Urea Ammonium Nitrate Solutions From Belarus, Lithuania, Russia, and Ukraine

Investigations Nos. 731-TA-1006-1009 (Preliminary)

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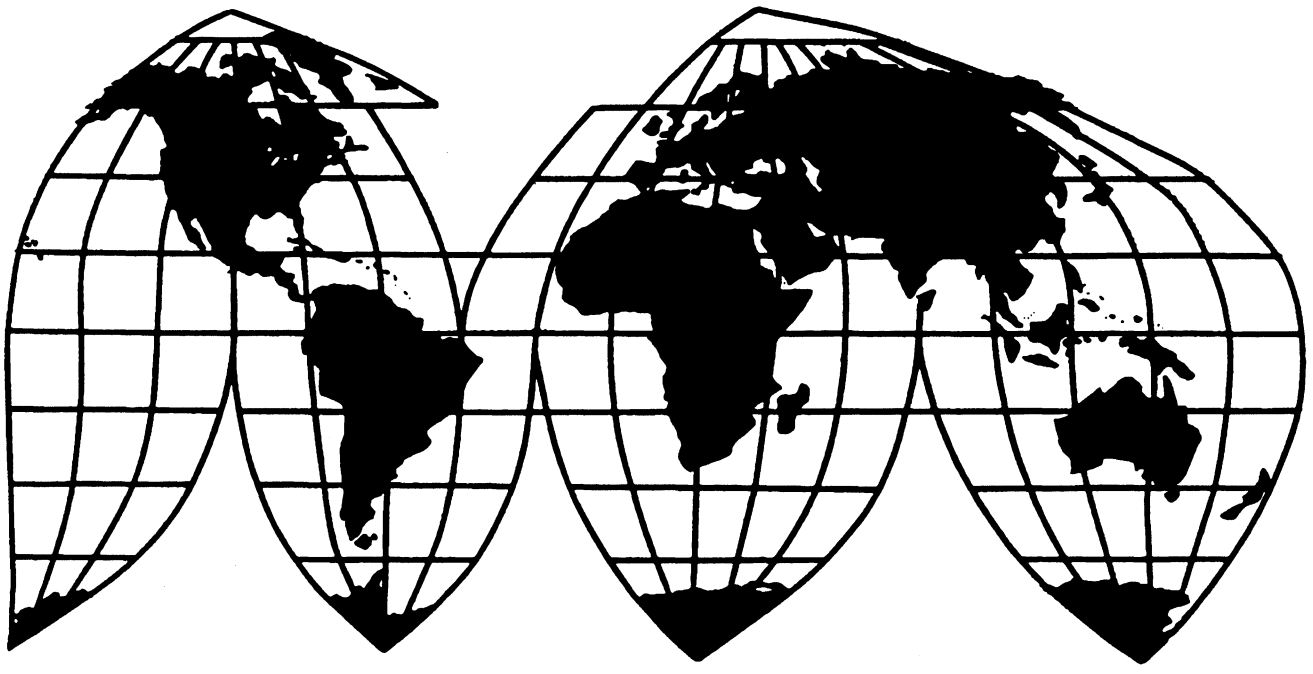
U.S. International Trade Commission



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U.S. International Trade Commission

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Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-1006-1009 (Preliminary)

UREA AMMONIUM NITRATE SOLUTIONS FROM BELARUS, LITHUANIA, RUSSIA, AND UKRAINE

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade 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 Belarus, Russia, and Ukraine of urea ammonium nitrate solutions, provided for in subheading 3102.80.00 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). The Commission has determined that U.S. imports from Lithuania are negligible.[2]

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations with regard to Belarus, Russia, and Ukraine. 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 of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations 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 the 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 investigation.

BACKGROUND

On April 19, 2002, a petition was filed with the Commission and Commerce by the Nitrogen Solutions Fair Trade Committee, an ad hoc coalition of U.S. producers of urea ammonium nitrate solutions, which consists of CF Industries, Inc. of Long Grove, IL; Mississippi Chemical Corp. of Yazoo City, MS; and Terra Industries, Inc. of Sioux City, IA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of urea ammonium nitrate solutions from Belarus, Lithuania, Russia, and Ukraine. Accordingly, effective April 19, 2002, the Commission instituted antidumping duty investigations Nos. 731-TA-1006-1009 (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 April 29, 2002 (67 FR 20994). The conference was held in Washington, DC, on May 10, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Lynn M. Bragg, however, further finds that subject imports of urea ammonium nitrate solutions from Lithuania will imminently account for more than 3 percent of total import volume of all such merchandise, and determines that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of the subject merchandise from Lithuania that are alleged to be sold at LTFV.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of urea ammonium nitrate solutions ("UAN") from Belarus, Russia, and Ukraine that allegedly are sold in the United States at less than fair value ("LTFV"). We also find that imports of UAN from Lithuania that allegedly are sold at LTFV are negligible.[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing 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, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] 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."[3]

II. 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."[4] 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."[5] 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 ...."[6]

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

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[1] Commissioner Lynn M. Bragg finds that imports from Lithuania will imminently exceed the statutory negligibility threshold. She further finds that there is a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports from Lithuania. See supra nn. 45, 65 & 79.

[2] 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). We note that no party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[3] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] 19 U.S.C. § 1677(4)(A).

[5] Id.

[6] 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[9] Although the Commission must accept the determination of the 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.[10]

B. Product Description

Commerce has defined the imported merchandise within the scope of these investigations as: For purposes of these investigations, the product covered is all mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution, regardless of nitrogen content by weight, and regardless of the presence of additives, such as corrosion inhibitors. The merchandise subject to these investigations is classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 3102.80.00.00. Although the HTSUS subheading is provided for convenience and U.S. Customs Service (U.S. Customs) purposes, the written description of the merchandise under investigation is dispositive.[11]

The subject merchandise, UAN, is an aqueous solution of urea and ammonium nitrate that generally contains relatively equal proportions of both chemicals and is about 30 percent nitrogen by volume.[12] UAN is a fertilizer that delivers nitrogen, an important nutrient, to crops and is used primarily in the United States and Europe.[13] UAN is becoming increasingly popular because of its safety and ease of

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[7] 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) customer 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).

[8] See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

[9] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (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.").

[10] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find 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).

[11] 66 Fed. Reg. 35492 (May 20, 2002).

[12] Confidential Staff Report ("CR"), INV-078, May 28, 2002 at I-4, Public Report ("PR.") at I-3.

[13] Transcript of Staff Conference (May 10, 2002) at 10 ("Tr."); CR at I-4, PR at I-3.

handling and application, compared to other nitrogen fertilizers.[14] Because UAN is a liquid, it can be used in irrigation systems and for minimal-till and no-till farming.[15]

C. Domestic Like Product

1. Arguments of the Parties

Petitioners argue that the Commission should find the domestic like product to be coextensive with the scope of investigation. They argue that although other chemicals (urea, ammonium nitrate, and ammonia) can be used as nitrogen fertilizers, they should not be included in the domestic like product.

Respondents argue that the domestic like product should be expanded to include other chemicals that are used as nitrogen-based fertilizers: urea, ammonium nitrate, and ammonia.[16] They maintain that UAN, urea, ammonium nitrate, and ammonia are all interchangeable, even though they differ chemically and in physical form, because they are used to deliver nitrogen to crops.[17] The respondents contend that channels of distribution are the same for urea, ammonium nitrate, ammonia, and UAN,[18] and that customers perceive these chemicals to be similar because they are substitutable.[19] Respondents argue that all four chemicals share production facilities.[20] While respondents do not argue that these chemicals are similarly priced on a per unit of nitrogen basis, they contend that their prices move in tandem.[21]

Petitioners respond that the three other chemicals differ in physical properties, uses, and channels of distribution.[22] They contend that interchangeability among the chemical fertilizers is limited because farmers cannot switch from using a solution to using a fertilizer in solid form, crop needs differ, and soil characteristics may preclude the use of certain fertilizers.[23] According to petitioners, UAN can be used only for no-till and minimum-till farming while urea, ammonium nitrate, and ammonia are inappropriate for these applications.[24] Petitioners assert that UAN is produced in dedicated plants, so there are no common manufacturing facilities or employees between UAN and the other chemicals.[25]

2. Analysis

Based on the record in these preliminary investigations, we do not include the nitrogen-based chemicals other than UAN in the domestic like product.

All four compounds, urea, ammonium nitrate, ammonia, and UAN, contain nitrogen, but the physical properties of the four chemicals differ significantly. UAN is a liquid while urea and ammonium

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

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

[16] See International Raw Materials' ("IRM") Postconference Brief at 2; J.R. Simplot's Postconference Brief at 1.

[17] IRM's Postconference Brief at 4-5; J.R. Simplot's Postconference Brief at 3-4.

[18] IRM's Postconference Brief at 10; J.R. Simplot's Postconference Brief at 5.

[19] IRM's Postconference Brief at 11-12; J.R. Simplot's Postconference Brief at 6.

[20] IRM's Postconference Brief at 12-14; J.R. Simplot's Postconference Brief at 7.

[21] IRM's Postconference Brief at 15-16; J.R. Simplot's Postconference Brief at 7.

[22] Petitioners' Postconference Brief, Exh. 1, at 21.

[23] Petitioners' Postconference Brief, Exh. 1, at 22.

[24] Petitioners' Postconference Brief, Exh. 1, at 21-22.

[25] Petitioners' Postconference Brief, Exh. 1, at 26.

nitrate are solid at room temperature.[26] Ammonia is a gas at room temperature, unless it is under pressure, and it is extremely caustic.[27] All four chemicals are used as fertilizers, but UAN is utilized almost exclusively as a fertilizer,[28] while urea, ammonium nitrate, and ammonia have a variety of uses in other industries.[29]

Although there appears to be some degree of interchangeability among urea, ammonium nitrate, ammonia, and UAN when used as fertilizer, different application equipment is used with each chemical fertilizer, thus limiting interchangeability.[30] Further, because it is a liquid, UAN is superior for use with irrigated crops and in minimum or no-till farming.[31] It can be mixed with other solutions, such as pesticides for a single application.[32] Also, urea, ammonium nitrate, and ammonia have other non-agricultural uses for which UAN is inappropriate. Therefore, when the full-range of uses is considered, interchangeability among these chemicals and UAN is limited.

The most prevalent process used to manufacture UAN in the United States involves the diversion of urea and ammonium nitrate solutions from adjacent plants that manufacture these two inputs. Available information therefore suggests that, to a large extent, production of UAN occurs in dedicated manufacturing facilities, suggesting limited overlap of production facilities and employees.[33] With respect to channels of distribution, UAN, because of its weight, often is shipped by barge and rail, as are the other chemicals.[34] Farmers will pay a premium for UAN because it is superior to the other chemicals as a nitrogen fertilizer.[35] [36]

Based upon their significant differences, particularly their different physical properties, uses, prices, and limited interchangeability, we do not find it appropriate to include urea, ammonium nitrate, or ammonia in the definition of the domestic like product. We therefore define the domestic like product to be coextensive with the product described in the scope of these investigations, *i.e.,* UAN.

III. DOMESTIC INDUSTRY AND RELATED PARTIES

A. Domestic Industry

The domestic industry is defined as "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

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[26] CR at I-12, I-13, PR at I-9.

[27] CR at I-13, PR at I-9.

[28] CR at I-13, PR at I-9.

[29] CR at I-12, I-13, PR at I-9.

[30] CR at I-11, PR at I-7.

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

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

[33] CR at I-8, PR at I-6. Solid urea and ammonium nitrate are not used as inputs. Id.

[34] CR at I-12, PR at I-8.

[35] CR at I-5, PR at I-7. "UAN typically commands a price premium on a cost per pound of nitrogen basis over urea and ammonia." Tr. at 15.

[36] The record does not include information concerning customer perceptions in the marketplace of the four chemicals. In any final phase of these investigations, we will seek more information about competition among these other chemicals and UAN.

domestic production of the product."[37] 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.[38]

Based on our domestic like product finding, we determine that the domestic industry consists of all U.S. producers of UAN.

B. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[39] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.[40]

We have determined to exclude producer *** as a related party. First, by virtue of its imports of subject merchandise from *** is a related party.[41] It now ***, with its imports of subject merchandise *** in 2001.[42] ***[43]*** suggesting that its interests lie in importation rather than domestic production. Because it appears to have benefitted from its importations of subject merchandise and it *** we find that appropriate circumstances exist to exclude this producer as a related party.[44]

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[37] 19 U.S.C. § 1677(4)(A).

[38] See 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).

[39] 19 U.S.C. § 1677(4)(B).

[40] Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14, n.81.

[41] CR/PR at Table III-5.

[42] See CR/PR at Table III-5.

[43] See CR/PR at Table VI-3.

[44] We also note that *** all purchased subject imports during the period of investigation. It is not clear whether any of these companies should be considered a related party based upon these purchases. However, each company's purchases was less than *** percent of its U.S. shipments during the period of investigation. See CR/PR at Table III-3 & III-5. It is clear, therefore, that these companies are primarily domestic producers, and it is unlikely that these small purchases affected their financial results. Accordingly, we do not exclude any of these domestic producers.

IV. NEGLIGIBLE IMPORTS[45]

Imports from a subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[46] The statute further provides that imports from a single country that comprise less than three percent of total imports of such merchandise may not be considered negligible if there are several countries subject to investigation with negligible imports and the sum of such imports from all those countries in the aggregate accounts for more than seven percent of the volume of all such merchandise imported into the United States.[47]

The statute also provides that, even if imports are found to be negligible for purposes of present material injury, they shall not be treated as negligible for purposes of a threat analysis should the Commission determine that there is a potential that imports from the country concerned will imminently account for more than three percent of all such merchandise imported into the United States.[48] By

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[45] Commissioner Bragg finds that the subject imports from Lithuania are negligible for purposes of present material injury analysis, given that the volume of such imports accounts for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available (April 2001 to March 2002).

However, Commissioner Bragg further finds that there is a potential that imports will imminently exceed the three percent negligibility threshold. First, Commissioner Bragg acknowledges that the volume of subject imports from Lithuania has trended downward since June 2001 and the sole Lithuanian producer, Achema, asserts that exports to the EU have increased recently; nonetheless, the record indicates that subject imports from Lithuania were *** percent of total UAN imports during the 12 months preceding the filing of the petition. Achema's Postconference Brief at 16 & 17; CR/PR at Tables IV-4 & VII-2. Second, Commissioner Bragg further notes that the United States and the EU are the two primary markets for UAN. A recent succession of antidumping investigations conducted by the EU involving related nitrogen-based fertilizers resulted in increased exports of those products to the U.S. market by third country producers. See e.g., Council Regulation ("EC") 663/1998, Mar. 23, 1998 (imposing an antidumping duties on imports of ammonium nitrate originating from Russia); EC 1995/2000, Sept. 18, 2000 (imposing antidumping and countervailing duties on imports of urea, ammonium nitrate, and UAN solutions from Belarus, Lithuania, Russia, and Ukraine); EC 132/2001, Jan. 22, 2001 (imposing an antidumping and countervailing duties on imports of ammonium nitrate originating from Ukraine); EC 901/2001, May 7, 2001 (imposing an antidumping duties on imports of urea originating from Russia); EC 92/2002, Jan. 17, 2001 (imposing an antidumping duties on imports of urea originating from Belarus, Lithuania, and Ukraine). Petitioner's Postconference Brief at Exhs. 3 & 4. These recent EU antidumping orders, which include Lithuanian UAN, suggest that exports to the EU will diminish and the United States would likely become the target market for Lithuanian UAN, as has occurred in the past with both urea and ammonium nitrate. CR/PR at VII-9-10; Petitioners' Postconference Brief at 42-46 & Exh. 38. Third, annual imports from Lithuania steadily increased over the POI in tandem with the other subject imports. CR/PR at Table IV-2. Moreover, Commerce has revised its estimate, and now indicates that U.S. imports from Lithuania are *** percent of total imports during the period, which further mitigates against an outcome dispositive determination regarding Lithuania at this preliminary stage of these investigations. CR/PR at IV-6, n.8. For these reasons, Commissioner Bragg determines that there is a potential that subject imports from Lithuania will imminently exceed the three percent negligibility threshold.

[46] 19 U.S.C. § 1677(24)(A)(i)(I).

[47] 19 U.S.C. § 1677(24)(A)(ii). Subject imports from the other three countries are well above the negligibility threshold. See CR/PR at Table IV-3.

[48] 19 U.S.C. § 1677(24)(A)(iv).

operation of law, a finding of negligibility terminates the Commission's investigations with respect to such imports.[49]

The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility.[50]

Negligibility is an issue in these investigations with respect to subject imports from Lithuania. The most recent 12-month period preceding the filing of the petition, April 2001 through March 2002, is the appropriate period for evaluating negligibility in these investigations.[51] Total imports over the period were calculated using official U.S. import statistics for imports for consumption of UAN.[52] Subject imports from Lithuania were calculated using information supplied by Achema, the sole Lithuanian producer of UAN. The Commission relied upon Achema's reported shipments rather than the official import statistics because Achema documented that several shipments that originated in Belarus or Russia were classified improperly as Lithuanian in official imports statistics.[53] Based on this information, subject imports from Lithuania during the relevant period were *** percent of total imports and are, therefore, negligible.[54]

We also do not find that subject imports from Lithuania have the potential to imminently account for more than three percent of total imports of UAN.[55]

During the period of investigation, subject imports from Lithuania entered in significant quantities only during the first six months of 2001.[56] While exports to the United States increased initially following the EU order, they were *** in the latter portion of 2001.[57] Indeed, although it may be true that *** of 2000 and 2001,[58] suggesting that imports from Lithuania predominantly enter during the first six months of the year, Achema and the Lithuanian Customs authorities report that ***.[59]

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[49] 19 U.S.C. § 1671b(a)(1), 19 U.S.C. § 1673b(a)(1).

[50] 19 U.S.C. § 1677(24)(C). See also The Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. No. 103-316, Vol. 1 at 186 (1994) ("SAA").

[51] The petitioners urge the Commission to look to the 12-month period ending in February 2002, which apparently was the period for which data were available when they filed the petition on April 19, 2002. The Commission has found that the 12-month period preceding the filing of the petition ends "with the last full month prior to the month in which the petition is filed, if those data are available." Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, Inv. Nos. 701-TA-417-421 (Preliminary) and 731-TA-953-963 (Preliminary), USITC Pub. 3456 (October 2001) at 8, n. 37.

[52] See CR at IV-6, PR at IV-4.

[53] Achema submitted certificates of origin from Lithuanian customs authorities and bills of lading that demonstrate that a number of shipments identified as Lithuanian were in fact from Russia or Belarus. Achema's Postconference Brief at Exh. 1-4. Achema also submitted declarations from key importers of Lithuanian UAN that indicate that UAN exporters from Russia and Belarus use a Lithuanian port and shipments of subject imports from those countries were misidentified as originating in Lithuania. Achema's Postconference Brief at 1-4; Id. at Exh.1.

[54] CR/PR at Table IV-3; Achema's Postconference Brief at 6; Id. at Exh. 2.

[55] Commissioner Bragg finds that subject imports from Lithuania have the potential to imminently exceed three percent of total imports. See supra n. 45.

[56] See CR/PR at Table VII-2.

[57] See CR/PR at Table VII-2.

[58] See CR/PR at Table VII-2.

[59] Achema's Postconference Brief, Exh.2.

There is *** excess capacity in Lithuania, as capacity has been *** stable, and capacity utilization was *** in the last half of 2001 (*** percent).[60] Achema's ratio of inventories to shipments also was ***.[61] While *** Lithuanian production is exported, the bulk of these exports are to the EU, not the United States.[62] The EU is a more attractive market for Achema given its geographic proximity. Although the EU imposed antidumping duties of 3.98 Euros per metric ton on Lithuanian shipments of UAN into the EU,[63] the vast majority of Lithuanian exports of UAN continued to be made to the EU, and in fact increased after imposition of the order in September 2000. Further, the Lithuanian producer was better placed to continue to serve the EU market than the other subject countries because the EU at the same time placed much higher antidumping duties on exports from Belarus, Russia, and Ukraine (17.86 Euros per metric ton, 17.8 to 20.11 Euros per metric ton, and 26.17 Euros per metric ton, respectively) to the EU.[64]

We thus find that there is no potential that subject imports from Lithuania will imminently exceed three percent of total imports of UAN.

V. CUMULATION[65]

A. In General

For purposes of evaluating the volume and price effects for a determination of reasonable indication of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to assess cumulatively the volume and effect of imports of the subject merchandise 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.[66] In assessing whether subject imports compete with each other and with the domestic like product,[67] the Commission has generally considered four factors, including:

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[60] CR/PR at Table VII-2.

[61] See CR/PR at Table VII-2.

[62] See CR/PR at Table VII-2.

[63] CR at VII-9, PR at VII-4.

[64] CR at VII-9, PR at VII-4. In fact, exports from the subject countries other than Lithuania to the EU fell from 299,043 metric tons during the first nine months of 2000 to 45,448 metric tons in the same period in 2001. Petition at Exh. 59. Exports from Lithuania to the EU increased from 341,340 metric tons to 409,574 metric tons over the same periods. Id.

[65] As noted, Commissioner Bragg finds that subject imports from Lithuania have the potential to imminently exceed the negligibility threshold. See infra n. 45. Commissioner Bragg further determines that cumulation of subject imports from Lithuania with subject imports from Belarus, Russia, and Ukraine is appropriate for purposes of analyzing the threat of material injury posed by imports from Lithuania. Specifically, the record indicates that the subject imports from Lithuania were present in the U.S. market over the POI, were reported sold throughout the United States, were distributed through the same channel, and maintained a high degree of fungibility with the subject imports and the domestic like product. Achema's Postconference Brief at 3, 12 & 13; Petition at 42-43; CR/PR at I-10-11, II-2, Tables II-1 & 2, IV-4, V-2 & 3. Accordingly, Commissioner Bragg finds a reasonable overlap of competition among all the subject imports and between the subject imports and domestic UAN.

[66] 19 U.S.C. § 1677(7)(G)(i).

[67] The SAA 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." SAA at 848, 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).

(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.[68]

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.[69] Only a "reasonable overlap" of competition is required.[70]

B. Analysis

The conditions for cumulating the subject imports have been satisfied. The petition was filed with respect to all subject countries[71] on the same day, and based on the four factors that the Commission considers in analyzing cumulation, there is a reasonable overlap of competition.

Petitioners argue that the prerequisites for cumulation have been met in these investigations, and thus cumulation is appropriate. No respondent argues that subject imports from Belarus, Russia, or Ukraine should not be cumulated.

There are no physical or quality differences between UAN produced in the United States and that produced in the subject countries.[72] U.S. producers and importers also agree that no quality differences exist among domestic UAN and the subject imports and that they all are highly interchangeable.[73] Therefore, there is a high degree of fungibility among the subject imports and between the subject imports and domestic UAN.

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[68] 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).

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

[70] 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. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[71] As noted above, subject imports from Lithuania are negligible and the investigation is terminated with respect to Lithuania. Therefore, we do not cumulate subject imports from Lithuania for purposes of material injury analysis. See 19 U.S.C. § 1677(7)(G)(ii)(II)

[72] CR at II-11, PR at II-8.

[73] CR at II-11, PR at II-8 to II-9. See CR/PR at Tables II-1 & II-2.

In 2001, the subject imports from all three countries were sold on both coasts of the United States and in the Gulf Region.[74] Domestic UAN is sold throughout the United States.[75] Thus, the subject imports and domestic UAN are sold largely in the same geographical markets.

Channels of distribution are similar for the subject imports and domestic UAN. Both are sold to distributors and then retailers.[76] Both the subject imports and domestic UAN are transported by barge and rail.[77] Subject imports from Belarus, Russia, and Ukraine were offered for sale throughout the period of investigation.[78]

Based upon the high degree of fungibility among the subject imports and between the domestic like product and the subject imports, the similar channels of distribution, overlap in geographic markets, and simultaneous presence in the marketplace, we conclude that there is a reasonable overlap of competition in the U.S. market. We, therefore, cumulate the subject imports from Belarus, Russia, and Ukraine for the purpose of analyzing whether there is a reasonable indication that the domestic industry is materially injured by reason of the subject imports.

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS[79]

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 or threatened with material injury by reason of the imports under investigation.[80] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in

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[74] See CR/PR at Table IV-4; Petition at 18.

[75] See CR/PR at Table V-4 (sales in Baltimore, Corpus Christi, New Orleans and Brunswick, GA); Tr. at 161 (significant production in Washington State).

[76] CR/PR at II-1.

[77] CR/PR at II-1.

[78] See CR/PR at Tables V-2 & V-3.

[79] As noted, Commissioner Bragg engages in a cumulative analysis for purposes of analyzing the threat of material injury posed by subject imports from Lithuania. See infra nn. 45 &. 65. To begin, Commissioner Bragg notes that she joins her colleagues in finding a reasonable indication that the domestic industry is materially injured by reason of cumulated imports of UAN from Belarus, Russia, and Ukraine. When assessed in conjunction with the reasonable indication of present material injury caused by these cumulated subject imports, Commissioner Bragg determines that future imports of UAN from Lithuania pose an imminent threat of material injury to the domestic industry. In particular, based on the subject imports' increased volume, negative price effects, and adverse impact (discussed in the material injury section), the record indicates that the domestic industry is vulnerable to the threat of material injury. Second, given that the United States and the EU are the only UAN markets, the imposition of the recent EU antidumping duties on imports of UAN from Lithuania, Belarus, Russia, and Ukraine leaves the United States as the only remaining market for these countries' exports. Thus, the EU duties are likely to result in increased imports into the United States from each of the subject countries, including Lithuania. CR/PR at VII-9-10. Fourth, although the capacity utilization for subject producers in Lithuania was *** in 2001 (*** percent), the record indicates that the volume of subject imports from Lithuania accounted for *** of total U.S. imports during the 12 months before the filing of the petition and that Lithuania reported *** end-of-period inventories of UAN in 2001, equal to *** of Lithuanian exports to the United States in 2001. CR/PR at Tables VII-2 & 4. Based on the entirety of the record, Commissioner Bragg determines there is a reasonable indication that subject imports from Lithuania pose an imminent threat of material injury to the domestic industry.

[80] 19 U.S.C. §§ 1671b(a), 1673b(a).

the context of U.S. production operations.[81] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[82] 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.[83] 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."[84]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing UAN is materially injured by reason of subject imports from Belarus, Russia, and Ukraine that allegedly are sold in the United States at LTFV.

A. Conditions of Competition

The demand for UAN is derived from agricultural uses, in particular, acreage planted and application rates.[85] Primarily used in the United States and Europe,[86] UAN is a seasonal product that is applied mostly in the Spring planting season (April to June).[87] Consumption of UAN generally increased three percent a year in the 1990s as UAN increased in popularity.[88] Apparent U.S. consumption of UAN was greater in 2000 than 1999, but it fell in 2001.[89]

As noted in our like product analysis, UAN has only limited interchangeability with the other nitrogen fertilizers because it is optimal for use with irrigation systems and minimal-till farming.[90] Farmers also use different equipment for applying UAN.[91] UAN is mixed with other solutions, such as pesticides for a single application.[92]

UAN is produced throughout the year because it is uneconomical to cease production, and thus, inventories are increased during periods of low demand.[93] Natural gas accounts for more than half of the cost of production of UAN.[94] Most domestic producers hedge the risk of natural gas price fluctuations

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[81] 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 Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[82] 19 U.S.C. § 1677(7)(A).

[83] 19 U.S.C. § 1677(7)(C)(iii).

[84] 19 U.S.C. § 1677(7)(C)(iii).

[85] CR at II-7, PR at II-5; Tr. at 74-75.

[86] Tr. at 10; CR at I-4, PR at I-3.

[87] CR at I-6, PR at I-4. Seventy percent to 80 percent of total UAN consumption occurs in the Spring. CR at II-7, PR at II-5.

[88] CR at I-3 to I-4, PR at I-3.

[89] Apparent consumption was 10.4 million short tons in 1999, 11.2 million short tons in 2000, and 9.7 million short tons in 2001. However, the value of U.S. apparent consumption increased from $703 million in 1999 to $976 million in 2000 to $1.1 billion in 2001. CR/PR at Table IV-5.

[90] CR at I-5, II-6, II-8, PR at I-4, II-5, II-6.

[91] CR at II-8, PR at II-5.

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

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

[94] Tr. at 16; CR at V-1, PR at V-1

throughout the year by purchasing natural gas futures.[95] The futures contracts serve to dampen uncertainty in the cost of gas by offsetting higher or lower prices for natural gas.[96] When natural gas prices rose during late 2000 and early 2001 and peaked at nearly $10 mmBTU (more than three times the historical price of natural gas), the production of UAN fell[97] and UAN prices rose dramatically.[98]

As UAN is mostly water and is heavy, transportation costs account for 20 percent to 49 percent of the cost of the subject imports.[99] Transportation costs for shipment of domestic UAN also are significant and range up to 22.3 percent.[100] As noted above, the European Union imposed final antidumping duties on UAN from Belarus, Lithuania, Russia, and Ukraine in September 2000.[101]

Nonsubject imports, including negligible imports from Lithuania, have increased over the period of investigation, but still accounted for less than *** percent of apparent consumption by volume and value in 2001.[102]

B. Volume of the Subject Imports

Section 771(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."[103]

The volume of cumulated subject imports increased almost five-fold over the period of investigation.[104] The subject imports captured only *** percent of the U.S. market in terms of volume in 1999, but by 2001 subject imports had increased their market share to *** percent.[105] In terms of value, the subject imports also increased their share of the market -- from *** percent of the market in 1999 to *** percent in 2001.[106] Notably, in 2001, when consumption declined, subject imports increased, capturing *** more percentage points of market share than in 2000. The subject imports' gains came at

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[95] Tr. at 21, 48; CR at VI-8 to VI-9, Table VI-4, nn. 2 & 3, PR at VI-4, Table VI-4 nn. 2 & 3..

[96] Tr. at 21, 48; CR at VI-8 to VI-9, Table VI-4, nn. 2 & 3, PR at VI-4, Table VI-4 nn. 2 & 3. It appears that producers sell the futures contracts for a particular month contemporaneously with the purchase of natural gas and the loss or gain on the sale of the futures contract offsets the deviation of the price of the natural gas from a particular price. Id.

[97] The extent of production cutbacks due to increased natural gas prices is unclear. See Petitioners' Postconference Brief at Exh.14; INV-Z-081 at Table C-2 (revised to exclude ***).

[98] Tr. at 16, 31, 33, 36; CR at V-10, PR at V-7.

[99] CR at V-2, PR at V-1 to V-2.

[100] CR at V-2, PR at V-1 to V-2.

[101] CR at VII-9, PR at VII-3. The United States also has antidumping duty orders on solid urea from Belarus, Russia, and Ukraine, as well as ammonium nitrate from Ukraine. CR/PR at I-2. A suspension agreement covers imports of ammonium nitrate from Russia. Id.

[102] INV-Z-081 at Table C-2.

[103] 19 U.S.C. § 1677(7)(C)(I).

[104] Cumulated subject imports totaled *** short tons in 1999, *** short tons in 2000 and *** short tons in 2001. INV-Z-081 at Table C-2.

[105] INV-Z-081 at Table C-2.

[106] INV-Z-081 at Table C-2.

the expense of the U.S. producers as their share in terms of volume declined from *** percent in 1999 to *** percent in 2001.[107]

For purposes of these preliminary determinations, we find the volume and increase in volume of cumulated subject imports, both in absolute terms and relative to apparent consumption in the United States, to be significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the 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.[108]

UAN is a commodity product, and UAN from different sources is made to the same specifications and is interchangeable.[109] Accordingly, price is an important factor in purchasing decisions.[110]

The Commission sought pricing data for five ports where subject imports and domestic UAN compete for sales, but the pricing data are incomplete.[111] The available data reflect mixed underselling and overselling.[112] Although underselling occurred in only *** possible comparisons, on a volume basis, the underselling accounted for *** percent of the reported sales.[113] Underselling also increased at the end of the period of investigation.[114]

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[107] INV-Z-081 at Table C-2 (revised to exclude ***). Similarly, in value terms, the domestic industry's market share declined from *** percent in 1999 to *** percent in 2001. Id.

[108] 19 U.S.C. § 1677(7)(C)(ii).

[109] CR at II-10, II-11, PR at II-7.

[110] CR at II-10, PR at II-7; CR/PR at Table II-1. The majority of producers and importers indicated that factors other than price were never important in purchasing decisions. See CR/PR at Table II-1.

[111] See CR at V-8, PR at V-6. We note that this pricing data are incomplete. One of the largest U.S. producers, ***, does not sell at the ports where price data were collected so coverage of U.S. producers is limited. CR at V-9 n.14, PR at V-7 n.14. Also, no U.S. producer pricing data were available from one of the ports. We will seek more complete coverage in any final investigations.

[112] Commissioner Bragg notes that overall, pricing comparisons indicate underselling, in *** comparisons, for a *** percent incidence of underselling. This is not unexpected given the commodity nature of the product. Accordingly, Commissioner Bragg finds the record indicates significant price underselling by subject imports as compared with the price of the domestic like product.

[113] INV-Z-081 at Table 1 (after excluding Lithuanian UAN). See CR/PR at Table V-4. However, pricing comparisons in New Orleans may be the most meaningful. CR at V-26, PR at V-12. In New Orleans, there were *** instances of underselling and *** instances of overselling. See CR/PR at Table V-4 (after excluding Lithuanian UAN).

[114] CR/PR at Table V-4.

The available data show that domestic prices of UAN rose during 2000 and peaked in early 2001 before declining.[115] As noted, exceptionally high natural gas prices were an important factor in the increase in UAN prices during this period.[116] The record suggests price suppression, particularly at the end of the period, as the cost of goods sold as a percent of net sales surged to *** percent in the second half of 2001, compared to *** percent in the same period in 2000.[117] [118]

Based on the limited pricing data collected in these investigations, we find that the subject imports have had significant negative effects on prices of the domestic like product during the period of investigation, but intend to more closely examine the factors impacting domestic prices in any final phase of these investigations.

D. Impact of the Subject Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[119] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. 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."[120] [121] [122]

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[115] CR/PR at Fig. V-5; CR/PR at Table V-1.

[116] CR at V-10, PR at V-7. We intend to further explore the relationship between UAN selling prices and natural gas prices in any final phase of these investigations.

[117] INV-Z-081 at Table VI-1.

[118] Commissioner Bragg further notes that the ratio of COGS/Sales increased from *** percent in 2000 to *** percent in 2001.

[119] 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." Id. at 885).

[120] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[121] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce reported that petitioners have alleged estimated dumping margins of 75.80 percent for UAN from Belarus and 331.40 percent for UAN from Russia. 67 Fed. Reg. at 35496 (May 20, 2002). For UAN from Ukraine, Commerce adjusted the petitioners' calculations and reported that petitioners had an estimated margin of dumping of 144.70 percent. Id.

[122] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

Apparent U.S. consumption by quantity declined irregularly during the period of investigation,[123] yet the subject imports increased and captured an ever increasing share of the U.S. market[124] at the expense of the U.S. industry.[125] As the subject imports increased their share of the U.S. market, the domestic industry's production, sales, and shipments all declined.[126] The domestic industry *** increased its capacity over the period of investigation, yet overall ***.[127] While domestic producers temporarily curtailed production to some extent during the time period when natural gas prices increased at the end of 2000 and early 2001, the production cutbacks[128] do not appear to fully explain the increased volume of subject imports during this period.[129]

The domestic industry reported losses throughout the period of investigation.[130] However, as subject imports reached their peak in terms of market share in the latter half of 2001,[131] the domestic industry reported its worst results; its operating ratio was a negative *** percent -- considerably worse than the *** percent operating gain in the same period in 2000.[132] Moreover, the domestic industry's employment, wages, capital expenditures and productivity all declined over the period of investigation.[133]

The poor performance of the domestic UAN industry may be explained in part by the spike in natural gas prices that drastically increased the domestic industry's cost of production, a factor we will more fully explore in any final phase of these investigations. As noted above, the record indicates that prices for the domestic like product rose and then fell during the period of investigation, consistent with

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[123] Apparent consumption fell from 10.4 million short tons in 1999 to 9.7 million short tons in 2001. CR/PR at Table IV-6.

[124] While subject imports accounted for only *** percent of the U.S. market in terms of volume in 1999, in 2001 subject imports had captured *** percent of the market. INV-Z-081 at C-2.

[125] The U.S. producers' market share fell from *** percent in 1999 to *** percent in 2001. INV-Z-081 at C-2 (revised to exclude ***).

[126] Domestic production fell from *** million short tons in 1999 to *** million short tons in 2001. INV-Z-081 at C-2 (revised to exclude ***). The domestic industry's U.S. shipments fell from *** million short tons in 1999 to *** million short tons in 2001. Id. The industry's total net sales also declined from *** million short tons in 1999 to *** million short tons in 2001. INV-Z-081 at Table VI-1. However, on a value basis, total net sales increased from *** million in 1999 to *** million in 2001. INV-Z-081 at Table VI-1.

[127] Total domestic capacity was *** million short tons in 1999 and *** million short tons in 2001. INV-Z-081 at Table C-2 (revised to exclude ***). Capacity utilization fell from *** percent in 1999 to *** percent in 2001. Id.

[128] The Commission will further explore the size and duration of these curtailments in any final phase of these investigations. The domestic industry's inventories as a percentage of total shipments increased from *** percent in 1999 to *** percent in 2001, suggesting that domestic producers were not struggling to meet demand. INV-Z-081 at Table C-2 (revised to exclude ***).

[129] See CR at III-3 to III-5, PR at III-1.

[130] Operating income as a ratio to net sales was ***. INV-Z-081 at Table VI-1. Cash flow was also negative during two of the three years of the period of investigation. Id.

[131] See INV-Z-081 at Table C-2 (*** percent).

[132] INV-Z-081 at Table VI-1. *** domestic producers (excluding ***) reported losses during the last six months of 2001 as compared to only *** in the same period of 2000. Id.

[133] The number of production workers dropped from *** in 1999 to *** in 2001. INV-Z-081 at Table C-2 (revised to exclude ***). The domestic industry paid its workers *** million in 1999 and *** million in 2001. Id. The industry's productivity was *** short tons per 1,000 hours in 1999 and *** short tons per 1,000 hours in 2001. Id. Capital expenditures were *** million in 1999, but only *** million in 2001. See CR/PR at Table VI-6 and VI-7. The industry reported no R & D expenses during the period of investigation. CR/PR at Table VI-6.

the trend in natural gas prices.[134] Thus, while the unit value of the domestic industry's net sales increased over the period of investigation, the gap widened between the unit value of cost of goods sold and the unit value of net sales reflecting the declining U.S. shipments levels.[135] Accordingly, we find that the subject imports had a significant adverse impact on the domestic industry.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing UAN is materially injured by reason of imports from Belarus, Russia, and Ukraine that allegedly are sold in the United States at less than fair value.

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[134] CR/PR at Fig. V-5; CR/PR at Table V-1.

[135] The unit value of net sales increased from *** a short ton in 1999 to *** a short ton in 2001. INV-Z-081 at Table C-2 (revised to exclude ***). In the second half of 2001, the unit value of net sales was *** while in the first half of the year it was ***. Id. Despite the overall increase, the industry's unit value of cost of goods sold still exceeded the unit value of net sales in 2001. Id. In the second half of 2001, the industry's unit value of cost of goods sold exceeded the unit value of net sales by almost ***. Id.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on April 19, 2002, by the Nitrogen Solutions Fair Trade Committee, an ad hoc coalition of U.S. producers of urea ammonium nitrate solutions, which consists of CF Industries, Inc. of Long Grove, IL; Mississippi Chemical Corp. of Yazoo City, MS; and Terra Industries, Inc. of Sioux City, IA, alleging that an industry in the United States is materially injured and threatened with further material injury by reason of less-than-fair-value ("LTFV") imports of urea ammonium nitrate solutions ("UAN")[1] from Belarus, Lithuania, Russia, and Ukraine. Information relating to the background of these investigations is provided below.[2]

Date	*Action*
April 19, 2002	Petition filed with Commerce and the Commission; institution of Commission investigations (67 FR 20994, April 29, 2002)
May 10, 2002	Commission's conference[3]
May 20, 2002	Commerce's notice of initiation (67 FR 35492, May 20, 2002)
June 3, 2002	Commission's vote
June 3, 2002	Commission determinations sent to Commerce
June 10, 2002	Commission views sent to Commerce

SUMMARY DATA

A summary of data collected in these investigations is presented in appendix C, table C-1. U.S. industry data are based on questionnaire responses of 10 firms which accounted for the great majority of U.S. production during the period 1999 through December 2001, the period for which data were gathered in these investigations.[4] U.S. imports are based on official import statistics as compiled by the Department of Commerce ("Commerce") with revisions made both by Commerce itself and subsequent revisions made by Commission staff.[5]

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[1] For purposes of these investigations, UAN consists of all mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution, regardless of nitrogen content by weight, and regardless of the presence of additives, such as corrosion inhibitors. This product is classified under subheading 3102.80.00 of the Harmonized Tariff Schedule of the United States ("HTS"). The subject product entering the United States under this HTS subheading is free of duty. Although the HTS subheading is provided for convenience and customs purposes, the written description of UAN subject to these investigations is dispositive.

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

[3] A list of witnesses appearing at the conference is presented in app. B.

[4] According to The Fertilizer Institute's ("TFI") publicly available data concerning UAN production, U.S. producers manufactured 8,446,059 short tons of UAN in 2001. The Commission collected data from U.S. producers whose aggregate production in 2001 was 8,173,928 short tons or 96.8 percent of the production stated by the TFI.

[5] Commerce has recently revised its import statistics on UAN. *See* petition, exhibit 15 (for a list of Commerce's modifications). These revisions have been incorporated into the data used in this report. Also, the countries of origin of some imports from Lithuania were originally reported to Commerce incorrectly and have been corrected

(continued...)

PREVIOUS AND RELATED INVESTIGATIONS

UAN has not been the subject of any prior antidumping or countervailing duty investigations in the United States. There are, however, antidumping duties imposed on the two major components of UAN, urea and ammonium nitrate. Antidumping orders on solid urea cover imports from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[6] Solid agricultural grade ammonium nitrate is covered by an antidumping order on imports from Ukraine[7] and by a suspension agreement on imports from Russia.[8]

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On May 20, 2002, Commerce published a notice in the *Federal Register* of the initiation of the antidumping investigations on UAN from Belarus, Lithuania, Russia, and the Ukraine. The petitioners' estimated weighted average dumping margins, as reported by Commerce, are 75.8 percent for Belarus, 103.9 percent for Lithuania, 331.4 percent for Russia, and 144.7 percent for Ukraine.

THE PRODUCT

Commerce has defined the scope of these investigations as follows:

> The scope of this investigation includes all mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution, regardless of nitrogen content by weight, and regardless of the presence of additives, such as corrosion inhibitors.

The Commission's determination regarding the appropriate domestic product that is "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 (6) price.[9] Information on interchangeability, customer and producer perceptions, and channels of distribution can be found in Part II. Data on the price of UAN during the period examined can be found in Part V. Information regarding the physical characteristics and uses of UAN as well as manufacturing facilities and production employees are set forth below.

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[5] (...continued)
and incorporated into data used in this report. *See* Achema's postconference brief, pp. 1, 6.

[6] *See Continuation of Antidumping Orders: Solid Urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, 64 FR 6265[illegible] (November 17, 1999).

[7] *See Antidumping Order: Solid Agricultural Grade Ammonium Nitrate from Ukraine*, 66 FR 47451 (September 12, 2001).

[8] *See Suspension of Antidumping Duty Investigation: Sold Fertilizer Grade Ammonium Nitrate from the Russian Federation*, 65 FR 37759 (June 16, 2000).

[9] Respondents have raised a domestic like product issue, arguing that the definition of UAN should be expanded to include all nitrogen fertilizers including urea, ammonium nitrate, and anhydrous ammonia. *See* joint respondents' brief prepared by Collier Shannon Scott, pp. 1-18.

Physical Characteristics and Uses

UAN fertilizer is a clear liquid mixture of urea and ammonium nitrate in water. The product is a fungible nitrogen fertilizer commodity typically sold with a nitrogen content by weight of 28, 30, and 32 percent.[10] UAN is the major nitrogen solution fertilizer produced and consumed in the United States, and is second only to anhydrous ammonia in terms of direct application nitrogen fertilizer consumption.[11] Natural gas is the major feedstock from which UAN is produced, and thus integral to the economics of domestic production and competitiveness with the imported product. In the United States, UAN has grown in popularity over the years due to its versatility in a number of agricultural practices, economic advantages, ease of handling and transport, and safety. During the 1990s, for example, UAN fertilizer consumption grew at 3 percent per year, or three times the rate of total U.S. nitrogen fertilizer consumption (1 percent per year), and its market share increased from 20 percent in 1990 to 24 percent in 2000.[12] UAN consumption is dominated by the developed world, principally the United States and the European Union ("EU").

UAN is known as a low-pressure solution because its vapor pressure is at or near atmospheric pressure. The product is relatively neutral on the pH scale, and typically contains a corrosion inhibitor and a small amount of ammonia to adjust the pH. Because of these properties, UAN can be safely shipped and stored in mild steel vessels and applied to crops from large mild steel spray rigs. This is an advantage relative to high-pressure anhydrous ammonia, a hazardous liquid or gas which must be stored under refrigeration and pressure in dedicated vessels, and applied more slowly using specialized equipment which knifes ammonia into the soil. The salting-out temperatures of UAN dictate in what climates or geographic regions a given product can be shipped and stored.[13] Salting-out temperatures decline as the nitrogen concentration is lowered; therefore, a 32 percent UAN solution which salts out at 32°F would be used in more temperate climates than those of a 28 percent UAN solution which salts out at 0°F.

UAN formulations typically contain relatively equal amounts by weight of urea nitrogen and ammonium nitrate nitrogen. Urea ($CO(NH_2)_2$) and ammonium nitrate ($(NH_4)NO_3$), in their pure solid states, contain 46.6 percent nitrogen and 35 percent nitrogen by weight, respectively. Although the relative proportion of nitrogen supplied by urea and by ammonium nitrate is the same in UAN of any concentration, the percentage composition by weight of urea, ammonium nitrate, and water varies according to the concentration, as shown in the following tabulation:

Component	28 percent UAN	30 percent UAN	32 percent UAN
Ammonium nitrate	39.3	42.2	45.0
Urea	30.6	32.7	35.0
Water	30.2	25.1	20.0
Source: Fertilizer Handbook, p. 71.			

[10] Petition, p. 11.

[11] Commercial Fertilizers 2000, a cooperative project of the Association of American Plant Food Control Officials ("AAPFCO") and TFI, April 2001.

[12] *Id.*

[13] The salting-out temperature is defined as that temperature where crystals begin to form in UAN and separate out from the solution.

UAN has several advantages relative to solid urea and ammonium nitrate fertilizers. Urea and ammonium nitrate, although widely consumed in the United States as solid fertilizers in granular and prilled forms, are incompatible when blended together as solids. This is due to a lowering of the critical relative humidity, the humidity at which given materials dissolve at ambient temperatures.[14] These two fertilizer compounds are so incompatible that they are rarely stored in bulk form in the same warehouse. Therefore, the practical economic method of applying urea and ammonium nitrate simultaneously is in solution form as UAN. When urea and ammonium nitrate are combined, together they have a higher solubility in water than either urea solution or ammonium nitrate solution alone, yielding a solution with a higher nitrogen content at ambient temperatures.[15] UAN provides a combination of the quicker-acting plant-available forms of nitrate and ammonium nitrogen of ammonium nitrate, with the slow release properties of urea. Also, the problem of solid urea volatilization in warm climates on dry soils is minimized.[16] Other advantages are in the area of fertilizer application, where UAN may be mixed with herbicides and pesticides, micronutrients, and other materials to enhance efficiencies of application in one pass over the field. UAN is also widely used in irrigation (fertigation) systems, and extensively for no-till or minimum-till farming.[17]

UAN is consumed coast-to-coast in the United States, and is commonly used as a pre-plant or pre-emergent fertilizer. It is used on such key row crops as corn, sugar cane, cotton, wheat, and on pasture. This material is typically sprayed onto the field using heavy equipment with long spray booms extending out from both sides of the supply tank. In addition, UAN can be used as a post-emergent on crops, that is after crops begin to grow. In this instance, the farmer may spray a second UAN application, called a "side dress treatment," to put more nitrogen into the soil by applying fertilizer between rows of established crops. UAN is most heavily used in the spring planting season, but in areas such as Texas, the Southwest, and the Gulf Coast region, where, because of the climate, multiple crops grow year-round, UAN may be applied several times to the same acreage.[18]

Manufacturing Facilities, Production Process, and Production Employees

There are approximately 12 U.S. firms manufacturing UAN in some 30 facilities across the United States. A large concentration of capacity is in the South, Southeast, Southwest, and Midwest. UAN facilities, in general, are situated near abundant supplies of natural gas, the feedstock for ammonia, which in turn is used to produce urea and ammonium nitrate.[19] UAN is manufactured in its most concentrated form (32 percent nitrogen) wherever possible, and diluted to 28-30 percent nitrogen during downstream distribution if necessary. Plants typically run year-round due to economics; inventories are built up during the fall when demand is more limited.

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[14] Staff telephone conversation with ***, May 16, 2002.

[15] Petition, p. 11.

[16] Staff telephone conversation with ***, May 15, 2002.

[17] Transcript of the Commission's May 10, 2002, conference ("conference transcript"), p. 13.

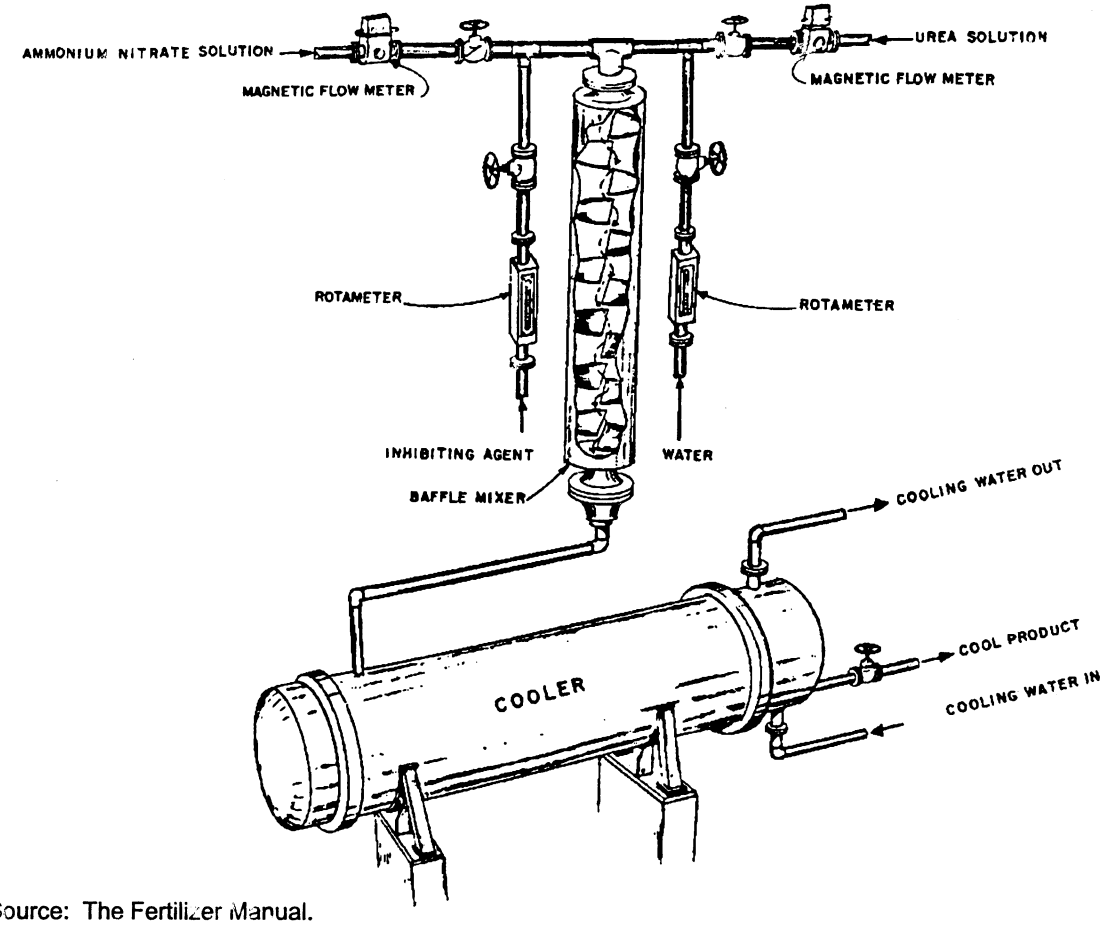
[18] Information provided by Joseph D. Giesler, Global Director of Industrial Sales, Terra Industries, conference transcript, 13.

[19] Ammonia is manufactured from natural gas, atmospheric nitrogen, and water in the form of steam. Catalysts are used to enhance the various reactions in the process. To produce concentrated urea solution (urea liquor), ammonia and by-product carbon dioxide are pumped into a urea reactor, which is kept at a high temperature and pressure. To produce ammonium nitrate liquor, ammonia is oxidized (using ambient air) over special catalysts to form a nitric acid solution. The nitric acid is then combined with ammonia in a neutralization chamber to form ammonium nitrate liquor. Petition, April 19, 2002, p. 14.

The Continuous Process

UAN is produced by the combination of water with hot concentrated urea liquor solution and hot concentrated ammonium nitrate liquor solution, often sourced from the intermediate solutions produced at the first stage of making solid urea and solid ammonium nitrate.[20] Most of the UAN produced in the United States is by the "continuous" process which involves the blending of hot concentrated urea and ammonium nitrate liquors and corrosion inhibitors in a static mixer which creates mixing turbulence, followed by cooling and mixing with water in a large mixing tank. The solution is continuously recirculated in and out of the mixing tank, and monitored for urea, ammonium nitrate, water, and total nitrogen content. The mix tank is usually tapped towards the bottom for transfer of 32 percent UAN solution to large storage tanks or to a holding area for loading into rail cars, barge, or truck. Trucking is normally done mostly in the near vicinity.[21] Figure I-1 illustrates a continuous production process.

Figure I-1
UAN continuous production process



Source: The Fertilizer Manual.

[20] Urea liquor is typically concentrated to about 70-80 percent by weight, while ammonium nitrate liquor usually runs 80-90 percent.

[21] Staff telephone conversation with ***, May 15, 2002.

Major U.S. manufacturers produce UAN by three different configurations employing the continuous process.

Dedicated UAN production (no solids produced)

This process is totally dedicated to UAN production. There is no production of urea or ammonium nitrate solid product. All urea and ammonium nitrate process liquor is converted to UAN. All production workers are dedicated to this process. *** produces all of its UAN by this method.[22] ***.[23] This configuration is believed to be the principal method of producing UAN in the United States.

Urea liquor + dedicated ammonium nitrate production

Alternatively, a stream of urea may flow from an adjacent solid urea plant into a dedicated ammonium nitrate process stream. In this instance, production workers in the dedicated ammonium nitrate facility would typically be involved with UAN production. Petitioners state that this process is also currently used in the United States. *** employs this process.

Urea liquor + ammonium nitrate liquor from adjacent plants

In this process, urea and ammonium nitrate liquors may be diverted from solid urea and solid ammonium nitrate plants, or in some instances from a dedicated urea process stream and a solid ammonium nitrate process stream. Petitioners state that these UAN processes are commonly used in the United States.[24] In the case of process streams diverted from solid urea and ammonium nitrate plants, a portion of the production workers from each plant would typically be involved with UAN production. In the case of a dedicated urea stream and a process stream from a solid ammonium nitrate plant, production workers from the dedicated urea stream would normally be involved with UAN production. ***.[25]

The Batch Process

Some plants still use the older "batch" process. In the batch process, hot urea liquor in an approximately 75 percent solution and hot ammonium nitrate liquor in an approximately 88 percent solution are fed sequentially into a weigh and mix tank, to which a corrosion inhibitor is then added. After mixing, the solution is cooled and then pumped to a storage tank. Other batch methods used to produce UAN involve remelting solid urea in hot ammonium nitrate liquor in the proper ratio, and adjusting the solution to the desired concentration with water. UAN can also be manufactured by dissolving solid urea and ammonium nitrate in hot water.[26]

The majority of U.S. producers produce other products, mainly the inputs for UAN, either on the same manufacturing equipment or with the same workers that they use in the production of UAN. Examples of these other products reported include: ammonia, ammonium nitrate, ammonium nitrate

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[22] Staff interview with ***, May 10, 2002.

[23] Petitioners state that to the best of their knowledge, this dedicated UAN technology is not used in any of the subject countries. Petitioners' postconference brief, April 19, 2002, p. 16.

[24] Petition, p. 15.

[25] Staff interview with ***, May 15, 2002.

[26] Petitioners' postconference brief, p. 16.

liquor, anhydrous ammonia, CAN-17, granular urea, nitric acid, solid ammonium nitrate, urea, and urea liquor.

DOMESTIC LIKE PRODUCT ISSUES

At the public conference and in their postconference briefs, respondents raised a domestic like product issue, arguing that the Commission should find all nitrogen fertilizers, including UAN, anhydrous ammonia, ammonium nitrate, and urea, as one domestic like product.[27] Respondents contend that UAN meets the criteria of having common manufacturing facilities, production processes, and employees with anhydrous ammonia, urea, and ammonium nitrate.[28] Prices for all four nitrogen products reportedly move in tandem over time, providing further justification for treating them as the same domestic like product.[29]

As part of their domestic like product argument, respondents contend that UAN is moderately to strongly price sensitive to substitution. In the spring of 2001, primarily because of the dramatic spike in U.S. natural gas prices, U.S. farmers paid all-time record high prices for all forms of nitrogen fertilizer. In April 2001, ammonia sold for a record $399 per short ton; urea, $280 per short ton; ammonium nitrate, $260 per short ton; ammonium sulfate, $192 per short ton; and 30 percent UAN, $189 per short ton.[30] Respondents argue that urea and ammonia sold for lower prices on a per unit nitrogen basis than UAN during the spring of 2001, prompting farmers to substitute these products for UAN wherever possible.[31] Respondents concede, however, that during periods where the price per unit of nitrogen is constant for all four products, some farmers may prefer one type over the other because of differences in application processes.[32] For example, anhydrous ammonia, being a pressurized liquid, requires special-purpose application equipment. Also, urea, which typically is used in a solid, granular form, must be applied with "dry" application equipment.

In a postconference submission, Willard Agri-Service of Frederick, MD, stated:[33]

> "If UAN Solution prices are not aligned with urea, anhydrous ammonia, ammonium sulfate or other nitrogen fertilizers, UAN solution will be displaced in the marketplace by substitute nitrogen product. For example, if UAN solution cost per unit of nitrogen is unreasonable, farmers will substitute with urea to topdress wheat. If UAN solution price is too high in Eastern Maryland to sidedress corn, farmers will switch to anhydrous ammonia. These sources of nitrogen are also imported on the East Coast. Farmers and retailers do switch to alternate forms of nitrogen when their preferred form, on a per unit basis of nitrogen, demands a substantial premium."

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[27] *See* joint respondents' postconference brief, pp. 2-18 and J.R. Simplot's postconference brief, pp. 1-7.

[28] Joint respondents' postconference brief, p. 13.

[29] *Id.*, p. 16.

[30] Agricultural Prices, National Agricultural Statistics Service, USDA.

[31] Price data prepared by Georgetown Economic Services, conference transcript, p. 131.

[32] Joint respondents' postconference brief, p. 7.

[33] Postconference submission entitled, "Response to UAN Antidumping Petition," Willard Agri-Service of Frederick, MD, May 14, 2002.

Respondents argue further that UAN, anhydrous ammonia, urea, and ammonium nitrate fertilizers are all purchased for the same ultimate end use – to deliver nitrogen to crops.[34] The parties acknowledge, however, that the chemical composition of each product varies, and they differ somewhat in physical form. They state that information on the record provides ample evidence that each of the four nitrogen fertilizers is interchangeable.[35]

Virtually all forms of transportation were reported to be used to move these products, including air, pipeline, barge, truck, or rail. Anhydrous ammonia is not typically transported by air, while urea, ammonium nitrate, and UAN are usually not distributed by pipeline.[36]

Petitioners contend that the Commission should find the domestic like product to be coterminous with the scope of the subject merchandise.[37] Petitioners claim that there are clear dividing lines between UAN and other nitrogenous fertilizer products.[38] They characterize UAN as a non-pressurized solution as opposed to solid urea and ammonium nitrate or a pressurized solution of anhydrous ammonia; thus, UAN requires different transportation and application equipment than other nitrogenous fertilizers.[39] Farmers are also reported to benefit from UAN application efficiencies such as "fertigation," mixing UAN with herbicides and pesticides, allowing for only a single pass across the field for multiple purposes.[40]

Petitioner asserts that in addressing every major nitrogen fertilizer product other than UAN, the Commission has always found that nitrogen fertilizers are not sufficiently interchangeable to result in one product being considered "like" another.[41] Petitioners request the Commission to take particular note of information contained in its 332 report on ammonium nitrate published in 1998, which identifies some of the core distinguishing features of UAN as follows:[42]

> UAN solutions are easy to handle (simply by pumping), can be more uniformly applied to the soil than solid fertilizers, can be metered into irrigation water to provide nitrogen to growing crops, are less costly than ammonia to transport and store, and direct production from urea and ammonium nitrate reactor solutions eliminates prilling or granulating costs. However, lower UAN nitrogen content increases shipping costs per unit nitrogen and different equipment is required for application than is used for solid fertilizers.

Based on industry knowledge, the Commission staff notes that UAN is a low pressure, non-corrosive solution consisting of an aqueous solution of urea and ammonium nitrate which may be safely transported and stored in mild steel vessels at atmospheric pressure, and conveniently applied via spray rigs. Urea and ammonium nitrate are incompatible in solid form; thus, the only practical means of

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[34] Joint respondents' postconference brief, p. 4.

[35] *Id.*, p. 8.

[36] *Id.*, p. 10.

[37] Petitioners' postconference brief, pp. 4-9 and exhibit 1, pp. 20-28.

[38] *Id.*, p. 4.

[39] Petitioners also provided data indicating that UAN is the predominant nitrogen fertilizer used in the Southeast, Northeast, Great Lakes, and California, whereas ammonium nitrate is the predominant nitrogen fertilizer in the Plains and the Corn Belt, and urea in the Pacific Northwest and South Central area. Petitioners' postconference brief, p. 38 and exhibit 35.

[40] *Id.*, p. 7.

[41] *Id.*, p. 5.

[42] *Id.*

combining the slow-release properties of urea with the fast-acting plant available properties of ammonium nitrate is as UAN. The fertilizer application advantages of UAN have been noted. UAN is predominately confined to fertilizer use. Conversely, anhydrous ammonia is a high-pressure liquid requiring refrigeration during storage and transport. Dedicated equipment is required for storage, transport, and fertilizer application. Ammonia must be labeled as a hazardous gas according to U.S. Department of Transportation regulations, and as a poisonous gas according to United Nations regulations. It is produced exclusively in plants using dedicated equipment and production personnel. U.S. anhydrous ammonia fertilizer application is concentrated in the Midwest Corn Belt region. Ammonia is also used for a number of industrial applications.

Urea is a solid or liquid product produced exclusively in plants using dedicated equipment and production personnel. This fertilizer, unlike the other major nitrogen fertilizers, is an "organic" carbon-containing compound that is broken down in the soil differently than inorganic nitrogen fertilizers. Urea is the highest analysis solid fertilizer product produced (46 percent minimum plant available nitrogen by weight) and as such is popular for direct application, bulk blending with phosphate and potash to produce multinutrient granular fertilizers, and for international trade. Urea application can be a problem in warm, dry climates where losses due to volatility decrease fertilizer efficiency. Urea is also used as a protein supplement in ruminant animal feeds, and for industrial applications.

Ammonium nitrate is a solid or liquid product produced exclusively in plants using dedicated equipment and production personnel. In solid form, ammonium nitrate contains a minimum of 34 percent plant available nitrogen by weight. Solid ammonium nitrate is a niche market fertilizer used primarily for direct application purposes in the more temperate climates of the South, Southeast, and Southwest. This product is used extensively on pasture and range, and in no-till applications because of its fast-acting and low-volatility characteristics. Ammonium nitrate is an oxidizer, and must be labeled as such. When combined with fuel oil, ammonium nitrate because of this property becomes an industrial explosive known as ANFO, widely used in mining and construction. Low density, porous product must be used for explosive applications, in contrast to high density product used for fertilizer applications. Some U.S. fertilizer manufacturers produce high-density and low-density product using the same equipment and production personnel.[43]

[43] ***.

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

CHANNELS OF DISTRIBUTION AND MARKET CHARACTERISTICS

U.S. producers and importers sell their shipments of UAN to distributors and retailers.[1] U.S. producers transport UAN from their plants to their own or to their customers' storage/distribution terminals. Imports of UAN arrive in the United States in ships, with an increasing percentage reportedly entering at Gulf ports.[2] The Mississippi river system serves as an important means for distributing UAN as both U.S. producers and importers transport UAN by barge to storage and distribution locations throughout the Farm Belt.[3]

U.S. producers and importers were asked to report the geographic market area in the United States that is served by the UAN that they sell. No U.S. producer reported selling UAN nationwide; rather, U.S. producers reported selling in specific market areas, such as the Midwest, the East Coast, the Corn Belt states, etc. Importers also reported sales of UAN in specific market areas, such as the Gulf Coast, the East Coast, and California. J.R. Simplot, a U.S. producer, importer, and distributor, views the U.S. market as three separate UAN markets–East Coast, West Coast, and Central United States.[4]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, U.S. producers have the ability to respond to changes in demand with relatively small to moderate changes in the quantity of shipments of U.S.-produced UAN to the U.S. market. The main factors contributing to this degree of responsiveness are available unused capacity and existing inventories. However, other factors, such as lack of alternate markets and the difficulty for some producers in shifting production from UAN to other products, tend to moderate the degree of responsiveness. The relevant supply factors are discussed below.

Industry Capacity

Data reported by U.S. producers indicate that there is some excess capacity with which U.S. producers could expand production in the event of price changes. Domestic capacity utilization for UAN declined irregularly during the period, rising from 80.1 percent in 1999 to 85.2 percent in 2000 and then declining to 74.0 percent in 2001. Data for interim periods also show a decline in capacity utilization. Capacity utilization was 76.9 percent in January-June 2001 compared to 86.6 percent in the same period

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[1] Retailers purchase UAN directly from producers or from distributors. Farmers purchase UAN from retailers who store it in tanks and may also provide dilution, blending, and/or application services. Retail facilities are usually located near farming areas (petition, p. 18).

[2] Petitioner notes that "until very recently, imports of UAN were sold primarily on the East Coast, arriving at ports such as Wilmington, Baltimore, and Norfolk and West Coast ports such as Stockton, CA. Beginning in 2001, however, imported UAN began to appear in substantial quantities at Gulf Coast ports, particularly New Orleans, Corpus Christi, and Houston." (petition, p. 18.)

[3] The Mississippi River system includes the Mississippi River itself and other navigable rivers feeding into the Mississippi (e.g., the Missouri, Ohio, Illinois, and Arkansas) (*Certain Ammonium Nitrate from Ukraine*, USITC Pub. 3448, August 2001, p. II-1).

[4] Steve Gray, Vice President, Supply Chain Management, J.R. Simplot, conference transcript, p. 111.

of 2000. Similarly, capacity utilization for the period July-December 2001 was 71.1 percent compared to 83.8 percent in the same period of 2000.[5]

U.S. producers also provided data on the time and cost of adding new capacity either through the construction of a new facility, converting a facility that currently produces urea or ammonium nitrate facility to the production of UAN, restarting a closed UAN plant, or increasing UAN at current facilities. Producers reported that it would cost between $*** and $*** and take between 24 and 36 months to construct a greenfield plant to produce UAN in the United States. According to producer questionnaire responses, constructing a UAN plant at an existing plant that is already making urea or ammonium nitrate would take less time (6 to 24 months) and cost less ($*** to $***). U.S. producers reported that restarting a closed UAN plant could take between 4 weeks and 6 months and cost between $*** and $***. The time and cost of restarting the closed plant depends on the time that the plant was idled and how well it was mothballed. Therefore, because there are significant time lags and costs involved in adding new UAN capacity, the ability of U.S. producers to increase capacity beyond current levels moderates the supply response of U.S. producers.

Inventory Levels

Available data indicate that U.S. producers' inventories of UAN were moderate during the period. Inventories relative to total U.S. shipments ranged between *** and *** percent during 1999 and 2001 and between *** and *** percent in the interim periods. These data indicate that U.S. producers have some ability to use inventories as a means of increasing shipments of UAN to the U.S. market.

Export Markets

During the period for which data were collected, exports were not a significant outlet for U.S. UAN producers. Exports of UAN accounted for *** of U.S. producers' total shipments during 1999-2001. These numbers suggest that there is little, if any, ability for U.S. producers to divert shipments of UAN to or from alternate markets in response to changes in the price of UAN. Furthermore, U.S. producers provided narrative information on their ability to shift sales of their U.S.-produced UAN between the U.S. markets and foreign country markets. U.S. producers reported that there is little export opportunity due to prohibitive transportation costs and the limited demand outside the United States. Several U.S. producers noted that the United States and France are major markets, with the United States being the largest consuming country, thus it is not economical for U.S. producers to shift to other small markets.

Production Alternatives

Available information with regard to the ability of U.S. producers to shift U.S. production between UAN and any other products is somewhat mixed. About half of the responding producers (5 of 9) noted that they have little or no ability to shift production between UAN and other products. The remaining four firms reported that they have some ability to shift production. One producer, ***, stated that its ability to switch is strong at certain facilities and not at others. *** reported that it looks at this issue all the time and if it could sell inputs for UAN for a higher price than UAN, it would not sell UAN.

[5] In its producer questionnaire response, *** reported that many U.S. nitrogen producers reduced or shut down production as they sold gas instead of producing nitrogen; *** noted that this was especially true in 2000 and 2001.

Subject Imports

Belarus

Based on available information, the producer of UAN in Belarus has the ability to respond to changes in the price of UAN with moderate to large changes in the quantity of shipments of its UAN to the U.S. market. The main factor contributing to this degree of responsiveness is the existence of alternate markets.

Industry capacity

Available data for the producer of UAN in Belarus indicate that capacity utilization rates increased during the period 1999 through 2001, rising from *** to *** percent in that time. Interim data for January-June 2000 and 2001 show *** rates of capacity utilization (*** and *** percent, respectively); however, data for July-December 2000 and 2001 indicate *** levels (i.e, *** and *** percent, respectively). These data indicate that there is some unused capacity for the producer of UAN in Belarus.

Alternate markets

The producer in Belarus internally consumes UAN and sells it in the U.S. market and other non-U.S. export markets. During the period examined, exports to the U.S. market accounted for between *** and *** percent of total shipments while exports to alternate markets accounted for *** to *** percent of total shipments. Home-market consumption accounted for between *** and *** percent of total shipments. These data indicate that the producer in Belarus has the flexibility to use alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the U.S. market.

Lithuania

Based on available information, the Lithuanian producer of UAN has the ability to respond to changes in the price of UAN with moderate to large changes in the quantity of shipments of Lithuanian UAN to the U.S. market. The main factor contributing to this degree of responsiveness is the existence of alternate markets.

Industry capacity

Available data for the Lithuanian UAN producer indicate that capacity utilization rates increased irregularly during the period 1999 through 2001 from *** to *** percent. Interim data for January-June 2000 and 2001 and for July-December 2000 and 2001 also show increases (i.e., *** percent to *** percent, and *** to *** percent, respectively). These data indicate that *** unused capacity for the Lithuanian UAN producer.

Alternate markets

The Lithuanian producer sells *** of its UAN to other non-U.S. export markets. During the period examined, exports to the U.S. market accounted for between *** and *** percent of total shipments, while exports to alternate markets accounted for between *** and *** percent of total

shipments. These data indicate that the producer in Lithuania has the flexibility to use alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the U.S. market.

Russia

Based on available information, Russian producers of UAN have the ability to respond to changes in the price of UAN with moderate to large changes in the quantity of shipments of Russian UAN to the U.S. market.[6] The main factor contributing to this degree of responsiveness is the existence of alternate markets.

Industry capacity

Available data for the reporting Russian UAN producer indicate that capacity utilization rates were *** during the period 1999 through 2001, including the interim periods. Capacity utilization rates were *** percent in each period for which data were collected; projections for 2002 and 2003 show capacity utilization at *** percent. These data indicate that there is *** capacity for the responding Russian UAN producer.

Alternate markets

Russian producers sell UAN in the home market, in the U.S. market, and other non-U.S. export markets. During the period of this investigation, shipments to the Russian home market accounted for between *** and *** percent of total shipments of the responding producer. Exports to the U.S. market accounted for between *** and *** percent of total shipments while exports to non-U.S. markets accounted for between *** and *** percent of total shipments. These data indicate that the reporting Russian producer has the flexibility to use alternate markets to increase or decrease shipments to the U.S. market in response to price changes in the U.S. market.

Ukraine

Producers in Ukraine did not respond to the Commission's questionnaire.

U.S. Demand

Based on available information, U.S. aggregate demand for UAN is likely to respond moderately to changes in UAN prices. The main factor contributing to this degree of price sensitivity is the degree to which other nitrogen fertilizers can substitute for, and be substituted for by, UAN.

Demand Characteristics

UAN is a liquid nitrogen fertilizer that is commonly used to fertilize pre-emergent crops including row crops, such as corn, tobacco, sugar cane, cotton, wheat, peanuts, and pasture. One of UAN's major advantages is that it can be mixed with liquid herbicides and pesticides which can then be applied at that same time, requiring only one pass across the field. UAN is most heavily used in the

[6] Only one producer in Russia, ***, responded to the Commission's questionnaire.

spring planting season;[7] however, in some areas, such as Texas, the Southwest, and the Gulf Coast region, UAN may be applied several times to the same acres in the course of the year because multiple crops grow nearly continuously due to the favorable climates in these areas.[8]

The overall demand for UAN depends on various factors, but is primarily affected by planted acreage and application rates. U.S. producers and importers reported in their questionnaire responses that the demand for UAN is seasonal, with several firms noting that 70 to 80 percent of total annual UAN consumption occurs in the spring. Demand for UAN, as measured by apparent consumption, fluctuated during the period for which data were collected. Apparent consumption increased by 8.0 percent from 10.37 million short tons in 1999 to 11.2 million short tons in 2000 before falling by 13.1 percent to 9.7 million short tons in 2001. Interim data show a decline between the periods January-June 2000 and January-June 2001 (i.e., 16.5 percent) and a slight decrease between the periods July-December 2000 and July-December 2001 (i.e., 0.1 percent).

Substitute Products

Demand for UAN is affected by the substitutability of UAN with other fertilizer products. Substitutes for UAN include anhydrous ammonia, urea, and ammonium nitrate. Each of these nitrogen fertilizers has its own advantages and disadvantages and can be a substitute for UAN depending on the intended crop, soil assay, climatic conditions, regulatory factors, and relative product prices and availability.

UAN is an aqueous mixture produced from urea and high-density ammonium nitrate ("HDAN") which has nitrogen content that can range from 28 to 32 percent. This solution is easy to handle, can be more uniformly applied to the soil, and is easily stored. The lower nitrogen content makes shipping costs more expensive on a per-unit-of-nitrogen basis. Different equipment (e.g., tanks, booms, pressure sprayers) is needed to apply this fertilizer.[9]

HDAN contains 34 percent nitrogen by weight, has a relatively high assay of nitrogen in nitrate form (50 percent of total), and may be blended with other solid fertilizers for broadcast onto fields. HDAN is also considered quick acting and can be readily used by plants. HDAN is less volatile than other products in hotter weather because it will not evaporate or dissipate as a result of the heat, thereby decreasing the amount of nitrogen actually applied. Prescribed application of HDAN does not burn plants, which can cause a setback in their growth; therefore, it is a preferred source of nitrogen for no-till crops and for top dressing. One disadvantage is that it is generally more costly on a per-unit-of-nitrogen basis.[10]

Urea has the highest nitrogen content of solid nitrogen fertilizers (46 percent), is safe to store, and is easy to handle. It is a dry fertilizer, like HDAN, and is applied with similar broadcasting methods. Urea has a slower rate of conversion of available nitrogen to the soil. Urea can volatize, that is, lose a portion of its nitrogen to the atmosphere. Conditions that affect this volitization are soil pH, soil

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[7] Because the bulk of UAN is applied in the spring growing season, distributors and producers must fill storage facilities continuously throughout the year to ensure prompt availability of adequate supply at the farm level during the peak demand months of April through June (petition, pp. 18-19).

[8] Petition, pp. 12-13.

[9] *Certain Ammonium Nitrate from Ukraine*, USITC Pub. 3448, August 2001, pp. II-8-9.

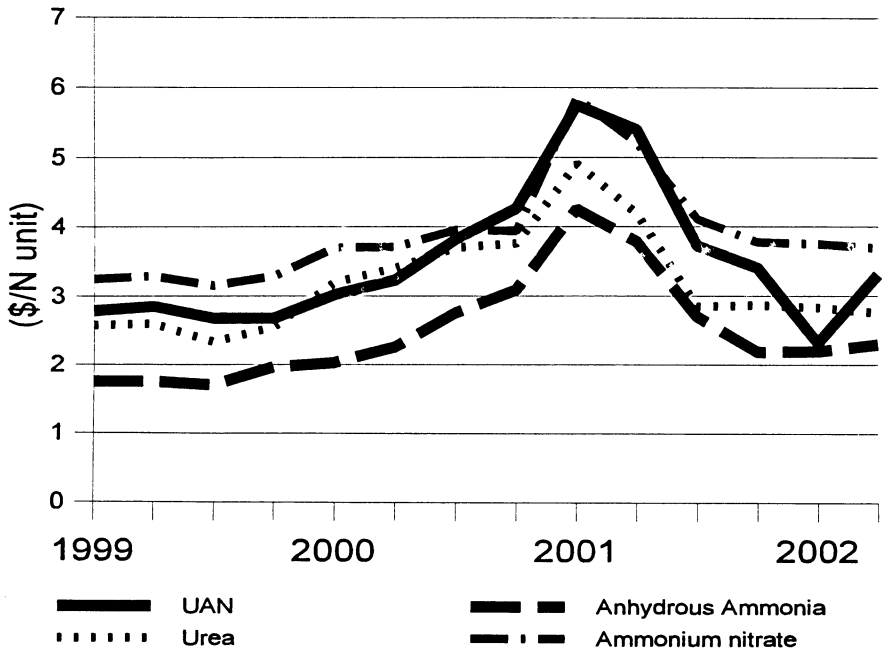
[10] *Id*, p. II-8.

moisture, humidity, temperature, and the number of days without rain after the product is applied. Urea is less expensive on a per-unit-of-nitrogen basis.[11]

Producers and importers reported in their questionnaire responses that the various nitrogen-based fertilizers are substitutable for one another with some limitations. As noted above, each nitrogen-based fertilizer has unique properties that limit substitutability. For example, several domestic producers reported that UAN is liquid and thus can be combined with other chemicals, limiting the number of trips across the field. In addition, UAN can be applied through irrigation systems, thereby eliminating application costs. Other factors such as time of year, stage of crop development, and weather may favor one type of nitrogen fertilizer over another.

Prices for the different types of nitrogen fertilizers also have an impact on the degree of substitution between the products.[12] One firm, ***, provided some information on relative prices between the various nitrogen-based fertilizers. It noted that "UAN can only reach a certain price in the marketplace relative to urea and ammonia. Customers switch to alternate forms of nitrogen when their preferred form, on a nutrient basis, desires a substantial premium in the market." Available data show that the prices for four nitrogen-based fertilizers have had similar trends since 1999 (figure II-1).

Figure II-1
Prices for nitrogen-based fertilizers, by quarter, January 1999-May 2002



Note: Data for the second quarter of 2002 were only available through the second week of May.

Source: Green Markets, Fertilizer Market Intelligence Weekly, Pike & Fischer.

[11] *Id.*

[12] In questionnaires, producers and importers were asked to describe the approximate price sensitivity between substitute products. Of the 6 U.S. producers that provided useful responses to this question, 4 stated that there was a strong relationship, 1 stated it was moderate, and 1 stated that it was weak. With regard to responding importers, 1 reported that it was strong, 1 reported moderate, and 2 stated weak.

Cost Share

The portion of the cost of the farmers' end product accounted for by UAN is difficult to determine due to the high number of variables associated with farm production.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported UAN depends upon such factors as relative prices, quality, and conditions of sale. Based on available data in this preliminary phase of the investigations, staff believes that there is a relatively high degree of substitution between domestic UAN and imports from the subject countries.

Factors Affecting Sales

Generally, firms agreed that most UAN that is available in the U.S. market has the same chemical specifications and can be used for similar applications. In fact, in questionnaire responses, several firms noted that price is a very important factor because UAN from different sources is so similar. As noted in the petition, "there are no physical or qualitative differences between UAN produced in the United States and that produced in the subject countries. In fact, some U.S. purchasers are known to commingle domestically-produced and subject UAN in the same storage facilities."[13] When asked whether any differences between U.S. and imported UAN (other than price) were a factor in sales of the product, all but one U.S. producer and most importers reported that they were never a factor (table II-1). *** reported that availability, distributor network, and technical support are factors that allow it to differentiate its product (whether U.S. produced or imported); however, all product, no matter the source, will always have to be price competitive. A couple of importers also reported that there are sometimes factors other than price that differentiate UAN from different sources. These firms noted that availability and logistics are sometimes issues.

Comparison of Domestic and Imported UAN

In general, U.S. producers and importers reported that there are no quality differences between UAN produced by U.S. producers and UAN from the subject countries. In questionnaire responses, several firms referred to UAN as a commodity product with no quality differences. Producers and importers were asked whether or not UAN from domestic and foreign suppliers were "always", "frequently", "sometimes", or "never" used interchangeably. All of the responding firms, both domestic producers and importers of subject product, reported that domestic UAN and UAN imported from subject countries is always used interchangeably (table II-2). As one U.S. producer noted, "all domestic and imported UAN can and is used interchangeably as long as it meets the chemical analysis or specifications."

[13] Petition, p. 44.

Table II-1
UAN: Perceived importance of differences in factors other than price between UAN produced in the United States and in subject countries in sales of UAN in the U.S. market

Country pair	Number of U.S. producers reporting					Number of U.S. importers reporting				
	A	F	S	N	O	A	F	S	N	O
U.S. vs. Belarus	--	--	1	7	--	1	--	3	4	--
U.S. vs. Lithuania	--	--	1	7	--	1	--	2	4	--
U.S. vs. Russia	--	--	1	7	--	1	--	2	5	--
U.S. vs. Ukraine	--	--	1	7	--	1	--	2	4	--
Belarus vs. Lithuania	--	--	1	7	--	--	--	2	4	--
Belarus vs. Russia	--	--	1	7	--	--	--	2	4	--
Belarus vs. Ukraine	--	--	1	7	--	--	--	2	4	--
Lithuania vs. Russia	--	--	1	7	--	--	--	2	4	--
Lithuania vs. Ukraine	--	--	1	7	--	--	--	2	4	--
Russia vs. Ukraine	--	--	1	7	--	--	--	2	4	--

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

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

Table II-2
UAN: Perceived degree of interchangeability of UAN produced in the United States and in subject countries

Country pair	Number of U.S. producers reporting					Number of U.S. importers reporting				
	A	F	S	N	O	A	F	S	N	O
U.S. vs. Belarus	8	--	--	--	--	7	--	--	--	--
U.S. vs. Lithuania	8	--	--	--	--	7	--	--	--	--
U.S. vs. Russia	8	--	--	--	--	7	--	--	--	--
U.S. vs. Ukraine	8	--	--	--	--	7	--	--	--	--
Belarus vs. Lithuania	8	--	--	--	--	7	--	--	--	--
Belarus vs. Russia	8	--	--	--	--	7	--	--	--	--
Belarus vs. Ukraine	8	--	--	--	--	7	--	--	--	--
Lithuania vs. Russia	8	--	--	--	--	7	--	--	--	--
Lithuania vs. Ukraine	8	--	--	--	--	7	--	--	--	--
Russia vs. Ukraine	8	--	--	--	--	7	--	--	--	--

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

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

Producers and importers were also asked whether there were certain UAN products imported from the subject countries that were not available from U.S. producers. All of the responding producers and importers stated that there were no differences in product offerings with regard to UAN in the U.S. market.

With regard to lead times for delivery, producers and importers provided information which indicated similarities between U.S.-produced UAN (shipped either from production or from producers' inventories) and UAN imported from subject countries and sold from U.S. inventories. In general, firms reported that shipments are made on the same day or within 1 day during the peak season. In reference to delivery of imported UAN from the subject country (i.e., not in a U.S. warehouse), the lead time for delivery increases to between 30 and 90 days.

Comparison of UAN Imported from the Subject Countries

As can be seen from both tables II-1 and II-2, all responding firms found the UAN from the various subject countries to be interchangeable in uses, and the majority of firms reported no differences in the UAN from the various subject countries. As noted earlier, UAN from different sources is sometimes commingled, which also supports the fact that there are no physical differences between the products.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 10 firms that accounted for the great majority of U.S. production of UAN during the period examined.

U.S. PRODUCERS

The Commission sent producers' questionnaires to all 12 firms identified as U.S. producers of UAN in the petition.[1] Table III-1 presents a list of U.S. producers who responded to the questionnaire, with each company's production location(s), share of U.S. production in 2001, and position on the petition. *** responding firms expressed support for the petition.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. Total U.S. production of UAN decreased by 9.5 percent from 1999 to 2001 and exhibited its largest annual decrease of 11.7 percent from 2000 to 2001.[2] Capacity utilization increased somewhat from 1999 to 2000 and then decreased by 11.2 percentage points from 2000 to 2001. U.S. producers' capacity was higher than apparent U.S. consumption (*see* Part IV) in 1999, 2001, January-June 2001, and the July-December periods.

Many of the U.S. producers reported plant openings, closures, or other changes in the character of their operations since January 1, 1999 due to the volatile natural gas market during the period examined and other reasons. ***.[3] ***.

In 2000, ***.[4] ***.[5] ***.

Table III-3 provides each U.S. producer's reported production for 1999-2001, January-June 2000-2001, and July-December 2000-2001.

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[1] Of the U.S. companies mentioned in the petition and sent U.S. producers' questionnaires only *** did not respond to the questionnaire. These companies are not believed to account for a significant portion of U.S. production of UAN.

[2] Respondents argue that these curtailments in U.S. production necessitated increased imports to cover demand for the 2001 growing season. Committee for Competitive Nitrogen Fertilizer Markets, postconference brief, pp. 2-5; *see also* Transammonia, Nevinka, and Koch Nitrogen postconference brief, pp. 7-10. Petitioners argue that U.S. production was curtailed because of a combination of high-priced natural gas and an influx of low-priced imports. Petitioners' postconference brief, p. 23.

[3] ***. *** producer questionnaire response, attachment II-2.

[4] The petition also stated that Farmland reduced its UAN production in mid-March 2002 because of market conditions. Petition, exhibit 56.

[5] The petition also stated that PCS suspended its UAN production at its Geismar, LA facility in April 2002.

Table III-1
UAN: U.S. producers, positions on the petition, share of U.S. production in 2001, and U.S. production locations

Firm	Production locations	Share of production (*percent*)	Position on the petition
Agrium[1]	Kennewick, WA West Sacramento, CA	***	Support
CF Industries[2]	Donaldsonville, LA	***	Petitioner
El Dorado Chemical[3]	Cherokee, AL	***	Support
El Paso Corp.	Midvale, UT	***	***
Farmland Industries[4]	Beatrice, NE Coffeyville, KS Dodge City, KS Enid, OK Fort Dodge, IA Lawrence, KS	***	***
J.R. Simplot Co.[5]	Helm, CA Pocatello, ID	***	Oppose
Mississippi Chemical Co.[6]	Yazoo City, MS	***	Petitioner
Potash Corp. of Saskatchewan ("PCS")	Augusta, GA Geismar, LA Lima, OH	***	***
Royster Clark	East Dubuque, IL	***	***
Terra Industries[7]	Sioux City, IA Port Neal, IA Woodward, OK Verdigris, OK	***	Petitioner

[1] ***.
[2] CF Industries is a cooperative with the following member companies: (1) Agway, Inc. of DeWitt, NY; (2) Cenex Harvest States Cooperatives of Inner Grove Heights, MN; (3) Coopérative Fédérée de Québec of Montreal, Canada; (4) GROWMARK, Inc. of Bloomington, IL; (5) Intermountain Farmers Association of Salt Lake City, UT; (6) Land O' Lakes, Inc. of Arden Hills, MN; (7) MFA, Inc. of Columbia, MO; (8) Southern States Cooperative, Inc. of Richmond, VA; and (9) Tennessee Farmers Cooperative of LaVergne, TN.
[3] ***.
[4] Farmland Industries is a farmer-owned agricultural cooperative. In January 2000, Farmland, Land O' Lakes, and CHS Cooperatives created a new joint venture distribution company named Agriliance LLC.
[5] Simplot Canada, Ltd. is a wholly-owned subsidiary of J.R. Simplot Co.
[6] MissChem Nitrogen, LLC of Yazoo City, MS is a wholly-owned subsidiary of Mississippi Chemical Co.
[7] ***.

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

Table III-2
UAN: U.S. producers' capacity, production, and capacity utilization, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
Capacity (*short tons*)	10,734,380	10,338,492	11,040,730	5,185,763	5,520,786	5,153,729	5,520,944
Production (*short tons*)	9,029,101	9,259,699	8,173,928	4,492,160	4,247,106	4,317,079	3,926,822
Capacity utilization (*percent*)	80.1	85.2	74.0	86.6	76.9	83.8	71.1

Note.–Quantities in short tons are on a 32-percent nitrogen content basis. *** 1999-2000 capacity data, and ***.

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

Table III-3
UAN: U.S. producers' production, by individual U.S. producer, 1999-2001, January-June 2000-2001, and July-December 2000-2001

* * * * * * *

Nine out of 10 U.S. producers[6] reported that they produced other products, mainly the inputs for UAN, either on the same manufacturing equipment or with the same workers that they used in the production of UAN. Examples of these other products reported include: ammonia, ammonium nitrate, ammonium nitrate liquor, anhydrous ammonia, CAN-17, granular urea, nitric acid, solid ammonium nitrate, urea, and urea liquor.

***,[7] there is no toll production among members of the domestic industry. The domestic industry reported no U.S. production of UAN in U.S. foreign trade zones.

U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

As detailed in table III-4, the volume of U.S. shipments fell by 21.3 from 1999 to 2001. The value of U.S. shipments, however, increased by 29.3 percent during the same time period. Internal shipments are small to nonexistent in the U.S. industry. Transfers to related firms, however, are more common because of the cooperative nature of some of the U.S. firms. For example, the 2000 decrease in U.S. commercial shipments and the corresponding increase in transfers to related firms was caused by ***. Two U.S. producers, ***, reported export shipments, which were made to ***.[8]

[6] ***.

[7] ***.

[8] ***.

Table III-4
UAN: U.S. producers' shipments, by type, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
				Quantity (*short tons, 32-percent nitrogen content basis*)			
Commercial shipments[1]	***	***	***	***	***	***	***
Internal shipments	***	***	***	***	***	***	***
Transfers to related firms[1]	***	***	***	***	***	***	***
U.S. shipments	9,710,315	9,770,460	7,645,210	5,338,511	3,699,617	3,948,622	3,945,593
Export shipments	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
				Value (*$1,000*)			
Commercial shipments	$***	$***	$***	$***	$***	$***	$***
Internal shipments	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***
U.S. shipments	649,356	848,362	839,509	408,245	493,616	402,320	348,436
Export shipments	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
				Unit value (*per short ton*)			
Commercial shipments	$***	$***	$***	$***	$***	$***	$***
Internal shipments	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***
U.S. shipments	66.98	87.66	109.81	77.06	133.42	103.25	88.31
Export shipments	***	***	***	***	***	***	***
Average	***	***	***	***	***	***	***

[1] The 2000 decrease in U.S. commercial shipments and the corresponding increase in transfers to related firms was caused by ***.

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

Table III-5 presents direct imports and purchases of imports by U.S. producers, along with their total shipments of U.S.-produced products. Five of the 10 reporting U.S. producers, ***, reported purchases of subject imports from third-party importers of the subject product during the period examined. Four of the 10 reporting U.S. producers, ***, stated that they purchased imports from third-party importers of UAN from nonsubject countries. ***.[9] *** U.S. producers, ***, reported direct imports of UAN from nonsubject countries (***).

Table III-5
UAN: U.S. producers' total shipments of U.S.-produced products, imports, and purchases of imports, 1999-2001

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of UAN for the period examined are presented in table III-6.

Table III-6
UAN: U.S. producers' end-of-period inventories, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
Inventories (*short tons*)	1,450,710	924,115	1,347,190	571,659	1,345,160	924,721	1,326,015
Ratio to production (*percent*)	16.1	10.0	16.5	6.4	15.8	10.7	16.9
Ratio to U.S. shipments (*percent*)	14.9	9.5	17.6	5.4	18.2	11.7	16.8
Ratio to total shipments (*percent*)	***	***	***	***	***	***	***

Note--January-June and July-December ratios are calculated using annualized production and shipment data. Quantities in short tons are on a 32-percent nitrogen content basis.

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

[9] ***. Achema's postconference brief, p. 6.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of UAN, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in these investigations are presented in table III-7.

Table III-7
UAN: Average number of production and related workers producing UAN, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
PRWs (*number*)	831	736	721	732	739	732	696
Hours worked (*1,000*)	1,746	1,600	1,598	800	822	801	776
Wages paid (*$1,000*)	46,072	38,828	41,509	19,212	20,841	19,619	20,667
Hourly wages	$26.39	$24.27	$25.98	$24.02	$25.35	$24.50	$26.64
Productivity (*tons per 1,000 hours*)	5,658	5,410	5,021	5,519	5,069	5,294	4,971
Unit labor costs (*per short ton*)	$4.98	$4.49	$5.17	$4.35	$5.00	$4.63	$5.36

Note.–*** 1999-2000 employment data. *** did not provide employment data for the entire period examined.

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

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 12 firms believed to be importers of UAN from the subject countries, as well as to all 12 U.S. producers.[1] Questionnaire responses were received from 10 companies.

U.S. import data are based on official import statistics as compiled by the Department of Commerce (and subsequently revised by Commerce) and corrections made by Commission staff.[2] Table IV-1 lists all responding U.S. importers and their quantity of imports, by source, in 2001.

Questionnaire respondents were located in Colorado (1), Florida (3), Georgia (1), Idaho (1), Iowa (1), Kansas (1), New York (1), and Pennsylvania (1). Eight firms reported imports of UAN from subject countries in 2001 and six firms reported imports of UAN from one or more of the following nonsubject countries during the period examined: Algeria, Bulgaria, Canada,[3] Germany, Mexico, the Netherlands, Poland, and Romania (three of these firms imported UAN from subject and nonsubject countries in 2001). *** U.S. importers entered the subject product into or withdrew it from FTZs or bonded warehouses.

Table IV-1
UAN: Reported U.S. imports, by importer and by source of imports, 2001

* * * * * * *

U.S. IMPORTS

Table IV-2 shows that the volume of U.S. imports of UAN from all subject countries combined increased by 419.8 percent from 1999 to 2001. The volume of U.S. imports from Belarus, although nonexistent in 1999, increased by *** percent from 2000 to 2001. The volume of U.S. imports from Lithuania was also nonexistent in 1999 and increased by *** percent from 2000 to 2001. The volume of U.S. imports from Russia increased by *** percent from 1999 to 2001. The volume of U.S. imports from Ukraine increased by *** percent during the period examined. The quantity of imports from nonsubject countries also increased, by 68.9 percent from 1999 to 2001.

Petitioners argue that the increase in imports during the period examined occurred at least in part as a result of a shift from the EU to the United States of UAN shipments subsequent to the imposition of

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[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by the U.S. Customs Service, may have imported UAN since 1999.

[2] *See* petition, exhibit 15 (for a list of Commerce's corrections to the import statistics). Also, the identity of the country of origin of some imports from Lithuania was originally reported to Commerce incorrectly. *See* Achema's postconference brief, pp. 1, 6 and its May 28, 2002 fax. Therefore, the export data of Achema, the sole Lithuanian foreign producer, were used to determine volume of U.S. imports from Lithuania. ***. *Id.* Values of U.S. imports from Lithuania were estimated using the average unit values of imports from Lithuania as reported by Commerce. Official Commerce import data unmodified by Commission staff (however, with Commerce revisions made as presented in petition exhibit 15) are presented in app. G.

[3] Petitioners acknowledge that Canada has been and continues to be a traditional and stable source of UAN to the northern Plains and upper Midwest states. Petitioners' postconference brief, p. 12, n.50.

antidumping duties on imports of UAN into the EU.[4] In addition to the EU's imposition of duties on UAN in 2000, petitioners argue that the United States began its antidumping investigations on ammonium nitrate from Russia and Ukraine in 1999 and 2000, respectively, thereby inhibiting the shipment of ammonium nitrate into the United States and creating an incentive to export UAN to the United States.[5]

Respondents argue that the increase in imports during the period examined was a result of U.S. producers' curtailment of their production during the drastic natural gas price increase of late 2000 and early 2001.[6] They argue that with U.S. producers shutting down their own UAN production, distributors, retailers, and farmers had to replace U.S.-produced UAN with imported product for the 2001 planting season. Finally, respondents argue that after the natural gas price shock subsided and U.S. production began to reach normal levels, U.S. producers quickly recaptured their original U.S. market share.

Table IV-2
UAN: U.S. imports, by source, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Source	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Quantity (*short tons, 32 percent nitrogen content basis*)						
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	276,743	991,211	1,438,593	423,476	748,814	567,735	689,780
All others	387,724	447,285	654,961	191,576	524,446	255,708	130,516
Total	664,468	1,438,496	2,093,555	615,052	1,273,260	823,443	820,295

Table continued on following page.

[4] The EU imposed preliminary antidumping measures on UAN in March 2000 and final duties in September 2000.

[5] Petitioners' postconference brief, pp. 1-2.

[6] *See* Committee for Competitive Nitrogen Fertilizer Markets, postconference brief, pp. 2-5. Respondents also argue that some U.S. producers curtailed their UAN production and instead made large profits selling their natural gas supply contracts and that by the time the U.S. producers reentered the market in approximately March 2001 the finite U.S. distribution system was full awaiting the 2001 planting season. *Id.; see also* Transammonia, Nevinka, and Koch Nitrogen postconference brief, pp. 7-10. Petitioners argue that respondents have greatly exaggerated the brief U.S. curtailments of production and that they did not sell their gas supply contracts in lieu of UAN production. They stated that natural gas futures contracts are used as a separate financial instrument in order to smooth out, or "hedge," their prices for natural gas used to produce UAN and are not related to their supply contracts with natural gas distributors. Petitioners' postconference brief, pp. 12, 29-30.

Table IV-2--*Continued*
UAN: U.S. imports, by source, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Source	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
				Value (*$1,000*)			
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	15,641	77,364	133,020	29,723	80,308	47,641	52,709
All others	37,696	49,780	87,398	20,585	71,841	29,195	15,558
Total	53,337	127,144	220,418	50,308	152,149	76,837	68,266
				Unit value (*per short ton*)			
Belarus	$***	$***	$***	$***	$***	$***	$***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Average	56.52	78.05	92.47	70.19	107.25	83.91	76.41
All others	97.22	111.29	133.44	107.45	136.98	114.17	119.20
Average	80.27	88.39	105.28	81.79	119.50	93.31	83.22
				Share of quantity (*percent*)			
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	41.6	68.9	68.7	68.9	58.8	68.9	84.1
All others	58.4	31.1	31.3	31.1	41.2	31.1	15.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table continued on following page.

Table IV-2--*Continued*
UAN: U.S. imports, by source, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Source	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Share of value (*percent*)						
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	29.3	60.8	60.3	59.1	52.8	62.0	77.2
All others	70.7	39.2	39.7	40.9	47.2	38.0	22.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from corrected Commerce statistics. U.S. imports from Lithuania are based on Achema's exports to the United States as stated in its foreign producer questionnaire. ***.

U.S. producers' imports or purchases of imports from importers from subject countries accounted for 12.3 percent of the volume of subject imports in 2001.

NEGLIGIBILITY

The Tariff Act provides for the termination of an investigation if imports of the subject product from a country are less than 3 percent of total imports, or, if there is more than one such country, their combined share is less than or equal to 7 percent of total imports, during the most recent 12 months for which data are available preceding the filing of the petition–in this case April 2001 through March 2002. The shares (in *percent*) of the total quantity of U.S. imports for each of the subject countries for the period of April 2001 through March 2002 are shown in table IV-3. Imports from Ukraine and nonsubject countries are reported using official Commerce data. Imports from Lithuania have been reported using data provided by Achema, the sole producer of UAN in Lithuania. Imports from Belarus and Russia have been compiled using Commerce data as revised by known shipments that were misclassified as to country of origin.[7] As shown in table IV-3, imports from Lithuania are below 3 percent of total imports.[8]

[7] ***. *See* Achema's postconference brief.

[8] However, data compiled by Commerce (as revised by Commerce and shown in exhibit 15 of the petition) show U.S. imports from Lithuania from April 2001 through March 2002 to be 138,852 short tons or 8.5 percent of total imports for the period. Also, since Achema reported exports rather than U.S. imports, the reporting periods are not comparable.

Table IV-3
UAN: U.S. imports and shares of total imports, by source, April 2001-March 2002

Country	Imports (*short tons*)	Share of total imports (*percent*)
Belarus	***	***
Lithuania	***	***
Russia	***	***
Ukraine	287,294	17.5
Subtotal	1,282,603	78.2
All other countries	358,542	21.8
Total	1,641,144	100

Source: Compiled from corrected Commerce statistics as well as corrections and adjustments made to the import statistics of Belarus, Lithuania, and Russia. *See* Achema's postconference brief, pp. 1-2, 6.

CUMULATION CONSIDERATIONS

In assessing whether imports compete each other and with the domestic like product, the Commission has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical market, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Issues concerning fungibility are addressed in Part II of this report and channels of distribution are discussed in Parts I and II. Geographical markets and presence in the market are discussed below.

Geographical Markets and Presence in the Market

Table IV-4 provides U.S. imports by month and by port of entry into the United States in 2001.[9] Consistent with the seasonality of UAN, most imports entered the United States in the pre-planting and planting months of March to May, followed by a decline during the summer months, and an increase in late summer and autumn. U.S. imports from Belarus appeared to have entered mainly into the Gulf region into the ports of New Orleans, LA and Houston, TX. U.S. imports from Lithuania entered the United States in fairly equal proportions into the East Coast, West Coast, and Gulf regions. Most of the Russian imports into the United States entered into the Gulf region's ports of New Orleans, LA and Houston, TX. Russian imports, to a lesser extent, entered U.S. ports on the East Coast and West Coast of the United States. Imports from Ukraine entered primarily into U.S. Gulf region ports and ports on the East Coast. To a lesser extent, imports from Ukraine entered into U.S. ports on the West Coast.

[9] Total imports from the subject countries in table IV-4 do not match those in table IV-2 because of differing data sources for imports from Lithuania.

Table IV-4
UAN: Subject U.S. imports by month and port of entry, 2001

Country/District of Importation	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	Quantity (*short tons*)												
Belarus													
Baltimore, MD	6,000												6,000
Houston, TX									26,634		26,954		53,588
New Orleans, LA			16,839		25,391			30,456			20,012		92,698
Norfolk, VA	15,818												15,818
Philadelphia, PA	8,999												8,999
Lithuania													
East Coast[1]			15,023			17,132							32,155
West Coast[1]				29,722									29,722
Gulf Region[1]		20,345	21,812		92				260				42,509
Russia													
Baltimore, MD	7,500				8,943		6,197			8,406	9,050		40,097
Charlotte, NC		6,741								18,281	24,501		49,522
Houston, TX	14,687		14,459		18,385	19,563	26,754	27,520				22,950	144,319
Los Angeles, CA								6,614					6,614
New Orleans, LA		49,185	31,442	35,168	18,781	22,602		41,688	51,395				250,262
New York, NY									9,884				9,884
Norfolk, VA	15,000	14,800		19,243			10,000			24,241	25,307		108,591
Philadelphia, PA				5,000	7,000								12,000
San Francisco, CA					16,252					26,073		26,463	68,789
Savannah, GA	13,457							17,717			9,211		40,385
Ukraine													
Baltimore, MD				10,312	15,818					20,357			46,488
Charlotte, NC				5,990	15,551								21,541
Houston, TX		11,640	12,903										24,543
New Orleans, LA	26,929	9,400	26,863				24,251	20,956	26,916		25,353		160,669
Norfolk, VA					4,416				23,718	7,248			35,382
San Francisco, CA				26,696		26,487							53,183
Savannah, GA				5,451									5,451
Total	108,390	112,111	139,341	137,582	130,629	85,784	67,202	144,951	138,807	104,606	140,388	49,413	1,359,208

[1] Port unspecified.

Source: Lithuanian imports are compiled from Achema's public postconference brief, exhibit 2. All other countries based on Commerce data.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of UAN are based on U.S. producers' shipments as reported in the Commission's questionnaires and imports as recorded by the Department of Commerce with adjustments as previously described. Data on apparent consumption are presented in table IV-5.

Table IV-5
UAN: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Quantity (*short tons, 32 percent nitrogen content basis*)						
U.S. producers' U.S. shipments	9,710,315	9,770,460	7,645,210	5,338,511	3,699,617	3,948,622	3,945,593
U.S. imports from--							
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	276,743	991,211	1,438,593	423,476	748,814	567,735	689,780
All others	387,724	447,285	654,961	191,576	524,446	255,708	130,516
Total imports	664,463	1,438,496	2,093,555	615,052	1,273,260	823,443	820,295
Apparent U.S. consumption	10,374,783	11,208,956	9,738,765	5,953,563	4,972,877	4,772,065	4,765,888
	Value (*$1,000*)						
U.S. producers' U.S. shipments	649,356	848,362	839,509	408,245	493,616	402,320	348,436
U.S. imports from--							
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	15,641	77,364	133,020	29,723	80,308	47,641	52,709
All others	37,696	49,780	87,398	20,585	71,841	29,195	15,558
Total imports	53,337	127,144	220,418	50,308	152,149	76,837	68,266
Apparent U.S. consumption	702,693	975,506	1,059,927	458,553	645,765	479,157	416,702

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

Source: Compiled from data submitted in response to Commission questionnaires and from corrected Commerce statistics. U.S. imports from Lithuania are based on Achema's exports to the United States as stated in its foreign producer questionnaire.

U.S. MARKET SHARES

As set forth in table IV-6, U.S. producers accounted for between 74.4 and 93.6 percent of the volume of apparent U.S. consumption during the period examined, whereas they accounted for between 76.4 and 92.4 percent of the value. With regard to quantity, U.S. producers' share of consumption decreased by 6.4 percentage points from 1999 to 2000, then decreased again by 8.7 percentage points from 2000 to 2001. With regard to value, U.S. producers' share of consumption decreased by 5.4 percentage points from 1999 to 2000, then decreased again by 7.8 percentage points from 2000 to 2001.

Table IV-6
UAN: Apparent U.S. consumption and market shares, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Quantity (*short tons, 32 percent nitrogen content basis*)						
Apparent consumption	10,374,783	11,208,956	9,738,765	5,953,563	4,972,877	4,772,065	4,765,888
	Value (*$1,000*)						
Apparent consumption	702,693	975,506	1,059,927	458,553	645,765	479,157	416,702
	Share of quantity (*percent*)						
U.S. producers' U.S. shipments	93.6	87.2	78.5	89.7	74.4	82.7	82.8
U.S. imports from--							
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	2.7	8.8	14.8	7.1	15.1	11.9	14.5
All others	3.7	4.0	6.7	3.2	10.5	5.4	2.7
Total import shipments	6.4	12.8	21.5	10.3	25.6	17.3	17.2
	Share of value (*percent*)						
U.S. producers' U.S. shipments	92.4	87.0	79.2	89.0	76.4	84.0	83.6
U.S. imports from--							
Belarus	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***
Subtotal	2.2	7.9	12.5	6.5	12.4	9.9	12.6
All others	5.4	5.1	8.2	4.5	11.1	6.1	3.7
Total import shipments	7.6	13.0	20.8	11.0	23.6	16.0	16.4

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

Source: Compiled from data submitted in response to Commission questionnaires and from corrected Commerce statistics. U.S. imports from Lithuania are based on Achema's exports to the United States as stated in its foreign producer questionnaire.

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

UAN prices can fluctuate based on demand factors such as the business cycle, seasonal demand patterns in the agricultural sector, and the size of an order, and due to supply factors such as inventory levels in the distribution chain, the distance shipped, the mode of transportation, and the price of natural gas or ammonia. UAN prices also differ by the nitrogen concentration level of the product; 32 percent is the most popular nitrogen concentration for shipping purposes, while 32 and 28 percent are the most popular nitrogen concentrations at the end-use (farm) level.

UAN is used almost exclusively as a nitrogenous fertilizer in the agricultural sector. Possible alternative single-nutrient nitrogenous fertilizers to UAN are urea and ammonium nitrate, which are in a dry form, and anhydrous ammonia, a gas. Although different application equipment is required for UAN, urea/ammonium nitrate, and anhydrous ammonia, and although nitrogen exists in different forms in these fertilizers, changes in their relative prices may induce changes in relative demand for these fertilizers. Part II discusses in detail substitution among these fertilizers.

Raw Material Costs and Tariff Rates

Natural gas or purchased ammonia are the predominant material inputs used to produce UAN and reportedly range from 40 percent to 77 percent of the total cost to produce UAN.[1] The U.S. normal trade relations *ad valorem* import duty rate has been zero percent for imports of UAN under HTS subheading 3102.80.00 during January 1999-December 2001.

Transportation Costs to the U.S. Market

Transportation charges for imports of UAN from the subject countries to the U.S. ports of entry, based on U.S. official customs values during January 1999-December 2001, averaged 20.9 percent from Belarus, 23.5 percent from Lithuania, 49.2 percent from Russia, and 26.2 percent from Ukraine. The foreign transportation charges for the subject imported UAN increased significantly during 2001, reportedly due to general increased demand for shipping during this period.[2]

U.S. Inland Transportation Costs

U.S. producers and importers reported that U.S.-inland freight costs for the longer distances represented a competitive disadvantage for the firms. High U.S. overland shipping costs relative to the value of UAN sharply constrain competitive areas of UAN suppliers in the United States. UAN products are typically delivered by truck in the United States in distances up to 100 miles from the supplier and by some combination of truck, rail, and barge for distances beyond 100 miles. The U.S. producers reported that during 1999-2001 they shipped 26.4 percent of their domestic sales of UAN to U.S. customers located within 100 miles of their U.S. plants/storage facilities, with U.S. freight costs averaging 10.2 percent of the delivered price; 31.6 percent between 100 and 500 miles, with freight costs averaging 17.0

[1] The higher the cost of natural gas, the higher the proportion of total UAN production costs accounted for by this input.

[2] Conference transcript, pp. 152-153.

percent; and 41.9 percent over 500 miles, with freight costs averaging 22.3 percent. The responding U.S. importers of UAN from the subject countries reported that during 1999-2001 about 87.8 percent of the subject imported UAN was shipped to U.S. customers within 100 miles from their U.S. shipping points, with U.S. freight costs averaging 3.2 percent of the delivered price; 6.2 percent was shipped between 100 and 500 miles, with U.S. freight costs averaging 18.9 percent; and 6.0 percent was shipped over 500 miles, with U.S. freight costs averaging 19.1 percent.

UAN of different country origins and even of different nitrogen concentrations are exchanged among UAN suppliers in the U.S. market to minimize transportation costs, to ensure that the product is available to a customer in a timely manner at contract-specified quantities, to meet unexpected demand requirements, and to optimize inventories.[3] ***.

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)[4] of the currencies of the four subject countries relative to the U.S. dollar. Producer/wholesale price indices for Belarus, Lithuania, and Russia were available for the full period, January 1999-December 2001, while producer/wholesale price indices for Ukraine were available only for January 1999-September 2000. As a result, real exchange rate data could be calculated for the full period for Belarus, Lithuania, and Russia and for the partial period for Ukraine.[5] Because of generally higher inflation in the subject countries compared to that in the United States, the nominal and real values of exchange rates generally diverged for the periods shown for each of the subject countries.[6]

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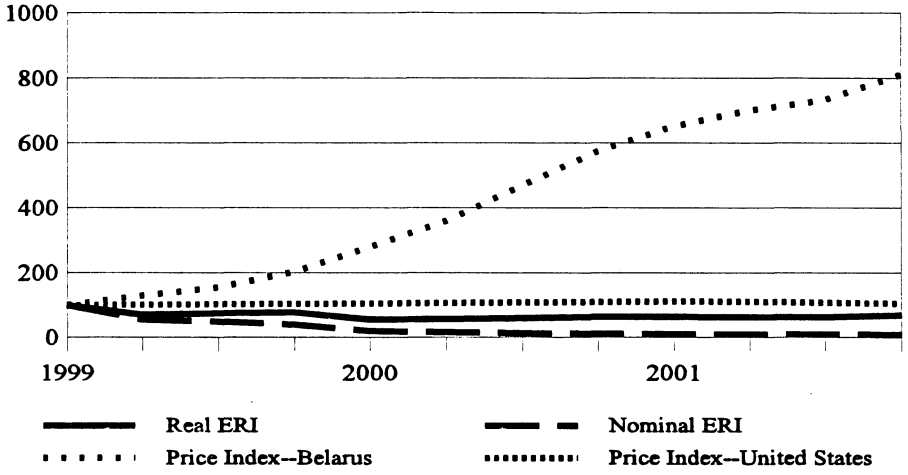
[3] Conference transcript, pp. 73-74.

[4] 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. *See* app. D for a discussion of the relationships among nominal exchange rates, real exchange rates, and producer prices, and the impact of changes in their values on prices of exports and imports. *See also* G. Benedick and P. Pogany, *Exchange Rates: Definitions and Applications*, USITC Office of Economics Working Paper No. 2000-01-A, January 2000 (available under the USITC internet site *usitc.gov/pub/reports/studies/*EC9911b.PDF).

[5] 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. Producer selling prices of the subject product in each country are expected to follow the trend in that country's overall producer-price level; if subject product prices in the specified country do not follow the trend in the general price level, the calculated real exchange rate (which is based on this general price level) would over- or under-estimate the impact of the effect of the actual changes in domestic prices and exchange rates on U.S. dollar-denominated prices of exports of the subject product.

[6] Central bank changes in the nominal exchange rates, as well as government changes in allowable bands of fluctuations around the official exchange rate, constitute devaluations when these actions reduce the exchange-rate value of the local currency. Depreciation occurs when market forces alone reduce the exchange-rate value of the local currency. Because devaluation and depreciation frequently occur simultaneously, the term depreciation is generally used.

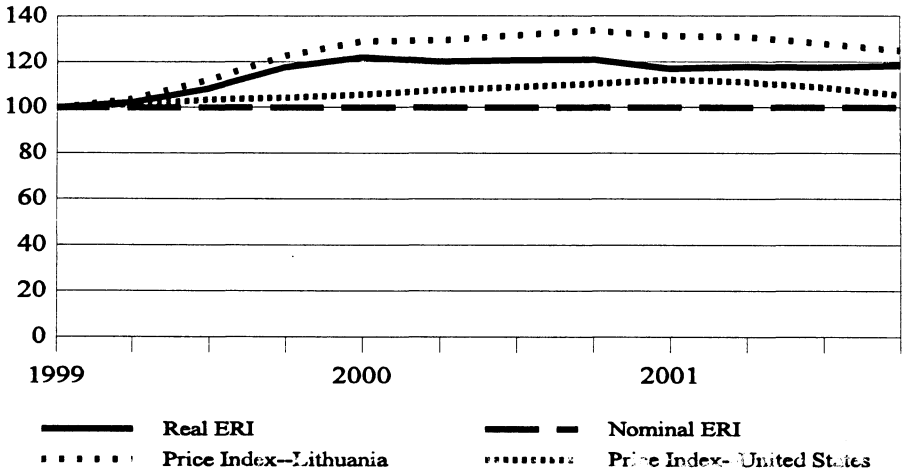
Figure V-1
Real and nominal exchange rate indices of the Belarus ruble relative to the U.S. dollar, and producer/wholesale price indices in Belarus and the United States, by quarters, January 1999-December 2001



Note: Index (Jan.-Mar. 1999=100). Exchange rates are in U.S. dollars per Belarus ruble.

Source: International Monetary Fund, *International Financial Statistics*, March 2002.

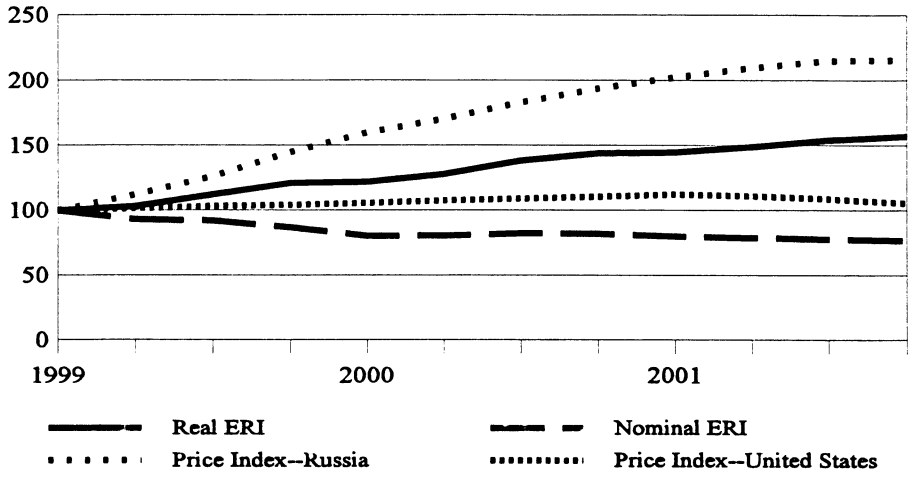
Figure V-2
Real and nominal exchange rate indices of the Lithuanian litai relative to the U.S. dollar, and producer/wholesale price indices in Lithuania and the United States, by quarters, January 1999-December 2001



Note: Index (Jan.-Mar. 1999=100). Exchange rates are in U.S. dollars per Lithuanian litai.

Source: International Monetary Fund, *International Financial Statistics*, March 2002.

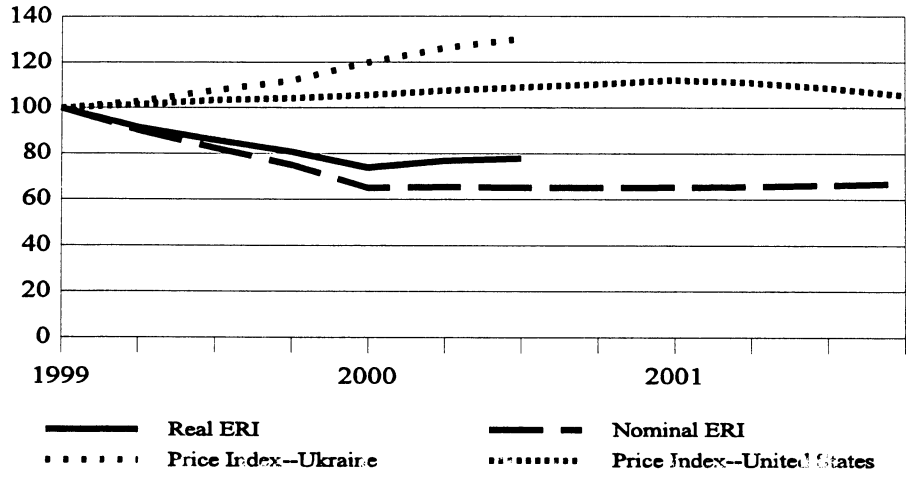
Figure V-3
Real and nominal exchange rate indices of the Russian ruble relative to the U.S. dollar, and producer/wholesale price indices in Russia and the United States, by quarters, January 1999-December 2001



Note: Index (Jan.-Mar. 1999=100). Exchange rates are in U.S. dollars per Russian ruble.

Source: International Monetary Fund, *International Financial Statistics*, March 2002.

Figure V-4
Real and nominal exchange rate indices of the Ukrainian hryvnia relative to the U.S. dollar, and producer/wholesale price indices in Ukraine and the United States, by quarters, January 1999-December 2001



Note: Index (Jan.-Mar. 1999=100). Exchange rates are in U.S. dollars per Ukrainian hryvnia.

Source: International Monetary Fund, *International Financial Statistics*, March 2002.

The nominal value of the Belarus ruble generally depreciated on a quarterly basis against the U.S. dollar during January 1999-December 2001, falling by 91.0 percent during this period (figure V-1). The real value of the ruble also depreciated on a quarterly basis against the U.S. dollar, by 30.8 percent during this period. The greater nominal depreciation of the ruble compared to real depreciation of the ruble during January 1999-December 2001 resulted from significantly higher inflation in Belarus compared to the United States during this period.

The nominal value of the Lithuanian litai, which is the official rate, remained unchanged on a quarterly basis against the U.S. dollar during January 1999-December 2001 (figure V-2). The real value of the litai appreciated on a quarterly basis against the U.S. dollar, by 18.4 percent during this period. The real appreciation of the ruble during January 1999-December 2001 resulted from higher inflation in Lithuania compared to the United States during this period.

The nominal value of the Russian ruble generally depreciated on a quarterly basis against the U.S. dollar during January 1999-December 2001, falling by 23.2 percent during this period (figure V-3). On the other hand, the real value of the ruble appreciated on a quarterly basis against the U.S. dollar, by 57.1 percent during this period. The nominal depreciation of the ruble compared to real appreciation of the ruble during January 1999-December 2001 resulted from significantly higher inflation in Russia compared to the United States during this period.

The nominal value of the Ukranian hryvnia depreciated 34.9 percent on a quarterly basis against the U.S. dollar during January 1999-March 2000, and then remained almost steady through the end of the period, December 2001 (figure V-4). The real value of the hryvnia generally depreciated on a quarterly basis against the U.S. dollar, by 21.9 percent during January 1999-September 2000, the most recent period for which such data could be calculated. The somewhat greater nominal depreciation of the hryvnia compared to real depreciation of the hryvnia during January 1999-September 2000 resulted from higher inflation in Ukraine compared to the United States during this period.

The six responding U.S. importers reported in their questionnaire responses that fluctuations in the subject foreign currencies/U.S. dollar exchange rates did not affect U.S. dollar prices of the subject imported UAN, because purchases were usually made in U.S. dollars.

PRICING PRACTICES

U.S. producers and importers quote prices of their domestically-produced and imported UAN on an f.o.b. U.S.-location basis and on a delivered basis.[7] Some U.S. producers and importers reported using their price lists in selling UAN. U.S. producers reported in their questionnaire responses that 81.2 percent of the quantity of their domestic UAN sales during 2001 was on a spot basis, 17.4 percent was on a short-term contract basis, and 1.5 percent was on a long-term contract basis.[8] The responding importers of the subject UAN reported that 95.0 percent of the quantity of their U.S. sales during 2001 was on a spot basis, and 5.0 percent was on a short-term contract basis; importers reported that they did not sell on a long-term contract basis. U.S. producers and importers sell to both distributors and dealers, which sell to other distributors and dealers and to farmers. UAN is more likely to be commingled from

[7] When selling on an f.o.b. plant/tank basis, U.S. producers and importers usually do not arrange the freight to their customers, but, when selling on a delivered basis, they typically arrange and prepay the freight. U.S. producers and importers reported offering payment terms that were typically net 15 or 30 days.

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

several sources the further down the distribution chain it is shipped.[9] U.S. producers and importers generally offer large-volume purchasers prices that are 5-7 percent lower than small-volume purchasers.

PRICE DATA

Questionnaire Price Data

Price and quantity data were requested for sales of the following two UAN products produced in the United States and imported from the subject countries:[10]

Product 1.–UAN in a solution of 32 percent nitrogen concentration.

Product 2.–UAN in a solution of 28 percent nitrogen concentration.

Price data were requested from U.S. producers and importers for their sales of the specified UAN products to domestic distributors and dealers based on net U.S. f.o.b. prices for monthly shipments during January 2000-March 2002. Price data were also requested for total sales from all U.S. locations combined and sales from each of the following five cities or locations proximate to the specified cities–Baltimore, MD; Brunswick, GA; Corpus Christi, TX; New Orleans, LA; and San Francisco, CA.[11] Ten U.S. producers of UAN,[12] four U.S. importers of the Belarus UAN, three importers of the Lithuanian UAN, four importers of the Russian UAN, and four importers of the Ukrainian UAN provided the requested price information, but not necessarily for all products, specified cities, or periods requested. The 10 responding U.S. producers reported sales quantities for pricing purposes that amounted to 17,808,741 short tons (on a 32 percent basis) during January 2000-March 2002; reported selling price quantities during January 2000-December 2001 accounted for all commercial U.S. shipments of U.S.-produced UAN and transfers to related firms during this period. The responding U.S. importers reported sales quantities for pricing purposes during January 2000-March 2002 that amounted to *** tons of imported UAN from Belarus, *** tons of imported Lithuanian UAN, *** tons of imported Russian UAN, and *** tons of imported Ukrainian UAN. The reported import quantities during January 2000-December 2001 accounted for *** percent of total official U.S. imports of UAN from Belarus during this period, *** percent of official total U.S. imports of Lithuanian UAN,[13] *** percent of official total U.S. imports of Russian UAN, and *** percent of official total U.S. imports of Ukrainian UAN during this period.

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[9] Conference transcript, pp. 71-72.

[10] During the 1999 and 2000 crop years (ending June 30), 32 percent UAN accounted for 51.0 percent of total U.S. UAN consumption and 28 percent UAN accounted for 41.5 percent (various issues of *Commercial Fertilizers*, Association of American Plant Food Control Officials and the Fertilizer Institute).

[11] These locations were suggested by the petitioner as those that would capture a significant share of initial competition between the domestic and subject imported UAN.

[12] One of the 10 responding U.S. producers ***.

[13] ***, a U.S. importer of Lithuanian UAN, reported price data for another *** percent of total U.S. UAN imports from Lithuania, but the data could not be used because delivered selling prices were reported instead of the requested f.o.b. selling prices. In addition, *** reported price data for the specified cities, even if f.o.b. prices were reported, did not include any of the months that U.S. producers reported price data for the specified cities.

U.S. producers and importers reported a majority of their price data based on sales from all U.S. locations; U.S. producers reported price data for both product 1 (32 percent UAN) and product 2 (28 percent UAN), while the responding importers reported price data only for product 1. The quantity of UAN that U.S. producers reported in pricing data for the specified cities accounted for 32.3 percent of the total quantity reported in price data for all U.S. locations combined.[14] The quantity of UAN that U.S. importers reported in pricing data for the specified cities accounted for 54.9 percent of the total quantity reported in price data for all U.S. locations combined.

Price **trends** of the domestic and subject imported UAN products are based on reported monthly net U.S. f.o.b. selling price data on sales of products 1 and 2 from all U.S. locations combined,[15] whereas price **comparisons** between the domestic and subject imported products are based on reported monthly net U.S. f.o.b. selling price data on sales of product 1 from the specified city locations. The reported monthly price and quantity data are subject to fluctuations, often related to weather and shipping vagaries.

Price Trends

Price trend data are shown for the U.S. producers in table V-1 and figure V-5 and for the subject imports in tables V-2 and V-3 and in figures V-6 through V-9; U.S. producer price data are repeated in the latter figures. Monthly prices for the U.S.-produced UAN products and those imported from the subject countries followed very similar trends during January 2000-March 2002, rising to period highs during January-July 2001 and then generally falling to more moderate levels by March 2002. Unusually high natural gas prices during late 2000 and early 2001 reportedly led to the increase in UAN prices during this period, but as natural gas prices moderated, the price of UAN fell.

U.S. producers' weighted-average monthly net f.o.b. selling price of the U.S.-produced product 1 for sales from all U.S. locations combined rose from $2.00 per nitrogen unit ("NU") in January 2000 to a period high of $4.53 per NU in April 2001, then fell to $2.18 per NU by December 2001, before rising to $2.53 per NU by March 2002 (table V-1 and figure V-5).[16] U.S. producers' selling price of the domestically produced product 2 rose from $2.31 per NU in January 2000 to a period high of $4.88 per NU in May 2001, and then fell to $2.52 per NU by March 2002 (table V-1 and figure V-5). Selling prices of product 2 were generally higher than prices of product 1 during January 2000-March 2002, likely due to relatively more water in product 2 compared to product 1, which would increase transportation costs per NU for product 2 compared to product 1.

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[14] Some U.S. UAN producers, most notably ***, do not sell their U.S.-produced UAN from the specified city locations.

[15] U.S. producers' price data for product 2 accounted for only 21.4 percent of the total quantity of U.S.-produced UAN reported for pricing purposes, while U.S. producers' price data for product 1 accounted for the remaining 78.6 percent.

[16] A nitrogen unit equals 20 pounds of nitrogen and is the unit frequently used to quote prices. Expressing prices per NU allows direct comparisons among the different nitrogen-content UAN products and among the principal single-nutrient nitrogen fertilizers: anhydrous ammonia, UAN, urea, and ammonium nitrate.

Table V-1
UAN: U.S. weighted-average net f.o.b. selling prices and quantities of domestically produced products 1 and 2 sold from all U.S. locations to distributors and dealers, by months, January 2000-March 2002

Period	Product 1[1]			Product 2[2]		
	Price (*per NU*)[3]	Quantity (*short tons*)	No. of firms reporting	Price (*per NU*)[3]	Quantity (*short tons*)	No. of firms reporting
2000:						
January	$2.00	503,790	8	$2.31	148,465	5
February	2.01	529,715	8	2.39	138,718	5
March	2.23	585,811	8	2.65	127,714	5
April	2.43	726,502	8	2.80	298,945	5
May	2.57	940,930	8	2.95	351,283	5
June	2.65	716,584	8	3.22	242,356	5
July	3.03	386,662	8	3.47	125,001	5
August	2.96	463,270	8	3.41	99,978	5
September	3.21	589,763	8	3.45	146,779	4
October	3.24	577,137	8	3.54	163,959	4
November	3.24	525,123	9	3.50	162,148	5
December	3.42	554,532	9	3.81	147,231	6
2001:						
January	3.86	446,065	10	4.22	137,776	6
February	4.26	287,526	10	4.53	137,702	5
March	4.10	445,792	10	4.82	183,115	6
April	4.53	532,585	10	4.87	229,352	5
May	4.33	543,056	10	4.88	176,624	6
June	3.79	424,165	10	4.61	120,424	6
July	3.15	463,564	10	3.62	118,290	5
August	2.99	528,539	10	3.46	207,557	5
September	2.58	587,732	10	3.38	178,750	5
October	2.45	566,311	10	3.18	155,169	6
November	2.57	515,379	9	3.16	120,682	6
December	2.18	451,411	9	3.08	113,754	6
Continued on next page.						

Table V-1--*Continued*
UAN: U.S. weighted-average net f.o.b. selling prices and quantities of domestically produced products 1 and 2 sold from all U.S. locations to distributors and dealers, by months, January 2000-March 2002

Period	Product 1[1]			Product 2[2]		
	Price *(per NU)*[3]	Quantity *(short tons)*	No. of firms reporting	Price *(per NU)*[3]	Quantity *(short tons)*	No. of firms reporting
2002:						
January	$2.37	356,763	10	$2.73	118,871	5
February	2.22	314,527	10	2.79	88,409	5
March	2.53	426,704	10	2.52	125,294	4
TOTAL		13,989,938	10		4,364,346	6

[1] Product 1 is UAN in a solution of 32 percent nitrogen concentration.
[2] Product 2 is UAN in a solution of 28 percent nitrogen concentration.
[3] A nitrogen unit ("NU")equals 20 pounds of nitrogen and is the unit frequently used to quote prices.

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

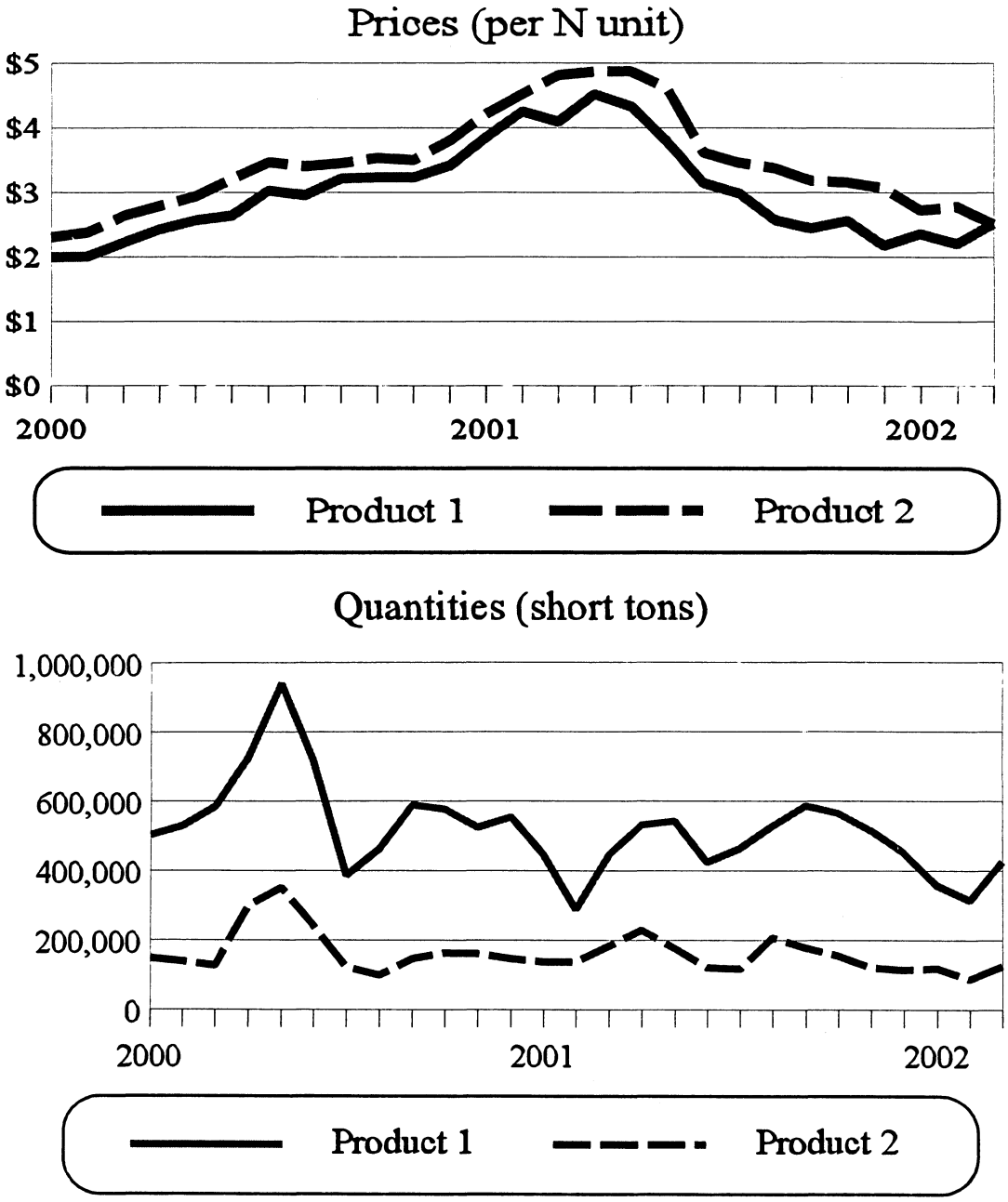
Table V-2
UAN: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 (32 percent nitrogen) imported from Belarus and Lithuania and sold from all U.S. locations to distributors and dealers, by months, August 2000-March 2002

* * * * * * *

Table V-3
UAN: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 (32 percent nitrogen) imported from Russia and Ukraine and sold from all U.S. locations to distributors and dealers, by months, January 2000-March 2002

* * * * * * *

Figure V-5
UAN: U.S. weighted-average net f.o.b. selling prices and quantities of U.S.-produced products 1 and 2 sold to distributors and dealers, by specified products and by months, January 2000-March 2002



Note: A nitrogen unit equals 20 pounds of nitrogen.

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

Figure V-6
UAN product 1 produced domestically and imported from Belarus: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 produced domestically and imported from Belarus and sold to distributors and dealers, by months, January 2000-March 2002

* * * * * * *

Figure V-7
UAN product 1 produced domestically and imported from Lithuania: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 produced domestically and imported from Lithuania and sold to distributors and dealers, by months, January 2000-March 2002

* * * * * * *

Figure V-8
UAN product 1 produced domestically and imported from Russia: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 produced domestically and imported from Russia and sold to distributors and dealers, by months, January 2000-March 2002

* * * * * * *

Figure V-9
UAN product 1 produced domestically and imported from Ukraine: U.S. weighted-average net f.o.b. selling prices and quantities of product 1 produced domestically and imported from Ukraine and sold to distributors and dealers, by months, January 2000-March 2002

* * * * * * *

U.S. importers' weighted-average monthly net f.o.b. selling price of product 1 from Belarus for sales from all U.S. locations combined rose from $*** per NU in August 2000 to a period high of $*** per NU in July 2001, then fell to $*** per NU by January 2002, before rising to $*** per NU by March 2002 (table V-2 and figure V-6). U.S. importers' weighted-average monthly net f.o.b. selling price of product 1 from Lithuania for sales from all U.S. locations combined rose from $*** per NU in March 2001, the earliest period reported, to a period high of $*** per NU in April 2001, and then fell to $*** per NU by March 2002 (table V-2 and figure V-7). U.S. importers' weighted-average monthly net f.o.b. selling price of product 1 from Russia for sales from all U.S. locations combined rose from $*** per NU in January 2000 to a period high of $*** per NU in May 2001, then fell to $*** per NU by January 2002, before rising to $*** per NU by March 2002 (table V-3 and figure V-8). U.S. importers' weighted-average monthly net f.o.b. selling price of product 1 from Ukraine for sales from all U.S. locations combined rose from $*** per NU in January 2000 to a period high of $*** per NU in January 2001, then fell to $*** per NU by October 2001, before rising to $*** per NU by March 2002 (table V-3 and figure V-9).

Price Comparisons

A total of 62 monthly price comparisons were possible between the domestic and subject imported UAN product 1 sold to U.S. distributors and dealers on a U.S. f.o.b. price basis from four specified area locations during January 2000-March 2002 (table V-4).[17] Twenty-five of the 62 price comparisons showed that the subject imported products were priced less than the domestic products by margins ranging from 0.5 percent to 31.6 percent; the remaining 37 price comparisons showed that the subject imported products were priced higher than the domestic products by margins ranging from 0.3 percent to 72.2 percent.

Fourteen monthly price comparisons involved the U.S.-produced product 1 and that imported from Belarus; three price comparisons showed that the Belarus product was priced less than the domestic product by margins ranging from *** percent for sales in the Baltimore, MD, area to *** percent for sales in the New Orleans, LA, area. Eleven price comparisons showed that the Belarus product was priced higher than the domestic product by margins ranging from *** percent for sales in the Baltimore, MD, area to *** percent for sales in the New Orleans, LA, area.

One monthly price comparison involved the U.S.-produced product 1 and that imported from Lithuania. The single price comparison, involving sales in the New Orleans, LA, area, showed that the Lithuanian product was priced *** percent higher than the domestic product.

Twenty-seven monthly price comparisons involved the U.S.-produced product 1 and that imported from Russia; 19 price comparisons showed that the Russian product was priced less than the domestic product by margins ranging from *** percent for sales in the New Orleans, LA, area to *** percent for sales in the Corpus Christi, TX, area. Eight price comparisons showed that the Russian product was priced higher than the domestic product by margins ranging from *** percent for sales in the Baltimore, MD, area to *** percent for sales in the New Orleans, LA, area.

Twenty monthly price comparisons involved the U.S.-produced product 1 and that imported from Ukraine; three price comparisons showed that the Ukraine product was priced less than the domestic product by margins ranging from *** percent for sales in the Corpus Christi, TX, area to *** percent for sales in the Baltimore, MD, area. Seventeen price comparisons showed that the Ukraine product was priced higher than the domestic product by margins ranging from *** percent to *** percent, both involving sales in the New Orleans, LA, area.

Price comparisons involving sales from the New Orleans, LA, area are likely to provide the most meaningful price comparisons, because some U.S. producers' production facilities are located in that area. On the other hand, U.S. producers generally must ship their domestic UAN to their holding tanks in the other city locations and thereby incur freight costs, which tend to make the U.S. producers' net f.o.b. selling prices higher than when they sell UAN from their plants.

Table V-4
UAN: U.S. weighted-average net f.o.b. selling prices of domestic and subject imported UAN product 1 and margins of underselling/(overselling), by specified market areas and by months, January 2000-March 2002

* * * * * * *

[17] The price comparisons involved sales in the following four city areas: Baltimore, MD; Brunswick, GA; Corpus Christi, TX; and New Orleans, LA.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of UAN to report any instances of lost sales or revenues they experienced due to competition from imports of UAN from Belarus, Lithuania, Russia, and Ukraine since January 1, 1999. Nine U.S. producers alleged in their questionnaire responses that they lost sales of their domestic UAN and lost revenues by reducing prices or rolling back price increases of their domestic UAN, but either did not provide specific examples or were not able to identify the origin(s) of the competing products that led to the lost sales and lost revenues. Two U.S. producers, ***, reported in the petition a total of 25 specific instances of alleged lost sales amounting to *** short tons valued at *** that involved imports from all the subject countries (table V-5).[18] Three U.S. producers, ***, reported in the petition a total of 18 specific instances where they allegedly reduced prices and/or rolled back announced price increases for their domestic UAN due to competition with the subject imported products; these 18 allegations involved a total of *** short tons and *** in lost revenues (table V-6). Staff attempted to contact all 20 purchasers cited in the 43 specific lost sales and lost revenue allegations and a summary of the information obtained follows.[19]

Table V-5
UAN: U.S. producers' lost sales allegations

* * * * * * *

Table V-6
UAN: U.S. producers' lost revenue allegations

* * * * * * *

*** disagreed with both lost revenue allegations stating, "The *** quote was finished on *** at *** per short ton delivered. Imported product for this time frame was $*** per ton delivered. We bid the domestic supplier $*** per ton delivered and the domestic supplier agreed to the sale. The *** quote involved only domestic suppliers. We bid supplier based on where we felt the real market was–$*** per ton delivered. The supplier accepted the bid and delivered it on two *** short-ton tows with several months between deliveries."

*** stated regarding the *** allegation that "The source (country) of origin was not known at the time of order and was not named on any papers received pertaining to this order. Purchase was made on a delivered price basis. This purchase was based on quantity, delivery time frame, and price. All base points were of equal importance." Regarding the *** allegation *** stated that "The source (country) of origin was not known at the time of the order and was not named on any paper received pertaining to this order. Purchase was made on a delivered price basis. This purchase was based primarily on payment terms with guarantees against decline in market value being secondary. Price was not a determining factor."

*** stated that it could not agree or disagree with the lost revenue allegation. It stated, "I do feel that imports have definitely had a role in lowering the market price of UAN. But, *** does not know the

[18] *** commented in the petition that the commodity nature of UAN makes it difficult to determine the country origin of competing products.

[19] All 43 allegations involved UAN with a 32 percent nitrogen concentration.

details of this or have knowledge of what is described above. We request a price for the commodity product to be delivered to a location. We do not know the production source of this (import or domestic) and do not have a preference (as it is a commodity). We also do not know what our supplier paid for the product. We are only interested in the price we must pay delivered to our location. Thus, we do not know, as shown above, if the product we received is *** or what the initial domestic price quote was. All we know is that we had *** tons of 32% product delivered to us for $*** per ton."

*** stated, "In *** we bought *** short tons delivered to our *** terminal from *** at *** per ton. We disagree that the price was lower because of imports. Other U.S. manufacturers were offering similar price levels and urea was also a competing source of nitrogen keeping UAN prices low relative to history."

*** stated, "We purchased *** tons from *** with price protection against a later market (***). A price adjustment was made based on a declining market price, which was fueled by excess urea, UAN, and anhydrous ammonia present in our domestic U.S. system. Imports probably influenced this price reduction. *** purchased exclusively from U.S. sources this year."

*** disagreed with both lost sales allegations stating, "We purchased 32 percent nitrogen UAN from domestic manufacturers which apparently met foreign competition."

*** stated, "Our suppliers, *** (main supplier) and ***, told me that they would not have the product (UAN 32 percent) to ship to us, as the price of natural gas was so high it was more feasible financially to sell natural gas contracts for heating peoples homes than for use in making fertilizer. Therefore, we had no choice but to go to another supplier. We are just fortunate there are other suppliers, or we would have trouble with our business also."

*** disagreed with both lost revenue allegations. Regarding the *** allegation it stated, "the offer received from *** at *** on *** was $*** per short ton not $*** per short ton. We told him we were not buyers at $*** per short ton; we thought UAN prices would move down because of high inventories (see *** UAN producer information) at producer's sites. *** asked me for a bid at that point; I told him when I was ready to buy I would bid him and that it would be in the low $***. Our market intelligence led us to believe that *** was running out of places to go with product and should be willing to sell at incremental production cost plus a small margin. We estimated *** production cost at approximately $*** per short ton with gas trading between $*** and $***/mmbtu. That equates to $*** per short ton delivered to our tank; hence we bid $*** per short ton. *** had also said they had plenty of inventory at this time. In ***, we bought additional tons from *** at $*** per short ton. Imports did not factor in either purchase in any manner, as I recall."

Regarding the *** allegation, *** stated, "Confirmed this deal on ***, on my cell phone with *** from the ***. Looked back at my notes and did not see any offer from *** (at $*** or any other price). My notes show that I had a conversation with *** of *** on ***. We discussed UAN for ***; I told him his price would have to be $*** per short ton F.O.B. *** to be competitive into ***. I also bid $*** per short ton F.O.B. *** for tons delivered by *** into my tank. He told me he would have *** call me. A note on *** shows that *** had stopped UAN production in favor of urea; therefore I don't think *** would have been a source of competition. Closed this deal at $*** per ton with ***, not $***. Another note I have on *** goes through our thought process of where we should bid on import tons. Based on our point of view that we could probably close *** at $*** per short ton, I directed our ***-based trader to bid $*** per short ton delivered to *** for import tons. This was equivalent to $*** per short ton. We didn't have any takers. (Note: we were willing to pay a premium for the sourcing flexibility imports would give to us)."

*** disagreed with the lost sales allegation stating, "I bought imported UAN because the previous year no U.S. producer would supply me because they shut down production so that they could make windfall profits by selling their natural gas contracts to the home heating industry. In the 2000-

2001 fertilizer year, imports kept me supplied when U.S. producers did not. That is why we need imports. I do not support a tariff on imported UAN. In the previous year, ***, ***, ***, and *** all declined to supply U.S. UAN.

*** stated, "I have no idea if I got product from ***. I did buy *** tons of 32% UAN from *** at $*** per ton."

*** stated that it was unable to agree or disagree with the allegation because "we do not have documentation of UAN tons purchased by country of origin."

*** disagreed with both the lost sale and lost revenue allegations that they responded to stating, "While we have no way to know the exact country of origin on purchased UAN, including UAN purchased from U.S. producers, I disagree with the allegations to the best of my knowledge. I cannot correct the information since none of the parameters given meet known similar parameters, except for the fact that *** has purchased imported UAN."

*** disagreed with both the lost sale and lost revenue allegations. Regarding the lost sale allegation, it stated, "Imported product supplied shortfall created by domestic suppliers who sold natural gas for profits in lieu of producing product." Regarding the lost revenue allegation, it stated, "Domestic vendor quoted $*** per ton initially. We did not purchase product from the vendor until ***, when the market price was $*** per ton. Domestic product was the competitive alternative; not imported product."

PART VI: FINANCIAL CONDITION OF THE U.S. PRODUCERS

BACKGROUND

Ten U.S. producers[1] provided financial data on their operations on UAN. These data accounted for virtually all of known reported U.S. production of UAN in 2001.

OPERATIONS ON UAN

Results of operations of the U.S. producers on their UAN operations are presented in table VI-1; data on a per-short-ton basis are shown in table VI-2.

The quantity sold decreased each year from 1999 to 2001 while the net sales value increased each year as a result of increases in the per-short-ton net sales value. The combined companies incurred operating losses in each calendar year.[2] The largest operating loss expressed as a ratio to net sales occurred in the July-December 2001 period. The net sales value per short ton increased by $20 in 2000 compared to 1999 while the cost of goods sold increased by $11 per short ton, and SG&A expenses remained constant, resulting in a $10 decrease in the operating loss per short ton. The net sales value per short ton increased by $22 in 2001 compared to 2000 while the cost of goods sold increased by $29 per short ton and SG&A expenses remained constant, resulting in an increase in operating losses of $8 per short ton.[3]

Seven of the responding firms provided data on natural gas, the principal raw material for UAN, in their detail of cost of goods sold. Costs per short ton for natural gas, direct labor, and other cost of goods sold[4] are shown in the following tabulation (in *value per short ton*).

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
Natural gas	33	45	60	37	75	55	45
Direct labor	4	3	5	3	5	4	4
Other costs of goods sold	34	34	46	35	46	33	46
Total cost of goods sold	71	82	111	75	126	92	96

Natural gas costs per short ton increased in 2000 compared to 1999, and also increased in 2001 compared to 2000. Natural gas per short ton increased in January-June 2001 compared to July-December 2000 but then decreased in July-December 2001 to the same level as the year 2000. Other

[1] ***.

[2] ***.

[3] ***.

[4] Other costs of goods sold include electricity, other raw materials, storage and distribution costs, and other factory costs.

Table VI-1
Results of operations of U.S. producers in the production of UAN, calendar years 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Quantity (*short tons, 32-percent nitrogen content basis*)						
Net sales:							
Commercial sales	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***
Transfers[1]	***	***	***	***	***	***	***
Total net sales	9,352,791	9,346,555	7,793,609	5,408,824	3,827,784	3,937,731	3,965,825
	Value (*1,000 dollars*)						
Net sales:							
Commercial sales	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***
Transfers[1]	***	***	***	***	***	***	***
Total net sales	624,542	815,538	850,780	413,082	504,968	402,456	345,812
Cost of goods sold	669,444	773,536	870,770	407,261	486,714	366,275	384,056
Gross profit	(44,902)	42,002	(19,990)	5,821	18,254	36,181	(38,244)
SG&A expenses	58,084	53,734	49,497	26,468	24,756	27,266	24,741
Operating income or (loss)	(102,986)	(11,732)	(69,487)	(20,647)	(6,502)	8,915	(62,985)
Interest expense	***	***	***	***	***	***	***
Other expense	***	***	***	***	***	***	***
Other income items	***	***	***	***	***	***	***
Net income or (loss)	(144,990)	(60,192)	(128,980)	(45,298)	(34,829)	(14,894)	(94,151)
Depreciation/amortization	79,462	76,998	76,443	36,493	39,626	40,505	36,817
Cash flow	(65,528)	16,806	(52,537)	(8,805)	4,797	25,611	(57,334)
	Ratio to net sales (*percent*)						
Cost of goods sold	107.2	94.9	102.4	98.6	96.4	91.0	111.1
Gross profit	(7.2)	5.2	(2.4)	1.4	3.6	9.0	(11.1)
SG&A expenses	9.3	6.6	5.8	6.4	4.9	6.8	7.2
Operating income or (loss)[2]	(16.5)	(1.4)	(8.2)	(5.0)	(1.3)	2.2	(18.2)

See footnotes at end of table.

Table VI-1--*Continued*
Results of operations of U.S. producers in the production of UAN, calendar years 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Number of firms reporting						
Operating losses	7	5	6	4	5	3	8
Data	8	8	10	8	10	8	10

[1] ***.
[2] ***.

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

Table VI-2
Results of operations (per short ton) of U.S. producers in the production of UAN, calendar years 1999-2001, January-June 2000-2001, and July-December 2000-2001

Item	Calendar year			January-June		July-December	
	1999	2000	2001	2000	2001	2000	2001
	Value (*per short ton, 32-percent nitrogen content basis*)						
Net sales	$67	$87	$109	$76	$131	$102	$87
Cost of goods sold	72	83	112	75	127	93	97
Gross profit	(5)	4	(3)	1	5	9	(10)
SG&A expenses	6	6	6	5	6	7	6
Operating income or (loss)	(11)	(1)	(9)	(4)	(2)	2	(16)

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

costs of goods sold were constant in 1999 and 2000 but then increased in 2001. The increase in per-short-ton other costs of goods sold in 2001 was caused, in part, by ***.[5]

Selected financial data, by firm, are presented in table VI-3. Eight producers reported on their UAN operations for each of the three calendar years covered. Seven of the eight producers had increased net sales values in 2000 compared to 1999, while only 3 producers had increased net sales values in 2001 compared to 2000. Seven companies had improved operating income (loss) margins in 2000 compared to 1999, and 5 companies had improved operating income (loss) margins in 2001 compared to 1999.

[5] ***.

Table VI-3
Results of operations of U.S. producers in the production of UAN, by firm, calendar years 1999-2001, January-June 2000-2001, and July-December 2000-2001

* * * * * * *

The producers were requested to provide their cost of natural gas purchased throughout the period reviewed on a contract basis, spot basis, or other basis. Their responses are shown in table VI-4. The cost of natural gas was the highest in the period January-June 2001 for each producer using the spot market and the two producers using the other category. ***.

Table VI-4
Natural gas purchases of U.S. producers in the production of UAN, by firm, calendar years 1999-2001, January-June 2000-2001, and July-December 2000-2001

* * * * * * *

Mississippi Chemical, ***, Terra, and J.R. Simplot, together accounting for over *** percent of the reported net sales value in 2001, ***. ***. Mississippi Chemical realized a $16 million gain[6] in December 2000 based on the sale of natural gas positions in financial markets.[7] Respondent cited $76 million in profit that Terra realized on sales of natural gas futures contracts in 2000.[8] The cite further quotes Terra as stating "the effective portion of the cash flow hedge is deferred...until the natural gas it relates to is purchased and used in production at which time it is reclassified...to earnings."[9] A representative[10] of J.R. Simplot explained that at one time in 2000 the company had accumulated a $100 million gain in hedging transactions. He further explained that J.R. Simplot would not take all of the gain in one month but would spread it out and reflect the gain monthly as a reduction in the cost of gas.

The producers were requested to provide their sales of natural gas during the period reviewed; their responses are shown in appendix E.

The producers were requested to provide a list of any other products produced in the facilities in which they produced UAN, and to provide the share of net sales accounted for by these other products in their most recent fiscal year. The responses of the U.S. producers are summarized in the following tabulation expressed as a percent of the value of sales.

* * * * * * *

Other products include ammonia, ammonium nitrate, anhydrous ammonia, CO2, methanol, nitric acid, and urea.

Respondent cited idle plant costs of $18.5 million occurring at various times during Mississippi's fiscal year ended June 30, 2001 and idle plant costs of $3.9 million for Royster Clark during its fiscal

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[6] Mississippi Chemical ***.

[7] Joseph A. Ewing, Vice President, Mississippi Chemical, conference transcript, p. 50. Mr. Ewing further stated (p. 51) "all of these gains and losses roll into the cost of goods sold for the products that we make, ultimately."

[8] White & Case, postconference brief, p. 16.

[9] ***.

[10] Steve Gray, Vice President of Supply Planning, conference transcript, pp. 167-169.

year ended December 31, 2001.[11] ***. The variance analysis, as shown in table VI-5, indicates that the reduction in the operating loss from 1999 to 2001 and from 1999 to 2000 was caused by an increase in average net sales value per short ton, partially offset by increases in costs per short ton. The increase in the operating loss from 2000 to 2001 is due to an increase in costs per short ton exceeding the increase in average sales value per short ton.

Table VI-5
Variance analysis on results of operations of U.S. producers in the production of UAN, calendar years 1999-2001

Item	Calendar year		
	1999-2001	1999-2000	2000-2001
	Value (*1,000 dollars*)		
Net sales:			
Price variance	330,354	191,412	170,745
Volume variance	(104,116)	(416)	(135,503)
Total net sales variance	226,238	190,996	35,242
Cost of goods sold:			
Cost variance	(312,927)	(104,538)	(225,758)
Volume variance	111,601	446	128,524
Total cost of goods variance	(201,326)	(104,092)	(97,234)
Gross profit variance	24,912	86,904	(61,992)
SG&A expenses:			
Expense variance	(1,096)	4,311	(4,691)
Volume variance	9,683	39	8,928
Total SG&A variance	8,587	4,350	4,237
Operating income variance	33,499	91,254	(57,755)
Summarized as:			
Price variance	330,354	191,412	170,745
Net cost/expense variance	(314,023)	(100,227)	(230,449)
Net volume variance	17,169	69	1,949

Note.--Unfavorable variances are shown in parenthesis; all others are favorable. The data are comparable to changes in operating income as presented in table VI-1.

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

[11] Georgetown Economic Services, postconference brief, p. 21.

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' aggregate data on capital expenditures, research and development (R&D) expenses, and the value of their property, plant, and equipment are shown in table VI-6 and capital expenditures, by firm, are presented in table VI-7. Capital expenditures decreased in 2000 compared to 1999 and also decreased in 2001 compared to 2000. The producers either reported that they had zero research and development expenses or left the questionnaire blank for research and development.

Table VI-6
Value of assets, capital expenditures, and research and development expenses of U.S. producers of UAN, calendar years 1999-2001

Item	Calendar year		
	1999	2000	2001
	Value (*1,000 dollars*)		
Capital expenditures[1]	23,933	19,871	10,964
R&D expenses	0	0	0
Fixed assets:[2]			
Original cost	1,232,490	1,241,794	1,264,109
Book value	709,218	697,773	626,371

[1] All companies reported capital expenditures.
[2] All companies provided usable data for fixed assets, except ***.

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

Table VI-7
Capital expenditures of U.S. producers relating to the production of UAN, by firm, calendar years 1999-2001

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of UAN from Belarus, Lithuania, Russia, or Ukraine on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). 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 INDUSTRY IN BELARUS

Table VII-1 presents data for reported production and shipments of UAN for Belarus. The Commission sent one request for data to the one firm, PA Azot Grodno ("Grodno"), named in the petition. This firm accounts for 100 percent of Belarus' exports of UAN to the United States.

Grodno reported that *** percent of its total sales in the most recent fiscal year were sales of UAN. In 1999, Grodno did not export UAN to the United States. In 2001, however, approximately *** percent of Grodno's total shipments were exported to the United States and *** percent of its total shipments were exported to ***, while approximately *** percent of these shipments were home-market sales. Grodno's capacity remained constant throughout the period examined and is projected to *** in 2002-2003. Its production increased steadily throughout 1999-2001 and is projected to *** in 2002-2003. *** is the largest U.S. importer of product from Belarus.

Table VII-1
UAN: Belarus' production capacity, production, shipments, and inventories, 1999-2001, January-June 2000-2001, July-December 2000-2001, and projections for 2002 and 2003

* * * * * * *

THE INDUSTRY IN LITHUANIA

Table VII-2 presents data for reported production and shipments of UAN for Lithuania. The Commission sent one request for data to the one firm, Achema Stock Company ("Achema"), named in the petition. This firm accounts for 100 percent of the Lithuanian exports of UAN to the United States.

Achema reported that *** percent of its total sales in 2001 were sales of UAN. In 1999, Achema did not export UAN to the United States. In 2001, however, approximately *** percent of Achema's total shipments were exported to the United States and *** percent of its total shipments were exported to ***, while approximately *** percent of these shipments were home-market sales. Achema claims that its shipments to EU countries continued and even increased after the imposition of EU antidumping duties on UAN because it received the smallest margin of those countries covered by the EU duties.[1] Achema's capacity remained constant throughout the period examined and is projected to *** in 2002-2003. Its production decreased from 1999 to 2000 then increased by *** percent in 2001 and is

[1] In 2000, the EU assigned Achema a 5.8-percent antidumping margin and assessed a EUR 3.98 per metric ton duty. *See* section entitled "Dumping in Third Country Markets" below for a list of duties imposed by the EU. *See also* Achema's postconference brief, p. 16.

projected to *** in 2002-2003. In 2001, ***[2] were the U.S. importers of Lithuanian product. Achema reported that it has ***.

Table VII-2
UAN: Lithuania's production capacity, production, shipments, and inventories, 1999-2001, January-June 2000-2001, July-December 2000-2001, and projections for 2002 and 2003

* * * * * * *

THE INDUSTRY IN RUSSIA

Table VII-3 presents data for reported production and shipments of UAN for Russia. The Commission sent requests for data to three firms[3] named in the petition, and received one questionnaire response.

Nevinka reported that *** percent of its total sales in its most recent fiscal year were sales of UAN. In 1999, Nevinka exported *** percent of its total shipments to the United States. In 2000 and 2001, however, *** percent and *** percent, respectively, of its total shipments were exported to the United States. In 2001, Nevinka exported *** percent of its total shipments to ***, while approximately *** percent of these shipments were home-market sales. Nevinka's capacity increased by *** percent from 1999 to 2001 and is projected to *** by 2003. Its production also increased by *** percent from 1999-2001, *** by 2003. *** is the largest U.S. importer of Russian product.

Table VII-3
UAN: Russia's production capacity, production, shipments, and inventories, 1999-2001, January-June 2000-2001, July-December 2000-2001, and projections for 2002 and 2003

* * * * * * *

THE INDUSTRY IN UKRAINE

The Commission sent requests for data to two firms[4] named in the petition as producing UAN in Ukraine, and received no questionnaire responses. The Commission staff also contacted the Embassy of Ukraine but has received no data regarding the Ukrainian UAN industry. Petitioners provided information indicating that Ukraine's two producers have a combined capacity to produce *** of UAN per year.[5]

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[2] ***.

[3] The Commission requested questionnaire responses from: (1) JSC Nevinnomyssk ("Nevinka"); (2) ZAO Novolon Novomoskovsk; and (3) JSC Kuybyshevazot. Only Nevinka responded to the Commission's questionnaire. It is petitioners' belief that ***. JSC Kuybyshevazot was not named by the EU as a producer in Russia in the EU's antidumping investigation.

[4] The Commission requested questionnaire responses from JSC Stirol and JSC Azot Cherkassy.

[5] Petitioners' postconference brief, p. 45.

U.S. IMPORTERS' INVENTORIES

Reported inventories held by U.S. importers of subject merchandise from Belarus, Lithuania, Russia, and Ukraine are shown in table VII-4. Six U.S. importers reported end-of-period inventories of subject product from one of the subject countries. Four importers of subject product, ***, reported that they kept no inventories.

Table VII-4
UAN: U.S. importers' end-of-period inventories of imports, by source, 1999-2001, January-June 2000-2001, and July-December 2000-2001

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO MARCH 31, 2002

The Commission requested importers to indicate whether they imported or arranged for the importation of UAN from either Belarus, Lithuania, Russia, or Ukraine after March 31, 2002. *** of the 10 responding importers reported that they had imported UAN from a subject country subsequent to March 31, 2002. *** reported that it has arranged three shipments of UAN from Russia totaling *** short tons. On *** received a shipment of UAN totaling *** short tons. *** has also indicated that it has arranged purchases of UAN after March 31, 2002.

DUMPING IN THIRD-COUNTRY MARKETS

In September of 2000, the EU imposed antidumping duties on UAN from Algeria, Belarus, Lithuania, Russia, and Ukraine.[6] The margins and duties assessed by the EU are presented in the tabulation on page VII-4.

The EU has also imposed antidumping duties on urea and ammonium nitrate. In May of 2001, after a sunset review, the EU determined to continue antidumping duties imposed on imports of urea from Russia.[7] In January of 2002, the EU imposed antidumping duties on urea from Belarus, Bulgaria, Croatia, Estonia, Libya, Lithuania, Romania, and Ukraine.[8] With regard to ammonium nitrate, in 1998, the EU imposed antidumping duties on ammonium nitrate from Russia.[9] In 2001, the EU also imposed antidumping duties on ammonium nitrate from Poland and Ukraine.[10]

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[6] *See* EU Council Regulation (EC) 1995/2000 of September 18, 2000, O.J. L238/15, September 22, 2000. The EU terminated its antidumping investigation with regard to the Slovak Republic.

[7] *See* Council Regulation (EC) 901/2001 of May 7, 2001, O.J. 127/11, May 9, 2001. The EU originally imposed antidumping duties on urea from Russia in 1995.

[8] *See* Council Regulation (EC) 92/2002 of January 17, 2002, O.J. L 17/1, January 19, 2002.

[9] *See* Council Regulation (EC) 663/98 of March 23, 1998, O.J. L 93/1, March 26, 1998.

[10] *See* Council Regulation (EC) 132/2001 of January 22, 2001, O.J. L 23/1, January 25, 2001. Although part of the investigation, duties were not imposed on ammonium nitrate from Lithuania.

Country/firm	Dumping margin (*percent*)	Duty assessed (*Euros/metric ton*)
Algeria		
Fertalge Industries	9.7	6.88
Belarus	55.0	17.86
Lithuania		
Achema	5.8	3.98
Russia		
Nevinka	28.5	17.80
All other companies	41.0	20.11
Ukraine	50.4	26.17
Source: EU Council Regulation (EC) 1995/2000 (September 18, 2000).		

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–1006–1009 (Preliminary)]

Urea Ammonium Nitrate Solution From Belarus, Lithuania, Russia, and Ukraine

AGENCY: 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–1006–1009 (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 Belarus, Lithuania, Russia, and Ukraine of urea ammonium nitrate solution, provided for in subheading 3102.80.00 of the Harmonized Tariff Schedule of the United States, that is 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 antidumping investigations in 45 days, or in this case by June 3, 2002. The Commission's views are due at Commerce within five business days thereafter, or by June 10, 2002. For further information concerning the conduct of these investigations and rules of general application, consult the Commission's rules of practice and procedures, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: April 19, 2002.

FOR FURTHER INFORMATION CONTACT: Christopher J. Cassise (202–708–5408), 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–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on April 19, 2002, by the Nitrogen Solution Fair Trade Committee, an ad hoc coalition of U.S. producers of urea ammonium nitrate solution, which consists of the following companies: CF Industries, Inc. of Long Grove, IL; Mississippi Chemical Corp. of Yazoo City, MS; and Terra Industries, Inc. of Sioux City, IA.

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 §§ 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 § 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 May 10, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Christopher J. Cassise (202–708–5408) not later than May 8, 2002, 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 §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before May 15, 2002, 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 §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means. In accordance with §§ 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 § 207.12 of the Commission's rules.

Issued: April 24, 2002.

By order of the Commission.

Marilyn R. Abbott,

Secretary.

[FR Doc. 02–10481 Filed 4–26–02; 8:45 am]

BILLING CODE 7020–02–M

DEPARTMENT OF COMMERCE

International Trade Administration

[A–822–805, A–451–804, A–823–814, A–821–818]

Initiation of Antidumping Investigations: Urea Ammonium Nitrate Solutions from Belarus, Lithuania, the Russian Federation, and Ukraine

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

EFFECTIVE DATE: May 20, 2002.

FOR FURTHER INFORMATION CONTACT: Zev Primor, Paige Rivas, John Conniff, or Crystal Crittenden, AD/CVD Enforcement Office IV, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–4114, (202) 482–0651, (202) 482–1009, or (202) 482–0989 respectively.

SUPPLEMENTARY INFORMATION:

INITIATION OF INVESTIGATIONS:

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act. In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department) regulations are to 19 CFR part 351 (2001).

The Petitions

On April 19, 2002, the Department received petitions filed in proper form by the Nitrogen Solutions Fair Trade Committee (the petitioner). Its members consist of CF Industries, Inc., Mississippi Chemical Corporation, and Terra Industries, Inc.. The Department received information supplementing the petitions on May 3, 2002.

In accordance with section 732(b) of the Act, the petitioner alleges that imports of urea ammonium nitrate solutions (UANS) from Belarus, Lithuania, the Russian Federation, and Ukraine are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Act, and that such imports are materially injuring an industry in the United States.

The Department finds that the petitioner filed these petitions on behalf of the domestic industry because it is an interested party as defined in section 771(9)(C) of the Act and has demonstrated sufficient industry support with respect to the antidumping investigations that it is requesting the Department to initiate. *See Determination of Industry Support for the Petitions* section below.

Scope of Investigations

For purposes of these investigations, the product covered is all mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution, regardless of nitrogen content by weight, and regardless of the presence of additives, such as corrosion inhibitors. The merchandise subject to these investigations is classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 3102.80.00.00. Although the HTSUS subheading is provided for convenience and U.S. Customs Service (U.S. Customs) purposes, the written description of the merchandise under investigation is dispositive.

During our review of the petitions, we discussed the scope with the petitioner and commodity specialists at U.S. Customs to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (62 FR 27296, 27323), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit (CRU) at 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 our preliminary determinations.

Period of Investigations

Section 351.204(b) of the Department's regulations states that, in the case of a non market economy (NME) country, in an investigation, the Department normally will examine merchandise sold during the two most recently completed fiscal quarters as of the month preceding the month in which the petitions were filed. The regulations further state that the Department may examine merchandise sold during any additional or alternate period it concludes is appropriate.

Following the above noted guidelines from section 351.204(b) of the Department's regulations, the

anticipated period of investigation (POI) for each of these investigations is October 1, 2001, through March 31, 2002.

Determination of Industry Support for the Petitions

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 a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) 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.

Finally, 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 administering agency 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 any statistically valid sampling method to poll the industry.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the Act directs the Department to look to producers and workers who account for production of 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 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 domestic like product, such differences do not render the decision of either agency contrary to the law.[1]

[1] *See Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

Section 771(10) of the Act defines the domestic like product as "a product that 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. Moreover, the petitioner does not offer a definition of domestic like product distinct from the scope of the investigations.

The domestic like product referred to in these petitions is the domestic like product defined in the *Scope of Investigations* section above. The Department has no basis on the record to find this definition of the domestic like product to be inaccurate. The Department, therefore, has adopted this domestic like product definition.

The Department has further determined that these petitions contain adequate evidence of industry support. Information contained in the petitions demonstrates that the domestic producers or workers who support the petitions account for over 50 percent of total production of the domestic like product. *See Petitions for Imposition of Antidumping Duties: Urea Ammonium Nitrate Solutions from Ukraine, Lithuania, Belarus, and the Russian Federation*, dated April 19, 2002, at Exhibit 9. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) are met. *See Initiation Checklists* (public version on file in the CRU of the Department, Room B–099). Furthermore, because the Department received no opposition to the petitions, the domestic producers or workers who support the petitions 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. *See Initiation Checklists*. Thus, the requirements of section 732(c)(4)(A)(ii) are met.

Accordingly, the Department determines that these petitions were filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See Initiation Checklists* at Industry Support.

Export Price and Normal Value

The following are descriptions of the allegations of sales at LTFV upon which our decisions to initiate these investigations are based. Based on the information submitted in the petitions, adjusted where appropriate, we are initiating these investigations, as discussed below and in the *Initiation Checklists*.

The Department has analyzed the information in the petitions and considers the country-wide import statistics for the anticipated POI and market information used to calculate the estimated margins for the subject countries to be sufficient for purposes of initiation. Should the need arise to use any of this information in our preliminary or final determinations for purposes of facts available under section 776 of the Act, we may re-examine the information and revise the margin calculations, if appropriate.

Non Market Economies

Regarding an investigation involving an NME, the Department presumes, based on the extent of central government control in an NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. , 66 FR 33525 (June 22, 2001) and *Notice of Final Determination of Sales at Less Than Fair Value: Solid Agricultural Ammonium Nitrate from Ukraine*, 66 FR 38632 (July 25, 2001).

Belarus

Export Price

The petitioner based export price (EP) on import weighted average unit value (AUV) data from official U.S. Census Bureau statistics for the period October 2001 through February 2002, for the subject HTSUS number. The petitioner calculated a net U.S. price by deducting foreign inland freight and brokerage and handling from the AUV data.

The petitioner based foreign inland freight on a price quote for the rail transport effective during calender year 2000, obtained from a South African rail company provider and adjusted for inflation using the South African Wholesale Price Index (WPI) as published in the *International Financial Statistics* of the International Monetary Fund. *See Notice of Preliminary Determination of Sales at Not Less Than Fair Value: Pure Magnesium From the Russian Federation*, 66 FR 21319, 21324 (April 30, 2001) (*Preliminary LTFV Determination: Pure Magnesium from the Russian Federation*). Foreign brokerage and handling charges were based on the "waterfront charges" for the port of Durban, as published in a report by the South African Department of Transportation.

Normal Value

The petitioner asserted that the Department has long treated Belarus as an NME country. Pursuant to section 771(18)(C)(i) of the Act, because Belarus's status as an NME remains in effect, the petitioner determined the dumping margin using a factors of production (FOP) analysis.

For normal value (NV), the petitioner based the FOP, as defined by section 773(c)(3) of the Act, on the quantities of inputs of one U.S. UANS producer. The petitioner asserted that information regarding consumption rates for the production of this product in Belarus is not reasonably available, and has therefore assumed, for purposes of the petition, that the producer in Belarus used the same inputs in the same quantities as the petitioner. Based on the information provided by the petitioner, we believe that the petitioner's FOP methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioner asserted that South Africa is the most appropriate surrogate country for Belarus, claiming that South Africa is: (1) a significant producer of comparable merchandise, and (2) is at a level of development comparable to Belarus in terms of per capita gross national income (GNI), which is the current World Bank term for what was previously termed "Gross National Product" (GNP). The petitioner notes that the Department's regulations state that it will place primary emphasis on per capita GNP in determining whether a given market economy is at a level of economic development comparable to the NME country. *See e.g. Cold-Rolled Carbon Steel Flat Products from the Russian Federation: Non-Market Economy Status and Surrogate Country Selection*, Memorandum from Jeffery May to Jim Doyle, February 28, 2002 (*Cold-Rolled Surrogate Country Selection Memo*). The petitioner further notes that South Africa has been included on the Department's most recent list of potential surrogates for Belarus. *See Antidumping Duty Investigation of Steel Concrete Reinforcing Bars (Rebar) from Belarus: Non-market Economy Status and Surrogate Country Selection*, Memorandum from Jeff May to Tom Futtner (August 31, 2000). Furthermore, the petitioner has been able to obtain all of the necessary data to value factors of UANS production in South Africa. Based on the information provided by the petitioner, we believe that the petitioner's use of South Africa as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioner valued FOP, where possible, on reasonably available, public surrogate data from South Africa. Materials were valued based on South African import values, as published by *Statistics of the South African Department of Minerals & Energy (DME Statistics)*, and *Global Trade Information Services: World Trade Atlas (GTI Services)*, sourced from the South Africa Revenue Service.

Labor was valued using the Department's regression-based wage rate for Belarus, in accordance with 19 CFR 351.408(c)(3).

Natural gas was valued using *DME Statistics* for October through December 2001. Electricity was valued using *DME Statistics* for the calender year 2000. Petitioners assert that the same figures were recently relied upon by the Department in pure magnesium from the Russian Federation. *See Notice of Final Determination of Sales at Not Less Than Fair Value: Pure Magnesium From the Russian Federation*, 66 FR 49347 (September 27, 2001) (*Pure Magnesium from the Russian Federation*).

Catalysts and the corrosion inhibitor were valued using AUVs of imports into South Africa taken from *GTI Services*. For manufacturing overhead, depreciation, general expenses and profit, the petitioner relied upon publicly available financial data from a South African producer of nitrogen fertilizers, Omnia Holdings, covering the period January 2000 through March 2001. Based on the information provided by the petitioner, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiating this investigation. *See Initiation Checklist.*

Lithuania

Export Price

The petitioner based EP on the import weighted AUV data from official U.S. Census Bureau statistics for the period October 2001 through February 2002 for the subject HTSUS number. The petitioner calculated a net U.S. price by deducting brokerage, handling and domestic inland freight from the AUV. The petitioner based foreign inland freight on a price quote for the rail transport effective during calendar year 2000, obtained from a South African rail company provider and adjusted for inflation using the South African Wholesale Price Index (WPI) as published in the *International Financial Statistics* of the International Monetary Fund. *See Preliminary LTFV Determination: Pure Magnesium From the Russian Federation.* Foreign brokerage and handling charges were based on the "waterfront charges" for the port of Durban, as published in a report by the South African Department of Transportation.

Normal Value

The petitioner asserted that Lithuania is an NME country and no determination to the contrary has yet been made by the Department. The petitioner claimed that, pursuant to 19 USC 1677(18)(C)(i), Lithuania presumptively remains an NME country until that status is revoked.

For NV, the petitioner based the FOP, as defined by section 773(c)(3) of the Act, on the quantities of inputs of one U.S. UANS producer. The petitioner asserted that information regarding the Lithuanian producer's consumption rates is not reasonably available, and has therefore assumed, for purposes of the petition, that the producer in Lithuania uses the same inputs in the same quantities as the petitioner uses. Based on the information provided by the petitioner, we believe that the petitioner's FOP methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioner asserted that South Africa is the most appropriate surrogate country for Lithuania, claiming that South Africa is: (1) a significant producer of comparable merchandise; (2) at a level of economic development comparable to Lithuania in terms of per capita GNI; and (3) that 30 percent of South Africa's labor force is employed in the agricultural sector, which corresponds to Lithuania's rate of 20 percent. The petitioner notes that the Department's regulations state that it will place primary emphasis on per capita GNP in determining whether a given market economy is at a level of economic development comparable to the NME country. *See Cold-Rolled Surrogate Country Selection Memo.* Furthermore, the petitioner has been able to obtain all of the necessary data to value factors of UANS production in South Africa. Based on the information provided by the petitioner, we believe that the petitioner's use of South Africa as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioner valued FOP, where possible, on reasonably available, public surrogate data from South Africa.

Materials were valued based on South African import values, as published by *DME Statistics* and *GTI Services*.

Labor was valued using the Department's regression-based wage rate for Lithuania, in accordance with 19 CFR 351.408(c)(3).

Natural gas was valued using *DME Statistics* for October to December 2001. Electricity was valued using *DME Statistics* for the calender year 2000. Petitioners assert that the same figures were recently relied upon by the Department in pure magnesium from the Russian Federation. *See Pure Magnesium From the Russian Federation.*

Catalysts, chemicals, and the corrosion inhibitor were valued using AUVs of imports into South Africa taken from *GTI Services* for July to December 2001. For manufacturing overhead, depreciation, general expenses and profit, the petitioner has relied upon publicly available financial data from a South African producer of nitrogen fertilizers, Omnia Holdings, covering the period January 2000 through March 2001. Based on the information provided by the petitioner, we believe that the surrogate values represent information reasonably available to the petitioner and are acceptable for purposes of initiating this investigation. *See Initiation Checklist.*

The Russian Federation

Export Price

The petitioner based EP on import weighted AUV data from official U.S. Census Bureau statistics for the period October 2001 through February 2002 for the subject HTSUS number. The petitioner calculated a net U.S. price by deducting brokerage, handling and domestic inland freight from the AUV. The petitioner based foreign inland freight on a price quote for the rail transport effective during calender year 2000, obtained from a South African rail company provider and adjusted for inflation using the South African WPI as published in the *International Financial Statistics* of the International Monetary Fund. *See Preliminary LTFV Determination: Pure Magnesium From the Russian Federation.* Foreign brokerage and handling charges were based on the "waterfront charges" for the port of Durban, as published in a report by the South African Department of Transportation.

Normal Value

The petitioner asserted that the Department has treated the Russian Federation as an NME country in the past and has issued no determinations to the contrary. Pursuant to19 CFR 351.202(b)(7)(i)(C) of the Department's regulations, because the Russian Federation's status as an NME remains in effect, the petitioner determined the dumping margin using a FOP analysis.

For NV, the petitioner based the FOP, as defined by section 773(c)(3) of the Act, on the quantities of inputs of one U.S. UANS producer. The petitioner asserted that information regarding the Russian producers' consumption rates is not reasonably available, and it has therefore assumed, for purposes of the petition, that producers in Russia use the same inputs in the same quantities as the petitioner used. Based on the information provided by the petitioner, we believe that the petitioner's FOP methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioner asserted that South Africa is the most appropriate surrogate country for the Russian Federation, claiming that South Africa is: (1) a significant producer of comparable merchandise; and (2) at a level of economic development comparable to the Russian Federation in terms of per capita GNI. The petitioner further notes that in recent antidumping cases involving the Russian Federation, the Department identified a group of countries at a level of economic development comparable to the Russian Federation based primarily on per capita GNI. This group includes Colombia, Egypt, the Philippines, Thailand, and Tunisia. The petitioner claimed that none of these potential surrogates were suitable for the instant petition for the following reasons: 1) the petitioner stated that surrogate country producer information is not available for Colombia; 2) in the case of Egypt, the petitioner asserted that it is unable to locate reliable, countrywide natural gas pricing data; 3) for the Philippines and Thailand, the petitioner stated that there is no nitrogen fertilizer production in those two countries; and 4) in the case of Tunisia, the petitioner asserted that it was unable to locate any sources of nationwide natural gas or electricity prices, in addition to being unable to obtain financial data for the one nitrogen producer in Tunisia. The petitioner claims it has been able to obtain all of the necessary data to value factors of UANS production in South Africa.

Based on the information provided by the petitioner, we believe that the petitioner's use of South Africa as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioner valued FOP, where possible, on reasonably available, public surrogate data from South Africa. Materials were valued based on South African import values, as published by DME Statistics and GTI Services.

Labor was valued using the Department's regression-based wage rate for the Russian Federation, in accordance with 19 CFR 351.408(c)(3).

Natural gas was valued using *DME Statistics* for October through December 2001. Electricity was valued using *DME Statistics* for the calender year 2000. The petitioner asserted that the same figures were recently relied upon by the Department in pure magnesium from the Russian Federation. *See Pure Magnesium From the Russian Federation.* These figures were adjusted to account for known price differences between U.S. production factors and factors reported to the Department by a Russian Federation producer in the production of ammonium nitrate (AN), and publicly reported factors for AN provided in the AN antidumping investigations. *See Initiation of Antidumping Investigation: Solid Fertilizer Grade Ammonium Nitrate from the Russian Federation*, 64 FR 45226 (September 27, 2000) (*Initiation of Ammonium Nitrate*). The petitioner assumed that the proprietary factor data was ranged upward by the full 10 percent maximum adjustment percentage. Therefore, to be conservative, the petitioner reduced the publicly reported factors by 10 percent to account for the possibility for an upward adjustment.

Catalysts, chemicals, and the corrosion inhibitor were valued using AUVs of imports into South Africa taken from *GTI Services* for July through December 2001. For manufacturing overhead, depreciation, general expenses and profit, the petitioner relied upon publicly available financial data from a South African producer of nitrogen fertilizers, Omnia Holdings, covering the period January 2000 through March 2001. Based on the information provided by the petitioner, we believe that the surrogate values represent information reasonably available to the petitioner and are acceptable for purposes of initiating this investigation. *See Initiation Checklist.*

Ukraine

Export Price

The petitioner based EP on the AUV data from official U.S. Census Bureau statistics for the period October 2001 through February 2002 for the subject HTSUS number. The petitioner

calculated a net U.S. price by deducting brokerage, handling and domestic inland freight from the AUV. The petitioner based foreign inland freight on rail freight information provided by the U.S. Embassy in Jakarta, Indonesia for February 2001 and adjusted for inflation using the Indonesian WPI as published in the *International Financial Statistics* of the International Monetary Fund. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Solid Agricultural Grade Ammonium Nitrate From Ukraine*, 66 FR 13286 (March 5, 2001) (Ammonium Nitrate from Ukraine). Foreign brokerage and handling charges were based on Indonesian brokerage and handling cost for February 2001 used by the Department in the antidumping investigation of AN from Ukraine and were inflated to the POI using the Indonesian WPI as published in the *International Financial Statistics* of the International Monetary Fund. *See Ammonium Nitrate from Ukraine*, 66 FR at 13290–91.

Normal Value

The petitioner asserted that the Department has treated Ukraine as an NME country in the past and has issued no determinations to the contrary. Pursuant to19 CFR 351.202(b)(7)(i)(C), because Ukraine's status as an NME remains in effect, the petitioner determined the dumping margin using a FOP analysis.

For NV, the petitioner based the FOP, as defined by section 773(c)(3) of the Act, on the quantities of inputs of one U.S. UANS producer. The petitioner asserted that information regarding the Ukrainian producers' consumption rates is not reasonably available, and it has therefore assumed, for purposes of the petition, that producers in Ukraine use the same inputs in the same quantities as the petitioner uses. Based on the information provided by the petitioner, we believe that the petitioner's FOP methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioner asserted that Indonesia is the most appropriate surrogate country for Ukraine, claiming that Indonesia is: (1) a significant producer of comparable merchandise; and (2) at a level of economic development comparable to Ukraine in terms of per capita GNI. The petitioner further notes that Indonesia, in addition to Pakistan, Sri Lanka, the Philippines, and Egypt, is included on the Department's most recent list of possible surrogate countries for Ukraine. *See Ammonium Nitrate from Ukraine.* Based on the information provided by the petitioner, we believe that the petitioner's use of Indonesia as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, petitioner valued FOP, where possible, on reasonably available, public surrogate data from Indonesia.

Labor was valued using the Department's regression-based wage rate for Ukraine, in accordance with 19 CFR 351.408(c)(3).

Natural gas and electricity were valued from the Organization for Economic Cooperation and Development's *Energy Prices & Taxes* (4th quarter 2001) and adjusted to the anticipated POI to take inflation into account. Adjustments were also made to account for known price differences between U.S. production factors and factors reported to the Department by Ukrainian producer, J.S.C. Stirol, for the production of AN, and publicly reported factors for AN provided in the AN antidumping investigations. *See Ammonium Nitrate from Ukraine.* The petitioner assumed that the proprietary factor data was ranged upward by the full 10 percent maximum adjustment percentage. Therefore, to be conservative, the petitioner reduced the publicly reported factors by 10 percent to account for the possibility for an upward adjustment.

For manufacturing overhead, depreciation, general expenses and profit, the petitioner has relied upon publicly available financial data from an Indonesian producer of ammonia and urea, PT Pupuk Kalimantan.

Catalysts, chemicals and the corrosion inhibitor were valued using import data from Indonesia taken from *GTI Services* for July to December 2001. The petitioner used Indonesian import statistics for HTSUS number 3815.1100 to value the catalysts containing nickel and, in accordance with 19 CFR 351.408(a), subtracted NME values from the total quantity and value of imports. The Indonesian import statistics also contained values listed as being imports from Indonesia. Because we do not know what these values represent, we adjusted the petitioner's surrogate value data by subtracting these values from the Indonesian import statistics. Furthermore, it is the Department's practice to disregard import values from South Korea, Thailand, and Indonesia. The Department has determined that each of these countries maintain broadly available, non-industry specific export subsidies which may benefit all exporters to all export markets. Therefore, we have also adjusted the petitioner's surrogate data by subtracting these imports from these countries from the statistics. *See Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields From the People's Republic of China*, 67 FR 6482 (February 12, 2002). Based on the information provided by the petitioner and taking into account adjustments made by the Department, we believe that the surrogate values represent information reasonably available to the petitioner and are acceptable for purposes of initiating this investigation.

Fair Value Comparisons

Based on a comparison of EP to NV, the petitioner calculated estimated weighted-average dumping margins of 75.80, 103.90, and 331.40 percent for Belarus, Lithuania, and the Russian Federation, respectively. In the case of Ukraine, the Department adjusted the petitioner's calculations, which then produced an estimated weighted-average dumping margin of 144.70 percent. Summaries of the margin calculations are contained in the *Initiation Checklists.*

Based on the data provided by the petitioner, there is reason to believe that imports of UANS from Belarus, Lithuania, the Russian Federation, and Ukraine are being, or are likely to be, sold at LTFV.

Allegations and Evidence of Material Injury and Causation

The petitions allege that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of the imports of the subject merchandise sold at less than NV. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, ITC data, information gathered during the AN investigations, lost sales data, and pricing information. *See Ammonium Nitrate From Ukraine. See also Ammonium Nitrate from Russia.* The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See Initiation Checklists* at 4 and 5.

Request for an Expedited Preliminary Determinations

The petitioner has requested that, in accordance with the Department's June 8, 2000, policy bulletin regarding expedited antidumping duty investigations, the Department issue

expedited preliminary determinations in these investigations. *See* Department Policy Bulletin No. 00.1, "Expedited Antidumping Duty Allegations" (policy bulletin), which can be found on the Department's web page at http://ia.ita.doc.gov. The policy bulletin lays out specific criteria that the Department will consider in deciding whether to expedite an investigation, including evidence of an extraordinary surge in imports prior to the filing of the petition, evidence of significant import penetration, evidence of an unusually high dumping margin or recent declines in import prices, whether there are prior determinations of dumping against the same product (or class of product) from the subject country in the United States or in other countries, and whether the Department's resources permit it to expedite the preliminary determination.

The petitioner contended that there has been a surge of "unfairly traded imports" of UANS from Belarus, Lithuania, the Russian Federation, and Ukraine at "unprecedented levels" and that subject country producers have captured U.S. market share through "aggressive and persistent underselling." The petitioner also alleged that the United States market has been and continues to be flooded with UANS traded at LTFV from the Russian Federation, Ukraine, Lithuania, and Belarus. Furthermore, the petitioner asserted that after the imposition of antidumping restrictions in the European Union in 2000, the United States, the largest unrestricted market for UANS, has become a target for unfairly traded imports of UANS. Moreover, the petitioner argued that the massive surge of imports from the Russian Federation, Ukraine, Lithuania, and Belarus did not recede in 2001, but instead comprised 84.1 percent of the total share of UANS imports. The petitioner claimed the rapid and voluminous increase of imports from the Russian Federation, Ukraine, Lithuania, and Belarus warrants an expedited preliminary determination.

The Department is considering the petitioner's arguments on this matter and will make a determination on whether to expedite the preliminary determination. Section 351.205(b)(1) of the Department's regulations states that the deadline for a preliminary determination in an antidumping investigation is normally not later than 140 days after the date on which the Secretary initiated the investigation.

We are inviting parties to comment on the petitioner's request for expedited preliminary determination. The Department encourages all parties to submit such comments no later than May 20, 2002. Comments should be addressed to the Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Initiation of Antidumping Investigations

Based on our examination of the petitions, we have found that the petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of UANS from Belarus, Lithuania, the Russian Federation, and Ukraine are being, or are likely to be, sold in the United States at LTFV. 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 reexamine the information and revise the margin calculations, if appropriate. Unless this deadline is extended, we will make our preliminary determinations no later than 140 days after the date of these initiations.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the petitions have been provided to representatives of the government of Belarus, Lithuania, Ukraine, and the Russian Federation.

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine by June 3, 2002, whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of UANS from Belarus, Lithuania, Ukraine, and the Russian Federation. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued an published in accordance with section 777(i) of the Act.

DATED: May 9, 2002

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 02–12588 Filed 5–17–02; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject:	Urea Ammonium Nitrate Solutions from Belarus, Lithuania, Russia, and Ukraine
Invs. Nos.:	731-TA-1006-1009 (Preliminary)
Date and Time:	May 10, 2002 - 9:30 a.m.

The conference was held in connection with these investigations in Courtroom A, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Akin, Gump, Strauss, Hauer & Feld LLP
Washington, DC
on behalf of

Nitrogen Solutions Fair Trade Committee

Joseph D. Giesler, Global Director of Industrial Sales, Terra Industries, Inc.
Joseph A. Ewing, Vice-President of Marketing and Distribution, Mississippi Chemical Corp.
Jerry Christian, Senior Area Manager, Matlok Fertilizer Co.
Daniel W. Klett, Economist, Capital Trade, Inc.

Valerie A. Slater–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

White & Case LLP
Washington, DC
on behalf of

Transammonia, Inc.
JSC Nevinnomyssk Azot

Brent Hart, Transammonia, Inc.

Walter J. Spak
Lyle B. Vander Schaaf)–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:–Continued

White & Case LLP
Washington, DC
on behalf of

Koch Nitrogen Co.
S.C. Achema Co.

Gregory J. Spak–OF COUNSEL

Collier Shannon Scott PLLC
Washington, DC
on behalf of

International Raw Materials Ltd.

Brooke McMullin, Vice President, International Raw Materials Ltd.
Patrick J. Magrath, Managing Director, Georgetown Economic Services
Gina E. Beck, Economic Consultant, Georgetown Economic Services

Paul C. Rosenthal–OF COUNSEL

The Trade Partnership
Washington, DC
on behalf of

Committee for Competitive Nitrogen Fertilizer Markets

Clifford B. Daugherty, Manager, Fertilizer Division, United Suppliers, Inc.
Elio A. Mazzella, President, Interoceanic Corp.
Laura Baughman, President, The Trade Partnership

Miller & Chevalier
Washington, DC
on behalf of

J.R. Simplot Co.

Steve Gray, Vice President of Supply Planning Chain Management, J.R. Simplot Co.
Dean Tvinnereim, Director of International Sourcing, J.R. Simplot Co.

Peter Koenig–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:–Continued

McGrath, North, Mullin & Kratz, P.C.
Omaha, NE
on behalf of

United Agri Products, Inc.

Rick Frison, Executive Vice President, United Agri Products, Inc.

APPENDIX C

SUMMARY DATA

Table C-1
UAN: Summary data concerning the U.S. market, 1999-2001, January-June 2000-2001, and July-December 2000-2001

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data							Period changes				
				January-June		July-December					Jan.-June	July-Dec.
	1999	2000	2001	2000	2001	2000	2001	1999-2001	1999-2000	2000-2001	2000-2001	2000-2001
U.S. consumption quantity:												
Amount	10,374,783	11,208,956	9,738,765	5,953,563	4,972,877	4,772,065	4,765,888	-6.1	8.0	-13.1	-16.5	-0.1
Producers' share (1)	93.6	87.2	78.5	89.7	74.4	82.7	82.8	-15.1	-6.4	-8.7	-15.3	0.0
Importers' share (1):												
Belarus	***	***	***	***	***	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal	2.7	8.8	14.8	7.1	15.1	11.9	14.5	12.1	6.2	5.9	7.9	2.6
All other sources	3.7	4.0	6.7	3.2	10.5	5.4	2.7	3.0	0.3	2.7	7.3	-2.6
Total imports	6.4	12.8	21.5	10.3	25.6	17.3	17.2	15.1	6.4	8.7	15.3	-0.0
U.S. consumption value:												
Amount	702,693	975,506	1,059,927	458,553	645,765	479,157	416,702	50.8	38.8	8.7	40.8	-13.0
Producers' share (1)	92.4	87.0	79.2	89.0	76.4	84.0	83.6	-13.2	-5.4	-7.8	-12.6	-0.3
Importers' share (1):												
Belarus	***	***	***	***	***	***	***	***	***	***	***	***
Lithuania	***	***	***	***	***	***	***	***	***	***	***	***
Russia	***	***	***	***	***	***	***	***	***	***	***	***
Ukraine	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal	2.2	7.9	12.5	6.5	12.4	9.9	12.6	10.3	5.7	4.6	6.0	2.7
All other sources	5.4	5.1	8.2	4.5	11.1	6.1	3.7	2.9	-0.3	3.1	6.6	-2.4
Total imports	7.6	13.0	20.8	11.0	23.6	16.0	16.4	13.2	5.4	7.8	12.6	0.3
U.S. imports from--												
Belarus:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
Lithuania:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
Russia:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
Ukraine:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal:												
Quantity	276,743	991,211	1,438,593	423,476	748,814	567,735	689,780	419.8	258.2	45.1	76.8	21.5
Value	15,641	77,364	133,020	29,723	80,308	47,641	52,709	750.5	394.6	71.9	170.2	10.6
Unit value	$56.52	$78.05	$92.47	$70.19	$107.25	$83.91	$76.41	63.6	38.1	18.5	52.8	-8.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
All other sources:												
Quantity	387,724	447,285	654,961	191,576	524,446	255,708	130,516	68.9	15.4	46.4	173.8	-49.0
Value	37,696	49,780	87,398	20,585	71,841	29,195	15,558	131.8	32.1	75.6	249.0	-46.7
Unit value	$97.22	$111.29	$133.44	$107.45	$136.98	$114.17	$119.20	37.3	14.5	19.9	27.5	4.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
All sources:												
Quantity	664,468	1,438,496	2,093,555	615,052	1,273,260	823,443	820,295	215.1	116.5	45.5	107.0	-0.4
Value	53,337	127,144	220,418	50,308	152,149	76,837	68,266	313.3	138.4	73.4	202.4	-11.2
Unit value	$80.27	$88.39	$105.28	$81.79	$119.50	$93.31	$83.22	31.2	10.1	19.1	46.1	-10.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
U.S. producers':												
Average capacity quantity	10,734,380	10,338,492	11,040,730	5,185,763	5,520,786	5,153,729	5,520,944	2.9	-3.7	6.8	6.5	7.1
Production quantity	9,029,101	9,259,699	8,173,928	4,492,160	4,247,106	4,317,079	3,926,822	-9.5	2.6	-11.7	-5.5	-9.0
Capacity utilization (1)	80.1	85.2	74.0	86.6	76.9	83.8	71.1	-6.1	5.1	-11.2	-9.7	-12.6
U.S. shipments:												
Quantity	9,710,315	9,770,460	7,645,210	5,338,511	3,699,617	3,948,622	3,945,593	-21.3	0.6	-21.8	-30.7	-0.1
Value	649,356	848,362	839,509	408,245	493,616	402,320	348,436	29.3	30.6	-1.0	20.9	-13.4
Unit value	$66.98	$87.66	$109.81	$77.06	$133.42	$103.25	$88.31	63.9	30.9	25.3	73.1	-14.5
Export shipments:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	1,450,710	924,115	1,347,190	571,659	1,345,160	924,721	1,326,015	-7.1	-36.3	45.8	135.3	43.4
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***	***
Production workers	831	736	721	732	739	732	696	-13.2	-11.4	-2.0	0.9	-4.9
Hours worked (1,000s)	1,746	1,600	1,598	800	822	801	776	-8.5	-8.4	-0.1	2.8	-3.1
Wages paid ($1,000s)	46,072	38,828	41,509	19,212	20,841	19,619	20,667	-9.9	-15.7	6.9	8.5	5.3
Hourly wages	$26.39	$24.27	$25.98	$24.02	$25.35	$24.50	$26.64	-1.6	-8.0	7.0	5.6	8.7
Productivity (tons/1,000 hours)	5,657.6	5,410.0	5,021.2	5,519.1	5,069.0	5,294.3	4,970.5	-11.2	-4.4	-7.2	-8.2	-6.1
Unit labor costs	$4.98	$4.49	$5.17	$4.35	$5.00	$4.63	$5.36	3.9	-9.9	15.3	14.9	15.8
Net sales:												
Quantity	9,352,791	9,346,555	7,793,609	5,408,824	3,827,784	3,937,731	3,965,825	-16.7	-0.1	-16.6	-29.2	0.7
Value	624,542	815,538	850,780	413,082	504,968	402,456	345,812	36.2	30.6	4.3	22.2	-14.1
Unit value	$66.78	$87.26	$109.16	$76.37	$131.92	$102.21	$87.20	63.5	30.7	25.1	72.7	-14.7
Cost of goods sold (COGS)	669,444	773,536	870,770	407,261	486,714	366,275	384,056	30.1	15.5	12.6	19.5	4.9
Gross profit or (loss)	(44,902)	42,002	(19,990)	5,821	18,254	36,181	(38,244)	55.5	(3)	(3)	213.6	(3)
SG&A expenses	58,084	53,734	49,497	26,468	24,756	27,266	24,741	-14.8	-7.5	-7.9	-6.5	-9.3
Operating income or (loss)	(102,986)	(11,732)	(69,487)	(20,647)	(6,502)	8,915	(62,985)	32.5	88.6	-492.3	68.5	(3)
Capital expenditures	23,933	19,871	10,964	(4)	(4)	(4)	(4)	-54.2	-17.0	-44.8	(2)	(2)
Unit COGS	$71.58	$82.76	$111.73	$75.30	$127.15	$93.02	$96.84	56.1	15.6	35.0	68.9	4.1
Unit SG&A expenses	$6.21	$5.75	$6.35	$4.89	$6.47	$6.92	$6.24	2.3	-7.4	10.5	32.2	-9.9
Unit operating income or (loss)	($11.01)	($1.26)	($8.92)	($3.82)	($1.70)	$2.26	($15.88)	19.0	88.6	-610.3	55.5	(3)
COGS/sales (1)	107.2	94.8	102.3	98.6	96.4	91.0	111.1	-4.8	-12.3	7.5	-2.2	20.0
Operating income or (loss)/ sales (1)	(16.5)	(1.4)	(8.2)	(5.0)	(1.3)	2.2	(18.2)	8.3	15.1	-6.7	3.7	-20.4

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Undefined.
(4) Not available.

Note.--Short tons are on a 32-percent nitrogen content basis. Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics (revised).

APPENDIX D

THE RELATIONSHIPS AMONG NOMINAL EXCHANGE RATES, REAL EXCHANGE RATES, AND PRODUCER PRICE TRENDS, AND THE IMPACT OF CHANGES IN THEIR VALUES ON PRICES OF EXPORTS AND IMPORTS

An exchange rate is the price of one currency in terms of another currency. Hence, an exchange-rate index is a price index. The exchange rate indices discussed in this report were based on exchange rates expressed in U.S. dollars per unit of the foreign currency (i.e., price of the foreign currency). An exchange-rate index number below 100 indicates that the foreign currency has depreciated (become cheaper) vis-a-vis the U.S. dollar; e.g., it requires fewer U.S. dollars to buy one unit of the foreign currency compared to the number of U.S. dollars required during the base period,[1] which has an index number of 100. On the other hand, an exchange-rate index number above 100 indicates that the foreign currency has appreciated (become more expensive) vis-a-vis the U.S. dollar; e.g., it requires more U.S. dollars to buy one unit of the foreign currency.[2] For instance, depreciation of the Russian ruble tends to make *Russian exports **less** **expensive** in U.S. dollars and Russian imports **more** **expensive** in rubles*. On the other hand, appreciation of the Russian ruble tends to make *Russian exports **more** **expensive** in U.S. dollars* and *Russian imports **less** **expensive** in rubles*.[3]

The producer or wholesale price indices measure inflation or deflation at the producer selling price level in each subject country and in the United States. Adjusting nominal exchange rates by relative inflation or deflation in the subject country vis-a-vis the United States yields a real exchange rate, which accounts for relative changes in prices in the subject country as well as changes in nominal exchange rates.[4] As a result, the *nominal* exchange rate in each period has a counterpart *real* exchange rate for that period. Indices of the two counterpart exchange rates may actually show opposing changes in the value of the currency, with one index representing the *nominal* value of the currency and the other the *real* value of the currency. For instance, the *nominal* exchange rate index may indicate that depreciation of the currency *in nominal terms* had occurred in a particular period but, because of sometimes large differences in inflation/deflation between countries, the counterpart *real* exchange rate index may actually indicate that appreciation of the currency *in real terms* had occurred in that period. In such an instance, changes in the nominal exchange rate would show an opposite (and incorrect) impact on export and import prices than that indicated by changes in the real exchange rate.

In considering real exchange rates it is important to understand the relationship between relative price changes and nominal exchange rates *at a given point in time*. Relatively *more inflation* in the subject country vis-a-vis the United States will ***undercut** nominal depreciation* of the subject country's currency vis-a-vis the United States, but will ***reinforce** nominal appreciation* of the subject country's currency.[5] Relatively *less inflation*, on the other hand, will ***reinforce** nominal depreciation* of the subject

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[1] Depreciation of a currency also indicates that more of that currency is required to buy one U.S. dollar.

[2] Appreciation of a currency also indicates that less of that currency is required to buy one U.S. dollar.

[3] Currency depreciation/appreciation can affect prices of exports and imports, or allow/force the importer or exporter to earn a higher/lower profit with the price level unchanged. Alternatively, some combination of changes in both prices and profits can occur.

[4] The real exchange rate is a better indicator (than the nominal exchange rate) of the impact of exchange rates on export and import prices.

[5] When looking at the impact of relative inflation rates on the nominal exchange rate *over time*, however, relatively more inflation in the subject country will tend *over time* to depreciate its nominal currency value as foreign demand shifts away from its products toward lower-priced products from other countries. The shift in demand away from the subject country's products will reduce demand for its currency and, thereby, put downward pressure on the exchange rate (price of the currency).

country's currency and ***undercut*** *nominal appreciation* of the subject country's exchange rate.[6] As an example, the first of these relationships is seen with the Russian ruble in these investigations. During January 1999-December 2001, the Russian ruble depreciated on a quarterly basis by 23.2 percent in nominal terms against the U.S. dollar, but higher inflation in Russia compared to that in the United States during this period (115.9 percent inflation versus 5.5 percent inflation) led the Russian ruble to appreciate by 57.1 percent in real terms against the U.S. dollar. (While nominal depreciation of the ruble tended to make Russian exports less expensive in U.S. dollars, the inflation in Russia compared to that in the United States tended to raise the dollar-converted prices of its exports. The net effect, as indicated by the real exchange rate, would be pressure to increase the dollar prices of Russian exports compared to a decrease suggested by the nominal depreciation of the ruble.)

[6] When looking at the impact of relative inflation rates on the nominal exchange rate *over time*, however, relatively less inflation in the subject country will tend *over time* to appreciate its nominal currency value as foreign demand increases for its products and away from higher-priced products from other countries. The shift in demand toward the subject country's products will increase demand for its currency and, thereby, put upward pressure on the exchange rate (price of the currency).

APPENDIX E

NATURAL GAS SALES
BY U.S. PRODUCERS OF UAN

Responses of U.S. producers to the following question:

Have you sold, offered to sell, or initiated any sale negotiations or inquiries for natural gas (or natural gas purchase options) since January 1, 1999?

Responses of the producers are:

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APPENDIX F

EFFECTS OF SUBJECT IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

Responses of U.S. producers to the following questions:

1. Since January 1, 1999, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of UAN from Belarus, Lithuania, Russia, or Ukraine?

Responses of the producers are:

* * * * * * *

2. Does your firm anticipate any negative impact of imports of UAN from Belarus, Lithuania, Russia, or Ukraine?

Responses of the producers are:

* * * * * * *

APPENDIX G

OFFICIAL DEPARTMENT OF COMMERCE IMPORT STATISTICS

Table G-1
UAN: U.S. imports, by source, 1999-2001, January-June 2000-2001, and July-December 2000-2001

Source	1999	2000	2001	January-June 2000	January-June 2001	July-December 2000	July-December 2001
			Quantity (short tons)				
Belarus	0	146,901	221,517	0	73,046	146,901	148,471
Lithuania	0	22,693	187,303	0	187,043	22,693	260
Russia	150,359	517,118	765,436	303,252	373,186	213,866	392,250
Ukraine	126,384	303,871	347,254	96,903	198,456	206,968	148,798
Subtotal	276,743	990,583	1,521,510	400,155	831,731	590,428	689,780
All other	387,724	447,285	654,961	191,576	524,446	255,708	130,516
Total	664,468	1,437,868	2,176,472	591,731	1,356,176	846,137	820,295
			LDP value ($1,000)				
Belarus	0	14,894	22,938	0	10,122	14,894	12,816
Lithuania	0	1,791	22,530	0	22,506	1,791	24
Russia	8,827	33,491	61,993	19,799	33,250	13,693	28,743
Ukraine	6,814	27,138	35,532	8,084	24,406	19,054	11,126
Subtotal	15,641	77,314	142,994	27,882	90,285	49,432	52,709
All other	37,696	49,780	87,398	20,585	71,841	29,195	15,558
Total	53,337	127,095	230,392	48,467	162,126	78,628	68,266
			LDP unit value ($/short ton)				
Belarus	-----	$101.39	$103.55	-----	$138.57	$101.39	$86.32
Lithuania	-----	78.93	120.29	-----	120.32	78.93	91.67
Russia	$58.71	64.77	80.99	$65.29	89.10	64.03	73.28
Ukraine	53.91	89.31	102.32	83.42	122.98	92.06	74.77
Average	56.52	78.05	93.98	69.68	108.55	83.72	76.41
All other	97.22	111.29	133.44	107.45	136.98	114.17	119.20
Average	80.27	88.39	105.86	81.91	119.55	92.93	83.22

Source: Compiled from official Commerce statistics (revised).