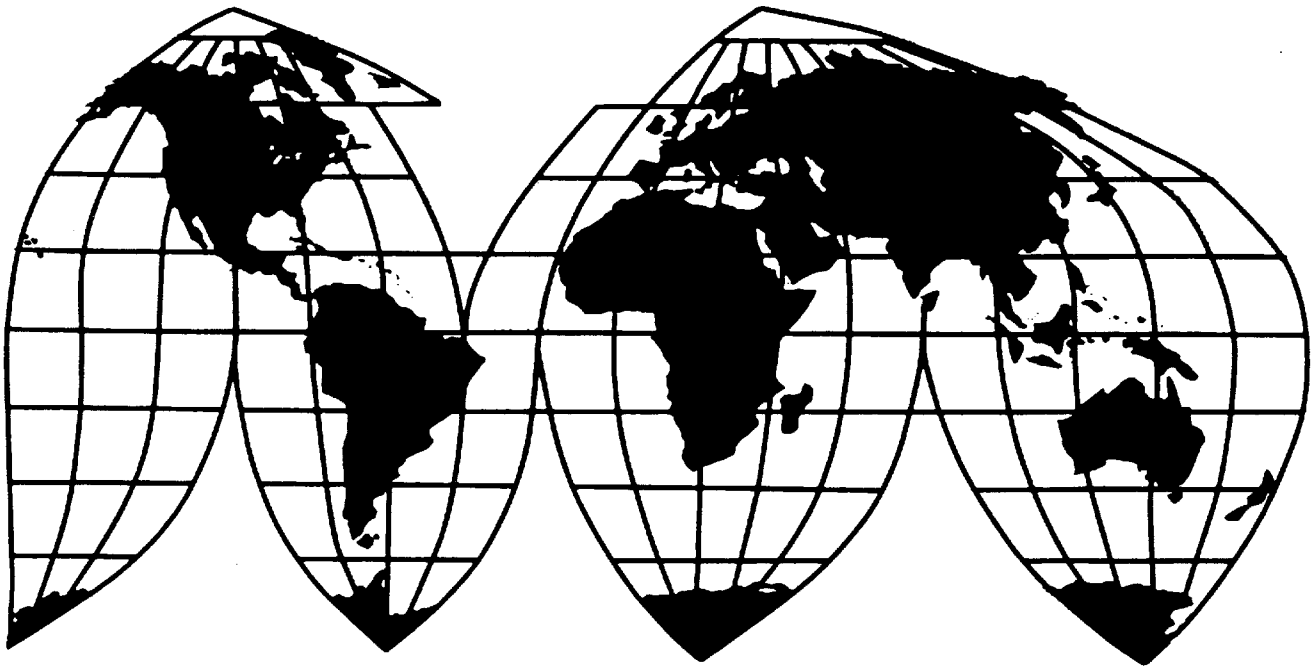
Purified Carboxymethylcellulose From Finland, Mexico, Netherlands, and Sweden

Investigations Nos. 731-TA-1084-1087 (Preliminary)

Publication 3713 **July 2004**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Stephen Koplan, Chairman
Deanna Tanner Okun, Vice Chairman
Marcia E. Miller
Jennifer A. Hillman
Charlotte R. Lane
Daniel R. Pearson

Robert A. Rogowsky
Director of Operations

Staff assigned

Cynthia Trainor, *Investigator*
Eric Land, *Industry Analyst*
Gerald Benedick, *Economist*
Chand Mehta, *Accountant*
Neal Reynolds, *Attorney*
Lemuel Shields, *Statistician*
Diane Mazur, *Supervisory Investigator*

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Purified Carboxymethylcellulose From Finland, Mexico, Netherlands, and Sweden

Investigations Nos. 731-TA-1084-1087 (Preliminary)

Publication 3713 **July 2004**

CONTENTS

CONTENTS

Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

GLOSSARY OF TERMS

AUV	Average unit value
CMC	Carboxymethylcellulose
COGS	Cost of goods sold
Commission	U.S. International Trade Commission
F.o.b.	Free on board
FR	*Federal Register*
HTS	Harmonized Tariff Schedule of the United States
PRWs	Production and related workers
R&D	Research and development expenses
SG&A	Selling, general, and administrative

GLOSSARY OF FIRMS

Akzo	Akzo Nobel Cellulosic Specialties, Inc.
Akzo Netherlands	Akzo Nobel Surface Chemistry bv
Amtex	Quimica Amtex S.A. de C.V.
Aqualon	Aqualon Co., a Division of Hercules Inc.
***	
Azteca	Azteca Milling LP
***	
***	
***	
***	
***	
***	
***	
***	
***	
***	
Noviant.	Noviant Inc.
Noviant Finland	Noviant OY
Noviant Netherlands	Noviant BV
Noviant Sweden	Noviant AB
***	
***	
***	
***	
***	
***	
TIC	TIC Gums

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-1084-1087 (Preliminary)

PURIFIED CARBOXYMETHYLCELLULOSE FROM FINLAND, MEXICO, NETHERLANDS, AND SWEDEN

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Finland, Mexico, the Netherlands, and Sweden of purified carboxymethylcellulose, provided for in subheading 3912.31.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of these investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of these investigations need not enter a separate appearance for the final phase of these investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On June 9, 2004, a petition was filed with the Commission and Commerce by Aqualon Co., a division of Hercules, Inc., Wilmington, DE, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of purified carboxymethylcellulose from Finland, Mexico, the Netherlands, and Sweden. Accordingly, effective June 9, 2004, the Commission instituted antidumping duty investigations Nos. 731-TA-1084-1087 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 17, 2004 (69 FR 33938). The conference was held in Washington, DC, on June 30, 2004, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of purified carboxymethylcellulose from Finland, Mexico, the Netherlands, and Sweden that are allegedly sold at less than fair value.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. BACKGROUND

Purified carboxymethylcellulose ("CMC") is a white to off-white, non-toxic, odorless, biodegradable powder, that consists of sodium CMC refined to a minimum assay of 90 percent. It is a water-soluble polymer that can be dissolved in hot or cold water.[3] Purified CMC is used for a variety of applications in a number of industries, including the food, personal care, pharmaceutical, oilfield and paper industries. It is generally valued for its properties as a binding, thickening, and stabilizing agent in these end uses.[4]

The petition was filed on June 9, 2004, by the Aqualon Company ("Aqualon"), a division of Hercules, Inc.[5] Aqualon is the only domestic producer of purified CMC.[6]

Respondents in these preliminary phase investigations include the members of the Noviant Group, *i.e.*, the Finnish producer and exporter Noviant OY, the Dutch producer and exporter Noviant BV, and the Swedish producer and exporter Noviant AB, as well as the U.S. importer Noviant Inc.[7] Noviant Inc. accounted for a substantial share of all subject imports in 2003.[8] Respondents also include the Mexican producer and exporter Quimica Amtex S.A. de C.V. ("Amtex") and the Dutch producer and exporter Akzo Nobel Surface Chemistry BV ("Akzo").[9] The respondents filed a joint brief in the

---

[1] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

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

[3] Confidential Staff Report ("CR") at I-6, Public Staff Report ("PR") at I-5.

[4] CR at I-6, PR at I-5.

[5] CR/PR at I-1.

[6] Id.

[7] CR at I-1-2, PR at I-1.

[8] Id.

[9] CR at I-2, PR at I-1.

investigation; the Mexican producer Amtex also filed its own brief discussing cumulation issues for Mexico.

III. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[10] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[11] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . . "[12]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[13] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[14] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[15] Although the Commission must accept the determination of the U.S. Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[16] The Commission must base its domestic like product determination on the record in these investigations. The Commission is not bound by prior determinations, even those pertaining to the

---

[10] 19 U.S.C. § 1677(4)(A).

[11] Id.

[12] 19 U.S.C. § 1677(10).

[13] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) consumer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[14] See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

[15] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.")

[16] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[17]

B. Product Description

In its notice of initiation, the Department of Commerce defined the subject merchandise as "all purified carboxymethylcellulose."[18] Commerce has defined "purified CMC" as being:

> a white to off-white, non-toxic, odorless, biodegradable powder, comprising sodium carboxymethylcellulose that has been refined to a minimum assay of 90 percent . . . Purified CMC is CMC that has undergone one or more purification operations which, as a minimum, reduce the remaining salt and other by-product portion of the product to less than ten percent.[19]

Purified CMC is sometimes referred to as "purified sodium CMC, polyanionic cellulose, or cellulose gum."[20] Excluded from the scope are three other forms of CMC, including "unpurified or crude" CMC (often called "technical CMC"),[21] CMC in fluidized polymer suspensions,[22] and CMC that is cross-linked through heat treatment.[23]

Purified CMC is used for a variety of end uses in a wide range of products and industries. The four major end use industries for CMC are: the food industry, accounting for *** percent of domestic consumption of CMC in 2003; the oil drilling industry, accounting for *** percent of domestic consumption in 2003; the personal care, cosmetic and pharmaceutical industries, accounting for *** percent of domestic consumption in 2003; and the paper and board industry, accounting for *** percent

---

[17] Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[18] Notice of Initiation of Antidumping Duty Investigations: Purified Carboxymethylcellulose (CMC) from Finland, Mexico, the Netherlands, and Sweden, 69 FR 40617, 40618 (July 6, 2004). Purified CMC is currently classified under subheading 3912.31.00 of the Harmonized Tariff Schedule of the United States (HTSUS).

[19] Id.

[20] Id.

[21] "Crude" or "technical" CMC is a form of CMC that contains significantly higher levels of salts and other by-products than purified CMC. Petition at 3. Crude or technical CMC contains, on average, 30 percent by weight of salts and other impurities, while purified CMC has been purified to a level containing less than 10 percent of salts and other impurities. Id. Crude or technical CMC is used primarily in detergents to inhibit redeposit of soils and as a production process aid and fabric sizing in the textile industry. Petition at 10.

[22] Fluidized Polymer Suspensions ("FPS") are proprietary suspensions of cellulose ethers in a non-hydrated (i.e., non-water-based) state. Petition at 3, n. 6. CMC in FPS form is designed primarily for customers who prefer liquid handling to dry powder handling. Id. CMC in FPS state is contained in a non-aqueous solution and the active CMC concentration is up to 45 percent. According to Petitioner, they are priced substantially higher than the powder forms of CMC. Id.

[23] Cross-linked sodium CMC is a partially soluble and highly absorbent polymer produced by acidifying an aqueous solution of sodium CMC and heating it to achieve cross-linking, which occurs when cellulose polymer chains are linked together by covalent linkages. Petition at 3, n. 7. CMC does not have these linkages. Moreover, cross-linked CMC is used as a disintegrant in pharmaceutical tablets.

of domestic consumption in 2003.[24] Purified CMC is also used in other industries, such as the ceramics, and textiles industries.[25]

C. Arguments of the Parties

The parties agree that the Commission should find one domestic like product, consisting of all purified CMC, for purposes of these preliminary phase investigations. Aqualon argues that all forms of purified CMC share the same basic chemical composition, are interchangeable to some degree, and are sold in the same channels of distribution.[26] Aqualon also argues that all grades of purified CMC are considered by most producers and purchasers to be part of a single product category, and are produced using the same production processes and employees.[27] Respondents agree that the domestic like product should be defined as purified CMC for purposes of these preliminary phase investigations;[28] however, they note that they may adopt a different position in any final phase investigations.[29]

D. Analysis

For purposes of the preliminary phase of these investigations, we find one domestic like product consisting of all purified CMC, as that product is defined in the scope of investigation. Although purified CMC is produced in a variety of grades – each with somewhat different physical characteristics – and is used for a variety of purposes in the four major end use industries,[30] all grades of CMC share the same basic chemical composition (that is, they are all forms of highly purified CMC) and are generally used by various end use purchasers as thickening, binding or stabilizing agents.[31] Moreover, although there is a limited level of substitutability among the various grades of purified CMC in that certain lower purity grades of purified CMC (such as those used in the paper and oilfield industries) cannot be used in products (such as food products) that require higher-purity levels, the record indicates that higher-purity grades of purified CMC are substitutable, to some extent, with each other and with lower level grades of CMC in uses requiring lower-purity CMC.[32]

Furthermore, the record indicates that all purified CMC is generally sold in the same channels of distribution, with the large bulk of domestic and subject purified CMC being sold to end users in the market.[33] The record also suggests that market participants appear to perceive all grades of purified CMC as being part of the same general product category,[34] and that the domestic and subject producers produce

---

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

[25] CR at I-7, PR at I-5.

[26] Petitioner's Postconference Brief at 5.

[27] Petitioners' Postconference Brief at 6.

[28] Respondents' Joint Postconference Brief at 5.

[29] Respondents' Joint Postconference Brief at 5, n. 8. In particular, they note that CMC in FPS form and crude CMC could be considered part of the domestic like product. Respondents' Joint Postconference Brief at 6-10.

[30] For example, the various grades of purified CMC may have different viscosity, solubility, and "level of substitution" characteristics from each other, that provide the grades with slightly difference performance characteristics for each end use industry. Petition at 4-7.

[31] CR at I-5-6, PR at I-4-5.

[32] CR at I-7, PR at I-6; Petitioner's Postconference Brief at 5.

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

[34] See, e.g., Petition at Exhibit 1H (*IMR International Quarterly Review of Food Hydrocolloids, Third Quarter 2003).*

all forms of purified CMC using the same or similar production processes, facilities and employees.[35] Finally, the record indicates that, although prices vary somewhat, the prices of purified CMC are relatively similar across a range of end uses, with average domestic and import prices ranging from $*** per pound for oilfield uses to $*** per pound for "other" uses in 2003.[36]

On the whole, we believe that the record of these preliminary phase investigations indicates that the various grades of purified CMC form a continuum of products within the overall purified CMC category. All forms of purified CMC share the same general characteristics and uses, are interchangeable to a limited degree, are produced using the same production processes, facilities, and employees, are sold in the same channels of trade, and share somewhat similar pricing levels. Accordingly, we define the domestic like product as all purified CMC.[37]

IV. DOMESTIC INDUSTRY

The domestic industry is defined as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[38] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[39] Based on our finding that the domestic like product consists of all purified CMC, we find that the domestic industry consists of Aqualon, the only domestic producer of purified CMC.[40]

V. CUMULATION[41]

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.[42] In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

---

[35] CR at III-2, VII-6, VII-8, & VII-10-11, PR at III-1, VII-3-4 & VII-6; Petitioner's Postconference Brief at Answers to Staff Questions, p. 1.

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

[37] In making this finding, we note that the record of these preliminary phase investigations indicates that CMC in FPS form and crude CMC could be said to share some physical and chemical characteristics with purified CMC and can broadly be described as having similar end uses. Petition at 3. We did not collect data for these products in these preliminary phase investigations. We intend to obtain data for these products in any final phase investigations and will examine the issue of whether these products are part of the domestic like product. We note that there is no domestic production of cross-linked CMC.

[38] 19 U.S.C. § 1677(4)(A).

[39] United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[40] CR/PR at I-1.

[41] We do not find that the subject imports from any of the subject countries were negligible for purposes of these preliminary phase investigations. The subject imports from Finland, Mexico, the Netherlands, and Sweden were all above the three percent negligibility threshold during the most recent twelve-month period for which data were available preceding the filing of the petition. CR/PR at Table IV-2; 19 U.S.C. § 1677(24).

[42] 19 U.S.C. § 1677(7)(G)(i).

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
(4) whether the subject imports are simultaneously present in the market.[43]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.[44] Only a "reasonable overlap" of competition is required.[45] None of the statutory exceptions to the general cumulation rule apply to these investigations.[46]

A. Arguments of the Parties

Aqualon argues that the Commission should cumulate the subject imports from Finland, Mexico, the Netherlands, and Sweden for purposes of its injury analysis.[47] Aqualon contends that the majority of manufacturers and importers reported that the subject imports are interchangeable with one another and the domestic merchandise and that domestic and subject suppliers sell the same standard grades of purified CMC in the market.[48] They also assert that the record indicates that the subject imports and the domestic merchandise were sold in the same channels of distribution, were sold throughout the nationwide market for CMC, and were present in the market throughout the period of investigation.[49]

Respondents contend that the Commission should not cumulate the subject imports from Finland and Mexico with any of the other subject countries.[50] They argue that there is virtually no direct competition between Mexico and Finland and the other subject countries or the domestic merchandise within the four major end use categories in the purified CMC market.[51] In particular, they assert that the vast majority of Finland's shipments of purified CMC are sold for oilfield and paper uses in the market, but there were no sales of Mexican merchandise and minimal sales of Dutch and Swedish merchandise

---

[43] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

[44] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[45] The SAA (at 848) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." Citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd 859 F.2d 915 (Fed. Cir. 1988). See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082,1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Mukand Ltd., 937 F. Supp. at 916; Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[46] 19 U.S.C. § 1677(7)(G) (ii).

[47] Petitioner's Postconference Brief at 8-13.

[48] Petitioner's Postconference Brief at 8-9.

[49] Petitioner's Postconference Brief at 9-10.

[50] Respondents' Joint Postconference Brief at 43-50.

[51] Respondents' Joint Postconference Brief at 46-50.

for these end uses during the period of investigation.[52] Moreover, they argue, the large majority of subject imports from Mexico are sold to two customers who are unlikely to purchase any merchandise from the domestic producer Aqualon, indicating that the subject imports from Mexico do not compete with the domestic merchandise.[53]

B. Analysis

We find that the record evidence of these preliminary phase investigations indicates that there is a reasonable overlap of competition among the subject countries and the domestic like product during the period of investigation. Accordingly, we have cumulated the subject imports from Finland, Mexico, the Netherlands, and Sweden for purposes of our material injury analysis.

1. Fungibility

The record indicates that market participants generally perceive the domestic and subject merchandise to have a reasonable degree of interchangeability for one another in the purified CMC market. In particular, the sole domestic producer Aqualon reports that domestic purified CMC and purified CMC imports from each of the four subject countries are "always" or "frequently" interchangeable with one another.[54] Similarly, the majority of importers able to make such comparisons report that imports from the four subject countries and the domestic merchandise are "always," "frequently" or "sometimes" interchangeable with one another.[55] In this regard, the record suggests that most suppliers, domestic and import, offer the same standard grades of purified CMC in the market.[56]

Although Respondents argue that there is a very limited degree of competitive overlap between the subject imports among certain categories of purchasers in the market, we find that there is a reasonable overlap of competition among the subject imports from Mexico, the Netherlands and Sweden and the domestic merchandise for sales to food use purchasers.[57] We also find a reasonable overlap of competition between the subject imports from Finland and the Netherlands and the domestic merchandise for sales to oilfield end users.[58] Furthermore, although the record evidence on sales to categories of end use purchasers shows a more limited level of overlap between Mexico and Finland during the period of investigation, the price comparison data shows that Mexico and Finland both sold substantial amounts of pricing product 3, a standard grade of CMC, throughout the period of investigation.[59] Similarly, although

---

[52] Respondents' Joint Postconference Brief at 47-49; Amtex Postconference Brief at 3-8.

[53] Respondents' Joint Postconference Brief at 49-50; Amtex Postconference Brief at 3-8.

[54] CR/PR at Table II-2.

[55] Id. The only exception to this analysis is the comparison of Finland and the Netherlands, where one importer reported that the Finnish and Dutch imports were "always" interchangeable, one importer reported they were "sometimes" interchangeable, and two importers stated they were "never" interchangeable. Id.

[56] See, e.g., Conference Transcript ("Tr.") at 168-69 (Mr. Reid) & 169-70 (Mr. Piotti).

[57] CR/PR at Table IV-3 & Table D-1. In particular, between *** percent and *** percent of domestic shipments, between *** percent of Mexican imports, between *** percent of Dutch shipments, and between *** percent of Swedish shipments were shipped to the food use purchasers on an annual basis during the period of investigation. CR/PR at Table IV-3.

[58] The domestic producer shipped between *** percent of its shipments into the oilfield sector during the period, while the Finnish producer shipped between *** percent of its shipments and the Dutch producer shipped between *** percent of its shipments into this sector during the period of investigation. CR/PR at Table IV-3.

[59] CR/PR at Tables V-2 & V-3. The price comparison data showed that there were *** pounds of subject Mexican imports of this product during the period of investigation and *** pounds of subject imports from Finland.

(continued...)

the end use data show a more limited amount of competitive overlap between the subject imports from Finland and Sweden, the data also indicate that substantial percentages of the subject imports from Sweden and Finland were sold to oilfield purchasers during the first year of the period of investigation.[60]

In making this finding, we note that there is some support on the record for Respondents' argument that imports from Finland were sold *** to paper and oilfield end users, and that imports from Mexico and Sweden were not consistently sold to paper or oilfield purchasers during each year of the period of investigation.[61] In any final phase investigations, we intend to examine the extent to which there is actual competition for sales in the U.S. market among the subject imports from Finland, Mexico and Sweden.[62]

2. Channels of Distribution

The large majority of subject imports and the domestic merchandise were sold to end users during the period of investigation. During each year of the period, the domestic and subject suppliers from each subject country sold at least *** percent of their shipments to end users on a yearly basis, with the remainder being sold to distributors.[63] Thus, we find that the subject and domestic merchandise shared similar channels of distribution during the period of investigation.

3. Simultaneous Presence

The subject imports from Finland, Mexico, the Netherlands and Sweden and the domestic merchandise were present in substantial volumes in the U.S. market throughout each year of the period of investigation and during interim 2004.[64] Thus, we find that the subject imports and the domestic merchandise were simultaneously present in the market during the period of investigation.

---

[59] (...continued)
Id. We also note that *** an oilfield end user and importer, imported *** pounds of subject merchandise from Mexico during the four month period after the end of the period of investigation in 2004, at the same time that it was importing *** pounds of Finnish merchandise. CR at VII-18., PR at VII-7. This volume of Mexican imports represented approximately *** percent of reported subject imports from Mexico after March 2004, and would have been equivalent to *** percent of total Mexican imports in 2003. Compare id. with CR/PR at Table IV-2.

[60] Approximately *** percent of total imports from Sweden and *** percent of imports from Finland were sold to oilfield purchasers in 2001. CR/PR at Table D-1.

[61] CR/PR at Tables IV-3 & D-1.

[62] In any final phase investigations, we intend to examine the nature of competition in sales for different end uses, including whether suppliers sell the same standard grades of purified CMC to different categories of end user, the role of sales to blenders and distributors, and whether sales to purchasers in the "other" end use category are more properly classified in other end use categories.

[63] CR/PR at Table I-1.

[64] CR/PR at Tables IV-5 & IV-6.

4. Same Geographical Markets

The record reflects that the market for purified CMC is a nationwide one and that the domestic and subject merchandise are sold throughout this nationwide market.[65] In particular, the record shows that the domestic producer shipped *** percent of its merchandise and the subject importers shipped *** percent of their merchandise to locations within 100 miles of their shipping location; the domestic producer shipped *** percent of its merchandise and the subject importers shipped *** percent of their merchandise to locations from 100 to 500 miles away from their shipping locations; and the domestic producer shipped *** percent of its merchandise and the subject importers shipped *** percent of their merchandise to locations over 500 miles away from their U.S. shipping locations.[66] Moreover, counsel for the Dutch producer Akzo conceded at the conference that the market was a nationwide market.[67]

5. Conclusion

On the whole, we find that there was a reasonable overlap of competition between the subject imports from Finland, Mexico, the Netherlands, and Sweden and the domestic merchandise during the period of investigation. Accordingly, we cumulate the subject imports from all four countries for purposes of our injury analysis in these preliminary phase investigations.

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS FROM FINLAND, MEXICO, THE NETHERLANDS, AND SWEDEN

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[68] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[69] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[70] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[71] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[72]

---

[65] CR at V-2, PR at V-1-2.

[66] Id.

[67] Tr. at 158 (Mr. Horlick). In their joint postconference brief, Respondents also stated that no party was disputing that the subject imports compete in the same geographic markets and were simultaneously present in the market. Respondents' Joint Postconference Brief at 46, n. 65.

[68] 19 U.S.C. §§ 1671b(a) and 1673b(a).

[69] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor ... [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also, e.g., Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[70] 19 U.S.C. § 1677(7)(A).

[71] 19 U.S.C. § 1677(7)(C)(iii).

[72] 19 U.S.C. § 1677(7)(C)(iii).

A. Conditions of Competition and the Relevant Business Cycle[73]

We have taken the following conditions of competition into account when assessing whether there is a reasonable indication of material injury by reason of the subject imports.

1. Demand Conditions

Demand for purified CMC is affected by demand from purchasers who use the product for a variety of end uses.[74] Purified CMC is sold to four major categories of purchasers, each of whom purchased the following shares of CMC consumption in 2003: food industry (*** percent), oilfield (*** percent), paper and board (*** percent), and personal care, cosmetic and pharmaceutical (*** percent).[75] Purified CMC is also used by other types of purchasers, including purchasers within the ceramics and the textiles industries.[76]

Demand for purified CMC, as measured by apparent U.S. consumption, fluctuated during the period of investigation, as apparent U.S. consumption of purified CMC fell by *** percent between 2001 and 2002 but increased by *** percent between 2002 and 2003.[77] Apparent consumption of purified CMC was *** percent higher in 2003 than 2001.[78] Apparent consumption of purified CMC grew by an additional *** percent between first quarter of 2003 ("interim 2003") and the first quarter of 2004 ("interim 2004").[79]

Fluctuations in the consumption of purified CMC were affected primarily by fluctuations in apparent consumption of purified CMC by oilfield purchasers, with domestic and import shipments to oilfield purchasers falling by approximately *** percent between 2001 and 2002 and increasing by *** percent between 2002 and 2003.[80] Demand for purified CMC from food and paper customers grew gradually during the period of investigation while demand from personal and pharmaceutical purchasers fell somewhat.[81]

---

[73] The sole domestic producer shipped a *** volume of merchandise for internal consumption during the period of investigation. CR/PR at Table III-2 & n. 1. However, these internal shipments did not account for more than *** percent of the domestic producer's total production during any year of the period of investigation. Compare CR/PR at Table III-2 with CR/PR at Table III-1. Accordingly, we find that the domestic producer did not internally transfer significant production of the domestic like product for the production of a downstream article and that the captive production provision, 19 U.S.C. §1677(7)(C)(iv), does not apply.

[74] CR at II-13, PR at II-8.

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

[76] CR at I-7, PR at I-5.

[77] CR at II-13, PR at II-8; CR/PR at Table C-1. Apparent U.S. consumption of purified CMC was *** million pounds in 2001, *** million pounds in 2002, and *** million pounds in 2003. CR/PR at Table C-1.

[78] CR/PR at Table C-1.

[79] Id. Apparent U.S. consumption of purified CMC was *** million pounds in interim 2003 and *** million pounds in interim 2004. Id.

[80] CR/PR at Table D-1. Shipments to oilfield purchasers were *** million pounds in 2001, *** million pounds in 2002, *** million pounds in 2003. Id. Oilfield shipments were *** million pounds in interim 2003 and *** million pounds in interim 2004. Id.

[81] Id.

2. Supply

Aqualon is the only U.S. producer of purified CMC.[82] Aqualon's production capacity remained stable during the period of investigation and was equal to approximately *** percent of apparent U.S. consumption in 2003.[83] Its capacity utilization rates declined by *** percentage points between 2001 and 2003 but then improved to *** percent in interim 2004.[84] Aqualon's share of the market ranged from *** percent of the market to *** percent during the period of investigation.[85]

The subject imports from Finland, Mexico, the Netherlands, and Sweden occupied a substantial share of the market during the period of investigation, as their market share ranged from *** percent to *** percent during the period of investigation.[86] Nonsubject imports held a much smaller share of the market than the subject imports, with their market share ranging between *** and *** percent during the three full years of the period of investigation, and reaching a low of *** percent in interim 2004.[87]

3. Pricing Considerations

The parties disagree on the extent to which domestic and imported purified CMC are substitutable for one another and the importance of price in the purchase decision. Aqualon asserts the domestic and subject products are highly fungible[88] and that the market for purified CMC is highly price-sensitive.[89] Respondents, on the other hand, argue that purified CMC products are highly engineered products that are tailored to a specific customer's needs, and competition in the market is not primarily price-based.[90] Respondents argue that the pricing of purified CMC is affected by other products that are substitutable to a greater or lesser degree for CMC in certain end uses.[91]

The record of these preliminary phase investigations indicates that the domestic and subject products are substitutable for one another. The domestic producer and a majority of importers reported in their questionnaire responses that the subject and domestic products are "always," "frequently," or "sometimes" interchangeable with one another.[92] Moreover, while the record indicates that individual producers do work with customers to specifically design CMC products for that customer, domestic and subject suppliers also offer the same standard grades of purified CMC within the market.[93] The record also indicates that, while non-price differentials may have an impact on a purchaser's choice of suppliers, price remains an important part of the purchase decision.[94]

---

[82] CR/PR at I-1.

[83] CR/PR at Table C-1.

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

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

[86] Id.

[87] Id.

[88] Petitioner's Postconference Brief at 13-14.

[89] Petitioner's Postconference Brief at 14.

[90] Joint Respondents' Postconference Brief at 13.

[91] Joint Respondents' Postconference Brief at 10-12.

[92] CR/PR at Table II-2.

[93] See, e.g., Tr. at 168-69 (Mr. Reid) & 169-70 (Mr. Piotti).

[94] CR/PR at Table II-3.

Further, although it is true that purified CMC is substitutable to some degree with other non-subject hydrocolloids in some end uses,[95] we do not have sufficient evidence to assess whether, at current price levels, there is a significant degree of substitution between these products or whether the existence of possible substitutes affected demand for purified CMC during the period of investigation.[96] We intend to examine these issues in detail in any final phase investigations.

Finally, most domestic and subject purified CMC was sold pursuant to short-term arrangements during the period of investigation,[97] with short-term arrangements accounting for *** percent of Aqualon's sales, *** percent of sales from Finland, the Netherlands, and Sweden, and *** percent of sales from Mexico.[98] Long-term sales arrangements[99] accounted for *** percent of Aqualon's sales, *** percent of Finnish, Dutch, and Swedish sales, and *** percent of Mexican sales.[100] Spot sales accounted for *** percent of Aqualon's sales, *** of the Finnish, Dutch, and Swedish sales, and *** sales of Mexican imports.[101]

B. Volume of Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[102]

We find that the volume of the cumulated subject imports was significant, both on an absolute and relative basis. Measured by quantity, the absolute volume of subject imports increased from *** million pounds in 2001 to *** pounds in 2002, and to *** pounds in 2003.[103] Overall, this reflected an increase in subject import quantities of *** percent between 2001 and 2003.[104] The quantity of the subject imports dropped between interim 2003 and 2004, however, falling from *** pounds in interim 2003 to *** pounds in interim 2004.[105] When measured by value, subject imports decreased by *** percent between 2001 and 2002, and remained essentially flat between 2002 and 2003, thus resulting in an overall decrease of *** percent between 2001 and 2003.[106] By value, subject imports fell between interim periods.[107]

The market share of the cumulated subject imports fluctuated somewhat, but nonetheless grew overall between 2001 and 2003.[108] Measured by quantity, the cumulated subject imports increased their market share by *** percentage points between 2001 and 2002, growing from *** percent of the market

---

[95] CR at II-13-19, PR at II-8-11.

[96] See Respondents' Joint Postconference Brief at Ex. 19.

[97] Short-term sales arrangements are for multiple deliveries during a twelve-month period after the purchase agreement. CR at V-6, PR at V-5.

[98] CR at V-6, PR at V-5, n. 7.

[99] Long-term sales arrangements are for multiple deliveries over a period longer than 12 months. Id.

[100] CR at V-6-7, PR at V-5.

[101] CR at V-6, PR at V-5.

[102] 19 U.S.C. § 1677(7)(C)(i).

[103] CR/PR at Table IV-2.

[104] Id.

[105] Id.

[106] Id.

[107] CR/PR at Table C-1.

[108] Id.

in 2001 to *** percent of the market in 2002.[109] More than *** percentage points of this market share gain occurred at the expense of the domestic industry.[110] The subject imports lost market share between 2002 and 2003, partly to the domestic industry, but their market share of *** percent in 2003 was still *** percentage points higher than it had been in 2001.[111] All of the market share gained by the subject imports between 2001 and 2003 came at the expense of the domestic industry.[112] The subject imports' market share fell to *** percent in interim 2004.[113] The market share of the subject imports, when measured on a value basis, and the ratio of the cumulated subject imports to domestic production, followed the same trends during the period of investigation.[114]

Accordingly, we find for purposes of the preliminary phase of these investigations that the volume of the subject imports, and the increases in that volume, were significant during the period of investigation, on an absolute basis and relative to consumption and production in the United States. In making this finding, we note that the volumes of the subject imports declined, on an absolute and relative basis, between interim 2003 and interim 2004, but we place less weight on this data in our analysis because it reflects one quarter of data and does not offset the trends in subject import volumes during the three full years of the period of investigation.

C. Price Effects of the Subject Imports

> Section 771(C)(ii) of the Act[115] provides that, in evaluating the price effects of subject imports, the Commission shall consider whether – (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

As we noted above, the record of this preliminary investigation indicates that the domestic and subject imports are substitutable for one another and that price is an important consideration in the purchase decision.

The record of these preliminary phase investigations shows that there has been significant underselling by the cumulated subject imports during the period of investigation. Our price comparison data show that the subject imports undersold the domestic merchandise in 70 of 99 price comparisons -- that is, in more than two-thirds of possible price comparisons.[116] Moreover, the incidence of underselling by the subject imports increased, as subject imports undersold the domestic merchandise in *** percent of possible price comparisons in 2001, *** percent in 2002, and *** percent in 2003.[117] Furthermore, the margins of underselling by the subject imports were substantial, with approximately *** percent of all

---

[109] Id.

[110] Id.

[111] Id.

[112] Id.

[113] Id.

[114] CR/PR at Tables IV-6 & IV-7.

[115] 19 U.S.C. § 1677(7)(C)(ii).

[116] CR at V-30; PR at V-12; CR/PR at Table V-6.

[117] CR/PR at Tables V-7a-7d.

underselling margins exceeding ten percent.[118] Given the number of instances of underselling, the increased pattern of underselling, and the magnitude of the underselling margins, we find that there has been significant price underselling of the domestic like product by subject imports.

We also find that subject imports have depressed domestic prices to a significant degree. The record pricing data show that domestic prices fluctuated somewhat but generally declined during the period of investigation. For product 1, domestic pricing generally remained, with one exception, above the $*** per pound level until the second quarter of 2003, at which point pricing fell to $*** per pound in the second and third quarters.[119] Pricing for the product then fell to $*** per pound in the fourth quarter of 2003.[120] For product 2, domestic prices generally fell, from a high of $*** per pound in the first quarter of 2001 to $*** per pound in the first quarter of 2002, $*** per pound in the first quarter of 2003, and then finally to $*** per pound in the first quarter of 2004.[121] For product 3, after a low first quarter 2001 price, domestic prices generally fell from a price of $ *** per pound in the second quarter of 2001 to a price of $*** per pound in the first quarter 2004.[122] Finally, for product 4, domestic prices fell from a level of $*** per pound in the first quarter of 2001 to $*** per pound in the first quarter of 2004.[123] These domestic price declines were correlated with continuing and significant levels of underselling by the subject imports and by general declines in subject prices.[124] Moreover, the trends in domestic pricing do provide some support for petitioners' contention that they were forced to lower their price substantially after the first quarter of 2003 in order to regain market share from the subject imports.[125] Accordingly, we believe that the record of these preliminary phase investigations indicate that the subject imports have depressed domestic prices to a significant degree.

Our finding that subject imports have depressed domestic prices to a significant degree is supported by the record data relating to Aqualon's lost revenue allegations. Three of six responding purchasers confirmed Aqualon's allegations that it was forced to reduce its prices in order to avoid losing sales to the subject imports.[126] These lost revenue allegations covered sales accounting for a reported *** pounds of merchandise in 2002 and 2003 and resulted in approximately $*** in lost revenues for Aqualon.[127]

Accordingly, for purposes of these preliminary phase investigations, we find that there has been significant price underselling of the domestic like product by subject imports and that subject imports have depressed domestic prices to a significant degree.[128]

---

[118] Id.

[119] CR/PR at Table V-7a.

[120] Id. Although domestic prices recovered somewhat in the first quarter of 2004, they still remained at $*** per pound, lower than the levels above $*** per pound seen in 2002 and 2001. Id.

[121] CR/PR at Table V-7b.

[122] CR/PR at Table V-7c.

[123] CR/PR at Table V-7d.

[124] CR/PR at Tables V-7a-7d.

[125] Petitioner's Postconference Brief at 1.

[126] CR/PR at Table V-9.

[127] Id.

[128] In this regard, we have considered Respondents' argument that the pricing of other hydrocolloids has caused the declines in pricing for purified CMC during the period of investigation, due to the fact that these other hydrocolloids are substitutable for purified CMC in certain end uses. Respondents' Joint Postconference Brief at 10-12. However, as we noted above, we do not have sufficient evidence on record in these preliminary phase investigations to assess whether, at current price levels, there is a significant degree of substitution between these products and whether the potential substitutes have affected demand for and the pricing of purified CMC. We will,

(continued...)

D. Impact of the Subject Imports[129]

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[130] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[131]

We find that there is a reasonable indication that the subject imports have had an adverse impact on the domestic industry during the period of investigation. In making this finding, we note that the domestic industry was impacted in different ways by the subject imports during the course of the period of investigation. In 2002, for example, the industry was most directly affected as a result of losing significant sales volumes and market share to the subject imports. In 2003, however, the domestic industry attempted to regain its lost market share from the subject imports by competing more closely on price. This strategy caused the industry to regain a portion of its lost market share but caused it to suffer considerable declines in its net unit sales values and its operating income margins in that year.

More specifically, in 2002, the subject imports were able to increase their market share by *** percentage points by consistently underselling the domestic industry in the marketplace.[132] As a result of this market share increase, the domestic industry lost approximately *** percent of its share of the market,[133] and saw its production, capacity utilization, domestic shipment, sales revenue and profitability levels all decline in that year.[134] In particular, the industry's production levels fell by *** percent between 2001 and 2002,[135] its capacity utilization rates fell by *** percentage points between 2001 and 2002,[136] and its U.S. shipments fell by *** percent between 2001 and 2002.[137] In addition, the domestic industry saw its net sales quantities decline by *** percent and its net sales revenues decline by ***

---

[128] (...continued)
however, examine this issue in any final phase investigations.

[129] In its notice of initiation, Commerce estimated dumping margins of 6.65 percent for Finland, 71.91 percent for Mexico, 39.46 percent for the Netherlands, and 25.29 percent for Sweden. Purified CMC from Finland, Mexico, the Netherlands, and Sweden, 69 Fed. Reg. 40617 (July 6, 2004).

[130] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.") SAA at 885.

[131] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

[132] CR/PR at Tables IV-6 & V-7a-7d.

[133] CR/PR at Table IV-6.

[134] CR/PR at Tables III-1 & VI-1.

[135] CR/PR at Table C-1. The industry's production levels fell from *** million pounds in 2001 to *** pounds in 2002. CR/PR at Table III-1.

[136] CR/PR at Table C-1. The industry's capacity utilization rates fell from *** percent in 2001 to *** percent in 2002. CR/PR at Table III-1.

[137] CR/PR at Table C-1. The industry's U.S. shipments fell from *** pounds in 2001 to *** pounds in 2002. CR/PR at Table III-2.

percent between 2001 and 2002.[138] These declines far outstripped the decline in apparent consumption between 2001 and 2002, which fell by *** percent between 2001 and 2002,[139] indicating that the declines in the industry's operations were not due to demand fluctuations in that year.[140]

As a result of these declines in the industry's production and sales levels, the industry experienced significant declines in its profitability and employment levels as well. Although the industry's net average unit values increased by *** percent in 2002 and its operating income margin remained flat at *** percent between 2001 and 2002, the industry's total gross profits and total operating income levels fell by *** percent and *** percent, respectively, between 2001 and 2002, because of its lost production and shipment volumes.[141] Moreover, the industry saw its employment-related indicia fall in 2002, as it reduced its work force by *** percent, and saw hours worked and wages paid fall by *** percent and *** percent, respectively, in 2002.[142] Finally, the industry's inventory levels increased, growing from a level equal to *** percent of U.S. shipments in 2001 to *** percent of its shipments in 2002.[143] In other words, the industry saw its overall financial condition decline considerably in 2002 as a result of its substantial market share losses to the subject imports in that year.

In 2003, the industry changed its competitive strategy, choosing to compete more closely on price with the subject imports in order to regain its lost market share.[144] As a result of this strategy, the industry was able to recover approximately *** percentage points of market share from the subject imports and to improve its production, capacity utilization, U.S. shipment, and net sales quantities and revenues levels.[145] Nonetheless, the industry's condition remained considerably worse in 2003 than in 2001, even with these improvements in its market share, production, and sales levels. More specifically, the industry's market share in 2003 was *** percentage points lower than in 2001, its production volumes were *** percent lower than in 2001, its capacity utilization rates were *** percentage points lower than in 2001, its net sales quantities were *** percent lower than in 2001, and its net sales revenues were *** percent lower than in 2001.[146]

---

[138] CR/PR at Table C-1. The industry's net sales quantities fell from *** pounds in 2001 to *** pounds in 2002 while its net sales revenues fell from $*** to $*** in 2002. CR/PR at Table at VI-1.

[139] CR/PR at Table C-1.

[140] In this regard, we have considered respondents' argument that fluctuations in the industry's performance were due primarily to the volatile changes in demand for oilfield products in 2002 and 2003. Although it is true that the record indicates that demand for oilfield CMC declined by more than *** percent in 2002 -- resulting in a decline in demand for these products of more than *** million pounds -- the domestic industry lost *** percent of its share of these shipments in 2002. Moreover, nearly all of this share was lost to the subject imports. CR/PR at Table D-1. The industry's share of these shipments was *** percentage points lower in 2003 than it had been in 2001. Id. In other words, the declines in the industry's volume-related indicia in 2002, and their improvements in 2003, were not due solely to fluctuations in demand for oilfield products.

[141] CR/PR at Table C-1. The industry's total gross profits fell from $*** in 2001 to $*** in 2002; its total operating income levels from $*** to $*** in 2002. CR/PR at Table at VI-1.

[142] CR/PR at Tables C-1 & III-4.

[143] CR/PR at Table III-3.

[144] Petitioner's Postconference Brief at 1.

[145] The industry's production levels increased from *** million pounds in 2002 to *** pounds in 2003, its capacity utilization rates increaased from *** percent in 2002 to *** percent in 2003, its U.S. shipments rose from *** pounds in 2002 to *** pounds in 2003, its net sales quantities increased from *** pounds in 2002 to *** pounds in 2003, and its net sales revenues increased from $*** in 2002 to $*** in 2003. CR/PR at Table C-1.

[146] CR/PR at Table C-1.

Moreover, the industry's net unit sales values fell by *** percent in 2003.[147] Because this decline in the industry's net sales values considerably outpaced a decline in the industry's unit cost of goods sold and selling, general and administrative costs in 2003,[148] the industry experienced an *** percentage point decline in operating income margin and experienced considerable declines in its total gross profits and total operating income levels as well.[149] In addition, the number of workers employed by the industry fell by *** percent in 2003 and hours worked declined by *** percent.[150] In other words, the industry's overall financial condition continued to decline considerably in 2003, primarily due to continued aggressive price competition from the subject imports. We note that these trends continued in interim 2004, as the industry continued to experience declines in its average unit sales values, total gross profits, total operating income levels, and operating income margins, even though it saw improvements in its market share, production, shipment and sales levels.[151]

Accordingly, we find that the significant increases in the volume of the subject imports and their significant underselling have had a significant adverse impact on the industry's production, sales, profitability, and employment levels during the period of investigation.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden that are allegedly sold in the United States at less than fair value.

---

[147] Id. The industry's net unit sales value fell from $*** per pound in 2002 to $*** per pound in 2003. CR/PR at Table VI-1.

[148] CR/PR at VI-1.

[149] CR/PR at Table C-1. The industry's total gross profits fell from $*** in 2002 to $*** in 2003, and its total operating income levels fell from $*** to $*** in 2003. CR/PR at Table at VI-1.

[150] CR/PR at Tables C-1 & III-4.

[151] CR/PR at Table C-1. In this regard, we note that a significant portion of the decline in the industry's profitability in interim 2004 is attributable to ***. CR at VI-4, PR at VI-2. We intend to examine more closely the extent to which *** was attributable to competition from the subject imports in any final phase investigations.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by the Aqualon Company ("Aqualon"), a division of Hercules, Inc., on June 9, 2004, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of purified carboxymethylcellulose ("CMC") from Finland, Mexico, the Netherlands, and Sweden.[1] Information relating to the background of the investigations is provided below.[2]

Effective date	Action	Federal Register citation
June 9, 2004	Petition filed with the Commission and Commerce; institution of Commission investigations	69 FR 33938, June 17, 2004
June 30, 2004	Commission's conference[1]	
June 29, 2004	Commerce's notice of initiation	69 FR 40617, July 6, 2004
July 22, 2004	Commission's vote	
July 26, 2004	Commission's determinations to Commerce	
August 2, 2004	Commission's views to Commerce	
[1]A list of witnesses who appeared at the conference is presented in app. B.		

MAJOR FIRMS INVOLVED IN THE PURIFIED CMC MARKET

Aqualon is the only U.S. producer of purified CMC, and the firm accounted for all known U.S. production of the purified CMC in 2003. Eight major U.S. importers of purified CMC accounted for more than 90 percent of U.S. imports from the subject countries during 2003. Noviant, Inc. ("Noviant"), a member of the Noviant Group of companies, imported purified CMC from Finland, the Netherlands, and Sweden, and accounted for *** percent of subject imports in 2003. *** imported the subject product principally from Finland and accounted for approximately *** percent of subject imports. *** imported the subject product principally from the Netherlands and accounted for *** percent of subject imports. *** imported the subject product from Mexico and accounted for *** percent of subject imports in 2003.

There are five major manufacturers/exporters of purified CMC in Finland, Mexico, the Netherlands, and Sweden. The Noviant Group of companies include Noviant OY ("Noviant Finland"), Noviant BV ("Noviant Netherlands"), and Noviant AB ("Noviant Sweden"). Quimica Amtex S.A. de C.V. ("Amtex") manufactures/exports the subject product in Mexico, and Akzo Nobel Surface Chemistry bv ("Akzo Netherlands") manufactures/exports the subject product in the Netherlands.

Major purchasers of purified CMC consist of firms in the food, personal care, cosmetics and pharmaceuticals, paper and board, and oilfield industries.

---

[1] A complete description of the imported products subject to investigation is presented in *The Subject Product* section of this part of the report.

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

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, table C-1. U.S. industry data are based on the questionnaire response of one U.S. producer, which accounted for all known U.S. production of purified CMC during the period of investigation. Data on U.S. imports from the subject countries are based on importer questionnaire responses submitted by 22 U.S. importers, accounting for more than 95 percent of subject imports during January 2001-March 2004. Data for nonsubject imports were derived from proprietary information provided by the U.S. Bureau of Customs and Border Protection ("Customs").

PREVIOUS INVESTIGATIONS

The Commission has not previously conducted import injury investigations concerning purified CMC.

ORGANIZATION OF REPORT

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

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

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

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*
> . . .

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

Information on the subject merchandise, margins of dumping, and domestic like product is presented in *Part I*. Information on conditions of competition and other relevant economic factors is presented in *Part II*. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. The volume and pricing of imports of the subject merchandise are presented in *Parts IV and V*, respectively. *Part VI* presents information on the financial experience of U.S. producers. The statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury are presented in *Part VII*.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Commerce has initiated antidumping investigations based on petitioner's allegations of LTFV sales. The following tabulation provides the estimated dumping margins (in percent *ad valorem*) as alleged by petitioner and revised by Commerce, for countries subject to these investigations:[3]

Country	(*Percent ad valorem*)
Finland	6.65
Mexico	71.91
Netherlands	39.46
Sweden	25.29

THE SUBJECT PRODUCT

Commerce has defined the scope of the imported product subject to these investigations as:[4]

> *All purified carboxymethylcellulose (CMC), sometimes also referred to as purified sodium CMC, polyanionic cellulose, or cellulose gum, which is a white to off-white, non-toxic, odorless, biodegradable powder,*

[3] *Notice of Initiation of Antidumping Duty Investigations: Purified Carboxymethylcellulose (CMC) from Finland, Mexico, the Netherlands, and Sweden*, 69 FR 40617, July 6, 2004.

[4] *Id*, 40618.

comprising sodium carboxymethylcellulose that has been refined and purified to a minimum assay of 90 percent. Purified CMC does not include unpurified or crude CMC, CMC Fluidized Polymer Suspensions,[5] *and CMC that is cross-linked*[6] *through heat treatment. Purified CMC is CMC that has undergone one or more purification operations which, at a minimum, reduce the remaining salt and other by-product portion of the product to less than ten percent.*[7]

THE DOMESTIC LIKE PRODUCT

The Commission's determination regarding the appropriate domestic products that are "like" the subject imported product is based on a number of factors, including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

Petitioner contended that there is one domestic like product consisting of purified CMC, coextensive with the scope of the investigations.[8] Respondents indicated that, for purposes of the preliminary phase of these investigations, they do not dispute petitioner's view of the domestic like product.[9]

---

[5] According to petitioner, Fluidized Polymer Suspensions ("FPS") are niche products developed and patented by Aqualon which other manufacturers are not permitted to make at the current time. FPS is a specialized CMC which allows some customers in non-regulated applications to use CMC in a liquid or fluid form at a high concentration instead of a powder. Aqualon sells approximately *** pounds annually (representing approximately *** of the firm's total shipments of purified CMC during 2003) at a price of $*** per pound per active CMC. Conference transcript, p. 101 (Herak), and petitioner's postconference brief, Answers to Commission Staff Questions (p. 2).

[6] Cross-linked CMC, sometimes called crosscarmelose, is not manufactured by petitioner, Aqualon. The product is a partially soluble and highly absorbent polymer primarily used as a disintegrant in the pharmaceutical industry, which helps a tablet dissolve quickly once it reaches the stomach. Reportedly the cross-linked product is typically priced much higher than other grades of purified CMC. Petition, p. 3, fn 7, and conference transcript, p. 100 (Herak).

[7] Purified CMC is imported under Harmonized Tariff Schedule of the United States (HTS) subheading 3912.31.00, at a column 1-general duty rate of 6.4 percent *ad valorem* applicable to imports from Finland, Netherlands, and Sweden, and is eligible to be imported at a special duty rate of "free" from Mexico under NAFTA.

[8] Petitioner contends that the like product does not include other cellulose ethers, other hydrocolloids, or crude CMC. Purified CMC differs from crude CMC in that it is refined and purified by the removal of salts and other impurities. Crude CMC typically comprises 30, and occassionally 40 percent salt. Purified CMC comprises from 0.05 to 10.0 percent salt. Purified CMC is used in the food, personal care, pharmaceutical, paper, and oilfield industries; crude CMC is used primarily in detergents to inhibit deposits of soils and as a production process aid and fabric sizing in the textile industry. Petitioner contends, for example, that the purified CMC and crude CMC are priced differently due to the higher manufacturing costs associated with the purification process. Petitioner estimates that the average selling price for crude CMC is less than $0.80 per pound, whereas purified CMC sells for prices ranging from $1.05 to $2.75 per pound. Petition, pp. 9-11.

[9] Joint respondents' postconference brief, p. 5. Respondents note that "their position on the domestic like product may differ in the event there is a final investigation in this proceeding." *Id*, footnote 8. Respondents contend that technical grade CMC exhibits many of the like product attributes of purified CMC and competes with purified CMC in a number of applications, e.g., in some oil well, paper, and mining applications. Such competition establishes interchangeability, and by extension, common performance expectations among former purified CMC customers. Conference transcript, p. 124 (Bodicoat), pp. 153-154 (Horlick, Clark, and Neeley), and Joint respondents' postconference brief, pp. 6-10.

Physical Characteristics and Uses

Carboxymethylcellulose (CMC) is the principal member of a family of anionic water-soluble cellulose ethers. CMC is also commonly referred to as sodium carboxymethylcellulose, cellulose sodium glycolate, or cellulose gum. CMC is a water-soluble polymer, soluble in either hot or cold water. Solubility is achieved as the degree of substitution (DS) reaches a value of 0.6, meaning 60 percent of the glucose units (that make up the cellulose backbone) are attached to carboxymethyl groups.[10] CMC is a white to off-white, odorless, granular solid to fine powder.[11]

Applications for CMC span a wide range of products and industries. CMC is a thickening agent and a stabilizer in foods, particularly in dairy products such as ice cream, yogurt, and milk drinks. Other food applications include beverages, syrups, baked goods, and pet foods. Foods account for approximately 23 percent of domestic consumption of CMC.[12] The other major use for CMC is in oilfield drilling fluids, accounting for about 22 percent of domestic consumption.[13]

Personal care product uses for CMC include use in toothpaste as a thickener and in denture adhesives as an adhesion promoter. Pharmaceutical uses involve use as a granulation aid and binder in tablet preparation, and as a stabilizer and thickener in ointments and lotions. Together these industries account for about 11 percent of U.S. consumption.[14]

Other major industrial consumers that incorporate CMC for its properties as a binder and thickener include producers of paper, the ceramics industry, and the textiles industry. Although lessening in importance in recent years, CMC is still used in laundry detergents as a soil antiredeposition aid.[15]

Manufacturing Process

CMC is derived from wood cellulose and from cotton. The production process involves a swelling of the wood or cotton fibers using caustic soda (sodium hydroxide) to allow better penetration of the reaction mix. The open cellulosic fibers are etherified by exposing them to monochloracetic acid. The byproducts of the reaction, primarily sodium glycolate and sodium chloride, accounting for 30-40 percent of the resulting reaction mixture, are removed in a series of alcohol washes and separations. After purification is complete, the particle size of the CMC is adjusted using physical means such as grinding, sieving, and agglomeration.

---

[10] Petition, exhibit 1B, pp. 5, 9, and 11, and Kirk-Othmer Encyclopedia of Chemical Technology, Cellulose Ethers, p. 2.1.

[11] Hercules Material Safety Data Sheet dated 10/30/2002, product name Aqualon® Cellulose Gum (CMC Purified) and S & G Resources Material Safety Data Sheet dated January 2002, product name sodium carboxymethyl cellulose, sodium CMC: cellulose, or carboxymethyl ether, sodium salt.

[12] The Innovation Group, "Chemical Profiles: CMC," updated June 3, 2002, found at *http://www.the-innovation-group.com/ChemicalProfiles/CMC.htmPage*. Chemical Profiles are published in *Chemical Market Reporter.*

[13] *Id*.

[14] *Id*.

[15] An antiredeposition aid prevents, for example, redeposition and hardening of soil lubricated during drilling after drilling activity ceases. Conference transcript, p. 49 (Herak).

Interchangeability and Customer and Producer Perceptions

Petitioner argued that domestic purified CMC is interchangeable with imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden. While there are some limitations of various grades depending on customer specifications, there is extensive overlap to the extent a customer would modify its production processes to use a lesser grade.[16] Respondents argued that domestically produced and imported purified CMC are not always interchangeable. For example, CMC produced for the oil or paper industry would not be interchangeable with purified CMC produced for food applications which require good manufacturing practice (GMP). Therefore, Finnish purified CMC (non-GMP production for oil or paper applications) cannot be used in the food industry and is not interchangeable with purified CMC produced in the Netherlands or a U.S. GMP facility.[17]

In response to the Commission's questionnaires, Aqualon reported that domestically produced purified CMC is frequently or always interchangeable with purified CMC imported from Finland, Mexico, the Netherlands, Sweden, and other countries, and most reporting U.S. importers indicated that domestically produced purified CMC is sometimes, frequently, or always interchangeable with the subject imported products.[18] Part II of this report contains detailed information on questionnaire responses to the question of product interchangeability.

Channels of Distribution

Aqualon and all importers sell purified CMC primarily to end users, with smaller quantities sold to distributors (table I-1). Aqualon and importers of CMC were requested to provide data on U.S. shipments (commercial shipments and internal consumption) by end use. Information received on the issue is presented in the section entitled *Cumulation Considerations* in Part IV of this report and in appendix D.

Table I-1
Purified CMC: Shares of U.S. producers' and U.S. importers' U.S. shipments, by channels of distribution, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Price

Prices for purified CMC vary by specification and end use. Generally, purified CMC for food and personal care applications command a higher price when compared to purified CMC for paper and oilfield applications. Information with respect to pricing of four specific purified CMC products is presented in Part V of this report, *Pricing and Related Information*. Additional information regarding available average unit values of purified CMC from the United States, and subject and nonsubject countries, by end use, is presented in table I-2 and appendix D, table D-1.

Table I-2
Purified CMC: Unit values of U.S. producers' and U.S. importers' U.S. shipments, by end use, 2003

* * * * * * *

[16] Petition, p. 10 and petitioner's postconference brief, p. 5.
[17] Conference transcript, p. 160 (Bodicoat).
[18] Aqualon's producer questionnaire response (section IV-E-4), and importers' questionnaire response (section III-E-4).

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

CHANNELS OF DISTRIBUTION AND MARKET CHARACTERISTICS

The lone U.S. producer of purified CMC, Aqualon, and nine of the 16 reporting U.S. importers of purified CMC from Finland, Mexico, the Netherlands, and/or Sweden shipped their purified CMC primarily to U.S. end users during January 2001-March 2004, with the remainder of the domestic and subject imported purified CMC shipped to distributors.[1] The remaining seven responding U.S. importers of the subject purified CMC were themselves end users that captively used their imported purified CMC.[2] Aqualon reported shipping *** percent of its U.S.-produced purified CMC to U.S. end users and the remaining *** percent to U.S. distributors during January 2001–March 2004, while *** percent of the total reported subject imported purified CMC was shipped to end users and *** percent to distributors.[3] On an individual subject country basis, more than *** percent of U.S. imports of purified CMC from Finland and Sweden were shipped to U.S. end users during this period, while *** percent and *** percent of U.S. imports of the Mexican and Dutch purified CMC, respectively, were shipped to end users.[4]

The purified CMC supply to the U.S. market is dominated by Aqualon and Noviant. Because of the multifunctional characteristics of purified CMC, it is used in a wide variety of products and a large number of different purified CMC products are produced to satisfy this varied demand.[5] Accordingly, demand for purified CMC is derived from demand for the downstream products that use this product as one of their inputs.

Purified CMC involves both commodity products and specialty products.[6] Aqualon asserted that the U.S. market for purified CMC involves primarily commodity products where price is the most important factor in purchases,[7] whereas the respondents asserted that the market was dominated by specialty products where numerous factors are considered, with technical support, customer service, and value-in-use[8] as critical elements of a successful marketing strategy.[9] Aqualon reported that it sells 15-25

---

[1] These 16 importers collectively are believed to account for the majority of the subject imported purified CMC sold in the United States during January 2001-March 2004.

[2] The seven U.S. importers that are end users accounted for 30.9 percent of total reported U.S. imports of purified CMC from the subject countries during January 2001-March 2004.

[3] The imports by type of customer included sales in the U.S. and direct imports by endusers.

[4] Aqualon asserted that end users typically prefer to purchase directly from the manufacturer so they have more access to the sales people and technical service capability of the producer; in addition, end users usually get a lower price without going through a distributor (conference transcript, p. 81 (Herak)).

[5] There may exist over 100 standard purified CMC products in the United States and more than 400 unique engineered products for specific customers and applications (conference transcript, p. 57, Herak and respondents' postconference brief, exhibit 35, p. 4).

[6] Respondents asserted that specialty purified CMC products are frequently customized to individual customers requirements and are accompanied by technical services aimed at expanding demand through new applications (respondents postconference brief, p. 13).

[7] Petitioner's postconference brief, pp. 13-14. Aqualon asserted that the U.S. market for purified CMC has a number of major customers with substantial purchasing power, some of whom purchase on a worldwide basis. According to Aqualon, some of these large purchasers have auctions and some have traditional negotiations, but most award annual contracts to the lowest-price supplier (petitioner's postconference brief, p. 14).

[8] Respondents explained that technical support and customer service help create value-in-use for the customer. Technical support and customer service refer to a variety of activities, such as working with customers to develop products that will result in higher sales of the end product and avoid unneeded capital investment by the customer. Also assist customers that do not have in-house chemists by using the foreign producer's chemists to solve a problem

(continued...)

standard purified CMC products with specialized products rounding out its 50 or so purified CMC products that is sells in the U.S. market.[10] On the other hand, Akzo reported that it shipped *** standard grades of purified CMC and *** specialized products from the Netherlands in the U.S. market during November 2003-March 2004; the standard grades accounted for *** percent of its total U.S. shipment volume during this period, while the specialized products accounted for the remaining *** percent.[11] Noviant reported shipping *** standard purified CMC products during this period and *** unique, customer-specific formulations (Noviant did not report their shipment volumes).[12]

Important U.S. demand sectors for purified CMC include food, oilfield, personal care/ pharmaceuticals, and paper/board.[13] Based on questionnaire responses, food uses accounted for *** percent of total reported shipments of domestic and imported purified CMC during January 2001-March 2004, oilfield use accounted for *** percent, paper/board use for *** percent, personal care/ pharmaceutical uses for *** percent, and all other uses for the remaining *** percent (figure II-1).[14]

Figure II-1
Purified CMC: U.S. sectoral demand for purified CMC during January 2001-March 2004

* * * * * * *

Although the subject imports combined supplied the same sectors with purified CMC as the U.S. producer during January 2001-March 2004, on an individual country basis there were some exceptions to this overlap in supply. For instance, purified CMC from Finland *** in the U.S. food and personal care/pharmaceutical sectors, while the products from Mexico *** the U.S. paper/board and oilfield sectors. In addition, one or more of the subject countries were *** suppliers of purified CMC to specific U.S. sectors such as Mexico to the personal care/pharmaceuticals sector, and Netherlands and Sweden to the paper/board sector (table II-1).

Table II-1
Purified CMC: Shares of total U.S. shipments to demand sectors for purified CMC, by country of origin, January 2001-March 2004

* * * * * * *

Similar chemical properties of purified CMC and other products, including other hydrocolloids, result in at least some substitution between purified CMC and alternative products in at least some uses.

---

[8] (...continued)
for the customer (conference transcript, pp. 150-151(Bodicoat and Reid), and respondents' joint postconference brief, p. 31, fn. 49).

[9] Respondents' joint postconference brief, pp. 2 and 13.

[10] Conference transcript, p. 57 (Herak). Aqualon reported selling a portfolio of water thickening and binding agents, including purified CMC, such that it chooses from these products the one that is best for a particular customer (conference transcript, p. 82 (Herak)).

[11] Respondents' joint postconference brief, exhibit 35, p. 4.

[12] *Id*.

[13] Petition, p. 23.

[14] These findings are generally consistent with an earlier study that estimated the relevant importance of various U.S. sectors for purified CMC. ***. (Chemical Economics Handbook–SRI, *Cellulose Ethers*, Raymond Will and Tadahisa Sasano, November 2001, p. 23, included in the petition as exhibit 1G.)

Aqualon asserted that other cellulose ethers are not a close substitute for purified CMC, other hydrocolloids can be used in limited circumstances as partial substitutes for purified CMC, and crude CMC is not a substitute for purified CMC.[15] On the other hand, respondents listed 31 other products that substitute for purified CMC in various uses and showed recent price trends of these substitutes, many of which were decreasing, which the respondents asserted have impacted prices of purified CMC.[16] Respondents also asserted that blenders are an important vehicle by which prices of purified CMC are influenced by prices of substitutes.[17] According to respondents, blenders have formulae, often proprietary, that dictate how purified CMC and its substitutes can be combined to minimize the final blends' prices.[18] Respondents estimate that blenders account for 40-50 percent of the purified CMC used in food applications and a separate group of blenders plays a similar role in preparing drilling muds for oil-well applications.[19]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

U.S. Production

Based on available information, Aqualon had the ability to respond to changes in demand with changes in the quantity of shipments of U.S.-produced purified CMC to the U.S. market during much of January 2001-March 2004. The main factor contributing to this degree of responsiveness was the ***,[20] but also contributing ***. However, the availability of Aqualon's production capacity may be limited because of the large number of products, some of which require longer processing times than others.[21] Aqualon reported that it also imported purified CMC from its production facility in France to meet U.S. demand, because, due to the number of products, it was able to produce some products more efficiently in France than in the United States.[22] The relevant domestic supply factors are discussed below.

Industry capacity

Aqualon reported that its U.S. capacity to produce purified CMC remained unchanged during January 2001-March 2004, but that its production and capacity utilization fluctuated. Aqualon reported that fixed costs averaged about *** percent of its total costs to produce purified CMC during 2003, while variable costs were about *** percent.[23] The significant fixed costs suggests that low output levels could lead to increased unit costs, although the dominance of variable costs would moderate such an increase in

---

[15] Petition, pp. 8-9.

[16] Respondents' joint postconference brief, p. 11 and exhibits 2, 16, 19 (p. 29), and 35 (p. 4).

[17] *Id*, p. 12.

[18] Conference transcript, p. 142 (Malashevich).

[19] Respondents' joint postconference brief, p. 12.

[20] Aqualon ***.

[21] Conference transcript, p. 86 (Herak). In addition, U.S. capacity is also limited by changes between runs of different product grades and/or different feedstocks (Chemical Economics Handbook–SRI, *Cellulose Ethers*, Raymond Will and Tadahisa Sasano, November 2001, p. 18).

[22] Conference transcript, pp. 84-85 (Herak).

[23] Aqualon also reported that fixed costs included *** (petitioner's postconference brief, petitioner's answers to Commission staff questions, p. 1).

unit costs.[24] Aqualon indicated at the conference that it would cost about $100 million to construct a new purified CMC plant in the United States.[25] As a result, it appears that existing excess capacity was the only way for Aqualon to increase production in the short run in response to an increase in demand.

Inventory levels

Aqualon's reported U.S. end-of-period inventories of purified CMC averaged *** percent of its average annual production during January 2001-March 2004. These data indicate that Aqualon had some ability to use its inventory to increase shipments of its purified CMC to the U.S. market during this period.

Export markets

Aqualon's reported exports of its U.S.-produced purified CMC averaged *** percent of the quantity of its total shipments of its domestically produced purified CMC during January 2001-March 2004. These data indicate that Aqualon may have had some ability to increase shipments of its purified CMC to the U.S. market in the short run during this period by diverting its exports to the U.S. market, but only to the extent that export supply agreements were less than one year in duration.

Production alternatives

Aqualon reported in its questionnaire response that it *** other products in its plant that produces purified CMC. Based on this response, it is not likely that Aqualon would be able to shift its U.S. production of purified CMC to or from any other products; any ability to switch production among alternative products would enhance the domestic producer's supply response to a change in price.

Finland

Based on available information, the lone producer of purified CMC in Finland, Noviant Finland,[26] has the ability to respond to changes in the price of purified CMC with changes in the quantity of shipments of the Finnish purified CMC to the U.S. market. The main factors contributing to this degree of responsiveness were ***.

Industry capacity

Available data for Noviant Finland indicated that capacity utilization rates to produce purified CMC fluctuated between *** and *** percent during January 2001-March 2004. Capacity utilization rates were projected to increase to *** percent in 2004 and *** percent in 2005. These data indicate that there was unused capacity for Noviant Finland to expand production of purified CMC for sale in the U.S. market during January 2001-March 2004, and this ability to expand production continues into 2004 but less so in 2005.

---

[24] Aqualon reported that as long as a sale covers variable costs and makes a contribution, no matter how small, to fixed costs, it will be considered by a producer (petition, p. 23).

[25] Conference transcript, p. 20 (Herak).

[26] Noviant also produces purified CMC in the Netherlands and Sweden.

Inventory levels

Available data indicated that end-of-period inventories of purified CMC in Finland averaged *** percent of the average annual production of purified CMC in Finland during January 2001-March 2004. These data indicate that Noviant Finland had a limited ability to use its Finnish inventory of purified CMC to increase shipments of purified CMC to the U.S. market during January 2001-March 2004. Noviant Finland reported projected inventory levels of purified CMC in Finland for 2004 and 2005 that are similar to the levels during the historic period.

Alternate markets

Noviant Finland sold its purified CMC principally to third-country export markets, secondarily to its home market, and the remainder to the U.S. market during January 2001-March 2004; this shipment pattern was projected to continue in 2004 and 2005. During the period examined, Noviant Finland's sales to third-country markets averaged *** percent of its total shipment quantities of purified CMC; shipments in its home market averaged *** percent of the total; and exports to the U.S. market averaged *** percent of the total. These data indicate that Noviant Finland may have had the flexibility to shift shipments of purified CMC from/to alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the United States during January 2001-March 2004. This flexibility may be restrained to the extent that Noviant Finland's sales of purified CMC in its home market and exported to third-country markets were not used/acceptable in the U.S. market. In addition, any sales agreements longer than 12 months with customers in its home market and third-country markets would also reduce Noviant Finland's ability to shift purified CMC sales among the home, third-country markets, and the U.S. market in the short term.

Mexico

Based on available information, the lone producer of purified CMC in Mexico, Amtex, has limited ability to respond to changes in the price of purified CMC with changes in the quantity of shipments of the Mexican purified CMC to the U.S. market. The main factors contributing to this degree of responsiveness were ***.

Industry capacity

Available data for Amtex indicated that capacity utilization rates to produce purified CMC fluctuated somewhat but remained at very high levels during January 2001-March 2004. Capacity utilization rates were projected to increase in 2004 and 2005. These data indicate that there was very little, if any, unused capacity for Amtex to expand production of purified CMC for sale in the U.S. market during much of January 2001-March 2004, and this lack of ability to expand production continues into 2004 and 2005.

Inventory levels

Available data indicated that end-of-period inventories of purified CMC in Mexico averaged about *** percent of the average annual production of purified CMC in Mexico during January 2001-March 2004. These data indicate that Amtex had a limited ability to use its Mexican inventory of purified CMC to increase shipments of purified CMC to the U.S. market during January 2001-March 2004. Amtex reported projected inventory levels of purified CMC in Mexico for 2004 and 2005 that are somewhat higher than levels during the historic period, which may increase the Mexican producer's supply response.

Alternate markets

Amtex sold its purified CMC principally in its home market and to the U.S. market, and made limited sales to third-country export markets during January 2001-March 2004; this shipment pattern was projected to continue in 2004 and 2005. During the period examined, Amtex's sales in its home market averaged *** percent of its total shipment quantities of purified CMC during this period; exports to the U.S. market averaged *** percent of the total; and exports to third-country markets averaged *** percent of the total. These data indicated that Amtex may have had the flexibility to shift shipments of purified CMC from/to alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the United States during January 2001-March 2004. This flexibility may be restrained to the extent that Amtex's purified CMC sold in its home market and exported to third-country markets were not used/acceptable in the U.S. market. In addition, any sales agreements longer than 12 months with customers in its home market and third-country markets would also reduce Amtex's ability to shift purified CMC sales among the home, third-country markets, and the U.S. market in the short term.

Netherlands

Based on available information, the two producers of purified CMC in the Netherlands, Akzo and Noviant Netherlands, have the ability to respond to changes in the price of purified CMC with changes in the quantity of shipments of the Dutch purified CMC to the U.S. market. The main factors contributing to this degree of responsiveness were ***.

Industry capacity

Available data for the Dutch producers combined indicate that capacity utilization rates for purified CMC in the Netherlands fell steadily from *** percent in 2001 to *** percent in 2003, then rose somewhat during the interim periods. Capacity utilization rates were projected to increase in 2004 and 2005. These data indicate that there was unused capacity for the Dutch producers to expand production of purified CMC for sale in the U.S. market during January 2001-March 2004, and this ability to expand production continues into 2004 but less so in 2005.

Inventory levels

Available data indicated that the Dutch producers' combined end-of-period inventories of purified CMC in the Netherlands averaged *** percent of the average annual production of purified CMC in the Netherlands during January 2001-March 2004. These data indicated that the Dutch producers had an ability to use their Dutch inventory of purified CMC to increase shipments of purified CMC to the U.S. market during January 2001-March 2004. The Dutch producers reported projected inventory levels of purified CMC in the Netherlands for 2004 and 2005 that are similar to the levels during the historic period.

Alternate markets

The Dutch producers sold their purified CMC principally to third-country export markets, secondarily to the U.S. market, and the remainder mostly to their home market plus small quantities that were used internally during January 2001-March 2004; this shipment pattern was projected to continue in 2004 and 2005. During the historic period examined, combined sales data of the Dutch producers showed that shipments to third-country markets averaged *** percent of their total shipment quantities of purified CMC; exports to the U.S. market averaged *** percent of the total; and shipments in its home market averaged *** percent of the total (the remaining *** percent of the total was accounted for by internal consumption). These data indicate that the Dutch producers may have had the flexibility to shift shipments of purified CMC to/from alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the United States during January 2001-March 2004. This flexibility may be restrained to the extent that Dutch producers' sales of purified CMC sold in their home market and exported to third-country markets were not used/acceptable in the U.S. market. In addition, any sales agreements longer than 12 months with customers in their home market and third-country markets would also reduce their ability to shift purified CMC sales among the home, third-country markets, and the U.S. market in the short term.

Sweden

Based on available information, the sole producer of purified CMC in Sweden, Noviant Sweden, has the ability to respond to changes in the price of purified CMC with changes in the quantity of shipments of the Swedish purified CMC to the U.S. market. The main factors contributing to this degree of responsiveness were ***.

Industry capacity

Available data for Noviant Sweden indicated that capacity utilization rates to produce purified CMC decreased steadily from *** percent in 2001 to *** percent in 2003, and then continued to fall during the interim periods. Capacity utilization rates were projected to increase slightly in 2004 and 2005. These data indicate that there was substantial unused capacity for Noviant Sweden to expand production of purified CMC for sale in the U.S. market during January 2001-March 2004, and this ability to expand production continues into 2004 and 2005.

Inventory levels

Available data indicated that the Swedish producer's end-of-period inventories of purified CMC in Sweden averaged *** percent of the average annual production of purified CMC in Sweden during January 2001-March 2004. These data indicate that Noviant Sweden had an ability to use its Swedish inventory of purified CMC to increase shipments of purified CMC to the U.S. market during January 2001-March 2004. Noviant Sweden reported projected inventory levels of purified CMC in Sweden for 2004 and 2005 that are somewhat less than levels during the historic period.

Alternate markets

Noviant Sweden sold its purified CMC principally to third-country export markets, secondarily to the U.S. market, and to its home market during January 2001-March 2004; this shipment pattern was projected to continue in 2004 and 2005. During the period examined, Noviant Sweden's sales to third-country markets averaged *** percent of its total shipment quantities of purified CMC during this period; exports to the U.S. market averaged *** percent of the total, and shipments in its home market averaged

*** percent of the total. These data indicate that Noviant Sweden may have had the flexibility to shift shipments of purified CMC from/to alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the United States during January 2001-March 2004. This flexibility may be restrained to the extent that Noviant Sweden's purified CMC sold in its home market and exported to third-country markets were not used/acceptable in the U.S. market. In addition, any sales agreements longer than 12 months with customers in its home market and third-country markets would also reduce Noviant Sweden's ability to shift purified CMC sales among the home, third-country markets, and the U.S. market in the short term.

Nonsubject Imports

Based on available information, U.S. imports of purified CMC from nonsubject countries averaged *** percent of the quantity of total U.S. imports of purified CMC during January 2001-March 2004.

U.S. Demand

The overall U.S. demand for purified CMC is primarily affected by sectoral economic activity and reportedly was impacted by the downturn in U.S. oilfield operations during 2001 and early 2002.[27] In addition, demand for purified CMC is also affected by overall U.S. economic activity.[28] Demand for purified CMC, as measured by U.S. apparent consumption, fluctuated but increased during the period for which data were collected. Apparent consumption of purified CMC fell from 2001 to 2002, by *** percent, and then recovered in 2003 by *** percent from the level in 2002. Interim data show a continuing increase in apparent consumption of purified CMC of *** percent in January-March 2004 from the level in January-March 2003.

Respondents reported that demand for purified CMC in the U.S. sectors using this product move in disparate directions.[29] Food demand is reportedly affected, among other factors, by dieting fads, while oil drilling demand varies wildly with changes in the U.S. active rig count.[30] Oilfield use reportedly has been the most volatile demand sector during January 2001-March 2004.[31] U.S. oilfield and natural gas activity, measured by the number of active drilling rigs and by the total footage drilled, first increased on a quarterly basis during January-September 2001, then fell during October 2001-June 2002, before increasing steadily thereafter through January-March 2004, but ended at levels below the period-peak of July-September 2001 (figure II-2). The average number of active U.S. drilling rigs increased quarterly from 1,139 during January-March 2001 to 1,241 during July-September 2001, or by almost 9.0 percent, but then fell to 806 by April-June 2002, or by 35.0 percent. The number of active drilling rigs then increased to 1,118 by January-March 2004, or by 38.7 percent, but remained 9.9 percent below the peak active rig number during July-September 2001. The total footage drilled increased quarterly from almost 42.8 million during January-March 2001 to 51.6 million during July-September 2001, or by 20.6 percent,

[27] Petition, p. 23.

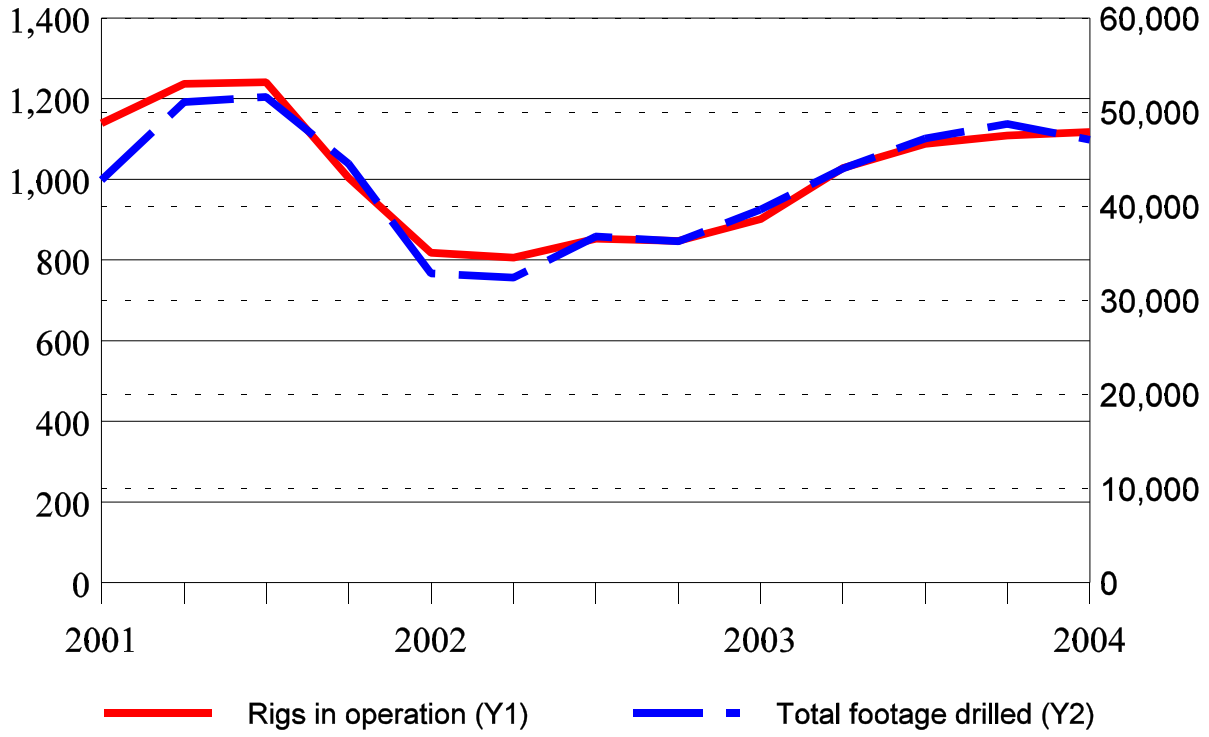
[28] Respondents' joint postconference brief, p. 19. U.S. real gross domestic product (GDP) rose by 0.5 percent in 2001, 2.2 percent in 2002, and 3.1 percent in 2003. U.S. real GDP is forecast to increase by 4.5 percent in 2004 and 3.8 percent in 2005 (*Blue Chip Economic Indicators*, Vol. 29, No. 7, July 10, 2004).

[29] Respondents' joint postconference brief, p. 12.

[30] *Id*, pp. 12-13.

[31] Petitioner's postconference brief, p. 22 and the respondents' joint postconference brief, pp. 19 and 28.

Figure II-2
U.S. crude oil and natural gas drilling activity measures: Total U.S. rotary rigs in operation and total footage drilled, by quarters, January 2001-March 2004



Note: Number of rigs in operation is the average number for each period, and footage drilled is in thousands.

Source: DOE, Energy Information Administration, *Monthly Energy Review*, February and May 2004 issues.

but then plummeted to 32.4 million by April-June 2002, or by 37.2 percent. The total footage drilled then increased to almost 47.1 million by January-March 2004, or by 45.3 percent, but remained 8.8 percent below the peak footage drilled during July-September 2001. Quarterly quantities of product 4, an oilfield purified CMC product for which pricing data were gathered and reported by Aqualon and the importers of the subject European products, reached their lowest level of the period during 2002, and although fluctuating thereafter, were significantly higher in 2003 and the first quarter of 2004 (see Part V for a full discussion of the pricing data).

Respondents contended that U.S. aggregate demand for purified CMC may also respond to changes in prices of purified CMC relative to prices of other products, such as fluidized polymer

suspensions, cross-linked CMC products, crude CMC, and a number of other hydrocolloids.[32] Aqualon asserted, however, that the alternative products are not close substitutes for purified CMC and can only be used in limited circumstances as partial substitutes for CMC.[33] Of 11 U.S. importers providing useable responses to a question in the questionnaire regarding substitutes for purified CMC, three asserted that there were no substitutes in their uses, while eight asserted that substitute products existed, and specifically noted, technical grade CMC in mining and oilfield uses; guar gum, other hydrocolloids, and locust bean gum in food applications; hydrocolloid blends for beverages; xanthan gum and starches in drilling muds; gelatin in food uses; polyacrylates, synthetic thickeners and starches in paper coating; and modified tech grade CMC, carboxymethylstarch, and sodium polyacrylate as fluid loss reducers in drilling muds.

Aqualon and a few U.S. importers provided discussions regarding substitute products. Below are the responses of the U.S. producer and four U.S. importers. One of the importers, Azteca, is a U.S. end user that imported purified CMC from Mexico during January 2001-March 2004 for use in a food product. Two other importers, Akzo and Noviant, are related to the subject foreign producers in the subject European countries and sell a range of purified CMC products. The fourth importer, ***, sells purified CMC products for use in food and personal care products.

Aqualon reported that a number of different hydrocolloids can be used in limited circumstances as partial substitutes for purified CMC. According to Aqualon, most applications, however, are very complex and this together with the multiple functions and differences in cost-in-use of the hydrocolloids, typically results in very little substitution among the different hydrocolloids used.

Azteca explained that purified CMC had been a key ingredient in its production of masa flour for corn tortillas for many years due to the characteristics it imparts to the final product (***) and because of its processing characteristics (***). Recently, however, ***.[34]

*** asserted that since 1995, the U.S. price of xanthan gum has fallen by almost 50 percent, making xanthan gum an attractive substitute in the eyes of its consumers. *** stated that in 2001 and 2002, the shift from purified CMC to xanthan gum was very intense. According to Akzo, the price of xanthan gum has fallen sharply recently due to imports of this product from China. Many of *** customers have dual recipes, one for purified CMC and another for xanthan gum–and can shift from one to the other very quickly depending on which product type offers the best price. According to ***, starches are a prevalent substitution to its oil drilling customers, and technology shifts are ongoing at many drilling mud customers. These customers can use starch and technical CMC grades to produce cheaper muds than those made with purified CMC. *** stated that, since there is more land-based drilling and less offshore drilling, they no longer require the most sophisticated formulations. For example, *** now sells technical CMC to *** who blends the technical CMC with starch, replacing their consumption of Aqualon's purified CMC. *** also noted that it loses sales of purified CMC to gelatin in food uses. Gelatin and purified CMC perform largely the same function, except gelatin needs to be heated in order to activate whereas purified CMC does not. Another difference between purified CMC and gelatin is that gelatin melts at body temperature, so there are a few applications where it cannot substitute.[35] *** also stated that, in most applications, however, gelatin may substitute easily with purified CMC and if the price is right the customer will make the switch.

---

[32] Respondents asserted that the price elasticity of demand for purified CMC was high due to the existence of substitute products (conference transcript, pp. 142-143 (Malashevich)).

[33] Petition, pp. 8-9.

[34] Azteca imported a total of *** pounds of purified CMC from Mexico during January 2001-March 2004 ***.

[35] For example, a gummy bear made from gelatin would dissolve in someone's mouth, whereas a gummy bear made from purified CMC would not.

*** asserted that thickeners, due to their ease of handling, lead to pressure on the price of purified CMC sold for paper coating applications. *** noted that substitution occurs after a number of paper machine trials, which can take about six months, but may be as short as a few weeks. According to ***, starch is less expensive than purified CMC and is especially attractive for U.S. paper machines that do not have the modern technology and fast running rates. Noviant reported that the use of guar in food as a substitute puts pressure on purified CMC prices. Guar prices usually fluctuate depending on the success of the guar harvest in India. Normally, guar prices are typically lower than purified CMC prices. It takes about *** to substitute to guar or the other way around. Noviant reported that the threat of substitution with synthetic products in developing wet strength for paper tissues and towels, has led to price pressure for purified CMC. Synthetic products offer an easier handling requirement for wet strength tissues and towels than with purified CMC, and switching between these alternatives takes about six months.

*** asserted that guar gum can fully or partially replace purified CMC in numerous high-volume applications where viscosity development or the control of water is the primary requirement, such as breads, tortilla, cake mix, instant beverages, instant oatmeal, and pet food applications. According to ***, guar gum is promoted as faster hydrating and less expensive than purified CMC. *** stated that high-end ready-to-drink beverages are still largely dominated by purified CMC and gum arabic but may face competition with guar gum or other hydrocolloids. *** has found that the improved economics of purified CMC has dramatically increased the quantity of this product used by the blenders. According to ***, optimism for declining prices, a renewable raw material supply, and insignificant spot market volatility continues to promote the selection of purified CMC over other hydrocolloids at the critical R&D stages.

The U.S. producer and importers were requested in their questionnaire responses to estimate, to the extent known, the cost share that purified CMC accounts for in the total cost to produce the downstream products for their two largest selling purified CMC products. Aqualon reported that the cost share of purified CMC in the production of drilling mud ranged from *** percent and in the production of toothpaste was *** percent. The responding U.S. importers reported cost shares of purified CMC for various products that ranged from less than *** percent to *** percent. For drilling mud/fluids, three importers–***[36]--estimated that the cost share of purified CMC ranged from less than *** percent to *** percent, based on the well conditions. For stabilizer blends, ***[37] reported that the cost share of purified CMC ranged from *** percent. For paper towels and for pet food, *** estimated that the cost share was less than *** percent and *** percent, respectively. For ***, ***[38] reported that the cost share of purified CMC was *** percent. For food applications, *** reported that the cost share of purified CMC ranged from *** percent.

SUBSTITUTABILITY ISSUES

The degree of substitution in demand between purified CMC produced in the United States and that imported from Finland, Mexico, Netherlands, and Sweden depends upon such factors as relative prices, types of customers, conditions of sales, and product differentiation. Product differentiation depends on factors such as the range of products, quality, availability, reliability of supply, and the market perception of these latter three factors. Performance characteristics of purified CMC products reportedly play a significant role in demand and are related to one or more of the aforementioned factors. Based on the reported information in these investigations, there appears to be substitutability in demand between

[36] This importer is ***.

[37] *Id*.

[38] *Id*.

the purified CMC produced domestically and that imported from the subject countries, but some reported product differentiation and other differences may limit the degree of this demand substitution.

Aqualon indicated that the subject imported purified CMC competes with the domestically produced products and asserted that the basic purified CMC chemical is fungible;[39] that U.S. customers often request bids from the domestic producer and several of the subject importers; and that the U.S.-produced and subject imported purified CMC products are sold in the same channels of distribution.[40] On the other hand, the respondents asserted that there is virtually no competition between and among the purified CMC imported from Finland and Mexico and that produced domestically, and there is no reasonable overlap of competition between imports of purified CMC from Finland and Mexico on the one hand, and the purified CMC imported from the Netherlands and Sweden on the other hand.[41] The respondents contended that purified CMC imported from Finland and Mexico does not compete with each other or with that produced domestically in the major end use categories, including the oil sector, the paper and board sector, the personal care category, and the food category.[42] In addition, the respondents claimed that 80 percent of the purified CMC imported from Mexico is sold to two customers, where one customer is a distributor and the other customer is an end user that will not purchase from Aqualon.[43]

Factors Affecting Sales and Purchases

The U.S. producer and importers were requested in their questionnaires to report on the extent of interchangeability (products from different countries physically capable of being used in the same applications) of purified CMC produced domestically, imported from the subject countries–Finland, Mexico, Netherlands, and Sweden, and imported from third-countries. They were also asked to report the extent of any differences in the various sources of purified CMC, other than price,[44] that would affect sales in the U.S. market among these various sources of purified CMC. Responses of the U.S. producer and the importers regarding the degree of interchangeability between domestic and imported purified CMC are summarized in table II-2, and their responses regarding differences other than price affecting competition are summarized in table II-3. U.S. producers and importers were also requested in their questionnaires to provide any comments where products are sometimes or never interchangeable and where nonprice factors were always or frequently significant in competition between the domestic and imported purified CMC. These comments are included in the text that follows.[45]

For responses regarding the degree of interchangeability, the sole U.S. producer and a total of 15 U.S. importers replied, but not necessarily for every country-pair (table II-2).[46] Aqualon asserted that purified CMC produced in the United States, imported from the subject countries, and imported from

---

[39] Petitioner's postconference brief, p. 2.

[40] *Id*, p. 10.

[41] Respondents' joint postconference brief, p. 46.

[42] *Id*, pp. 46-50.

[43] *Id*, p. 50.

[44] Nonprice factors referred to in the questionnaire request included quality, availability, transportation network, product range, and technical support, but nonprice factors were not necessarily restricted to only these factors.

[45] Aqualon did not provide any additional discussion, whereas a few importers did provide additional discussion.

[46] Seven of the 15 responding U.S. importers were endusers of the purified CMC, while the remaining eight importers were distributors.

Table II-2
Purified CMC: Perceived degree of interchangeability of product produced in the United States, imported from the subject countries, and imported from third countries and sold in the U.S. market

Country pair	Number of U.S. producer responses[1]					Number of U.S. importer responses[2]				
	A	F	S	N	O	A	F	S	N	O
United States vs.--										
Finland	***	***	***	***	***	2	1	2	-	5
Mexico	***	***	***	***	***	3	2	3	2	3
Netherlands	***	***	***	***	***	4	2	2	1	2
Sweden	***	***	***	***	***	2	1	2	-	2
Third countries	***	***	***	***	***	2	1	-	-	7
Finland vs.--										
Mexico	***	***	***	***	***	2	-	2	-	6
Netherlands	***	***	***	***	***	1	-	1	2	5
Sweden	***	***	***	***	***	1	-	1	-	7
Third countries	***	***	***	***	***	2	1	-	-	7
Mexico vs.--										
Netherlands	***	***	***	***	***	1	1	3	1	4
Sweden	***	***	***	***	***	1	1	1	1	6
Third countries	***	***	***	***	***	2	1	-	-	7
Netherlands vs.--										
Sweden	***	***	***	***	***	2	1	1	-	5
Third countries	***	***	***	***	***	2	1	1	1	6
Sweden vs.--										
Third countries	***	***	***	***	***	1	1	-	-	8

[1] Aqualon did not specify particular third countries.
[2] *** that specified particular third countries, naming China, Germany, and Italy.

Note: A = Always, F = Frequently, S = Sometimes, N = Never, O = No familiarity.

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

Table II-3
Purified CMC: Perceived importance of differences in factors third than price between product produced in the United States, imported from the subject countries, and imported from third countries and sold in the U.S. market

Country pair	Number of U.S. producer responses[1]					Number of U.S. importer responses[2]				
	A	F	S	N	O	A	F	S	N	O
United States vs.--										
Finland	***	***	***	***	***	3	1	-	-	3
Mexico	***	***	***	***	***	3	1	2	1	3
Netherlands	***	***	***	***	***	3	1	2	1	2
Sweden	***	***	***	***	***	3	1	-	-	3
Third countries	***	***	***	***	***	2	1	1	-	3
Finland vs.--										
Mexico	***	***	***	***	***	2	1	-	1	3
Netherlands	***	***	***	***	***	-	1	-	1	5
Sweden	***	***	***	***	***	-	1	-	1	5
Third countries	***	***	***	***	***	1	1	1	1	4
Mexico vs.--										
Netherlands	***	***	***	***	***	1	1	1	-	4
Sweden	***	***	***	***	***	1	1	-	-	6
Third countries	***	***	***	***	***	2	1	1	-	4
Netherlands vs.--										
Sweden	***	***	***	***	***	-	1	-	1	5
Third countries	***	***	***	***	***	-	1	2	1	4
Sweden vs.--										
Third countries	***	***	***	***	***	-	1	2	1	4

[1] Aqualon did not specify particular third countries.
[2] The responding U.S. importers cited the same third countries indicated for their responses on interchangeability.

Note: A = Always, F = Frequently, S = Sometimes, N = Never, O = No familiarity.

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

third countries was always or frequently interchangeable among each other. Twenty-eight responses[47] from importers also asserted that the product produced domestically and imported from the subject countries was always or frequently interchangeable among each other. On the other hand, 25 responses from importers reported that purified CMC produced in the United States and that imported from the subject countries was sometimes or never interchangeable among each other. Although the importers generally were unable to comment on purified CMC from third countries,[48] 14 responses from importers indicated that the purified CMC produced domestically, imported from the subject foreign countries, and that imported from third countries was always or frequently interchangeable with each other.[49]

For responses regarding differences in factors other than price affecting competition, the U.S. producer and a total of 12 U.S. importers replied, but not necessarily for every country-pair (table II-3).[50] The U.S. producer asserted that differences in nonprice factors among purified CMC produced in the United States, imported from the subject countries, and imported from third countries was sometimes or never significant among sales of the domestic and imported products. Eleven responses from importers asserted similarly as the U.S. producer for competition among purified CMC produced domestically and imported from the subject countries. On the other hand, 26 responses from importers asserted that nonprice factors associated with purified CMC produced domestically and imported from the subject countries were always or frequently significant in competition in the U.S. market among these sources of purified CMC.[51] Although many importers were unable to comment on purified CMC from third countries,[52] 10 responses from importers indicated that nonprice factors associated with purified CMC imported from the subject foreign countries and produced in the United States was always or frequently significant in competition with the product imported from third countries.[53] On the other hand, 10 responses from importers indicated that nonprice factors associated with purified CMC produced domestically and imported from the subject countries were sometimes or never significant in competition with the product imported from third countries. Additional comments reported by the U.S. importers citing sources of purified CMC that were sometimes or never interchangeable and/or nonprice factors that were always or frequently significant are briefly discussed below.

***, a U.S. end user and importer of purified CMC from Mexico, indicated that the Mexican purified CMC that it imports ***.

***, a U.S. end user and importer of purified CMC from the Netherlands, indicated that it purchases a small quantity of a very special grade of purified CMC, which only the producer in the

---

[47] The number of importer responses reported do not necessarily correspond to the number of importers reporting, because the firms are reporting for each subject country and for third countries that are then are aggregated in the discussion.

[48] Thirty-five responses from importers indicated that they were unable to compare purified CMC produced domestically or that imported from the subject countries with the products imported from third countries.

[49] ***, three of the four responding U.S. importers commenting on third countries, identified specifically purified CMC imported from China, Germany, Italy, and Japan.

[50] Five of the 12 responding U.S. importers were end users of the purified CMC, while the remaining seven importers were distributors.

[51] ***, a U.S. end user and importer of purified CMC from the Netherlands and Sweden, cited the following two nonprice factors that were significant: freight considerations and difficulty in communication with the Swedish producer of purified CMC. ***, an end user and importer of purified CMC from Finland and Sweden listed the following nonprice factors: flexibility to private labels, product range, R&D support and new technology, product availability worldwide, percentage or R&D budget for ***, and transportation/customer service.

[52] Nineteen responses from importers indicated that they were unable to compare purified CMC produced domestically or that imported from the subject countries with the products imported from third countries.

[53] The same third countries were mentioned as those for responses commenting on interchangeability.

Netherlands reportedly is willing to supply. *** reported that producers in the United States and Finland had refused to produce the product. Currently, *** is working with a producer in *** to see if it can source its product from that country.

***, a U.S. importer and distributor of purified CMC from the subject European countries, asserted that ultra low viscosity purified CMC for paper products can be produced in Finland but not in the United States. According to ***, however, where customers demand a liquid purified CMC formulation, *** products are dry and not interchangeable with those of Aqualon, the sole source for purified CMC in liquid formulations.

***, another U.S. distributor and importer of purified CMC from the subject European countries, reported that it had over 10 years experience with *** purified CMC products for select food and industrial markets. According to ***, Aqualon refuses to sell products to ***. Significant nonprice factors that reportedly impact competition between purified CMC produced domestically and imported from the subject European countries are quality, availability of a diverse product range, proven ethics of excellence, and easily accessible sales and technical support. *** asserted that solution clarity, granulation profile, flavor contribution, acid stability, etc., have been documented by the firm to limit or rule out the interchangeable use of purified CMC from ***.

***, a U.S. importer and distributor of purified CMC from ***, asserted that customers often request purified CMC products with special properties to meet their production requirements. According to ***, ability to supply specialized products constitute a significant nonprice factor in competition between the *** purified CMC.

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

Information on capacity, production, shipments, inventories, and employment is presented in this section of the report and is based on the questionnaire of the sole U.S. producer, Aqualon. A summary of U.S. producer (Aqualon) data is presented in appendix C, table C-1.

U.S. PRODUCER

Petitioner Aqualon Co., a Division of Hercules Inc., Wilmington, DE, is the sole U.S. producer of purified CMC. Aqualon's U.S. production facilities for purified CMC are located in Hopewell, VA.[1] Hercules, Inc. has two foreign wholly owned subsidiaries that also produce purified CMC, in France and China.[2] The U.S. and French plants are each used to supply the majority needs of its "home" market. Aqualon reported no imports of purified CMC from Finland, Mexico, Netherlands, or Sweden. Aqualon supplies the U.S. purified CMC market ***.[3]

U. S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Aqualon's production, capacity, and capacity utilization data are presented in table III-1. Aqualon does not produce other products on the same equipment and machinery used in the production of purified CMC; purified CMC accounted for 100 percent of the firm's total production in 2003.[4] Aqualon's CMC production is *** operation, with production shutdown only for routine and annual maintenance. With maintenance downtime taken into consideration, full capacity is defined as *** hour production per year. Using this criterion, the Hopewell, VA, purified CMC plant has a production capacity of *** pounds per year, and has operated at this rate in the past. To compensate for reduced demand, one of the ***, reducing capacity to about *** pounds per year. Aqualon has deferred a capital investment to ***, which would return the capacity to the original *** pounds.[5]

Table III-1
Purified CMC: U.S. capacity, production, and capacity utilization, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

[1] Hercules began the U.S. CMC industry in 1945, then invested in its Hopewell, VA, facility in 1947 and has continuously produced CMC at Hopewell ever since that time. In the early days of CMC a few other U.S. producers entered the market but none stayed in the business for a long term. Hercules has been the sole U.S. producer of purified CMC since the mid-1970s. Conference transcript, pp. 26-27 (Herak). Hercules operates through two reportable segments and four divisions. Aqualon is part of the Performance Products Segment. Its principal products are water-soluble and solvent-soluble polymers, primarily cellulose derivatives. Aqualon accounted for about one-third of Hercules' reported $1.8 billion worldwide net sales in 2003. Aqualon has application and development laboratories located in Europe, Asia, and the Americas. Hercules Annual Report 2003, website: *http://www.herc.com/shareholderinfo/annualreports/2003/2003_annual_report.pdf*, 6/23/2004.

[2] Hercules, Inc. ***. Aqualon's producer questionnaire response (sections I-2 through II-2).

[3] Aqualon's importer questionnaire response (section II-4).

[4] Aqualon's producer questionnaire response (section II-3).

[5] Aqualon's importer questionnaire response (section II-4).

Aqualon's production quantity fell by about *** from 2001 to 2002. According to Aqualon, this drop surpassed the impact of a cyclical decline in the oilfied sector on purified CMC shipments, as most domestically produced CMC is sold and used for non-cyclical items such as food, toothpaste, and paper. Aqualon's production was lower by *** percent in 2003 as compared to 2001, notwithstanding the fact that 2003 was a strong year in the oilfield sector and that Aqualon made a conscious decision to regain market share at the expense of price and profit.[6]

According to respondents, although demand for purified CMC remains static in most industries, Aqualon supplies customers in certain depressed industries that exhibit decreased demand.[7] Nonetheless, respondents contend that Aqualon's domestic production (and other volume indicators) has been expanding *** and attribute previous production decreases to the combination of a decline in oil drilling activity, a decrease in exports, and the recession.[8]

U.S. PRODUCER'S SHIPMENTS

Table III-2 presents Aqualon's shipments during the period examined. The unit value of Aqualon's U.S. commercial shipments of purified CMC rose by $*** per pound from 2001 to 2002; the correlating quantity of Aqualon's U.S. commercial shipments declined by *** percent. A subsequent decline in unit value for the firm's U.S. commercial shipments of purified CMC by $*** per pound from 2002 to 2003 *** correlated to an increase in U.S. commercial shipment quantity of purified CMC of *** percent for the period. A comparison of Aqualon's interim periods 2003 and 2004 U.S. commercial shipments unit values and quantities shipped shows a decrease of $*** per pound accompanied by a *** percent increase in volume. Aqualon's export shipments exhibited similar patterns during the period of investigation, with principal export markets in ***.

Table III-2
Purified CMC: U.S. producer's shipments, by type, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Changes in demand for the major end-use applications for purified CMC, which are food, personal care/pharmaceuticals, paper, and oil drilling, may affect the U.S. producer's U.S. shipments and exports. Food demand may be affected by dieting fads, such as the Atkins diet; oil drilling demand varies with changes in U.S. rig count; and demand for paper products exhibits a cyclical pattern.[9]

U.S. PRODUCER'S INVENTORIES

Table III-3 presents data on Aqualon's inventories during the period. Aqualon's inventory levels increased irregularly, by *** percent, during 2001-03 in response to irregular decreases in production, U.S. shipments, and total shipments quantity levels in combination with declines in internal consumption quantity and export shipment quantity. The rise of the production, U.S. shipments and total shipments volume indicators from interim 2003 to interim 2004 resulted in a concurrent *** percent decline in inventory levels for interim 2004 in comparison to interim 2003 due to the continued decrease of internal

[6] Petitioner's postconference brief, p. 28.

[7] Conference transcript, pp. 120-121 (Bodicoat).

[8] Respondent's joint postconference brief, p. 18.

[9] Conference transcript, p. 107 (Klett), pp. 143-144 (Malashevich); Respondents' joint postconference brief, pp. 12-13.

consumption and *** increase in export shipments in interim 2004. The ratios of end-of -period inventories to production, U.S. shipments, and total shipments increased irregularly during 2001-03, before recovering to near 2001 levels by interim 2004.

Table III-3
Purified CMC: U.S. producer's end-of-period inventories, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

U.S. EMPLOYMENT, COMPENSATION, AND PRODUCTIVITY

Table III-4 shows Aqualon's employment-related data during the period of investigation. Aqualon's average number of production and related workers (PRWs) and hours worked by PRWs decreased steadily by a net *** percent and ***percent during 2001-03, then remained at the same levels for interim 2003 and interim 2004. Wages paid to Aqualon's PRWs decreased irregularly, by an overall *** percent during 2001-03, before an increase of *** percent in interim 2004 as compared with interim 2003. However, as PRWs decreased during 2001-03, the hourly wages of the remaining PRWs increased irregularly by *** percent during 2001-03, *** percent during the interim periods, and *** percent over the period of investigation. The productivity of Aqualon's PRWs declined irregularly, by *** percent, during 2001-03, before recovering to levels *** percent in excess of 2001 levels during interim 2004. Corresponding unit labor costs increased irregularly, by a net $*** per pound during 2001-03, before falling to $*** per pound below 2001 levels during interim 2004.

Table III-4
Purified CMC: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

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

U.S. IMPORTERS

The Commission sent questionnaires to 65 firms believed to be importers from Finland, Mexico, the Netherlands, Sweden, and nonsubject sources of purified CMC, based on proprietary information provided by Customs. Questionnaire responses were received from 22 companies, including from the vast majority of importers from Finland, Mexico, the Netherlands, and Sweden.[1] Seventeen firms imported the subject merchandise during January 2001-March 2004, and five imported from other sources.

Table IV-1 lists all responding U.S. importers and their quantity of imports, by source, in 2003. U.S. importers responding to the questionnaires were located in California, Connecticut, Delaware, Georgia (3), Illinois, Kansas, Massachusetts, Maryland, Minnesota, New Jersey, New York (2), Ohio, Pennsylvania, Tennessee (2), and Texas (4). One U.S. importer entered the subject product into or withdrew it from bonded warehouses; no importers entered the subject product into or withdrew it from foreign trade zones or imported the subject product under the temporary importation under bond (TIB) program.[2]

Table IV-1
Purified CMC: Reported U.S. imports, by importer and by source of imports, 2003

* * * * * * *

U.S. IMPORTS

Although CMC and its salts are provided for separately in official U.S. import statistics (HTS subheading 3912.31.00), these import statistics contain all purity levels of CMC including crude (technical) CMC and salts of CMC, and thus are overly broad. Data on U.S. imports of purified CMC from the subject countries presented in this report are from responses to Commission questionnaires, while U.S. imports from nonsubject sources are based on adjustments to proprietary information provided by Customs.[3] During January 2001-March 2004, responding firms' U.S. imports of purified CMC from the subject countries accounted for approximately *** percent of the quantity of reported purified CMC exports to the United States from the subject countries, approximately *** percent of exports to the United States from Finland, approximately *** percent of exports to the United States from Mexico, more than *** percent of exports to the United States from the Netherlands, and approximately *** percent of exports to the United States from Sweden.

Table IV-2 presents data on U.S. imports of purified CMC. Both the volume and value of U.S. imports of purified CMC from Finland, Mexico, and the Netherlands increased irregularly throughout the period examined; both the volume and value of U.S. imports of purified CMC from Sweden decreased

[1] In addition to the 22 responses, the Commission received responses from 25 firms indicating that they did not import purified CMC during the period of investigation.

[2] *** entered the subject product into or withdrew it from bonded warehouses. *** importer questionnaire response (section I-9).

[3] Based on the methodology presented by petitioner for excluding nonsubject products, Customs data were adjusted to remove import entries from nonsubject sources when the unit value, on a c.i.f. basis, was $0.80 and below, as well as entries valued at $2.75 and greater. Petitioner's June 18, 2004, response to Commerce's Issues for Clarification letter, attachment G.

throughout the period. Both the volume and value of imports of purified CMC from nonsubject countries increased irregularly during the period for which data were gathered.

Table IV-2
Purified CMC: U.S. imports, by sources, 2001-03, January-March 2003, and January-March 2004

Source	Calendar year			January-March	
	2001	2002	2003	2003	2004
	Quantity (*1,000 pounds*)				
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
Subtotal	28,308	29,583	30,561	7,999	6,543
Other sources	7,491	5,311	8,394	1,452	1,218
Total	35,799	34,894	38,955	9,451	7,761
	Value (*1,000 dollars*)[1]				
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
Subtotal	41,057	39,869	40,059	10,607	8,303
Other sources	11,767	8,435	11,556	2,070	1,863
Total	52,824	48,304	51,615	12,677	10,166
	Unit value (*per pound*)[1]				
Finland	$***	$***	$***	$***	$***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
Average	1.45	1.35	1.31	1.33	1.27
Other sources	1.57	1.59	1.38	1.43	1.53
Average	1.45	1.36	1.31	1.33	1.28

Table continued on next page.

Table IV-2--*Continued*
Purified CMC: U.S. imports, by sources, 2001-03, January-March 2003, and January-March 2004

Source	Calendar year			January-March	
	2001	2002	2003	2003	2004
	Share of quantity (*percent*)				
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
Subtotal	79.1	84.8	78.5	84.6	84.3
Other sources	20.9	15.2	21.5	15.4	15.7
Total	100.0	100.0	100.0	100.0	100.0
	Share of value (*percent*)[1]				
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
Subtotal	77.7	82.5	77.6	83.7	81.7
Other sources	22.3	17.5	22.4	16.3	18.3
Total	100.0	100.0	100.0	100.0	100.0

[1] Landed, duty-paid.

Source: Compiled from data submitted in response to Commission questionnaires and proprietary Customs data (adjusted).

CUMULATION CONSIDERATIONS

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors: (1) the degree of fungibility, including specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution are discussed in *Part I* of this report; fungibility, geographical markets, and presence in the market are discussed below.

Fungibility and Presence in the Market

Table IV-3 presents shares (based on quantity) of U.S. commercial shipments and U.S. importers' U.S. shipments by end use applications. The data indicate that during the period of investigation, U.S.-produced purified CMC, as well as imports from the Netherlands and Sweden were present, to varying degrees, in *** end-use segments of the purified CMC market. U.S. imports from Finland and Mexico

were present, to varying degrees, in *** end use segments.[4] Imports from three subject countries were present in the food end-use application category, which accounted for *** percent of reported subject imports during 2003. In addition, more than *** percent of shipments of imports from the subject countries were entered under three of the four delineated end-use application categories. Appendix D, table D-1 contains details of data concerning U.S. shipments of purified CMC by end use. Additional discussion of fungibility is presented in *Part II.*

Table IV-3
Purified CMC: Shares (based on quantity) of U.S. shipments of domestically produced and imported products, by end use, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Geographical Markets

Purified CMC products produced in the United States are reportedly shipped nationwide. While imports of purified CMC from the subject countries may enter select Customs districts, such products are then generally sold nationwide.[5] Table IV-4 presents information on shares of U.S. imports of purified CMC entered by regions and Customs districts during 2001-03. Imports of purified CMC from Finland and Mexico principally enter through Customs districts in the South while imports of the subject product from the Netherlands and Sweden principally enter through districts in the East.

Table IV-4
Purified CMC: U.S. imports by sources and Customs districts, 2001-03.

* * * * * * *

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of purified CMC are based on U.S. producers' and importers' shipments as reported in the Commission's questionnaires. Data on apparent U.S. consumption of purified CMC are presented in table IV-5 and graphically depicted by end use applications in figure IV-1. Additional tables containing summary data on apparent U.S. consumption are presented in appendix D with (a) imports based on exports to the U.S. from foreign producer questionnaires (table C-2), and (b) under various cumulation scenarios (tables C-3-C-5).

[4] There were no imports from Finland present in the food and personal care segments nor were there any imports from Mexico in the paper & board or oilfield sectors.

[5] Respondents indicated that "(n)o party disputes that subject imports from the subject countries compete in the same geographic market and are simultaneously present in the market." Joint respondents' postconference brief, p. 46, fn 65.

Table IV-5
Purified CMC: U.S. producers' U.S. shipments, U.S. shipments of imports, by sources, and apparent U.S. consumption, 2001-03, January-March 2003, and January-March 2004

Item	Calendar year			January-March	
	2001	2002	2003	2003	2004
			Quantity (*1,000 pounds*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. shipments of imports from--					
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
All subject countries	25,261	29,442	30,423	8,518	7,123
Nonsubject countries	7,491	5,311	8,394	1,133	1,328
All countries	32,752	34,753	38,817	9,651	8,451
Apparent consumption	***	***	***	***	***
			Value (*1,000 dollars*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. shipments of imports from--					
Finland	***	***	***	***	***
Mexico	***	***	***	***	***
Netherlands	***	***	***	***	***
Sweden	***	***	***	***	***
All subject countries	39,957	44,402	44,365	12,278	10,276
Nonsubject countries	11,767	8,435	11,556	2,070	1,863
All countries	51,724	52,837	55,921	14,348	12,139
Apparent consumption	***	***	***	***	***

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

Source: Compiled from data submitted in response to Commission questionnaires and proprietary Customs data (adjusted).

Figure IV-1
Purified CMC: U.S. apparent consumption by end uses, 2001-03

* * * * * * *

The quantity of U.S. producer's U.S. shipments decreased by *** percent from 2001-02, before increasing by *** percent from 2002-03, and rose by *** percent, from interim 2003 to interim 2004. Aggregate quantities of U.S. shipments of subject imports increased from 2001 to 2003, before

declining from interim 2003 to interim 2004. Increases in the quantity of U.S. shipments of imports from Finland, by *** percent, and Mexico, by *** percent, accounted for the majority of the 2001-02 increase, while increases in the quantity of U.S. shipments of imports from Finland, by *** percent, and Netherlands, by *** percent, accounted for the majority of the 2002-03 increase. Conversely, the quantity of U.S. shipments of imports from Sweden declined during 2001-03. The quantity of U.S. shipments of nonsubject imports fell by 29.1 percent during 2001-02, then rose by 58.0 percent during 2002-03. The decline in aggregate subject country quantity of U.S. shipments of imports during the interim periods 2003 and 2004 was accounted for by declines in quantity of U.S. shipments from Finland and the Netherlands, by *** percent and *** percent, respectively, as interim quantities of U. S. shipments of imports from Mexico and Sweden, and nonsubject sources rose by *** percent, *** percent, and *** percent, respectively. With the above quantity shifts factored into apparent consumption, the resultant quantity of apparent consumption declined by *** percent during 2001-02, before increases of *** percent during 2002-03 and *** percent during the interim periods.

The value of the U.S. producer's U.S. shipments decreased during 2001-03 in spite of a $*** per pound increase in unit value during 2001-02, which was followed by a $*** per pound drop in unit value during 2002-03. Contrary to an absolute increase in value of U.S. producer's U.S. shipments from interim 2003 to interim 2004, the per pound unit value of U.S. shipments of U.S. produced product decreased by $*** per pound. The aggregate value of U.S. shipments of subject imports rose irregularly during 2001-03 even with decreases in unit values of $*** per pound for Finland, $*** per pound for Mexico, $*** per pound for the Netherlands, and $*** per pound for Sweden over the period. During the interim periods of 2003 and 2004, the value of U.S. shipments of subject countries declined under the influence of further decreases in per pound unit values of $*** for Mexico and $*** for the Netherlands and in opposition to increases of unit values of $*** per pound for Finland and $*** for Sweden. The value of U.S. shipments of imports from nonsubject sources fluctuated downward due to a $0.19 per pound unit value decease during 2001-03, and an increase of $0.10 per pound in interim 2004 when compared to the same period in 2003. The value of apparent consumption trended downward during 2001-03, by $*** per pound, with the greatest absolute value decrease from 2001 to 2002. Apparent consumption value increased during the interim 2003 and 2004 periods and translated into a $*** per pound decrease in unit value.

Trends in apparent consumption were influenced by declining demand in the oilfield and personal care sectors and increasing demand in the food and paper sectors (*see* figure IV-1) .

U.S. MARKET SHARES

Data on market shares in the U.S. market for purified CMC are presented in table IV-6. Additional tables containing summary data on apparent U.S. consumption are presented in appendix C with (a) imports based on exports to the U.S. from foreign producer questionnaires (table C-2), and (b) under various cumulation scenarios (tables C-3-C-5). The market share of the quantity of U.S. producer's U.S. shipments decreased *** percentage points, from *** percent during 2001 to *** percent during 2002, before increasing to *** percent during 2003 and *** percent during interim 2004. The corresponding market share value of U.S. producer's U.S. shipments decreased by *** percentage points from 2001 to 2002, from *** percent to *** percent, before increasing *** percentage points to *** percent during 2003, and another *** percentage points to *** percent of market share during interim 2004. Aggregate subject imports were equivalent to *** percent of apparent consumption quantity and *** percent of apparent consumption value during 2001. This level increased to *** percent of quantity and *** percent of value during 2002 and then decreased to *** percent of quantity and *** percent of value during 2003, and *** percent of quantity and *** percent of value during January-March 2004. U.S. shipments of imports from Finland, Mexico, and the Netherlands, accounted for the bulk of the increase in the market shares, which was most pronounced during 2002.

Table IV-6
Purified CMC: Apparent U.S. consumption and market shares, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

RATIO OF SUBJECT IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of subject imports to U.S. production of purified CMC is presented in table IV-7. Aggregate subject imports were equivalent to *** percent of U.S. production during 2001. This level increased to *** percent during 2002 and then decreased to *** percent during 2003 and *** percent during January-March 2004. U.S. imports from Finland and the Netherlands accounted for the bulk of the increase in the aggregate ratio from 2001 to 2002.

Table IV-7
Purified CMC: U.S. production and ratio of U.S. imports to U.S. production, by sources, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

Prices of purified CMC can fluctuate based on demand factors such as the business cycle, sectoral demand fluctuations (e.g., food,[1] oilfield, paper & board, and the personal care--cosmetics--pharmaceuticals sectors), and the size of an order. On the supply side, prices of purified CMC also differ by a number of product features, including, but not restricted to, purity, viscosity, degrees of chemical substitution,[2] particle size, and solution characteristics.

Purified CMC acts as a thickener, binder, stabilizer protective colloid, suspension agent, and is particularly useful as a flow-control aid in water-based solutions for a wide variety of final products. A number of alternative input products may substitute for or act as complements with CMC as relative prices of these alternatives change vis-a-vis prices of purified CMC. Part II discusses in detail substitution between CMC and alternative input products.

Raw Material Costs, Tariff Rates, and Transportation Costs to the U.S. Market

The principal raw material inputs used to produce domestic purified CMC are monochloroacetic acid (MCAA), wood pulp, and cotton linters. Total material costs accounted for almost *** percent of Aqualon's total costs to produce purified CMC in the United States during January 2001-March 2004.

The U.S. normal trade relations *ad valorem* import duty rate was 6.4 percent for imports of purified CMC under HTS subheading 3912.31.00 during January 2001-March 2004. In addition, under the NAFTA Canada/Mexico Preference, purified CMC under the above HTS subheading qualifying for North American treatment was accorded a zero duty rate during January 2001-March 2004.

During January 2001-March 2004, transportation charges for imports of purified CMC from each of the subject countries to the U.S. ports of entry, as a share of U.S. official customs values, averaged 5.7 percent for Finland and for Sweden, 3.8 percent for the Netherlands, and 1.2 percent for Mexico.

U.S. Inland Transportation Costs

Aqualon and the subject importers reported in their questionnaire responses that U.S.-inland freight costs were less than *** percent of delivered prices and that purified CMC products are typically delivered by truck in the United States. Aqualon reported that during January 2001-March 2004 it shipped *** percent of its domestic sales of its U.S.-produced purified CMC to U.S. customers located within 100 miles of its U.S. plant/warehouse facilities, with U.S. freight costs averaging *** percent of the delivered price; *** percent between 100 and 500 miles, with U.S. freight costs averaging *** percent of the delivered price; and *** percent over 500 miles, with U.S. freight costs averaging *** percent of the delivered price. The U.S. importers, including those that are end users, reported that during January 2001-March 2004 about 18.5 percent of their subject imported purified CMC was shipped to U.S. customers or their U.S. receiving locations (the latter if the importers were end users) within 100 miles from their U.S. shipping locations or to their U.S. receiving locations from the ports of entry (the latter if the importers were end users), with U.S. freight costs averaging 2.1 percent of the delivered price; 54.6 percent was shipped between 100 and 500 miles, with U.S. freight costs averaging 2.2 percent of the

[1] Purified CMC contained in food products is frequently referred to as cellulose gum.

[2] This refers to the degree of substitution of carboxymethyl for hydroxyl groups.

delivered price; and 26.8 percent was shipped over 500 miles, with U.S. freight costs averaging 2.3 percent of the delivered price.

Exchange Rates

Figures V-1 through V-4 show quarterly nominal and real exchange rate indices (the latter are nominal exchange rates adjusted for relative rates of inflation)[3] of the currencies of Finland, Mexico, the Netherlands, and Sweden relative to the U.S. dollar during January 2001-March 2004.[4] The producer price index for the Netherlands was available only through December 2003. As a result, quarterly real exchange rate data for the Netherlands could be calculated only for the period January 2001-December 2003.

The quarterly nominal and real exchange rates of each of the subject countries vis-a-vis the U.S. dollar fluctuated but tended to move together for each country.[5] The exchange rates of the three subject European countries depreciated in the early part of the period and appreciated in the latter part of the period against the U.S. dollar, while the Mexican peso first appreciated and then depreciated against the U.S. dollar.

The quarterly nominal value of the euro vis-a-vis the U.S. dollar, applicable for Finland and the Netherlands, first depreciated against the U.S. dollar, by 12.3 percent during January-September 2001, and then generally appreciated against the U.S. dollar, by 54.5 percent by March 2004 (figures V-1 and V-3). Similarly, the real value of the euro for Finland depreciated against the U.S. dollar by 9.5 percent during January-September 2001 and then generally appreciated, by 44.9 percent by March 2004, while the real value of the euro for the Netherlands depreciated against the U.S. dollar by 9.1 percent during January-September 2001 and then generally appreciated, by 45.6 percent by December 2003.

The quarterly nominal value of the Mexican peso appreciated by 6.4 percent against the U.S. dollar during January 2001-March 2002 and then generally depreciated, by 17.0 percent by March 2004 (figure V-2). Initially higher rates of inflation in Mexico than in the United States, first led the Mexican peso to appreciate in real terms vis-a-vis the U.S. dollar, by 16.0 percent by March 2002, then somewhat moderating inflation in Mexico combined with a falling nominal value of the peso resulted in the real value of the peso generally depreciating by 11.3 percent by January-March 2004.

The quarterly nominal value of the Swedish kronor depreciated by 7.9 percent against the U.S. dollar during January-September 2001 and then generally appreciated, by 44.0 percent by March 2004 (figure V-4). Similarly, the real value of the kronor depreciated against the U.S. dollar by 4.4 percent during January-June 2001 and then generally appreciated, by 36.1 percent by March 2004.

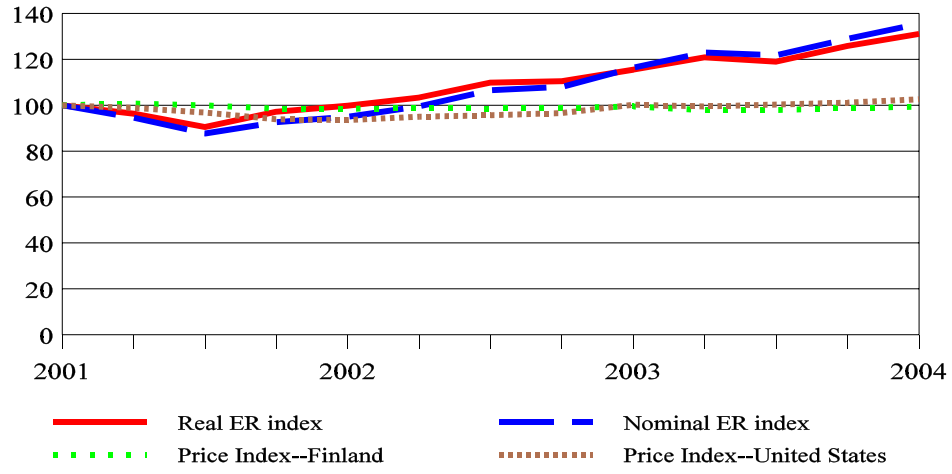
---

[3] The quarterly nominal and real exchange rate indices were calculated from quarterly-average nominal exchange rates and producer price indices reported by the IMF for each country. The exchange rate indices were based on exchange rates expressed in U.S. dollars per unit of the foreign currency, such that index numbers below 100 represent depreciation and numbers above 100 represent appreciation of the foreign currency vis-a-vis the U.S. dollar. The quarterly real exchange rate indices were calculated from nominal exchange rates, producer/wholesale price indices in the subject countries, and the producer price index in the United States.

[4] The exchange rates for Finland and the Netherlands are shown in U.S. dollars per euro as these countries are members of the European Economic and Monetary Union and no longer have individual national currencies. On the other hand, Sweden is a member of the European Economic Union but retains its national currency, therefore, its exchange rate is shown in U.S. dollars per Swedish kronor.

[5] Modestly fluctuating quarterly producer price indices in the three subject European countries during January 2001-March 2004 resulted in fairly similar fluctuations in the nominal and real exchange rates of each of these countries vis-a-vis the U.S. dollar.

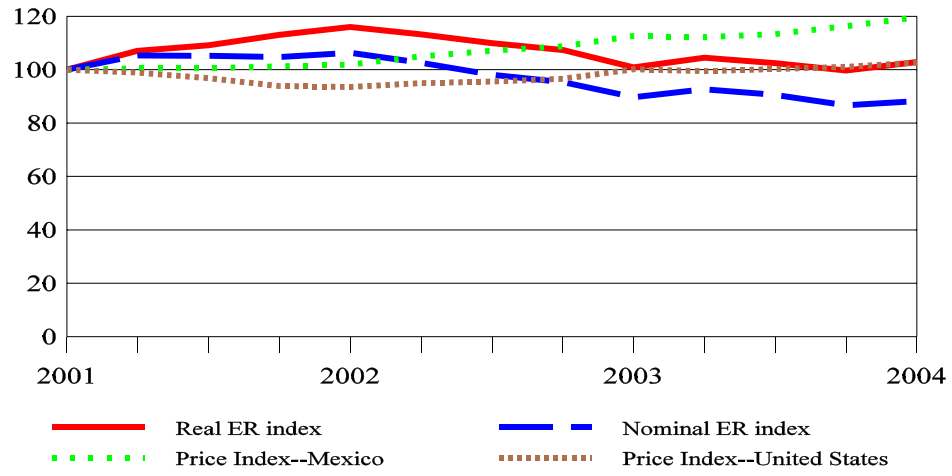
Figure V-1
Real and nominal exchange rate indices of the euro for Finland relative to the U.S. dollar, and producer/wholesale price indices in Finland and the United States, by quarters, January 2001-March 2004



Note: Index (Jan.-Mar. 2001=100). Exchange rates are in U.S. dollars per euro.

Source: International Monetary Fund, *www.imfstatistics.org*, June 2004.

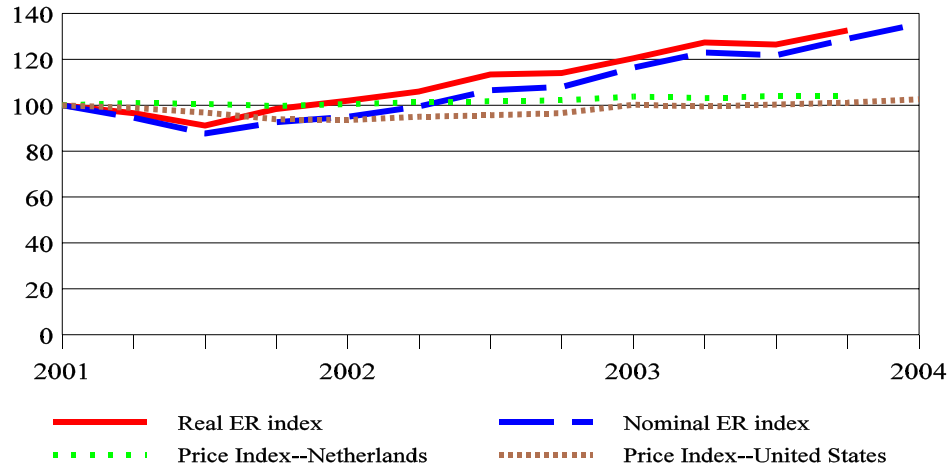
Figure V-2
Real and nominal exchange rate indices of the Mexican peso relative to the U.S. dollar, and producer/wholesale price indices in Mexico and the United States, by quarters, January 2001-March 2004



Note: Index (Jan.-Mar. 2001=100). Exchange rates are in U.S. dollars per Mexican peso.

Source: International Monetary Fund, *www.imfstatistics.org*, June 2004.

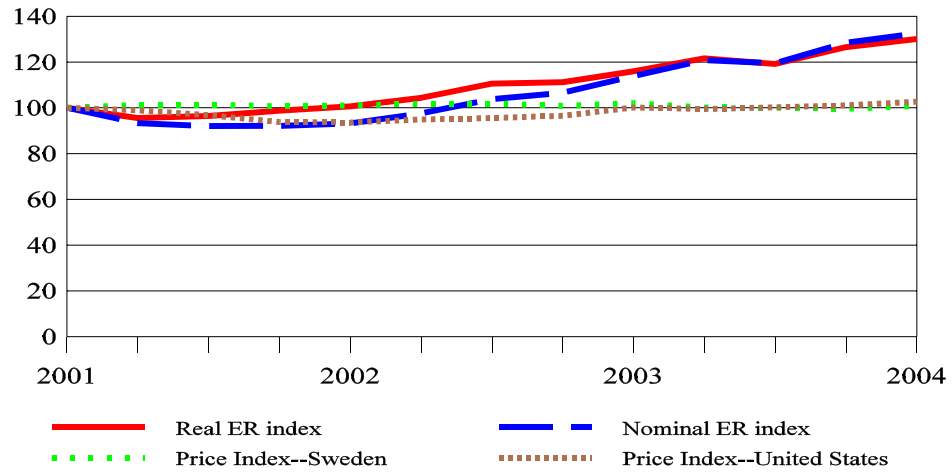
Figure V-3
Real and nominal exchange rate indices of the euro for the Netherlands relative to the U.S. dollar, and producer/wholesale price indices in the Netherlands and the United States, by quarters, January 2001-March 2004



Note: Index (Jan.-Mar. 2001=100). Exchange rates are in U.S. dollars per euro.

Source: International Monetary Fund, *www.imfstatistics.org*, June 2004.

Figure V-4
Real and nominal exchange rate indices of the Swedish kronor relative to the U.S. dollar, and producer/wholesale price indices in Sweden and the United States, by quarters, January 2001-March 2004



Note: Index (Jan.-Mar. 2001=100). Exchange rates are in U.S. dollars per Swedish kronor.

Source: International Monetary Fund, *www.imfstatistics.org*, June 2004.

PRICING PRACTICES[6]

Aqualon reported that *** percent of its total U.S. sales quantity of its U.S.-produced purified CMC during January 2001-March 2004 was on a spot basis, *** percent was on a short-term basis, and *** percent was on a long-term basis during January 2001-March 2004.[7] The U.S. importers of the purified CMC from Finland, the Netherlands, and Sweden that sold their products reported U.S. sales by type of sale that were similar to each other during this period, whereas importers of the Mexican purified CMC reported a different distribution of sales. Based on combined shipment quantities of the subject imported European purified CMC during this period, *** percent of the total was on a spot basis, *** percent was on a short-term basis, and *** percent was on a long-term basis. Based on shipment quantities of the subject imported Mexican purified CMC, *** percent of the total was on a short-term basis and the remaining *** percent was on a long-term basis.[8] For spot sales, Aqualon and the U.S. importers reported that prices were typically based on list prices. Aqualon and the U.S. importers reported that long-term agreements generally do not extend beyond 24 months, while short-term sales are typically for 12 months.[9] Both types of latter sales agreements typically fixed price and quantity. For both long-term and short-term sales, Aqualon and the U.S. importers reported that prices were typically negotiated and were based on a number of factors, including volume, product types, the specific industry, competitive situation, type and amount of technical service needed, and value-in-use.[10]

More than *** percent of the purified CMC produced domestically and imported from the subject countries was shipped to end users and the remaining amount to distributors during January 2001-March 2004. Aqualon reported that it quoted prices of the domestically produced purified CMC on a *** basis during January 2001-March 2004, whereas five importers reported quoting prices on a U.S. f.o.b.

---

[6] Information on pricing practices discussed here was based on questionnaire responses of the U.S. producer and importers of purified CMC, unless otherwise noted.

[7] Spot sales are usually one-time delivery, within 30 days of the purchase agreement; short-term sales are for multiple deliveries for up to 12 months after the purchase agreement; and long-term sales are for multiple deliveries for more than 12 months after the purchase agreement.

[8] U.S. end users that imported purified CMC from the subject countries reported their purchases by type of purchase agreement during January 2001-March 2004. Based on their combined imports from the subject countries during this period, 0.5 percent of the total was on a spot basis, 91.6 percent was on a short-term basis, and 7.9 percent was on a long-term basis.

[9] Aqualon indicated that the one year sales agreements were typically negotiated in the fall of each year (petitioner's postconference brief, p. 1).

[10] *** provided the following detailed response in its questionnaire response to how its prices are established. Value-in-use is an important part of a specialty chemicals business where the price of the product is dependent on the potential benefit the product has for the customer in his application (i.e. solves the customer's problem). The customer will ask questions like: Can you stabilize this drink for me with purified CMC? *** will then technically develop the right grade, right addition levels, etc., in other words, the total package that solves the customer's problem. Price is then determined by the total technical package coming with the purified CMC that provides the customer with the intended benefit. An example in paper is that if our purified CMC can make the paper machine run 5.0 percent faster, the customer has a tremendous benefit and the price he is willing to pay for this purified CMC should reflect that. Technical service, good application development, and intimate customer contact are required for a good value-in-use concept because the customer's problem needs to be identified, and the purified CMC and the technical back-up need to be provided to the customer. A value-in-use concept can not be given by a supplier without technical sales service back-up or without a strong application development base. If there are severe substitution threats with non-purified-CMC products, pricing should always be in-sync with the potential of a customer switching to a non-purified-CMC replacement like polyacrylates in paper.

warehouse basis and four importers reported quoting prices on a delivered basis.[11] Payment terms of net *** were offered by Aqualon and generally offered by the responding U.S. importers.[12] Aqualon and eight of the nine responding importers reported that they did not absorb any U.S. freight to their customers during January 2001-March 2004. A single importer, ***, reported that the firm absorbed some freight, which totaled *** in 2003, on orders of *** short tons or more of purified CMC annually or single shipments in excess of *** pounds.

Aqualon reported that it does not have a standard discount policy, however, ***. The U.S. importers reported that they also have no standard discount policy, but that the size of the order plays a role in the price offered.

Aqualon reported that its domestic sales of the U.S.-produced purified CMC are *** and typically require *** days from the time the order is placed to when the product is delivered. U.S. importers of purified CMC from the subject European countries reported shipping *** percent of the quantity of their U.S. sales from U.S. inventories and the remaining *** percent directly from the foreign producers, whereas importers of the purified CMC from Mexico reported shipping *** U.S. sales from U.S. inventories.[13] Based on shipments from U.S. inventories, order lead times for the subject European purified CMC averaged almost *** days and order lead times for the imported Mexican products averaged *** days. Based on shipments direct from the foreign producer, order lead times for the subject European products averaged almost *** weeks.

PRICE DATA

U.S. selling value and quantity data were requested for sales to U.S. end users for the following four product categories for purified CMC produced in the United States and imported from Finland, Mexico, the Netherlands, and Sweden:[14]

---

[11] The importers reported that they arranged freight on some of the f.o.b. sales and their customers arranged the freight on other f.o.b. sales; for these latter sales, the importer would likely not know the delivered price. In addition, the importers may not know the freight on those f.ob. shipments where they arranged for a carrier but sent the products freight collect. Only on those f.o.b. sales where the importers prepaid the freight, would they necessarily know the transportation costs and hence the delivered prices.

[12] Two U.S. importers also reported offering *** days as payment options, and *** reported that it offers net *** days for its drilling customers but net *** days for customers in the food sector.

[13] Only U.S. importers that were distributors were instructed to respond to this question in the questionnaire.

[14] These product categories were suggested by Aqualon as appropriate products to collect pricing data. Aqualon indicated that it chose purified CMC specifications where its products compete directly with the subject imports and where the specifications were sufficiently narrow to avoid potential product mix distortions (Petition, p. 20). Respondents asserted at the conference, however, that the product specifications were too broad, involving for each product category multiple products that carried different prices from each other. The respondents also noted that the reported quarterly quantity and value data for the four specified product categories would result in unit values rather than actual price data. (Conference transcript, pp. 191-192 (McKenzie and Malashevich)). The petitioner responded that the product specifications are based on respondents' product descriptions in their sales literature (conference transcript, p. 201 (Lebow)). In addition, the petitioner asserted that Aqualon and the subject importers have a very similar distribution of sales. The petitioner isolated its standard and lowest-grade products within each of the four product categories and compared prices of these individual products with the reported prices of the subject import products, which, according to the petitioner, included a mix of prices of standard and higher-priced grades. Based on its price comparison methodology and assumptions, the petitioner found that prices of the imported purified CMC generally undersold its standard and lower-grade products (petitioner's postconference brief, pp. 25-26).

Product 1.–High viscosity (approximately 1,000 to 3,000 Mpas in 1 percent solution), degree of substitution approximately 0.65 to 0.90 (i.e., 6.5 to 9.0 carboxymethyl groups per 10 anhydro- glucose units), used for regulated (food or personal care) applications, excluding pharmaceutical. The trade names of the suppliers for this product are: Aqualon–7HF; Noviant–Cekol 30,000; Akzo–Akucel AF278_; Amtex–PE 31FG.

Product 2.–Medium viscosity (approximately 400 to 800 Mpas in 2 percent solution), degree of substitution approximately 0.65 to 0.90 (i.e., 6.5 to 9.0 carboxymethyl groups per 10 anhydro- glucose units), used for regulated (food or personal care) applications, excluding pharmaceutical. The trade names of the suppliers for this product are: Aqualon–7MF; Noviant–Cekol 300; Akzo–Akucel AF150_; Amtex–PE 28FGH.

Product 3.–Medium viscosity (approximately 400 to 800 Mpas in 2 percent solution), degree of substitution approximately 0.65 to 0.90 (i.e., 6.5 to 9.0 carboxymethyl groups per 10 anhydro- glucose units), non-regulated applications (i.e., standard grade). The trade names of the suppliers for this product are: Aqualon–7MT; Noviant–Finnfix 300; Akzo–None; Amtex–PE 27 EXH.

Product 4.–High viscosity (minimum 1,500 Mpas in 1 percent solution), degree of substitution 0.8 to 1.5 (i.e., 8 to 15 carboxymethyl groups per 10 anhydroglucose units), to oilfield customers. This product is often sold to customers bearing the particular customer's trade name for its oil drilling product, such as Drispac, Milpac, and Polypac. Less frequently, the product bears a proprietary name of the manufacturer, such as Aqualon's Aquapac or Akzo's Staflo. In all cases, the specifications and not the label on the bag should be the controlling factor in reporting.

The price data were requested from U.S. producers and importers for their quarterly shipments of the specified purified CMC products during January 2001-March 2004 that were produced in the United States and imported from the subject countries. The requested price data were based on net U.S. delivered selling price data for shipments to end users.[15] If the importer was an end user that captively used the subject purified CMC, the firm was requested to provide its delivered purchase price data. The price data of the subject imported products are shown and discussed separately in Part V for importers that sold their products to end users and for importers that are end users that purchased directly from the subject foreign producers. Because the price data were reported on a U.S. delivered price data for sales to U.S. end users as well as for direct imports by U.S. end users, and the vast majority of total U.S. sales by Aqualon and the importers were to end users, appendix E presents combined importer price data for importers that sold to end users and importers that are end users that purchased directly from the foreign producers.

Aqualon, the lone U.S. producer of purified CMC, and 13 importers of the purified CMC from Finland, Mexico, the Netherlands, and/or Sweden provided the requested price information, but not necessarily for all products, periods, or subject countries requested.[16] Aqualon reported total sales quantities of the U.S.-produced purified CMC for pricing purposes during January 2001-March 2004 that amounted to *** pounds, or *** percent of its total reported U.S. commercial shipments of the U.S.-

[15] The petitioner indicated that *** (staff telephone interviews with ***, June 9/10, 2004).

[16] Three U.S. importers reported the pricing data of purified CMC from Finland, four importers reported pricing data for Mexico, seven importers reported pricing data for the Netherlands, and four reported pricing data for Sweden.

produced purified CMC during this period. The 13 responding U.S. importers reported total sales quantities for pricing purposes during January 2001-March 2004 that amounted to *** million pounds of purified CMC from Finland, *** million pounds from Mexico, *** million pounds from the Netherlands, and *** million pounds from Sweden. These import quantities for pricing purposes accounted for *** percent of total U.S. imports of purified CMC from Finland during January 2001-March 2004, *** percent from Mexico,[17] *** percent from the Netherlands, and *** percent from Sweden. U.S. importers that sold their subject imported products to end users accounted for 66.1 percent of the volume of total reported subject imported price data, while the importing end users of purified CMC accounted for the remaining 33.9 percent.[18] The following tabulation shows by subject country the relative quantity shares of the reported price data by importers that sold their products to end users and by importing end users:

* * * * * * *

Price trends of the domestic and subject imported purified CMC product categories are based on the reported quarterly net U.S. delivered selling price data and net delivered price data reported by importing end users purchasing directly from the subject foreign producers. Price comparisons between the domestic and subject imported purified CMC product categories are based on the reported selling price data. In addition to possible product aggregation problems raised by the respondents, the price data do not control for the sales quantity or length of sales agreements.

Price Trends

Quarterly trends in prices and quantities are shown for the U.S.-produced purified CMC products 1-4 in table V-1. Quarterly trends in prices and quantities of the selling price data for the subject imported purified CMC products 1-4 are shown by country in table V-2,[19] while the selling price data for each of the subject imported products, but combined for all the subject countries, are shown in table V-3. Quarterly trends in prices and quantities of the importing end users' purchase price data for the subject imported purified CMC products 1 and 4 are shown by country in table V-4,[20] while the importing end users' purchase price data for the subject imported products 1 and 4, but combined for all the subject countries, are shown in table V-5. The quarterly selling prices and quantities of the domestic and subject imported purified CMC products are also shown by each product and country in figures V-5a through V-5d, respectively, while the importing end users' purchase price data and the U.S. producer's selling price data for products 1 and 4 are shown by country in figures V-6a and V-6b, respectively.

[17] ***.

[18] Nine U.S. importers reported the requested selling price data and four importing end users reported the purchase price data.

[19] U.S. importers selling their subject imported purified CMC to end users reported price data for product 3 from Finland, products 1 and 3 from Mexico, products 1-4 from the Netherlands, and products 1 and 2 from Sweden.

[20] U.S. importing end users of the subject imported purified CMC reported their purchase price data for product 4 from Finland, product 1 from Mexico and the Netherlands, and products 1 and 4 from Sweden.

Table V-1
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of domestically produced products 1-4 sold to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Table V-2
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of the specified products imported from the subject countries and sold to U.S. end users, by countries and products, and by quarters, January 2001-March 2004

* * * * * * *

Table V-3
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of the specified products imported from all subject countries combined and sold to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Table V-4
Purified CMC: U.S. weighted-average net delivered prices and quantities of the specified products imported from the subject countries by U.S. end users purchasing directly from the foreign producers, by countries and products, and by quarters, January 2001-March 2004

* * * * * * *

Table V-5
Purified CMC: U.S. weighted-average net delivered prices and quantities of the specified products imported from the subject countries by U.S. end users purchasing directly from the foreign producers, by products and by quarters, January 2001-March 2004

* * * * * * *

Figure V-5a
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced and subject imported product 1 sold to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure V-5b
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced and subject imported product 2 sold to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure V-5c
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced and subject imported product 3 sold to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure V-5d
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced and subject imported product 4 sold to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure V-6a
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced product 1 sold to end users and net delivered purchase prices and quantities of subject product 1 imported by U.S. end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure V-6b
Purified CMC: U.S. weighted-average net delivered selling prices and quantities of U.S.-produced product 4 sold to end users and net delivered purchase prices and quantities of subject product 4 imported by U.S. end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

The reported quarterly selling prices of the specified purified CMC products produced domestically and imported from Finland and Mexico fluctuated during January 2001-March 2004, but tended to trend downward during this period. The reported selling prices of the purified CMC products imported from the Netherlands and Sweden also fluctuated but did not exhibit clear trends for the period.

Quarterly sales quantities reported by the U.S. producer and the importers of the subject imported purified CMC products generally fluctuated during January 2001-March 2004 with trends generally difficult to discern. Reported quarterly quantities of the imported Mexican product 1 shipped to end users were the lowest in 2001 and were consistently higher for the rest of the period, whereas quarterly quantities of the imported Dutch product 1 shipped to end users during 2003 and January-March 2004 were generally below quarterly shipment levels during 2001 and 2002. Quarterly sales quantities of the U.S.-produced product 4 increased strongly during 2003.[21]

The reported quarterly purchase prices of the specified purified CMC products 1 and 4 imported from the subject countries by U.S. end users also fluctuated during January 2001-March 2004 with trends generally difficult to discern, although prices of the Dutch product 1 tended to increase and prices of the Finnish product 4 tended to decrease during this period. The reported quarterly quantities generally fluctuated without a clearly discernable trend.

---

[21] Aqualon noted that a portion of its volume decline was due to a general decline in U.S. demand for CMC from 2001 to 2002, which in turn was due to a cyclical reduction in demand for CMC for drilling mud used in the U.S. oilfield sector (petitioner's postconference brief, p. 22). Staff notes that as U.S. oilfield activity increased in 2003 and the first quarter of 2004, Aqualon's reported shipments of purified CMC to that sector also increased (see Part II for a discussion of trends in U.S. oilfield activity).

Aqualon reported quarterly net U.S. delivered selling prices of its U.S.-produced purified CMC products 1-4 shipped to U.S. end users during January 2001-March 2004 (table V-1 and figures V-5a throughV-5d). Although fluctuating, prices of the domestic products 1-4 tended to fall during the period, with prices typically lower at the end of the period than at the beginning of the period.[22] Prices of product 1 began at $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. Similarly, prices of product 2 began the period at $*** per pound and ended at $*** per pound, while prices of product 4 began at $*** per pound and ended at $*** per pound. Prices of product 3 rose from $*** per pound during January-March 2001 to a period high of $*** per pound during April-June 2001, and then tended to fall to end at $*** per pound during January-March 2004.

U.S. importers reported quarterly net U.S. delivered selling prices of the purified CMC product 3 imported from Finland and shipped to U.S. end users during January 2001-March 2004 (table V-2 and figure V-5c). Although fluctuating, prices of the imported Finnish product 3 tended to fall during the period, with prices typically lower at the end of the period than at the beginning of the period. Prices of product 3 began at a period high of $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. U.S. importing end users reported quarterly net delivered prices of the Finnish product 4 purchased directly from the foreign producer (table V-4), which generally declined during January 2001-March 2004, from $*** per pound during January-March 2004 to $*** per pound during January-March 2004.

U.S. importers reported quarterly net U.S. delivered selling prices of the purified CMC products 1 and 3 imported from Mexico and shipped to U.S. end users during January 2001-March 2004 (table V-2 and figures V-5a and V-5c). Although fluctuating, prices of the imported Mexican products 1 and 3 tended to fall during the period, with prices typically lower at the end of the period than at the beginning of the period. Prices of product 1 began at a period high of $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. Similarly, prices of product 3 began at a period high of $*** per pound and ended at $*** per pound. U.S. importing end users reported quarterly net delivered prices of the Mexican product 1 purchased directly from the foreign producer (table V-4), which tended to fall for the six quarters reported, from $*** per pound during April-June 2001 to $*** per pound by January-March 2003 and then remained at this level during July-September 2003.

U.S. importers reported quarterly net U.S. delivered selling prices of the purified CMC products 1-4 imported from the Netherlands and shipped to U.S. end users during January 2001-March 2004 (table V-2 and figures V-5a through V-5d).[23] Although fluctuating during the period, prices of the imported Dutch products 1 and 2 were higher at the end of the period than at the beginning of the period, while prices of product 4 were lower at the end of the period than at the beginning of the period. Prices of product 1 began at $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. Similarly, prices of product 2 began the period at $*** per pound and ended at $*** per pound. On the other hand, prices of product 4 began at $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. U.S. importing end users reported quarterly net delivered prices of the Dutch product 4 purchased directly from the foreign producer (table

---

[22] Aqualon reported that in response to aggressive pricing and market share gains by the subject imports during 2001 and 2002, Aqualon offered price concessions on its purified CMC beginning in mid-2002 and gained back some, but not all of the volume/market share that it reportedly lost in 2001 and 2002. Aqualon reported average price concessions of *** for products 1 and 2 and *** per pound for products 3 and 4 for sales in 2003, with further price reductions in the first quarter of 2004. On the other hand, Aqualon reported announcing a price increase of *** per pound for its purified CMC in April 2003 to offset increasing raw material costs, but the price increase reportedly did not stick (petitioner's postconference brief, pp. 23-24).

[23] Because prices of the imported Dutch product 3 were reported for only a single quarter, no price trends were discussed for this product.

V-4), which generally rose during January 2001-March 2004 from $*** per pound during January-March 2001 to $*** per pound by January-March 2004.

U.S. importers reported quarterly net U.S. delivered selling prices of the purified CMC products 1 and 2 imported from Sweden and shipped to U.S. end users during January 2001-March 2004 (table V-2 and figures V-5a.and V-5b).[24] Although fluctuating during the period, prices of the imported Swedish product 1 were higher at the end of the period than at the beginning of the period, while prices of product 2 were lower at the end of the period than at the beginning of the period. Prices of product 1 began at $*** per pound during April-June 2001 (the first period for which price data were reported for this product) and ended at $*** per pound during January-March 2004. On the other hand, prices of product 2 began at $*** per pound during January-March 2001 and ended at $*** per pound during January-March 2004. U.S. importing end users reported quarterly net delivered prices of the Swedish products 1 and 4 purchased directly from the foreign producer during the periods reported (table V-4). Delivered purchase prices of the Swedish product 1 rose irregularly during the period reported, from $*** per pound during April-June 2002 to $*** per pound by October-December 2003. Delivered purchase prices of the Swedish product 4 were constant at $*** for the three quarters reported (January-September 2001).

Price Comparisons

A total of 99 quarterly price comparisons were possible between the domestic and subject imported purified CMC products 1-4 shipped to U.S. end users on a U.S.-delivered selling-price basis during January 2001-March 2004. In 70 of the 99 selling price comparisons, the subject imported products were priced less than the U.S.-produced products, in 28 other price comparisons the subject imported products were priced higher than the U.S.-produced products, and in the one remaining price comparison, the domestic and subject imported products were sold at the same price.[25] The price comparisons based on reported selling price data are summarized in table V-6 and are shown by product and country in tables V-7a through V-7d.

[24] Because prices of the imported Swedish product 4 were reported for only a three quarters, no price trends were discussed for this product.

[25] On the other hand, the importer enduser purchase prices of products 1 and 4 from the foreign producers were consistently less than Aqualon's reported selling prices of these products.

Table V-6
Purified CMC: Number of quarterly U.S. weighted-average net delivered selling price comparisons between U.S.-produced and subject imported purified CMC during January 2001-March 2004[1]

Country	Total number of comparisons	Underselling by imports *Number*	Overselling by imports *Number*	No difference *Number*
Finland:	13	12	1	-
Mexico:	26	22	4	-
Netherlands:	40	20	19	1
Sweden:	20	16	4	-
Four subject countries combined:[2]	52	39	12	1

[1] The number of price comparisons shown for each country involve all the specified products reported.
[2] The number of price comparisons for the four subject countries combined was based on combined reported quarterly quantity and value data for all four subject countries for each product (shown in table V-3). As a result, the combined price comparison figures do not represent the sum of quarterly price comparisons for each individual country.

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

Table V-7a
Purified CMC: U.S. weighted-average net delivered selling prices of domestic and subject imported purified CMC product 1 and margins of underselling/(overselling), by countries and by quarters, January 2001-March 2004

* * * * * * *

Table V-7b
Purified CMC: U.S. weighted-average net delivered selling prices of domestic and subject imported purified CMC product 2 and margins of underselling/(overselling), by countries and by quarters, January 2001-March 2004

* * * * * * *

Table V-7c
Purified CMC: U.S. weighted-average net delivered selling prices of domestic and subject imported purified CMC product 3 and margins of underselling/(overselling), by countries and by quarters, January 2001-March 2004

* * * * * * *

Table V-7d
Purified CMC: U.S. weighted-average net delivered selling prices of domestic and subject imported purified CMC product 4 and margins of underselling/(overselling), by countries and by quarters, January 2001-March 2004

* * * * * * *

LOST REVENUES AND LOST SALES

In the petition, Aqualon reported nine allegations of lost revenues and 24 allegations of lost sales due to competition from imports of purified CMC from Finland, Mexico, the Netherlands, and/or Sweden during 2002 and 2003.[26] The lost revenue allegations totaled $*** and the lost sales allegations totaled almost $***. Staff received usable information from 11 of the 16 purchasers named in the allegations; a summary of the information obtained is shown in table V-8 for lost revenue allegations and table V-9 for lost sales allegations. Additional comments from purchasers are presented in the text that follows.

Table V-8
Purified CMC: Aqualon's lost revenue allegations

* * * * * * *

Table V-9
Purified CMC: Aqualon's lost sales allegations

* * * * * * *

*** agreed with both lost revenues allegations.

*** disagreed with both lost sales allegations. It stated that *** accepted price was $***, which was higher than the alleged rejected quote for the U.S.-produced product. It further stated that *** "did not lose the bid due to price but rather due to past quality problems. The purified CMC from *** was jointly developed and provides a better yield in our product."

*** disagreed with the 2002 allegation, stating that it purchased from *** mostly because of service. It agreed with the 2003 allegation.

*** did not respond to the 2002 allegation. It disagreed with the 2003 allegation, stating that *** pounds was awarded to *** and that $*** was never offered. It further stated that "*** is scheduled to get more orders in the second half of 2004."

*** disagreed with all of the lost sales and lost revenues allegations. Regarding the 2002 allegations, it stated "policy to split business and service/ability drove decision." Regarding the 2003 allegations, it stated "we actually paid more for the competing product." It further stated, "our job is to buy as economically as possible. As part of the negotiation process ***. Part of our policy ***." In addition, *** stated "it would be absurd to think that several countries were conspiring to price Hercules out of the market. It would be unfortunate to limit our ability to negotiate in the world market because one U.S. company did not operate astutely. We sell finished product in Mexico and Canada, and causing us artificial price increases would force some of our jobs overseas."

*** agreed with all of the allegations. In addition it stated, "in order to balance our supply base, we have historically purchased from both domestic and import sources" and "in our past four year purchase history of purified CMC, three producers have shared supplying of our business- *** , *** and ***. In 2004, *** percent of our business."

*** commented on the lost revenue allegation by stating that "the reduction in price was due to the elimination of a third-party vendor and going direct to the manufacturer Hercules, not necessarily from the presence of lower priced imports."

[26] No additional lost revenue or lost sales allegations were reported by the petitioner in its U.S. producer questionnaire response.

*** responded to the lost sales allegation (neither confirming or denying it), but not the lost revenue allegation.

*** disagreed with both lost sales allegation, stating that it accepted the domestic bid.

*** disagreed with both lost sales allegations regarding ***. Regarding the 2002 allegation, it stated "this allocation was in place since 1999, i.e. no lost business for U.S. producer in 2002." For 2003, it stated that both *** offered the same prices but that it allocated more business to *** and "therefore, no volume was 'lost' by the U.S. producer. In addition, the prices offered by the import source and *** were the same, therefore, *** did not lose business to 'lower priced imports."

*** agreed with the 2003 lost sales allegation regarding *** plants but disagreed with the 2002 allegation. It stated, "the import price was higher than rejected quotation for U.S. product. Therefore, the U.S. producer did not lose a sale to lower priced imports."

Purchasers responding to lost revenues and lost sales allegations were also asked whether they had shifted their purchases of purified CMC from the U.S. producer to suppliers of products from Finland, Mexico, Netherlands, and/or Sweden during January 2001-March 2004. In addition, they were asked whether the U.S. producer reduced its prices of purified CMC to compete with suppliers of imports from Finland, Mexico, Netherlands, and/or Sweden during this period. Purchasers' responses to these questions are shown in table V-10. Four of the 10 purchasers responding to the question about shifts in their purchases reported that, since January 2001, they had shifted purchases of purified CMC from the U.S. producer to imports from Mexico and Sweden, but that price was not the reason for the shift. The remaining six firms reported that they had not shifted their purchases. Four of the seven purchasers responding to the question of reduced prices stated that, since January 2001, the U.S. producer had reduced its prices of purified CMC to compete with prices of imports from the subject countries; in particular, three of the four firms cited Mexico and one cited Finland. Two other firms reported that Aqualon did not reduce its prices of the U.S.-produced purified CMC. The one remaining firm indicated that it saw a reduction of price, but did not know the status of competition in the market.

Table V-10
Purified CMC: Purchaser responses to lost revenues/lost sales inquiries

* * * * * * *

PART VI: FINANCIAL EXPERIENCE OF THE U.S. INDUSTRY

BACKGROUND

Aqualon, the only U.S. producer of purified CMC during the period examined, supplied financial data on its purified CMC operations. Aqualon's fiscal year ends on ***.

PURIFIED CMC OPERATIONS

Income-and-loss data of Aqualon on its operations producing purified CMC are presented in table VI-1 and Aqualon's components of cost of goods sold are shown in table VI-2.

Table VI-1
Purified CMC: Results of operations of Aqualon in the production of purified CMC, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Table VI-2
Purified CMC: Aqualon's components of cost of goods sold in the production of purified CMC, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

The operating income margin dropped from *** percent of net sales in 2001 and 2002 to *** percent in 2003, and fell again from *** percent of net sales in January-March 2003 to *** percent of net sales in January-March 2004.

From 2001 to 2002, the volume of total net sales declined by about *** percent. On a per-pound basis, the average cost of goods sold ("COGS") declined by ***, while the average unit value of sales rose by ***, resulting in a higher unit gross profit. This higher gross profit was in turn offset by higher selling, general, and administrative ("SG&A") expenses of *** (due to lower volume), resulting in a slightly higher unit operating income. The decline in volume of total net sales occurred in all four major end-use applications--food; personal care, cosmetics, and pharmaceutical; paper and board; and oilfield. However, the major decline in volume was in oilfield end use.[1] Petitioner testified at the conference that "the respondents were particularly aggressive in the market. We were somewhat surprised and caught off-guard by the low pricing; did not respond by matching the pricing, and therefore we lost very significant market share during that time (in 2002)."[2]

From 2002 to 2003, while the volume of total net sales increased by about *** percent, it was still lower than the 2001 volume of total net sales. On a per-pound basis, the average COGS remained steady at ***, whereas the average unit value of sales declined by ***. The resulting lower unit gross profit *** the SG&A expenses, resulting in *** operating income. The increase in the volume of total net sales occurred in all four major end-use categories but the major increase was in oilfield end use.[3] Petitioner testified at the conference that "we did become more responsive in terms of matching these

[1] Conference transcript, p. 107 (Klett).

[2] Conference transcript, p. 106 (Herak).

[3] Conference transcript, p. 107 (Klett).

very low prices, we did regain certain position. That's why you see an improvement in our sales in 2003."[4]

From January-March 2003 to January-March 2004, the volume of total net sales rose by *** percent. On a per-pound basis, net sales and COGS both declined by about ***. However, a large non-cash charge of *** resulted in a sharp decline in gross profits. As a result, even though unit SG&A expenses declined, Aqualon incurred ***. In March 2004, Aqualon *** of the monochloroacetic acid (MCA) production ***.[5] MCA is a key raw material in the production of purified CMC. Aqualon produced *** for many years. With the declining CMC sales and commensurate decline in MCA production, the MCA production costs increased ***, and captive MCA production ceased to be competitive with buying MCA. Hence, Aqualon made the decision in *** to stop producing MCA effective ***.[6] Without ***, Aqualon earned a gross profit of *** percent of net sales, and *** of *** percent of net sales in January-March 2004. Aqualon stated that "the decision to close a part of the Hopewell plant that makes an input chemical for CMC *** also has been necessitated in significant part by the impact of the subject dumped imports on Aqualon's production volume."[7] The increase in the volume of total net sales again occurred in all four major end-use categories, but the major increase was again in oilfield end use. Aqualon stated that "financial data (for January-March 2004) show a significant ***. This is due to continued weakness in prices, and the fact that oil-field demand for CMC is only one component of CMC demand. Any recent improvement in Aqualon's CMC indicia due to such a sharp increase in oil drilling activity would disappear with a sharp downward turn in oil prices."[8]

With regard to the individual components of COGS, raw materials accounted for *** of total cost of goods sold whereas other factory costs accounted for *** during the period of investigation. With respect to the decrease in raw materials cost per pound in 2002 onward and the increase in other factory costs per pound in 2002 and January-March 2003, Aqualon stated that:

> ***.[9]

With respect to the average COGS per pound of around *** during 2001-03, Aqualon confirmed that the COGS was reported at actual cost.[10]

---

[4] Conference transcript, p. 107 (Herak).

[5] Aqualon reported that *** is included in the "$7 million of impairment charges associated with two production facilities" reported in footnote 7 of consolidated financial statements in Hercules, Inc. Form 10-Q, March 31, 2004. E-mail from ***, Aqualon, July 8, 2004; and Joint respondents' postconference brief, p. 17. Also, in item 2, Management's Discussion and Analysis of Financial Condition and Results of Operation (Page 31), the firm stated the following with respect to Aqualon's profit from operations: "In addition, an asset impairment charge of $4 million was incurred for closure of a raw material production line. The raw material requirements will be sourced pursuant to a long-term third-party supply agreement that should yield an estimated annual savings of $1 million." E-mail from ***, Aqualon, July 8, 2004.

[6] E-mail from ***, Aqualon, June 28, 2004; and Aqualon's producer questionnaire response, section III-6, footnote 3.

[7] Petitioner's postconference brief, p. 1.

[8] Petitioner's postconference brief, p. 17.

[9] E-mail from ***, Aqualon, July 8, 2004.

[10] E-mail from ***, Aqualon, June 28, 2004.

With respect to by-products, Aqualon stated that:

***.[11]

Aqualon has *** at its Hopewell, VA facility. The following tabulation shows the average cost to purchase MCA and the average cost to produce MCA during the period of investigation:[12]

* * * * * * *

Aqualon ***. The following tabulation shows the percentage of quantity of *** MCA during the period of investigation:

* * * * * * *

Aqualon stated that ***.[13]

A variance analysis for Aqualon's purified CMC operations is presented in table VI-3. The information for this variance analysis is derived from table VI-1. Internal consumption accounted for less than *** percent of total shipments by volume during the period of investigation and export sales averaged less than *** percent of total shipments by volume during 2001-03. There were no transfers to related firms. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. The analysis shows that the decrease in operating income from 2001 to 2003 is primarily attributable to the much higher unfavorable price variance (lower selling prices), but is also attributable to a lesser degree to the unfavorable net cost/expense variance (higher unit costs) and net volume variance (lower sales volume).

Table VI-3
Purified CMC: Aqualon's variance analysis on its operation producing purified CMC, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Aqualon's capital expenditures and research and development (R&D) expenses on its purified CMC operations are shown in table VI-4. Aqualon stated that it "has also had to cut capital expenditures to the bone. Not only has there been limited reinvestment possible in the domestic purified CMC business, but maintenance is being deferred. Aqualon has had to postpone the refurbishment or replacement of a ***."[14] Aqualon stated that "R&D includes not only new product development, but also process technology and technical service for customers. Aqualon has ***.[15]

---

[11] *Id*.

[12] *Id*.

[13] E-mail from ***, Aqualon, July 8, 2004.

[14] Petitioner's postconference brief, p. 1.

[15] Petitioner's postconference brief, p. 32.

Table VI-4
Purified CMC: Capital expenditures and R&D expenses of Aqualon's operations, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

ASSETS AND RETURN ON INVESTMENT

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of purified CMC to compute return on investment (ROI). Although ROI can be computed in many different ways, a commonly used method is income divided by total assets. Therefore, ROI is calculated as operating income divided by total assets used in the production, warehousing, and sale of purified CMC.[16]

Aqualon's total assets on purified CMC and its ROI are presented in table VI-5. The total assets utilized in the production, warehousing, and sales of purified CMC declined from 2001 to 2003 and also dropped from January-March 2003 to January-March 2004. The ROI steadily decreased from *** percent in 2001 to *** percent in 2003, and then from *** percent in January-March 2003 to a *** percent in January-March 2004. The trend of ROI for 2003 onward was the same as the trend of the operating income margin to net sales in table VI-1 over the same period.

Table VI-5
Purified CMC: Aqualon's value of assets used in the production, warehousing, and sale, and return on investment, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

In order to put the foregoing data into some historical perspective, table VI-6 computes the ROI for NAICS (North American Industry Classification System) code 325199, based upon data contained in the Risk Management Association's (RMA) *Annual Statement Studies*. The exact comparisons between the questionnaire data and RMA data are not recommended due to several reasons.

[16] At the staff conference petitioner and respondents were informed that the Commission asked for asset data to compute the domestic industry's return on investment based upon asset data and were asked to provide any suggestions or recommendations to compute return on investment on any other basis. Petitioner stated that "ROI is a measure of the ability to generate profits from existing assets (current and fixed). This measure is important to the extent ROI on existing assets (as one predictor of future returns) is an important factor for management decisions for allocating capital to the CMC business." Petitioner did not suggest any other basis to compute ROI. Petitioner's postconference brief, answers to Commission staff questions, p. 2. Respondents stated that "Standard financial theory does not rely on operating income in calculating ROI. Rather, the formula is: ROI = Net Income + Interest (1-Tax Rate)/Book Value of Assets. Therefore, to perform a true ROI calculation, the Commission must consider interest expense (which is a biased measure depending upon how companies are financed by debt versus equity) and income tax. To respondents' knowledge, the Commission has always been extremely reluctant to consider tax effects in assessing an industry's condition in Title VII proceedings. The Commission is properly concerned with examining the operations of those establishments and facilities engaged in production of subject merchandise." Respondents mentioned several reasons in their brief and "believe that any measure of ROI that the domestic industry might put forth in this case is inherently unreliable and likely to be meaningless." Joint respondents' postconference brief, response to questions posed by Commission staff, pp. 1-3.

Table VI-6
Risk Management Association data on the number of firms and their sales, assets, operating income margins, and return on investment (ROI) on operations for NAICS 325199 (all other basic organic chemical manufacturing) for 5 one-year periods ending March 31, 1999 to March 31, 2003

Period	Number of companies	Sales value ($1,000)	Asset value ($1,000)	Operating margin (percent)	ROI [1] (percent)
4/1/98 - 3/31/99	55	2,336,811	1,638,065	8.5	12.1
4/1/99 - 3/31/00	60	2,625,260	1,865,727	7.4	10.4
4/1/00 - 3/31/01	59	2,573,668	1,869,397	8.2	11.3
4/1/01 - 3/31/02	67	2,728,520	2,184,806	7.7	9.6
4/1/02 - 3/31/03	68	2,486,877	1,908,228	6.7	8.7

[1] ROI were calculated using RMA data.

RMA defines NAICS code 325199 as "(t)his U.S. industry comprises establishments primarily engaged in manufacturing basis organic chemical products (except aromatic petrochemicals, industrial gases, synthetic organic dyes and pigments, gum and wood chemicals, cyclic crudes and intermediates, and ethyl alcohol)." This code includes Standard Industrial Classification (SIC) codes 2869 and 2899. RMA started reporting data on NAICS code 325199 for April 1, 2002 to March 31, 2003. Data for earlier periods are reported on SIC code 2869 only. Thus, the questionnaire data strictly relate to purified CMC, whereas the RMA data include data on the broad range of organic chemical products and hence, may not be comparable.

The questionnaire data for calendar year 2003 represent data of only one company, Aqualon, with *** in sales and *** in assets whereas the RMA data for the twelve-month period ending March 31, 2003 consist of the data from 68 companies with $2,487 million in sales and $1,908 million in assets. Hence, the questionnaire data represent *** percent of the RMA data. Aqualon stated that it does not report data to RMA.[17]

CAPITAL AND INVESTMENT

The Commission's questionnaire requested comments regarding the significance of imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden in terms of the actual or potential negative effects on return on investment or on growth, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or scale of capital investments. Aqualon's response is shown below:

Actual negative effects.–"***."

Anticipated negative effects.–"***."

[17] E-mail from ***, Aqualon, July 8, 2004.

PART VII: THREAT CONSIDERATIONS

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

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]--
>
> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,
>
> (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider *** . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Subsidies are not relevant to these investigations; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE GLOBAL INDUSTRY AND DEMAND

The Global Industry

There are four major producers of CMC in the world that dominate pure grade production capacity, accounting for approximately *** percent of world capacity: Noviant, Aqualon, Amtex, and Akzo.[3] Table VII-1 presents data on global production capacity for purified CMC.

Table VII-1
Purified CMC: World production capacity, 2003

* * * * * * *

As indicated in table VII-1, the Noviant Group of companies is the largest producer of purified CMC in the world and is described on its website as follows:[4]

> *The Noviant group is wholly owned by J.M. Huber Corporation, operating through a management and supervisory board established in Noviant Holdings* B.V.

Noviant locations are described as follows:

> ***Noviant headquarters, Arnhem, the Netherlands***
> *Arnhem is the headquarters of the Noviant Group. It accommodates the senior leadership team and other group functions.*

---

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] Petition, exh. H, ***.

[4] Retrieved on July 14, 2004 from *Nohttp://www.noviant.fi/en/b_locations.html*.

Noviant Oy, Äänekoski, Finland[5]
The complex forms the single largest CMC production entity in the world. The group's technology centre is located in Äänekoski primarily focussing on paper and industrial applications and also includes an extensive state-of-the-art pilot plant facility.

Noviant AB, Skoghall, Sweden
The plant mainly produces products for food and personal care applications. Skoghall also runs a line for the production of technical CMC.

Noviant B.V., Nijmegen, the Netherlands
The capacity is exclusively used for the production of products for food and pharmaceutical applications. The Nijmegen unit accommodates also the R&D centre for food, pharmaceutical and personal care applications.

Production of CMC for Noviant started in the 1940s in Aanekoski, Skoghall, and Nijmegen in that order. With the installation and start-up of the largest single CMC line in the world in the early 1990s in Finland, the group's total CMC capacity reached 75,000 metric tons (165.3 million pounds) per year, and the group grew to become the global leader in CMC. As the CMC business continued to grow, new capacity for CMC was built in 1999. In 2000 the company name was changed to Noviant and in June 2001, Noviant was acquired by J. M. Huber Corp., U.S.A.[6]

Global Demand

Table VII-2 presents data on estimated global demand for purified CMC during 2003. Total world consumption is estimated at *** million pounds. U.S. apparent consumption of purified CMC represented approximately *** percent of world demand, and approximately *** percent of purified CMC for regulated industries (i.e., ≥99.5 percent purity).

Table VII-2
Purified CMC: Global and U.S. CMC consumption, and shares, 2003

* * * * * * *

THE INDUSTRY IN FINLAND

The Commission received a questionnaire response from the only known manufacturer/exporter of purified CMC in Finland: Noviant Finland. The firm reported *** to add, expand, curtail or shut down production capacity and/or production of purified CMC in Finland [7] and reported that *** percent of the firm's total sales in its most recent fiscal year was represented by sales of purified CMC. Noviant Finland *** products other than purified CMC on the same equipment and machinery used in the production of purified CMC. The firm also reported purified CMC exports to third country markets ***.

[5] ***.

[6] Retrieved on July 14, 2004 from *Nohttp://www.noviant.fi/en/b_locations.html*.

[7] Noviant Finland has ***. Noviant Finland foreign producer questionnaire response (section I-4). The firm reportedly expanded purified CMC capacity in Finland, through ***. Petition, exh. G, ***.

Noviant Finland *** inventories of purified CMC in the United States, *** since 2001 and *** sell purified CMC over the internet.[8]

Table VII-3 presents data for reported Finnish production and shipments of purified CMC. Finnish production capacity remained constant, as production increased irregularly and end-of period inventories fluctuated downward during 2001-03. Both Finnish home market sales and exports to the United States increased steadily 2001-03, and fell during interim 2004. Finish export unit values held steady at $*** per pound 2001-02 before decreasing to $*** during 2003 and $*** during interim 2004. Finnish exports to all other export markets decreased irregularly during 2001-03, then rose during interim 2004. As a result, total Finnish exports increased irregularly during 2001-interim 2004. Exports of purified CMC accounted for more than *** of total shipments of the subject product from Finland during the period of investigation.

Table VII-3
Purified CMC: Finnish production capacity, production, shipments, and inventories, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

THE INDUSTRY IN MEXICO

The Commission received a questionnaire response from the only known manufacturer/exporter of purified CMC in Mexico: Amtex.[9] The firm reported *** production capacity and/or production of purified CMC in Mexico[10] and reported that *** of the firm's total sales in its most recent fiscal year was represented by sales of purified CMC. Amtex *** produce products other than purified CMC on the same equipment and machinery used in the production of purified CMC, with capacity data ***. Amtex reported exports of purified CMC to third-country markets including ***. Amtex *** inventories of purified CMC in the United States, *** since 2001 and *** sell purified CMC over the internet.[11]

Table VII-4 presents data for reported Mexican production and shipments of purified CMC. Mexican production capacity and production increased steadily while end-of period inventories decreased irregularly, during 2001-03. Mexican home market sales increased irregularly 2001-03, before falling during interim 2004. Exports to the United States decreased steadily 2001-03, then rose slightly during interim 2004. Unit values of Mexican exports to the United States fell by $*** per pound during 2001-03, then decreased another $*** per pound during interim 2004. Mexican exports to all other export markets decreased irregularly during 2001-03, then rose during interim 2004. As a result, total Mexican exports decreased during 2001-03, before rising during interim 2004.

Table VII-4
Purified CMC: Mexican production capacity, production, shipments, and inventories, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

[8] Noviant Finland's foreign producer questionnaire response (sections I-2 through II-8).

[9] ***. Amtex's foreign producer questionnaire response (section I-2).

[10] ***. Amtex's foreign producer questionnaire response (section II-1).

[11] Amtex's foreign producer questionnaire response (sections I-2 through II-8).

THE INDUSTRY IN THE NETHERLANDS

The Commission received questionnaire responses from the two known manufacturers/exporters of purified CMC in the Netherlands: Noviant Netherlands and Akzo Netherlands. Data on the firms' production and exports of purified CMC to the United States during 2003 are presented below:

* * * * * * *

Noviant Netherlands reported *** plans to add, expand, curtail or shut down production capacity and/or production of purified CMC in the Netherlands and reported that *** percent of the firm's total sales in its most recent fiscal year was represented by sales of purified CMC. Noviant Netherlands reported that it *** on the same equipment and machinery used in the production of purified CMC, *** of total production in 2003. Noviant Netherlands reported that it *** purified CMC over the internet. Noviant Netherlands also reported purified CMC exports to markets ***.[12]

Akzo Netherlands reported *** plans to add, expand, curtail or shut down production capacity and/or production of purified CMC in Netherlands; ***.[13] Akzo Netherlands reported that *** percent of the firm's total sales in its most recent fiscal year was represented by sales of purified CMC, and that based on *** it *** of total production in 2003.[14] Akzo Netherlands ***.[15] Akzo Netherlands *** purified CMC over the internet and reported purified CMC exports to ***.[16]

Table VII-5 presents data for reported Dutch production and shipments of purified CMC. Dutch production capacity increased steadily during 2001-03, then declined in interim 2004, as production increased irregularly during 2001-03, then continued to increase in interim 2004. Dutch end-of-period inventories fluctuated downward during 2001-03 before increasing during interim 2004. Dutch home market sales trended downward during 2001-03, then rose slightly during interim 2004. Dutch exports to the United States increased steadily during 2001-03, then fell during interim 2004. Unit values of Dutch exports to the United States fell by $*** per pound during 2001-03, then remained steady in interim 2004. Dutch exports to all other export markets fluctuated downward during 2001-03, and continued to decrease in interim 2004. Exports of purified CMC accounted for the vast majority of total shipments of the subject product from the Netherlands during the period of investigation.

Table VII-5
Purified CMC: Dutch production capacity, production, shipments, and inventories, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

THE INDUSTRY IN SWEDEN

The Commission received a questionnaire response from the only known manufacturer/exporter of purified CMC in Sweden: Noviant Sweden. The firm reported *** plans to add, expand, curtail or shut down production capacity and/or production of purified CMC in Sweden and reported that *** percent of its total sales in its most recent fiscal year was represented by sales of purified CMC. Noviant Sweden *** maintained inventories of purified CMC in the United States since 2001 and reported that it

[12] Noviant Netherlands' foreign producer questionnaire response (sections I-2 through II-8).

[13] Akzo reported that ***. Akzo's foreign producer questionnaire response (addendum to sections II-1 and II-7).

[14] ***. Akzo's foreign producer questionnaire response (addendum to section II-1).

[15] Akzo's foreign producer questionnaire response (addendum to section II-8).

[16] Akzo's foreign producer questionnaire response (addendum to section II-4).

*** produce products other than purified CMC on the same equipment and machinery used in the production of purified CMC. The firm also reported purified CMC exports to third country markets including ***.[17]

Table VII-6 presents data for reported Swedish production and shipments of purified CMC. Swedish production capacity increased steadily during 2001-03, then remained constant during interim 2003 and 2004, while Swedish production and end-of-period inventories decreased steadily during 2001-03, and continued to decrease in interim 2004. Swedish home market sales decreased irregularly during 2001-03, and decreased further in interim 2004. Swedish exports to the United States decreased steadily during 2001-03, then rose during interim 2004. Unit values of Swedish exports to the United States fell by $*** per pound during 2001-03, then decreased another $*** per pound during interim 2004 as compared to interim 2003. Swedish exports to all other export markets decreased irregularly during 2001-03, and continued to decrease in interim 2004. Exports of purified CMC accounted for the vast majority of total shipments of the subject product from Sweden during the period of investigation.

Table VII-6
Purified CMC: Swedish production capacity, production, shipments, and inventories, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

SUBJECT COUNTRIES COMBINED

Data for the combined purified CMC operations in the four subject countries are presented in table VII-7. Excess capacity for the four subject countries, individually and combined, are presented in table VII-8. Foreign industry data for alternative cumulation scenarios are presented in appendix F.

Table VII-7
Purified CMC: Subject countries' production capacity, production, shipments, and inventories, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

Table VII-8
Purified CMC: Excess capacity for the subject countries, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

U.S. INVENTORIES OF PURIFIED CMC FROM FINLAND, MEXICO, THE NETHERLANDS, AND SWEDEN

Reported inventories held by U.S. importers of purified CMC from Finland, Mexico, the Netherlands, and Sweden are shown in table VII-9. U.S. importers' inventories of imports from Finland increased steadily during 2001-03, and continued to decrease during interim 2004. Such increases in Finnish inventories correlate to decreases in both the ratios of such inventories to both imports and U.S. shipments of imports during 2001-03, and increases in same during interim 2004. With regard to Mexico, U.S. importers' end-of period inventories of imports, their ratio to imports and their ratio to U.S. shipments of imports decreased steadily during 2001-interim 2004. U.S. importers' end-of-period

[17] Noviant Sweden's foreign producer questionnaire response (sections I-2 through II-8).

inventories of imports from the Netherlands fluctuated downward during 2001-03, then increased during interim 2004. The ratios of these inventories from the Netherlands to both imports and U.S. shipments of imports both decreased steadily during 2001-03 before both rising during interim 2004. U.S. importers' end-of-period inventories of imports from Sweden decreased irregularly during 2001-03, then fell during 2004. The ratios of these Swedish inventories to imports and U.S. shipments of imports both increased during 2001-02, before both fell during 2002-03 and both fell during interim 2004 when compared to interim 2003. The resultant aggregate of U.S. importers' end-of period inventories of subject imports, and the ratios of aggregated subject inventories to both imports and U.S. shipments of imports all decreased steadily during 2001-03. During interim 2004, aggregate subject import inventories fell when compared to interim 2003, whereas the ratios of aggregate subject import inventories to both imports and U.S. shipments of imports rose.

Table VII-9
Purified CMC: U.S. importers' end-of-period inventories of imports, by source, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO MARCH 31, 2004

The Commission requested importers to indicate whether they imported or arranged for the importation of purified CMC from Finland, Mexico, the Netherlands, or Sweden after March 31, 2004. Of the 22 responding importers, 11 reported imports of purified CMC from the subject countries during that period. Importers and the quantity of purified CMC imported subsequent to March 31, 2004, are shown in the tabulation below.

* * * * * * *

DUMPING IN THIRD-COUNTRY MARKETS

There are no known purified CMC third-country import relief investigations or extant antidumping duty orders on the subject product from Finland, Mexico, the Netherlands, or Sweden.[18]

[18] Respondents' foreign producer questionnaire responses (section II-6).

APPENDIX A

FEDERAL REGISTER NOTICES

2. The lands described in Paragraph 1 are administered as part of the Talladega National Forest in accordance with the provisions in Pub. L. 104–310.

Dated: May 17, 2004.

Rebecca W. Watson,

Assistant Secretary—Land and Minerals Management.

[FR Doc. 04–13666 Filed 6–16–04; 8:45 am]

BILLING CODE 4310–GJ–P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[ES–960–1430–ET; MIES–019212]

Public Land Order No. 7606; Revocation of Executive Order Dated December 18, 1849; Michigan

AGENCY: Bureau of Land Management, Interior.

ACTION: Public Land Order.

SUMMARY: This order revokes in its entirety, an Executive Order which reserved 92.4 acres of public land for the Manitou Island Light Station. The reservation is no longer needed by the United States Coast Guard for lighthouse purposes.

DATES: *Effective Date:* June 17, 2004.

FOR FURTHER INFORMATION CONTACT: Ed Ruda, BLM Eastern States Office, 7450 Boston Boulevard, Springfield, Virginia 22153, 703–440–1663.

SUPPLEMENTARY INFORMATION: This is a record-clearing action only. The land has been determined to be unsuitable for return to public domain status and has been reported as excess property to the General Services Administration for disposal pursuant to the National Historic Lighthouse Preservation Act of 2000.

Order

By virtue of the authority vested in the Secretary of the Interior by Section 204 of the Federal Land Policy and Management Act of 1976, 43 U.S.C. 1714 (2000), it is ordered as follows:

The Executive Order dated December 18, 1849, which reserved the following described public land for lighthouse purposes, is hereby revoked in its entirety:

Michigan Meridian

T. 58 N., R. 26 W.,
sec. 15 (fractional).

The area described contains 92.40 acres in Keweenaw County as shown by the May 8, 1846 survey plat.

Dated: May 17, 2004.

Rebecca W. Watson,

Assistant Secretary—Land and Minerals Management.

[FR Doc. 04–13667 Filed 6–16–04; 8:45 am]

BILLING CODE 4310–GJ–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1047 (Final)]

Ironing Tables and Certain Parts Thereof From China; Notice of Commission Determination To Conduct a Portion of the Hearing In Camera

AGENCY: International Trade Commission.

ACTION: Closure of a portion of a Commission hearing.

SUMMARY: Upon request of respondents Harvest Housewares, Ltd., Whitney Designs, Inc. And Polder, Inc., (collectively ''Harvest'') the Commission has determined to conduct a portion of its hearing in the above-captioned investigation scheduled for June 16, 2004, *in camera.* See Commission rules 207.24(d), 201.13(m) and 201.36(b)(4) (19 CFR 207.24(d), 201.13(m) and 201.36(b)(4)). The remainder of the hearing will be open to the public. The Commission has determined that the seven-day advance notice of the change to a meeting was not possible. See Commission rule 201.35(a), (c)(1) (19 CFR 201.35(a), (c)(1)).

FOR FURTHER INFORMATION CONTACT: Rhonda Hughes, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone 202–205–3083. Hearing-impaired individuals are advised that information on this matter may be obtained by contacting the Commission's TDD terminal on 202–205–3105.

SUPPLEMENTARY INFORMATION: The Commission believes that Harvest has justified the need for a closed session. Harvest seeks a closed session to allow for a discussion of business proprietary pricing, financial, and production information. In making this decision, the Commission nevertheless reaffirms its belief that whenever possible its business should be conducted in public.

The hearing will include the usual public presentations by the petitioners and by respondents, with questions from the Commission. In addition, the hearing will include a 10-minute *in camera* session for a confidential presentation by Harvest and followed by a 10-minute *in camera* rebuttal presentation by petitioners. Questions from the Commission relating to the BPI will follow each of the *in camera* presentations. During the *in camera* session the room will be cleared of all persons except those who have been granted access to BPI under a Commission administrative protective order (APO) and are included on the Commission's APO service list in this investigation. See 19 CFR 201.35(b)(1), (2). The time for the parties' presentations and rebuttals in the *in camera* session will be taken from their respective overall allotments for the hearing. All persons planning to attend the *in camera* portions of the hearing should be prepared to present proper identification.

Authority: The Acting General Counsel has certified, pursuant to Commission Rule 201.39 (19 CFR 201.39) that, in his opinion, a portion of the Commission's hearing in *Ironing Tables from China,* Inv. No. 731–TA–1047 (Final), may be closed to the public to prevent the disclosure of BPI.

Issued: June 10, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–13616 Filed 6–16–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–1084–1087 (Preliminary)]

Purified Carboxymethylcellulose From Finland, Mexico, Netherlands, and Sweden

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731–TA–1084–1087 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Finland, Mexico, Netherlands, and Sweden of purified carboxymethylcellulose (CMC),[1]

[1] The merchandise under investigation is a white to off-white, non-toxic, odorless, biodegradable powder, comprising sodium carboxymethylcellulose that has been refined and

provided for in subheading 3912.31.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in an antidumping investigation in 45 days, or in these cases by July 26, 2004. The Commission's views are due at Commerce within five business days thereafter, or by August 2, 2004.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

DATES: *Effective Date:* June 9, 2004.

FOR FURTHER INFORMATION CONTACT: Cynthia Trainor (202–205–3354), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on June 9, 2004, by Aqualon Company, a division of Hercules, Incorporated, Wilmington, DE.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on June 30, 2004, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Parties wishing to participate in the conference should contact Cynthia Trainor (202–205–3354) not later than June 28, 2004, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 6, 2004, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: June 10, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–13615 Filed 6–16–04; 8:45 am]

BILLING CODE 7020–02–P

purified to a minimum assay of 90 percent; and which excludes unpurified or crude CMC and which also excludes CMC Fluidized Polymer Suspensions and CMC that is cross-linked through heat treatment.

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act

In accordance with Departmental policy, 28 CFR 50.7, notice is hereby given that a proposed consent decree in *United States* v. *Atofina Chemicals, Inc., and General Metals of Tacoma, Inc.*, Civil Action No. C04–5319–RBL was lodged on June 2, 2004, with the United States District Court for the Western District of Washington. This consent decree requires the defendants to perform injunctive relief, requiring the cleanup of the Head of the Hylebos Waterway Problem Area of the Commencement Bay/Nearshore Tideflats Superfund Site.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General, Environmental and Natural Resources Division, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044–7611, and should refer to *United States* v. *Atofina Chemicals, Inc., and General Metals of Tacoma, Inc.*, DOJ Ref. 90–11–2–726/1.

The proposed consent decree may be examined at the office of the United States Attorney, 601 Union Street, Suite 5100, Seattle, WA 98101 and at U.S. EPA Region 10, 1200 Sixth Avenue, Seattle, WA 98101. During the comment period, the consent decree may be examined on the following Department

instructions directly to U.S. Customs and Border Protection (''CBP'') to assess antidumping duties on appropriate entries by applying the assessment rate to the entered value of the merchandise. For assessment purposes, we calculate importer-specific assessment rates for the subject merchandise by aggregating the dumping duties due for all U.S. sales to each importer and dividing the amount by the total entered value of the sales to that importer.

All other entries of the subject merchandise during the POR will be liquidated at the antidumping duty rate in place at the time of entry except for Yantai Oriental Juice Co., Qingdao Nannan Foods Co., Sanmenxia Lakeside Fruit Juice Co. Ltd., Shaanxi Haisheng Fresh Fruit Juice Co., and SDIC Zhonglu Juice Group Co. which were recently excluded from the order on remand and whose entries will be liquidated without regard to antidumping duties.

The Department will issue appropriate assessment instructions directly to CBP within 15 days of publication of the final results of this review.

Cash Deposit Requirements

Should the final results of this administrative review not differ from these preliminary results, the following cash deposit requirements will be effective upon publication of the final results for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided for by section 751(a)(1) of the Act: (1) For the PRC company named above, the cash deposit rate for exports to the United States by that company will be the rate established in the final results of this review, except that, for exporters with *de minimis* rates, *i.e.*, less than 0.50 percent, no deposit will be required; (2) for companies previously found to be entitled to a separate rate in a prior segment of the proceeding, and for which no review has been requested, the cash deposit rate will continue to be the rate established in the most recent review of that company (except for Xian Yang, which had a new cash deposit rate of 3.83 percent set effective December 12, 2003); (3) for all other PRC exporters, the cash deposit rate will be 51.74 percent, the PRC country-wide *ad-valorem* rate; and (4) for non-PRC exporters of subject merchandise from the PRC to the United States, the cash deposit rate will be the rate applicable to the PRC exporter that supplied that non-PRC exporter. These deposit requirements shall remain in effect until publication of the final results of the next administrative review.

Public Comment

Pursuant to 19 CFR 351.310(c), any interested party may request a hearing within 30 days of the date of publication of this notice. Any hearing, if requested, will be held approximately 42 days after the publication of this notice, or the first workday thereafter. Issues raised in hearings will be limited to those raised in the case and rebuttal briefs. Pursuant to 19 CFR 351.309(c), interested parties may submit case briefs within 30 days of the date of publication of this notice. Furthermore, as discussed in 19 CFR 351.309(d)(2), rebuttal briefs, which must be limited to issues raised in the case briefs, may be filed not later than 35 days after the date of publication of this notice. Parties who submit case briefs or rebuttal briefs in this review are requested to submit with each argument (1) a statement of the issue and (2) a brief summary of the argument with an electronic version included.

The Department will publish the final results of this administrative review, including the results of its analysis of issues raised in any such written briefs or hearing, within 120 days of publication of these preliminary results, pursuant to section 751(a)(3)(A) of the Act.

Notification to Importers

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

We are issuing and publishing these results in accordance with sections 751(a)(1), and 777(i)(1) of the Act and 19 CFR 351.221(b)(4).

Dated: June 29, 2004.

Jeffrey A. May,

Acting Assistant Secretary for Import Administration.

[FR Doc. 04–15232 Filed 7–2–04; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–405–803, A–201–834, A–421–811, A–401–808]

Notice of Initiation of Antidumping Duty Investigations: Purified Carboxymethylcellulose (CMC) From Finland, Mexico, the Netherlands, and Sweden

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Initiation of antidumping duty investigations.

EFFECTIVE DATE: July 6, 2004.

FOR FURTHER INFORMATION CONTACT: Brian J. Sheba (Finland) at 202–482–0145, Mark Flessner (Mexico) at 202–482–6312, John Drury (the Netherlands) at 202–482–0195, Patrick Edwards (Sweden) at 202–482–8029, Robert James at 202–482–0649, or Abdelali Elouraradia at 202–482–1374, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Initiation of Investigations

The Petition

On June 9, 2004, the Department of Commerce (the Department) received an antidumping duty petition (Petition) filed in the proper form by Aqualon Company (Aqualon or petitioner), a division of Hercules Incorporated. Aqualon is a domestic producer of purified carboxymethylcellulose (CMC). On June 15, 2004, the Department requested clarification on a number of different issues raised by the Petition. On June 18, 2004, petitioner submitted information to supplement the Petition (Supplemental Petition). The Department requested additional revisions to the Petition on June 22, 2004, and June 25, 2004, to which petitioner responded on June 24, 2004 (Second Supplemental Petition) and June 28, 2004 (Third Supplemental Petition). In accordance with section 732(b) of the Act of 1930, as amended (the Act), petitioner alleges imports of CMC from Finland, Mexico, the Netherlands, and Sweden are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, the U.S. industry.

The Department finds that petitioner filed its Petition on behalf of the domestic industry because it is an

interested party as defined in section 771(9)(C) of the Act, and it has demonstrated sufficient industry support with respect to the investigations it is presently seeking. *See Determination of Industry Support for the Petition* section below.

Scope of the Investigations

For purposes of these investigations, the products covered are all purified carboxymethylcellulose (CMC), sometimes also referred to as purified sodium CMC, polyanionic cellulose, or cellulose gum, which is a white to off-white, non-toxic, odorless, biodegradable powder, comprising sodium carboxymethylcellulose that has been refined and purified to a minimum assay of 90 percent. Purified CMC does not include unpurified or crude CMC, CMC Fluidized Polymer Suspensions, and CMC that is cross-linked through heat treatment. Purified CMC is CMC that has undergone one or more purification operations which, at a minimum, reduce the remaining salt and other by-product portion of the product to less than ten percent.

The merchandise subject to this investigation is classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 3912.31.00. This tariff classification is provided for convenience and Customs purposes; however, the written description of the scope of these investigations is dispositive.

During our review of the Petition, we discussed the scope with the petitioner to ensure that it accurately reflects the product for which the domestic industry is seeking relief. *See* Memorandum from Deborah Scott to the File, dated June 24, 2004. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27296, 27323 (1997). The Department encourages all interested parties to submit such comments within 20 days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determinations.

Periods of Investigation

The anticipated period of investigation (POI) for Finland, Mexico, the Netherlands, and Sweden is April 1, 2003, through March 31, 2004. *See* 19 CFR 351.204(b).

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of the investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the ''industry'' as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether ''the domestic industry'' has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc.* v. *United States,* 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd.* v. *United States,* 688 F. Supp. 639, 642–44 (CIT 1988).

Section 771(10) of the Act defines the domestic like product as ''a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation,'' *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

With regard to the domestic like product, petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted in the Petition we have determined that there is a single domestic like product, purified CMC, which is defined further in the ''Scope of the Investigations'' section above, and we have analyzed industry support in terms of that domestic like product. For more information on our analysis and the data upon which we relied, *see Antidumping Duty Investigation Initiation Checklist (Initiation Checklist)*, dated June 29, 2004, Appendix II—Industry Support on file in the Central Record Unit (CRU) in room B–099 of the main Department of Commerce building.

In determining whether the domestic petitioner has standing, we considered the industry support data contained in the Petition with reference to the domestic like product as defined above in the ''Scope of the Investigations'' section. Petitioner is the sole manufacturer or producer of the domestic like product. *See* IMR International Quarterly Review of Food Hydrocolloids for the third quarter of 2003, Petition at page 2 and Exhibit 1–H, at 55.

Using the data described above, the share of total estimated U.S. production of CMC in year 2003 represented by petitioner equals over 50 percent of total domestic production. Therefore, the Department finds that the domestic producers who support the Petition account for at least 25 percent of the total production of the domestic like product. In addition, as no domestic producers have expressed opposition to the Petition, the Department also finds that the domestic producers who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition.

Therefore, we find that petitioner has met the requirements of section 732(c)(4)(A) of the Act.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations. The source or sources of data for the adjustments relating to U.S. and foreign market prices have been accorded treatment as business proprietary information. Petitioner's sources and methodology are discussed in greater detail in the business proprietary version of the Petition and in our *Initiation Checklist.* We revised certain information contained in the Petition's margin calculations; these revisions are set forth in detail in the *Initiation Checklist.* Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we may re-examine this information and revise the margin calculations, if appropriate.

Export and Normal Value Price for All Countries

Petitioner has relied on prices in affidavits of Aqualon employees to establish U.S. and normal value (NV) prices. Petitioner computed the ex-factory export price in U.S. dollars by obtaining from members of its U.S. sales force information on selling price in the United States of CMC produced in the subject countries. Petitioner then deducted costs incident to transporting and selling the subject merchandise to customers in the United States based on information from its shipping/logistics department. Petitioner's adjustments to U.S. price also relied on costs more closely matched to the date of the U.S. price, rather than an average over the entire POI. *See* Petition at Exhibit 4 at 4–1. However, the Department has determined that foreign currency conversions should be based on averages for the entire POI. *See Initiation Checklist* at Attachment V. Petitioner did not include warehousing expenses as an adjustment to the U.S. sales price because petitioner did not know whether the price quotes obtained in the affidavit were warehoused by Noviant in the United States or shipped directly to the customer. *See* Petition at Exhibit 4 at 4–3, note 3. We have accepted this methodology for the purposes of initiation.

To calculate NV, petitioner obtained home market prices in the subject countries from members of its sales force located in these countries. Petitioner then made deductions incident to transporting and selling the subject merchandise to arrive at NV. *See* Petition at Exhibit 4 at 4–2.

Petitioner did not make adjustments for imputed credit expenses for the U.S. or home market prices. Petitioner stated that neither payment terms nor interest rates are believed to be materially different for CMC in the United States and the home markets. Accordingly, petitioner did not make an imputed credit adjustment since such adjustment would not have a material effect on the dumping margins. *See* Petition at Exhibit 4 at 4–2, note 2. We have accepted this methodology for the purposes of initiation.

Finland

Export Price

To calculate export price (EP), petitioner obtained a price contemporaneous with the POI for subject merchandise sold to a potential U.S. customer for calendar year 2004 by Noviant, a producer of purified CMC in Finland, from its plant in Finland. *See* Petition at Exhibit 5. The price includes freight delivered to the customer's manufacturing sites in the United States. Petitioner then made adjustments for U.S. inland freight expense, ocean freight and marine insurance, documentation fees, port fees, U.S. customs duties, intra-European freight, and foreign inland freight expense.

Because Chicago is Noviant's Midwestern distribution point and Noviant's customer at issue is located in the Midwest, petitioner calculated U.S. inland freight on the basis of a New York to Chicago rail price quote obtained by a company official from independent shipping companies. *See* Petition at Exhibit 4 at 4–4 and Second Supplemental Response at Exhibit 4–B. Petitioner next calculated the per pound freight charge from this quote. *See* Petition at Exhibit 4–A.

Petitioner calculated ocean freight and marine insurance based on the difference between the CIF and FOB average unit value of CMC imports into the United States from the month most closely associated with the U.S. date of sale. For Finland, petitioner utilized U.S. Census data for December 2003. *See* Petition at Exhibit 4–D. The Department has determined that a POI-wide ocean unit freight value which excludes any shipment of CMC valued below $0.80/lb or above $2.75/lb is a more accurate representation of ocean freight expense for the subject merchandise. Accordingly, the Department requested that petitioner correct the ocean freight rates. The correction has slightly changed petitioner's ocean freight expense. *See* Third Supplemental Petition and *Initiation Checklist.*

Petitioner obtained prices for an import documentation fee on a per container basis from a price quote from a logistics company. *See* Second Supplemental Response at Exhibit 4–B. Petitioner converted the container-based charge to a per pound basis. *See* Petition at Exhibit 4–A.

Harbor maintenance and merchandise processing fees at the port of importation were quoted to petitioner from an independent shipper. *See* Second Supplemental Response at Exhibit 4–B. These fees are, respectively, 0.125 percent and 0.21 percent of the entered value of imports. *Ad valorem* duties on imports of CMC for HTS heading 3912.31 are 6.4 percent of FOB value. *See* Petition at Exhibit 4–C.

Petitioner calculated foreign inland freight charges based on its knowledge of the location of the Noviant plant in Aanekoski, Finland and the logistics for the lowest cost method of exporting CMC to the United States. *See* Second Supplemental Response at Exhibit 4–B. Petitioner assumes a shipment ex-works Aanekoski to the port of Kotka, Finland and then by ocean freight to Hamburg, Germany. *See* Second Supplemental Response at Exhibit 4–B. Petitioner then converts the shipping charges to a per pound basis. *See* Petition Exhibit 4–A and *Initiation Checklist* at Attachment V.

Normal Value

To calculate home market NV, petitioner met with representatives of a Finnish customer during the POI. During the course of that meeting, the customer stated the current Noviant price on a delivered basis. Petitioner converted this price from Euros per kilogram to U.S. dollars per pound. *See* Petition at Exhibit 5–A and *Initiation Checklist* at Attachment V.

Petitioner's only adjustment to NV is foreign inland freight expense to account for the shipment of the subject merchandise from Noviant's plant in Aanekoski, Finland to the customer's plant in Finland. Petitioner ascertained this freight expense through a price quote from an independent shipper. *See* Second Supplemental Petition at Exhibit 4–B. Petitioner then converted this freight expense to a U.S. dollar per pound basis. *See* Second Supplemental Petition at Exhibit 4–E and *Initiation Checklist* at Attachment V.

We have accepted this methodology for purposes of this initiation. The export price to normal value

comparison produced a dumping margin of 6.65 percent. *See Initiation Checklist* at Attachment V.

Mexico

Export Price

To calculate EP, petitioner obtained a price for the subject merchandise contemporaneous with the POI by Quimica Amtex, S.A. de C.V. (Amtex), a Mexican producer of CMC, from its plant in Mexico to a U.S.-based customer. *See* Petition at Exhibit 6. Petitioner then made adjustments for U.S. and foreign inland freight, insurance, and U.S. border crossing fees.

Petitioner calculated U.S. and foreign inland freight on the basis of a price quote obtained by a company official. This price quote encompasses a single cost for truck freight from Amtex's plant in Mexico to the customer in the United States. *See* Second Supplemental Response at Exhibit 4–B. Petitioner then calculated a per pound freight charge from this quote. *See* Petition at Exhibit 4–A.

To calculate insurance expenses petitioner relied on the difference between the CIF and FOB average unit value of purified CMC imports into the United States from Mexico. The U.S. Bureau of the Census served as the source of these data. *See* Petition at Exhibit 4–D and Third Supplemental Petition.

Petitioner computed U.S. border crossing fees based on a price quote from a company official. *See* Second Supplemental Response at Exhibit 4–B. Petitioner then converted this fee to a per pound basis. *See* Petition at Exhibit 6.

Normal Value

To calculate NV, petitioner met with representatives of a Mexican customer during the POI. During the course of that meeting, the customer presented a price quote showing Amtex's current price to that customer on a delivered basis. *See* Petition at Exhibit 6.

Petitioner adjusted NV by deducting foreign inland freight expenses. Petitioner based this adjustment on a freight rate obtained by an employee for shipping CMC by truck from its plant to its customer in Mexico. *See* Second Supplemental Response at Exhibit 4–B and *Initiation Checklist* at Attachment V. Petitioner made no other deductions to NV.

We have accepted this methodology for purposes of this initiation. The export price to normal value comparison produced a dumping margin of 71.91 percent. *See Initiation Checklist* at Attachment V.

The Netherlands

U.S. Price

To calculate EP, petitioner obtained a price contemporaneous with the POI for subject merchandise sold to a customer in the United States for calendar year 2004 by Aqualon's competitor, Noviant, from its plant in the Netherlands. *See* Petition at Exhibit 7. The quoted price includes freight delivered to the customer's manufacturing site in the United States. Petitioner then made adjustments for U.S. inland freight expense, ocean freight and marine insurance, documentation fees, port fees, U.S. customs duties, and foreign inland freight expense.

Petitioner calculated U.S. inland freight on the basis of a truck rate quote from the port in Charleston, South Carolina to the customer's location obtained by a company official from independent shipping companies. *See* Second Supplemental Response at Exhibit 4–B. Petitioner next calculated the per pound freight charge from this quote. *See* Petition at Exhibit 4–A.

Petitioner calculated ocean freight and marine insurance based on the difference between the CIF and FOB average unit value of CMC imports into the United States in the month most closely associated with the U.S. date of sale. For the Netherlands, petitioner used U.S. Census data from March 2004. *See* Petition at Exhibit 4–D. The Department has determined that a POI-wide ocean unit freight value which excludes any shipment of CMC valued below $0.80/lb or above $2.75/lb is a more accurate representation of ocean freight expense for the subject merchandise. Accordingly, the Department requested that petitioner correct the ocean freight rates. The correction has slightly changed petitioner's ocean freight expense. *See* Third Supplemental Petition and *Initiation Checklist*.

Petitioner obtained prices for an import documentation fee on a per container basis from a price quote from a logistics company. *See* Second Supplemental Response at Exhibit 4–B. Petitioner converted the container-based charge to a per pound basis. *See* Petition at Exhibit 4–A.

Harbor maintenance and merchandise processing fees at the port of importation were quoted to petitioner from an independent shipper. *See* Second Supplemental Response at Exhibit 4–B. These fees are, respectively, 0.125 percent and 0.21 percent of the entered value of imports. *Ad valorem* duties on imports of CMC for HTS heading 3912.31 are 6.4 percent of FOB value. *See* Petition at Exhibit 4–C.

Petitioner calculated foreign inland freight charges based on its knowledge of the location of the Noviant plant in Nijmegen, the Netherlands and the logistics for the lowest cost method of exporting CMC to the United States. *See* Second Supplemental Response at Exhibit 4–B. Petitioner assumes a shipment ex-works Nijmegen to the port of Rotterdam, the Netherlands. *See* Second Supplemental Response at Exhibit 4–B. Petitioner then converted the shipping charges to a per pound basis. *See* Petition Exhibit 4–A and *Initiation Checklist* at Attachment V.

Normal Value

To calculate home market NV, petitioner spoke with a Dutch customer. During the course of that conversation, the customer gave petitioner a purchase price for CMC from a producer of CMC in the Netherlands. *See* Petition at Exhibit 7 and *Initiation Checklist* at Attachment V.

Petitioner's only adjustment to NV is foreign inland freight expense to account for the shipment of the subject merchandise from Zaamdan, the Netherlands to the customer's plant in the Netherlands. Petitioner ascertained this freight expense through a price quote from an independent shipper. *See* Second Supplemental Petition at Exhibit 4–B. Petitioner then converted this freight expense to a U.S. dollar per pound basis. *See* Second Supplemental Petition at Exhibit 4–E and *Initiation Checklist* at Attachment V.

We have accepted this methodology for purposes of this initiation. The export price to normal value comparison produced a dumping margin of 39.46 percent. *See Initiation Checklist* at Attachment V.

Sweden

Export Price

To calculate export price, petitioner obtained a price quote from a U.S. consumer of CMC contemporaneous with the POI for subject merchandise from Noviant, a producer of CMC in Sweden, from its plant in Sweden. *See* Petition at Exhibit 8 and Second Supplemental Petition at Exhibit 8. Petitioner made adjustments for U.S. inland freight expense, ocean freight and insurance, documentation and port fees, U.S. customs duties, intra-European freight expense and foreign inland freight expense.

Petitioner calculated U.S. inland freight on the basis of a rail quote from an independent shipping company. The rail quote is from Charleston, South

Carolina to the U.S. customer's manufacturing site in the United States. *See* Second Supplemental Petition at Exhibit 4–B and Third Supplemental Petition. Petitioner next calculated the per pound freight charge from this quote. *See* Petition at Exhibit 4–A for methodology and Second Supplemental Petition Exhibit 8.

Petitioner calculated ocean freight and insurance to the United States based on the difference between CIF and FOB average unit values of imports in the month most closely corresponding with the U.S. date of sale. For Sweden, petitioner used U.S. Census data from March 2004. *See* Petition at Exhibit 4 at 4–6 and Exhibits 4–A and 4–D. The Department has determined that a POI-wide ocean unit freight value which excludes any shipment of CMC valued below $0.80/lb or above $2.75/lb is a more accurate representation of ocean freight expense for the subject merchandise. Accordingly, the Department requested that petitioner correct the ocean freight rates. The correction has slightly changed petitioner's ocean freight expense. *See* Third Supplemental Petition and *Initiation Checklist*.

Documentation fees were based upon a per container price quote obtained from its in-house logistics company. *See* Second Supplemental Response at Exhibit 4–B. Petitioner converted this price to a dollar per pound basis for its margin calculation. *See* Petition at Exhibit 4–A. Harbor maintenance and merchandise processing fees at the port of importation were quoted to petitioner from an independent shipper. *See* Second Supplemental Response at Exhibit 4–B. These fees are, respectively, 0.125 percent and 0.21 percent of the entered value of imports. *Ad valorem* duties on imports under HTS heading 3912.31 are 6.4 percent of FOB value. *See* Petition at Exhibit 4 at 4–4 to 4–5 and Exhibit 4–C.

Petitioner calculated foreign inland freight expense based on its knowledge of the distance from Noviant AB's production facility in Skoghal, Sweden and the logistics for the lowest cost method of exporting subject merchandise to the United States. *See* Second Supplemental Response at 4–B. Petitioner assumes a shipment ex-works by truck or rail from Skoghal to the port of Göteborg, Sweden and then by ocean freight to either Hamburg or Bremerhaven, both in Germany. *See* Second Supplemental Response at Exhibit 4–B and Supplemental Petition at 16. All shipping charges are converted to a per pound basis. *See* Petition at Exhibit 4–A and *Initiation Checklist* at Attachment V.

Normal Value

To calculate home market NV, petitioner conducted sales calls with representatives of two Swedish purchasers of the subject merchandise. The calls were made contemporaneous within the anticipated POI. During these two separate telephone conversations, the potential customers indicated to petitioner the current price being offered by Noviant for a particular grade of the subject merchandise. Petitioner converted this price to establish the U.S. dollar price per pound. *See* Petition at Exhibit 8–A and *Initiation Checklist* at Attachment V.

Petitioner's only adjustment to NV is foreign inland freight expense to account for the shipment of the subject merchandise from Noviant's plant in Skoghal, Sweden to its customer in Sweden. Petitioner ascertained this freight expense through a price quote from an independent shipper. *See* Second Supplemental Petition at Exhibit 4–B. Petitioner then converted this freight expense to a U.S. dollar per pound basis. *See* Second Supplemental Petition at Exhibit 4–E and *Initiation Checklist* at Attachment V.

We have accepted this methodology for purposes of this initiation. The export price to normal value comparison produced a dumping margin of 25.29 percent. *See Initiation Checklist* at Attachment V.

Fair Value Comparisons

Based on the data provided by petitioner, there is reason to believe imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

With respect to Finland, Mexico, the Netherlands, and Sweden, petitioner alleges the U.S. industry producing the domestic like product is being materially injured, or threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV.

Petitioner contends that the industry's injured condition is evident in examining net operating income, profit, net sales volumes, production employment, as well as inventory levels, and reduced capacity utilization. *See* Petition at pages 26–27 and Petition Exhibit 10. Petitioner asserts its share of the market has declined from 2001 to 2003. *See* Petition at pages 19–20 and Petition Exhibit 11. For a full discussion of the allegations and evidence of material injury, *See Initiation Checklist.*

Initiation of Antidumping Investigations

Based on our examination of the Petition covering purified CMC, we find it meets the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended pursuant to section 733(b)(1)(A) of the Act, we will make our preliminary determinations no later than 140 days after the date of this initiation, or November 16, 2004.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the Petition has been provided to representatives of the governments of Finland, Mexico, the Netherlands, and Sweden. We will attempt to provide a copy of the public version of the Petition to each exporter named in the Petition, as provided in section 19 CFR 351.203(c)(2).

International Trade Commission Notification

The ITC will preliminarily determine on July 23, 2004, whether there is reasonable indication that imports of purified CMC from Finland, Mexico, the Netherlands, and Sweden are causing, or threatening, material injury to a U.S. industry. A negative ITC determination for any country will result in the investigation being terminated with respect to that country; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: June 29, 2004.

Jeffrey May,

Acting Assistant Secretary for Import Administration.

[FR Doc. 04–15227 Filed 7–2–04; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

Quarterly Update to Annual Listing of Foreign Government Subsidies on Articles of Cheese Subject to an In-Quota Rate of Duty

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Publication of quarterly update to annual listing of foreign government

APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

Subject: Purified Carboxymethylcellulose from Finland, Mexico, the Netherlands, and Sweden
Investigations Nos.: 731-TA-1084-1087 (Preliminary)
Date and time: June 30, 2004 - 9:30 a.m.

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Haynes and Boone, LLP
Washington, DC
on behalf of

Aqualon Company ("Aqualon"), a division of Hercules, Incorporated

D. Charles Herak, Global Business Director, CMC, Aqualon
Mary Hallock, Sales Manager, Food Industry, Aqualon
R. Scott Riefler, President, TIC Gums
Niels Thestrup, Global SBU Manager, CMC, Aqualon
Daniel W. Klett, Capital Trade, Inc.

Edward M. Lebow – OF COUNSEL

<u>In Opposition to the Imposition of Antidumping Duties</u>:

Arent Fox, PLLC
Washington DC
on behalf of

Noviant Holdings B.V.
Noviant Oy
Noviant AB

Steven Bodicoat, Phd.., Vice President, Marketing, Noviant Holdings B.V.
Kenneth McKenzie, Director, New Product Development, Noviant Holdings B.V.

Matthew J. Clark
Nancy A. Noonan – OF COUNSEL

Greenberg Traurig, LLP
Washington DC
on behalf of

Quimica Amtex, S.A. de C.V. ("Amtex")

Corrado Piotti, Commercial Director, Amtex

Jeffrey S. Neeley – OF COUNSEL

Wilmer Cutler Pickering Hale & Dorr, LLP
Washington DC
on behalf of

Akzo Nobel Cellulosic Specialties, Inc. ("Akzo")

James Reid, Business Manager Americas, Akzo

Evan D. Alexander
Gary N. Horlick – OF COUNSEL

Appearing on behalf of all respondents
Economic Consulting Services, LLC

Bruce Malashevich, President, Economic Consulting Services, LLC

APPENDIX C

SUMMARY DATA

Purified CMC: Summary tables		
Table No.	**Imports**	**Countries cumulated**
C-1	Market shares for subject country imports are based on **shipments** of U.S. imports as reported in **importer questionnaire responses** for the countries subject to investigation.	**Four** subject countries.
C-2	Market shares for subject country imports are based on **exports to the U.S.** as reported in **foreign producer questionnaire** responses.	**Four** subject countries.
C-3	Market shares for subject country imports are based on **shipments** of U.S. imports as reported in **importer questionnaire responses** for the countries subject to investigation.	**Mexico, Netherlands, and Sweden**.
C-4	Market shares for subject country imports are based on **shipments** of U.S. imports as reported in **importer questionnaire responses** for the countries subject to investigation.	**Finland & Netherlands AND Mexico & Sweden**.
C-5	Market shares for subject country imports are based on **shipments** of U.S. imports as reported in **importer questionnaire responses** for the countries subject to investigation.	**Finland, Netherlands, and Sweden**.

Table C-1
Purified CMC: Summary data concerning the U.S. market, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Table C-2
Purified CMC: Apparent U.S. consumption and market share data, based on exports to the U.S. from foreign producer questionnaires, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Table C-3
Purified CMC: Apparent U.S. consumption and market share data CUMULATING MEXICO, NETHERLANDS, AND SWEDEN, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Table C-4
Purified CMC: Apparent U.S. consumption and market share data CUMULATING FINLAND & NETHERLANDS AND MEXICO & SWEDEN, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

Table C-5
Purified CMC: Apparent U.S. consumption and market share data CUMULATING FINLAND, NETHERLANDS, AND SWEDEN, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

APPENDIX D

U.S. SHIPMENTS BY END USE

Table D-1
Purified CMC: U.S. producer's U.S. shipments, U.S. shipments of imports, by end use, 2001-03, January-March 2003, and January-March 2004

* * * * * * *

APPENDIX E

QUESTIONNAIRE PRICE DATA REPORTED BY U.S. IMPORTERS OF THE SUBJECT IMPORTED PURIFIED CMC ON A U.S. DELIVERED PRICE BASIS--COMBINED FOR IMPORTERS THAT ARE DISTRIBUTORS AND THOSE THAT ARE END USERS

Table E-1
Purified CMC: U.S. weighted-average net delivered prices and quantities of products 3 and 4 imported from Finland and shipped to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Figure E-1a
Purified CMC: U.S. weighted-average net delivered prices and quantities of U.S.-produced and subject imported product 1 shipped to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure E-1b
Purified CMC: U.S. weighted average net delivered prices and quantities of U.S.-produced and subject imported product 2 shipped to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure E-1c
Purified CMC: U.S. weighted-average net delivered prices and quantities of U.S.-produced and subject imported product 3 shipped to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Figure E-1d
Purified CMC: U.S. weighted-average net delivered prices and quantities of U.S.-produced and subject imported product 4 shipped to end users, by countries and by quarters, January 2001-March 2004

* * * * * * *

Table E-2
Purified CMC: U.S. weighted-average net delivered prices and quantities of products 1 and 3 imported from Mexico and shipped to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Table E-3
Purified CMC: U.S. weighted-average net delivered prices and quantities of products 1-4 imported from the Netherlands and shipped to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Table E-4
Purified CMC: U.S. weighted-average net delivered prices and quantities of products 1, 2, and 4 imported from Sweden and shipped to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

Table E-5
Purified CMC: U.S. weighted-average net delivered prices and quantities of products 1-4 imported from all the subject countries combined and shipped to U.S. end users, by products and by quarters, January 2001-March 2004

* * * * * * *

APPENDIX F

FOREIGN INDUSTRY DATA UNDER ALTERNATIVE CUMULATION SCENARIOS

Table F-1
Purified CMC: Production capacity, production, shipments, and inventories, for MEXICO, NETHERLANDS, AND SWEDEN combined, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

Table F-2
Purified CMC: Production capacity, production, shipments, and inventories, for FINLAND AND NETHERLANDS combined, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

Table F-3
Purified CMC: Production capacity, production, shipments, and inventories, for MEXICO AND SWEDEN combined, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *

Table F-4
Purified CMC: Production capacity, production, shipments, and inventories, for FINLAND, NETHERLANDS, AND SWEDEN combined, 2001-03, January-March 2003, January-March 2004, and projected 2004-05

* * * * * * *