 14 months, not through layoffs but by not replacing workers who have retired or quit. The factory runs three shifts and currently employs 100, but he estimates that he could add another 50 workers and double production if business was where it should be. In an area (Leeds is a suburb of Birmingham) that is currently at approximately 10 percent unemployment, 50 new manufacturing jobs would be welcome news.

The effects of China's original dumping practices resulted in M & B shutting down an 80-person Virginia factory in 2005. When the antidumping case was filed, Mr. Magnus took a longtime factory employee with him to Washington to testify before the U.S. International Trade Commission to explain what her job and the jobs of her associates meant to her, the region and the overall economy. He wanted to illustrate that the issue was beyond business owners like himself – it affected the lives of everyday Americans.

“We saw business pick up substantially after we won our trade case in 2008. But it was not long before we started hearing from our distributors that their customers were buying hangers in boxes with labels that said ‘Made in Korea’ or ‘Made in Vietnam.’ If you pulled the label off, the printing on the box read ‘Made in China.’ They were shipping through companies in these countries that were supposed to be the manufacturer, but, in fact, were not. Then they got more sophisticated, simply printing new boxes that read ‘Made in Korea’ or ‘Made in Vietnam,’ doing away with the re-labeling. Hundreds of millions of hangers are coming in at very low pricing.

“Our distributors want to play by the rules, but they have customers who demand the lowest price,” he said. “I’ve seen my distributors having to buy foreign hangers that they think might be illegal, just to stay in business.”

Mr. Magnus cites the case of another hanger manufacturer that started production in Delaware just after the 2008 ruling because he saw an opportunity under the new protection. That company has already shut down, he said, because it just couldn’t compete with the illegal imports. “The industry overall saw things pick up after the ruling, but things started to change soon after,” he said.

Mr. Magnus estimates that just a few years ago there were six large U.S. hanger manufacturers. M & B is the only survivor.

He wonders about his future – and the future of his employees. Some M & B employees are third-generation workers.

“It’s criminal to see what’s happening today,” he said.

**Source: Coalition for Enforcement of Antidumping and
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