METHYL ALCOHOL FROM CANADA

Determination of Likelihood
of Injury in Investigation
No. AA1921-202 Under the
Antidumping Act, 1921,
as Amended,
Together With the Information
Obtained in the Investigation

USITC PUBLICATION 986

JUNE 1979

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Joseph O. Parker, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Catherine Bedell
Paula Stern

Kenneth R. Mason, Secretary to the Commission

This report was prepared by

Marion M. Jacks, Investigator
and
Edmund D. Cappuccilli, Energy and Chemicals Division

assisted by

S. Michael Youssef, Office of Economic Research
Rhond Roth, Office of the General Counsel

Lynn Featherstone, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

C O N T E N T S

Tables

Tables

Figures

Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

(AA1921-202)

METHYL ALCOHOL FROM CANADA

Determination

On the basis of the information obtained in the investigation, the Commission determines (Vice Chairman Alberger and Commissioner Stern dissenting), that an industry in the United States is likely to be injured by reason of the importation of methyl alcohol from Canada, which the Department of the Treasury has determined is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)).

Background

On March 29, 1979, the United States International Trade Commission received advice from the Department of the Treasury that methyl alcohol from Canada is being, or is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Accordingly, on April 4, 1979, the Commission instituted investigation No. AA1921-202 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Notice of the institution of the investigation and of the public hearing held in connection therewith was published in the Federal Register of April 11, 1979 (44 F.R. 21718). The public hearing was held in Washington, D.C., on May 15 and 16, 1979, and all persons who requested the opportunity were permitted to appear in person or by counsel.

In arriving at its determination, the Commission gave due consideration to all written submissions from interested persons and information adduced at the hearing, provided by the Department of the Treasury, and obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

Statement of Reasons of Chairman Joseph O. Parker and Commissioners George M. Moore and Catherine Bedell

The Commission instituted this investigation on April 4, 1979, upon receipt of advice from the Department of the Treasury that methyl alcohol from Canada is being, or is likely to be, sold in the United States at less than fair value. This investigation (No. AA1921-202) by the Commission is conducted pursuant to section 201(a) of the Antidumping Act, 1921, as amended, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. In an earlier preliminary investigation, the Commission had determined that there was a reasonable indication of injury or likelihood of injury by reason of the importation of such merchandise, allegedly sold at less than fair value, which resulted in a full investigation of the matter.

Determination

On the basis of the information obtained in this investigation, we have determined that an industry in the United States is likely to be injured by reason of the importation of methyl alcohol from Canada which Treasury has determined is being, or is likely to be, sold at LTFV.

The investigation by the Department of the Treasury of the pricing of methyl alcohol imported from Canada covered the 6-month period from January 1, 1978, through June 30, 1978. The investigation was limited to sales by Alberta Gas Chemicals Limited (AGCL), which accounted for virtually all imports of methyl alcohol from Canada. Fair-value comparisons were made on approximately 72 percent of the sales of the subject merchandise, and dumping margins ranging from 9.9 percent to 108.6 percent were found on all the sales compared. The weighted average margin of dumping as determined by the Department of the Treasury was 59.2 percent.

The domestic industry which is the subject of this investigation consists of eight firms with nine plants producing methyl alcohol. They are located principally in Texas and Louisiana. The industry is capital intensive and highly competitive.

Prior to 1975, the principal Canadian exporter, AGCL, did not produce methyl alcohol. The company brought on stream two producing units in early 1975 and in May 1976, respectively, in Medicine Hat, Alberta. These production facilities, when combined with those of the other Canadian producer, had the capacity to produce methyl alcohol in quantities far exceeding Canadian internal demand. This excess capacity was used to produce methyl alcohol for export, the majority of which was sold in U.S. markets at prices which the Department of the Treasury has determined were at less than fair value.

In July 1976, AGCL obtained approval from the Energy Resources Conservation Board of Alberta to use natural gas as a raw material in the production of methyl alcohol which would be produced in two additional facilities to be constructed at the Medicine Hat, Alberta site. Natural gas is the principal raw material used in the production of methyl alcohol and since AGCL has access to natural gas at a price much lower than that at which it is available in the U.S., AGCL is assured of a low cost supply of the primary raw material necessary for its expanded production. Although AGCL has not made a final determination on whether to proceed with this construction, the outcome of this investigation conceivably may be a factor in the final decision. If AGCL is permitted to continue to sell at LTFV in this market and the additional capacity under consideration is brought into being, about 700 million pounds of methyl alcohol will be available for export to the United States. The additional supply is the equivalent of more than 10 percent of current U.S. consumption. The U.S. market is a logical market for any increased

Canadian production.

Imports of methyl alcohol from Canada increased from about 70 million pounds in 1975 to 357 million pounds in 1977. Imports during the first 6 months of 1978 continued at a record pace, but after the filing of the antidumping petition, imports decreased and the total for the year 1978 was slightly below that for 1977. The ratio of imports from Canada to apparent open-market consumption increased from 8 percent in 1976 to 13 percent in 1977, but decreased to about 11 percent in 1978.

Several factors facilitate this penetration of the U.S. market by LTFV imports from Canada. After the establishment of its producing facilities, AGCL established a wholly owned subsidiary in the United States to market its products. This subsidiary has a trained sales staff in place which is familiar with the U.S. market. In addition, the proximity of the U.S. market provides the Canadian producer with good access by railcar to the major U.S. markets. AGCL also maintains a terminal facility at the Port of New York to receive ocean-going shipments.

Because methyl alcohol is a fungible product, it is sold principally on the basis of price. It is clear that without the significant dumping margins (in some cases over 100 percent) at which the Department of the Treasury determined that AGCL sold in the United States, these imports would not have undersold U.S.-produced methyl alcohol or suppressed U.S. producers' prices. If AGCL has increased capacity and additional product availability and is able to continue to sell at LTFV to the U.S. market, the likelihood of increased penetration, price suppression, and injury to the domestic industry is apparent.

Aggregate data for seven U.S. producers reveal a sharply deteriorating trend in profitability since 1976. Net operating profit decreased steadily from \$55.6 million in 1976 to \$40 million in 1978, and in the first quarter of 1979, profit declined by 63 percent in comparison with that in the corresponding period of 1978. The ratio of net operating profit to net sales also declined, decreasing from 22.2 percent in 1976 to 17.4 percent in 1977 and 15.2 percent in 1978. The ratio of net operating profit to net sales was 5.2 percent in January-March 1979 compared with 16.6 percent in January-March 1978. This sharp decline in profitability is the result of rapidly increasing production costs (principally those for natural gas) without corresponding increases in selling price. These trends indicate that the domestic industry is increasingly vulnerable to import competition and that continued sales at less than fair value of expanding supplies from Canada will suppress or depress U.S. producers' prices and will be almost certain to cause injury to the U.S. industry.

STATEMENT OF REASONS OF COMMISSIONERS BILL ALBERGER AND PAULA STERN

On the basis of information obtained in this investigation, we determine, pursuant to Section 201 of the Antidumping Act, as amended, that an industry in the United States is not being or likely to be injured, or prevented from being established by reason of the importation of methyl alcohol from Canada at less than fair value. In reaching our decision that an industry in the United States is not being injured by less-than-fair-value imports, we recognize that the domestic industry producing methyl alcohol may be experiencing some economic difficulty, but we believe that the industry's present economic problems are not related to less-than-fair-value sales from Canada. With respect to our decision that an industry in the United States is not likely to be injured by less-than-fair-value imports, we are unable to ascertain any factors which would lead us to find that the likelihood of such injury is "real and imminent."

The Domestic Industry

Methyl alcohol, which is the sixth largest organic chemical commodity in the United States, is used primarily as a raw material in the manufacture of other chemicals and as a general solvent. Forty to fifty percent of the methyl alcohol consumed in the United States is used in the manufacture of formaldehyde which, in turn, is used extensively in the production of adhesives used to make plywood and particle board. Over the next several years, the market for methyl alcohol is forecasted to expand as methyl alcohol is used in a widening range of applications. Of particular significance are the potential uses of methyl alcohol as fuel for the generation of electricity in power plants and as a gasoline extender and base for synthetic gasoline. 1/

Prior to 1970, all synthetic methyl alcohol produced in the United States was made by a high pressure process that depended heavily upon natural gas. In view of the dramatic escalation in the price of natural gas, which nearly doubled between 1976 and 1979, domestic producers of methyl alcohol are now either building new plants which utilize the more cost-efficient lower-pressure process or converting existing high-pressure process plants to the low-pressure process. 2/ In 1978, only 50 percent of domestic production was produced by the low-pressure process, as opposed to 100 percent of the Canadian imports.

At present, methyl alcohol is produced in the United States by eight large, diversified chemical firms in nine plants. Six of the domestic producers are also users of methyl alcohol in the production of derivative products. 3/ Production plants are located in Louisiana, Texas, and Florida. Four domestic producers are expanding or planning to expand production capacity in the near future.

1/ On February 24, 1979, the Environmental Production Agency approved methyl tertiary butyl ether, which contains methyl alcohol, as a gasoline additive to increase octane levels and to act as an antiknock agent.

2/ Information developed by the Commission indicates that the low-pressure system is approximately 10 percent more efficient in natural gas usage than the high-pressure system.

3/ Domestic producers consume approximately 55 percent of their total production of methyl alcohol in the manufacture of derivative products. The remainder of their production is shipped to unrelated companies. Such transactions are referred to as "open-market shipments".

LTFV Sales

The Department of Treasury ("Treasury") investigation covered exports of methyl alcohol from Canada between January 1, 1978 and June 30, 1978. The investigation was limited to one Canadian manufacturer, Alberta Gas Chemicals Limited ("AGCL"), which accounted for virtually all Canadian exports of methyl alcohol to the United States during the period under investigation.[4/] Fair value comparisons were made in approximately 72 percent of AGCL's sales and margins of less-than-fair-value ranged from 9.9 percent to 108.6 percent, with a weighted average margin of 59.2 percent.

No Injury By Reason Of LTFV Sales

In order to make an affirmative determination, Section 201 of the Antidumping Act, as amended, requires the Commission to find that an industry is being or is likely to be injured and that such injury is "by reason of" less-than-fair-value imports.

An analysis of certain relevant domestic economic factors, such as profitability, capacity utilization and employment, indicates that the domestic industry may be experiencing some economic difficulty. On the other hand, analysis of domestic consumption, production, shipments and inventory levels points to stability and health on the part of the domestic industry. When all these economic indicators are analyzed in the context of market penetration, prices and lost sales, it is clear that the

4/ AGCL sells most of its methyl alcohol in the United States through its subsidiary, Alberta Gas Chemicals, Inc. ("AGCI"). AGCL's remaining sales are made directly to a domestic producer of methyl alcohol.

current economic problems confronting the domestic industry are not "by reason of" less-than-fair value sales of methyl alcohol from Canada.

While net sales have increased from $250.8 million in 1976 to $263 million in 1978, profits have steadily declined. Net operating profits decreased 21 percent from $55.6 million in 1976 to $43.9 million in 1977. In 1978, profits decreased another 9 percent to $40 million. In the first quarter of 1979, profits fell dramatically to $3.6 million from $11.4 million in the corresponding quarter of 1978, a decrease of 69 percent. However, it appears that this steady decline in profitability is directly related to rapidly increasing costs of production without corresponding increases in prices. Domestic producers report that their average cost of natural gas has risen continuously since 1976 from $.90 to $1.77 per million BTUs in the first quarter of 1979. In 1978, the cost of natural gas accounted for 55 percent of the cost of production.

According to testimony by a domestic producer, methyl alcohol production facilities should not operate below 85 percent of capacity for an extended period of time. Throughout the entire period under review by the Commission, aggregate capacity utilization ranged from 76.1 percent in 1978 to 79.3 percent in 1977. While the domestic industry's capacity utilization has never reached the 85 percent level, it is important to note that four domestic producers have indicated to the Commission that they have begun to expand their production facilities.

Employment has declined steadily from 1976 through 1978 and continued to decline in the first quarter of 1979. Employment dropped by

15 percent from 563 in 1976 to 477 in 1978. In the first quarter of 1979, employment dropped another 6 percent to 446 from 476 in the corresponding period of 1978. On the other hand, it is important to note that the decline in employment has been paralleled by a steady increase in worker productivity, with a corresponding increase in production. Output increased from 5.1 thousand pounds per worker-hour in 1976 to 6.3 thousand pounds in 1978 and continued to increase in the first quarter of 1979.

During the period reviewed by the Commission, domestic apparent consumption has steadily increased. Total apparent consumption rose from 5.8 billion pounds in 1976 to 6.3 billion pounds in 1977 and 6.7 billion pounds in 1978. Consumption in the first quarter of 1979 increased to 1.8 billion pounds as compared to 1.7 billion pounds in the corresponding quarter of 1978. Most significant, demand for methyl alcohol is projected to grow at an annual rate of 6 to 7 percent through 1981.

As domestic consumption has increased, the domestic industry has been able to step up its production and shipments and, at the same time, to reduce inventory levels. Production has risen from 6,120.3 million pounds in 1976 to 6,353.9 million pounds in 1978. In addition, production during the first quarter of 1979 increased to 1,538.9 million pounds from 1,376.7 million pounds in the corresponding quarter of 1978, an increase of approximately 12 percent. Open market shipments increased steadily from 2,672.1 million pounds in 1976 to 2,848.9 million pounds in 1977 and 2,914.4 million pounds in 1978. In the first quarter of 1979, open market shipments rose dramatically to 1 billion pounds from 692.3 million pounds in the corresponding quarter of 1978, a 44 percent increase.

At the same time that production was increasing, domestic producers' inventories were declining. In 1978, inventories declined by 14 percent to 654 million pounds; inventories declined even further to 461 million pounds in the first quarter of 1979. The ratio of inventories to production fell from 9.9 percent in the first quarter of 1978 to 7.5 percent in the corresponding quarter of 1979.

Imports of methyl alcohol from Canada have decreased both in absolute terms and as a percentage of apparent domestic consumption. In 1977, imports from Canada amounted to 358 million pounds. In 1978, which includes the period covered by the Treasury LTFV investigation, imports decreased by 5 percent to 339.1 million pounds. The decrease of methyl alcohol imports is accelerating. In the first quarter of 1979, imports declined to 58.6 million pounds from 86.9 million pounds in the corresponding quarter of 1978, a decrease of 33 percent. As a percentage of total apparent domestic consumption, imports from Canada decreased from 5.7 percent in 1977 to 5.1 percent in 1978 and continued to drop in the first quarter of 1979 when compared with the corresponding quarter in 1978.

Price data indicates that AGCI prices were as high or higher, with few exceptions, than domestic producers' prices throughout the period under review. Admittedly, AGCL's prices to its direct customer were lower. However, those prices were established in a long-term contract originally negotiated in 1973 and renegotiated in 1975. Not only was that contract entered into prior to Treasury's LTFV investigation, but nearly all of the imports under the contract are consumed by the customer.

Finally, information developed in the Commission's investigation throws into question the two confirmed instances of lost sales to Canadian imports by reason of lower prices. Of the two firms cited as sources of sales lost to domestic producers, one firm, a distributor, indicated that Canadian methyl alcohol was purchased because the firm's regular domestic supplier failed to meet its customary price discount. The distributor's own customer was, in turn, being offered lower-priced methyl alcohol by another domestic producer. Therefore, if the distributor had not purchased the Canadian methyl alcohol it would not have been able to offer a competitive price to its customer. In the other instance, the firm cited as a source of lost sales acknowledged purchasing lower-priced Canadian methyl alcohol, but stated that on other occasions it has also bought domestic methyl alcohol in lieu of the Canadian product when lower prices were offered. Information developed by the Commission shows that 15 other domestic firms specifically indicated that the alleged lost sales to Canadian imports were, in fact, sales lost to other domestic producers because of lower prices. Price data collected by the Commission confirms that AGCI generally offered prices for methyl alcohol that were competitive with those offered by domestic producers. In addition, the Commission was not able to confirm any instance of loss of revenue by domestic producers on sales that were made at reduced prices because of price depression caused by Canadian imports. 5/

5/ Three firms indicated that they bought Canadian imports of methyl alcohol in order to profit from duty drawback privileges. Such privileges are offered by the U.S. government to encourage exports. As no evidence was presented to indicate that AGCI offers different prices to firms that do not intend to collect drawback, we do not consider the issue relevant with respect to our determination in this investigation.

In summary, while the domestic industry appears to be in some economic difficulty, particularly in terms of profitability, the overall economic picture of the industry is not one of injury within the meaning of the Antidumping Act. Moreover, in the face of a declining market penetration, little, if any, relevant price suppression or depression and no real indication of lost sales attributable to LTFV imports, we have a case where even if injury did exist, it would not, in the context of the Antidumping Act, exist by reason of LTFV imports.

No Likelihood of Injury By Reason Of LTFV Sales

An affirmative determination that an industry is likely to be injured by LTFV imports must, according to the Senate Finance Committee, rest on "evidence showing that the likelihood is real and imminent and not on mere supposition, speculation, or conjecture." 6/ In analyzing the body of Commission precedent, two preconditions for finding likelihood of injury, which are consistent with the "real and imminent" standard, emerge: (1) the industry is -- and will continue to be -- vulnerable to injury, and (2) the foreign producers have the capacity and the need to export significant amounts of goods at less than fair value.

In finding that an industry is vulnerable to injury, the Commission has usually noted a slackening of profits, shipments and capacity utilization which has coincided with the penetration of less-than-fair-value imports. In Impression Fabric of Manmade Fiber from Japan, Inv. AA1921-176 (March 1978), the Commission found that gross profits had risen only

6/ S. Rep. No. 93-1298, 93rd Cong., 2d Sess. 180 (1974).

slightly after declining for several years and that prices were increasing at a lower rate than for textiles in general; such sluggishness had not yet indicated **injury**, but it did show that the industry was sensitive to less-than-fair-value imports. In Elemental Sulfur from Canada, Inv. AA1921-127 (October 1973), the Commission noted that prices in a particular region -- in which LTFV imports had been concentrated -- were somewhat below prices in other regions and predicted that increased penetration could widen the disparity. In Portland Cement from the Dominican Republic, Inv. AA1921-25 (April 1963), the domestic industry was operating at significantly less than full capacity and the Commission concluded that further penetration would decrease production even more. In all these cases, the Commission detected early signs of injury and concluded that further penetration by less-than-fair-value imports would lead directly to injury within the meaning of the Antidumping Act.

Once it had been determined that the industry was vulnerable to injury, the Commission then assessed whether the foreign producer had -- or would have had -- the capacity to export large amounts of their goods at LTFV. In some cases, it was clear that foreign producers already had "a large unutilized annual productive capacity . . . ." Instant Potato Granules from Canada, Inv. AA1921-97 (September 1972). In other cases, foreign producers had been operating at near capacity, but had been unable to find local markets for the product and were facing mounting stockpiles. Elemental Sulfur.

The Commission has also found that even when a foreign industry is operating at near capacity, expected changes in the marketing patterns of foreign producers could lead to significant less-than-fair-value imports to the United States. For example, in Canned Bartlett Pears, Inv. AA1921-110 (March 1973), the Commission feared that the expected imposition of heavy duties by the European Economic Community would have encouraged foreign producers to divert exports from that market to the United States. A recent rise in less-than-fair-value imports, the Commission warned, was "a precursor of an effort to establish and develop the United States market as a replacement for the United Kingdom market." In Printed Vinyl Film from Brazil and Argentina, Inv. AA1921-117 and 118 (March 1973) and Steel Reinforcing Bars from Canada, Inv. AA1921-33 (March 1964), the ability of the producer "to alter production patterns" and to increase production of the goods in question constituted a threat to the domestic industry.

In all these cases, the Commission found that the foreign supplier had the present capacity to increase its shipments to the United States. In some cases, the supplier already had excess productive capacity; in others, a decline in home market consumption or in the profitability of exports to other foreign markets or a buildup of inventories signalled that the foreign supplier would soon be increasing its exports to the United States. In short, the Commission found that there was a "real and imminent" potential for increased importation of the product in question at less than fair value.

It is clear that in this case additional exports to the United States by AGCL are unlikely in the imminent future. First, AGCL is producing at virtually 100 percent of capacity and nearly all production is committed under contractual agreements to existing customers. Second, information supplied to the Commission indicates that AGCL's markets outside the United States are expanding 7/ and that selling prices in those markets are higher than corresponding U.S. prices. Finally, combined inventories of methyl alcohol held by AGCL and AGCI on March 31, 1979, are relatively small and would not significantly increase U.S. import penetration even if the entire inventory was suddenly diverted to this country.

AGCL has an expansion plan under consideration that could add two additional plants to existing facilities. However, even if AGCL decides to expand its production facilities, information presented to the Commission clearly indicates that the impact of any such expansion would not be felt in the U.S. market for at least three years. If construction on the new facilities began immediately, AGCL reports that production would not commence until 1982. Furthermore, AGCL's expansion plans are uncertain at present. Financing for the expansion has yet to be obtained. In addition, AGCL has indicated that it would have to evaluate future Canadian energy policies, the results of the multilateral trade negotiations and potential new markets for methyl alcohol. We feel that, in view of all these factors, the length of time before any additional methyl alcohol could be exported to the United States is clearly not within the standard of "real and imminent."

7/ This is the result, in part, of reduced availability of oil and gas products from Iran which are used to produce methyl alcohol.

In addition to the factors disclosed above with respect to whether the likelihood of injury is "real and imminent" it is significant to note that in this case market penetration is decreasing rather than increasing. Moreover, since market penetration is decreasing and AGCL is producing at virtually 100 percent capacity, there is little, if any, likelihood that Canadian imports, whether at less than fair value or not, could adversely affect prices in an expanding U.S. market.

Finally, reference has been made to the fact that AGCL enjoys the advantage of long-term supplies of natural gas at costs significantly lower than available to U.S. producers. There is no doubt that less expensive natural gas gives AGCL an economic advantage. However, this situation is a comparative as opposed to an unfair trade advantage and, therefore, is not an appropriate factor in terms of assessing whether or not a likelihood of injury exists in this case.

Conclusion

While there are some elements of injury apparent in the domestic industry, we cannot find a causal connection with LTFV imports from Canada. Nor can we find any likelihood of injury. However, if LTFV imports were to increase suddenly, a circumstance we cannot foresee, we believe that injury, within the meaning of the Antidumping Act, could result.

SUMMARY

Investigation No. AA1921-202 was instituted on April 4, 1979, by the United States International Trade Commission following the receipt of advice from the Department of the Treasury on March 29, 1979, that methyl alcohol from Canada is being, or is likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. Treasury's investigation was limited to one Canadian manufacturer, Alberta Gas Chemicals, Ltd. (AGCL), the only Canadian firm that exports methyl alcohol to the United States. Fair-value comparisons were made on roughly 72 percent of AGCL's sales of the subject merchandise during the period of Treasury's investigation. Margins were found ranging from 9.9 to 108.6 percent on 100 percent of the sales compared, with a weighted average margin of 59.2 percent.

Methyl alcohol is a colorless, flammable, poisonous liquid used primarily as a raw material for the manufacture of other chemicals, particularly formaldehyde, and as a general solvent. The product is fungible, varying little in terms of physical and chemical characteristics.

Eight firms currently produce methyl alcohol within the United States at 9 plant sites, most of which are in Texas and Louisiana. Two firms, Du Pont and Celanese, account for * * * of U.S. capacity. Georgia-Pacific, a U.S. producer, and Alberta Gas Chemicals, Inc. (AGCI), a wholly owned subsidiary of AGCL, account for * * * imports from Canada. Canada, in turn, accounted for over 86 percent of all imports of methyl alcohol into the United States in 1977 and 71 percent of imports in 1978. Total imports increased by 15 percent from 417 million pounds in 1977 to 478 million pounds in 1978.

Information developed by the Commission indicates that more than one-half of the methyl alcohol produced in the United States is internally consumed by domestic producers. Captive consumption is facilitated by intercompany transfer shipments ("swaps"), whereby various participants in the market, including importers, agree to exchange the product among themselves, on a reciprocal, no-cost basis. * * *.

Data gathered by the Commission for 1976-78 indicate an upward trend in the amount of production, captive use, and open-market shipments. Downward trends are evident in capacity utilization, inventories, the number of production and related workers producing methyl alcohol, and in the profitability of U.S. producers on their methyl alcohol operations. Total imports increased each year, while those from Canada increased in 1977 and then decreased in 1978. As a percentage of apparent total consumption, imports of methyl alcohol from Canada increased from 3.4 percent in 1976 to 5.7 percent in 1977, and then decreased to 5.1 percent in 1978 and 3.3 percent in January-March 1979. Imports from Canada as a percentage of apparent "open market" consumption followed the same pattern but rose from 8.0 percent in 1976 to 13.0 percent in 1977, before declining to 10.7 percent in 1978 and 5.6 percent in January-March 1979.

Price data, by types of customers, (producer of methyl alcohol, formaldehyde producer, and nonformaldehyde producer) showed that AGCI prices were higher, with few exceptions, than U.S. producers' prices throughout the period covered. Prices from AGCL to * * *, however, were considerably lower than either U.S. producers' or AGCI's prices. Price trends followed, but lagged behind, general price trends of total industrial commodities and energy.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On March 29, 1979, the United States International Trade Commission received advice from the Department of the Treasury that methyl alcohol from Canada is being, or is likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. 1/ Accordingly, on April 4, 1979, the Commission instituted investigation No. AA1921-202 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. By statute, the Commission must render its determination within 3 months of its receipt of advice from Treasury--in this case by June 29, 1979.

Notice of the institution of the investigation and of the public hearing 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, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register of April 11, 1979 (44 F.R. 21718). 2/ The hearing was held in Washington, D.C., on May 15 and 16, 1979.

The complaint which led to Treasury's determination of LTFV sales was filed on May 2, 1978, by counsel acting in behalf of E.I. du Pont de Nemours & Co., Inc. (Du Pont), Wilmington, Del. On June 9, 1978, Treasury advised the Commission that, in accordance with section 201(c) of the Antidumping Act, 1921, as amended, an antidumping investigation was being initiated with respect to methyl alcohol from Canada, and that pursuant to section 201(c) of the act, information developed during Treasury's summary investigation led to the conclusion that there was substantial doubt whether an industry in the United States was being, or was likely to be injured, or was prevented from being established, by reason of the importation of such merchandise into the United States (notice published in the Federal Register of June 14, 1978 (43 F.R. 25758)). 3/ Accordingly, the Commission, on June 16, 1978, instituted inquiry AA1921-Inq.-13, under section 201(c)(2) of that act, to determine whether there was no reasonable indication that an industry in the United States was being or was likely to be injured, or was prevented from being established, by reason of the importation of such merchandise into the United States (notice published in the Federal Register of July 14, 1978 (43 F.R. 30366)). 4/ On July 10, 1978, the Commission notified the Secretary of the Treasury that, on the basis of its inquiry, it determined that there is a reasonable indication that an industry in the United States is being or is likely to be injured, by reason of the importation of methyl alcohol from Canada allegedly to be sold at LTFV (notice published in the Federal Register

---

1/ A copy of Treasury's letter to the Commission concerning LTFV sales of methyl alcohol from Canada is presented in app. A.

2/ A copy of the Commission's Notice of Investigation and Hearing is presented in app. B.

3/ A copy of Treasury's initiation of antidumping investigation is presented in app. C.

4/ A copy of the Commission notice of investigation and hearing for inquiry AA1921-Inq.-13 is presented in app. D.

of July 14, 1978 (43 F.R. 30366)). 1/ Thus, Treasury's investigation of sales at LTFV was continued. Treasury's notice of withholding of appraisement was published in the Federal Register of December 19, 1978 (43 F.R. 59196), 2/ and its determination of sales at LTFV was published in the Federal Register of March 30, 1979 (44 F.R. 19090). 3/

The Commission conducted an inquiry on methyl alcohol from Brazil in September and October of 1977. In that inquiry (AA1921-Inq.-7), the Commission unanimously determined that there was no reasonable indication that an industry in the United States was being or was likely to be injured, or was prevented from being established, by reason of the importation of methyl alcohol from Brazil, alleged to be sold, or likely to be sold, at LTFV within the meaning of the Antidumping Act, 1921, as amended. In support of its determination, the Commission cited the extremely small quantity of imports involved (equivalent to only 0.2 percent of 1976 apparent U.S. consumption of methyl alcohol and 0.6 percent of 1976 U.S. open-market consumption), the nonrecurring nature of the Brazilian shipment, and the absence of any evidence of underselling or price depression or suppression (USITC Publication 837 October 1977).

The Product

Description and uses

Methyl alcohol, also known as methanol, is a colorless, flammable, poisonous liquid used primarily as a raw material in the manufacture of other chemicals and as a general solvent. Methyl alcohol was originally known as wood alcohol because it was made from the destructive distillation of wood and other vegetable products. Today nearly all methyl alcohol is made synthetically from natural gas. 4/ The physical and chemical properties of the final product vary little; it normally consists of about 99.98 percent methyl alcohol with trace amounts of water and other organic chemicals.

1/ A copy of the Commission's determination in inquiry AA1921-Inq.-13 is presented in app. E.

2/ A copy of Treasury's notice of withholding of appraisement is presented in app. F.

3/ A copy of Treasury's determination of LTFV sales is presented in app. G.

4/ Methyl alcohol is also produced in small quantities as a byproduct of certain chemical reactions, but such methyl alcohol is not as pure as the commodity product. Only 0.5 percent of total U.S. production of methyl alcohol was produced this way in 1975, and this percentage is believed to have declined in recent years. Firms known to have produced methyl alcohol as a byproduct are * * *.

Prior to 1970, all synthetic methyl alcohol produced in the United States was made by high-pressure processes that depended upon the relatively low price of natural gas. However, the price of natural gas has risen substantially in recent years owing to changing political and economic conditions. This rapid price rise has particularly affected the plants in Texas and Louisiana, where nearly all U.S.-made methyl alcohol is produced.

Several existing U.S. plants and AGCL's two plants are licensed to use production processes utilizing lower pressures developed by Imperial Chemical Industries, Ltd. (ICI) of the United Kingdom and Lurgi Mineraloltechnik GmbH of West Germany. 1/ At present, one existing U.S. plant is being converted to the low-pressure process, and about half of U.S. production capacity is from low-pressure facilities. This percentage is expected to increase rapidly in the near future as certain new plants and converted high-pressure facilities become operational. 2/

Methyl alcohol is a basic petrochemical. In terms of volume, it is the sixth largest organic chemical commodity in the United States, with 1978 annual consumption of about 6.7 billion pounds. Its principal use is as a raw material for downstream industries, such as formaldehyde, which accounts for 40 to 50 percent of methyl alcohol consumption in the United States. Formaldehyde-based resins are used extensively as adhesives in the production of plywood and particle board, important components in the housing industry. 3/ Methyl alcohol is also used in the production of acetic acid, methylamines, methyl halides, methyl methacrylate, dimethyl terephthalate, and as a general solvent. In most of its major uses there are no substitutes.

Several potentially large uses for methyl alcohol are being developed in a wide range of fuel, chemical, and other applications. Particularly important among these are its use as a fuel for the generation of electricity in power plants, as a gasoline extender and base for synthetic gasoline, and in the direct reduction of iron ore. Some of these uses may become significant in the next several years because of the uncertainty of future petroleum supplies. For example, methyl tertiary butyl ether (MTBE), the result of a chemical reaction between two parts isobutylene and one part methyl alcohol, was approved as a gasoline additive to increase octane levels and act as an antiknock agent by the Environmental Protection Agency on February 24, 1979.

1/ At the Commission's hearing, an expert testifying in behalf of AGCL stated that ICI and Lurgi technology lowered the cost of producing methyl alcohol. For discussion, see Tr. 192-193.

2/ For a discussion of high- and low-pressure processes, see app. H.

3/ It has been argued that U.S. demand for methyl alcohol is closely tied to the level of activity in the U.S. construction industry.

This new use of methyl alcohol reportedly could represent a demand for 650 million to 1.3 billion pounds annually. 1/ U.S. consumption of methyl alcohol by end uses is shown in table 1.

Table 1.--Methyl alcohol: U.S. consumption, by end uses, 1968, 1973, and 1976 1/

(In percent)

End use	1968	1973	1976
Formaldehyde	***	***	***
Solvents	***	***	***
Chloromethanes	***	***	***
Acetic acid	***	***	***
Methylamines	***	***	***
Methyl methacrylate	***	***	***
Dimethyl terephthalate	***	***	***
Glycol methyl ethers	***	***	***
Inhibitors for formaldehyde	***	***	***
Miscellaneous (including fuels)	***	***	***
Total	100.0	100.0	100.0

1/ Percentages are based on quantities consumed.

Source: Compiled from data in the Chemical Economics Handbook, Market Research Report on Methanol, Stanford Research Institute, August 1977.

U.S. tariff treatment

Methyl alcohol is dutiable under the provisions of items 427.96 and 427.97 of the Tariff Schedules of the United States (TSUS). Item 427.96 applies to methyl alcohol imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel and is free of duty for most-favored nations. All other methyl alcohol enters under item 427.97 and is subject to a rate of duty of 7.6 cents per gallon. 2/ The column two statutory rate of duty in both cases is 18 cents per gallon. The most-favored-nation rates have been in effect since October 26, 1974, pursuant to Public Law 93-482. Prior to this date, all methyl alcohol was imported under a single tariff provision at the rate of 7.6 cents per gallon. Imports of methyl alcohol under item 427.97 are eligible for duty-free treatment under the Generalized System of Preferences (GSP).

Nature and Extent of Sales at LTFV

Treasury's investigation of U.S. imports of methyl alcohol from Canada covered the 6-month period from January 1, 1978, through June 30, 1978. The investigation was limited to one Canadian manufacturer, Alberta Gas Chemicals,

1/ Journal of Commerce, Apr. 2, 1979.
2/ In 1978 the ad valorem equivalent was 22.0 percent.

Ltd. (AGCL), which accounted for virtually all the Canadian-made methyl alcohol sold for export to the United States. Fair-value comparisons were made on approximately 72 percent of the sales of the subject merchandise to the United States by AGCL during the period of investigation.

As a basis for comparison, Treasury used purchase price since U.S. sales were made to unrelated customers prior to the date of exportation of the merchandise, and home-market price since the subject merchandise was sold in the home market in sufficient quantities to provide an appropriate basis of comparison. AGCL's home-market sales accounted for more than 55 percent of all sales to markets other than the United States and more than 38 percent of AGCL's total sales during the period investigated.

The purchase price was calculated on the basis of prices to unrelated U.S. customers, with deductions for freight, U.S. duty, and sales commissions, as appropriate. Customers were classified into three groups: co-producers of methyl alcohol, producers of formaldehyde, and producers of other than formaldehyde, since sales to these categories of customers were generally made at different price levels.

So-called swap transactions, although commonly used in the methyl alcohol industry, were not included in Treasury's price comparisons. A swap transaction involves the delivery of a product by one methyl alcohol producer to the customer of a second. The second producer agrees to deliver a comparable amount to a customer of the first producer at an unspecified future date. Since no payment, as such, is exchanged, Treasury decided that swaps are not valued in such a way as to permit price comparisons. Swap shipments to U.S. customers of AGCL and U.S. producers during the period of investigation accounted for approximately 28 percent of AGCL's total U.S. sales. 1/

Treasury calculated two separate weighted average home-market prices for fair-value comparison since AGCL sold methyl alcohol to two distinct classes of purchasers--producers of formaldehyde and producers of other than formaldehyde--in Canada. Deductions for freight costs were made. 2/ In making price comparisons, sales to U.S. companies categorized as co-producers were compared with sales in the home market to producers of formaldehyde because there were no co-producer sales made by AGCL in Canada. 3/

1/ Counsel for * * * argued that swaps should have been considered in Treasury's fair-value comparisons. However, customs felt that the lack of specific pricing information on these transactions was sufficient reason not to compare them.

2/ A controversial issue arose in Treasury's investigation of sales to one U.S. purchase * * * which were made pursuant to a long-term contract initially negotiated in 1973. For discussion of this issue, refer to app. G.

3/ Counsel for AGCL and Georgia Pacific, a U.S. co-producer, argued that sales to a third-country co-producer should be used as a basis for comparing prices to U.S. co-producers. For more discussion refer to app. G.

U.S. purchase prices were found to be lower than the home-market price of the subject merchandise in all instances. Margins were found ranging from 9.9 to 108.6 percent, and the weighted average margin was 59.2 percent.

In arriving at the weighted average margin, Treasury analyzed price differences for the two categories of customers shown below.

Type of customer	Net value of sales	Potential uncollectable dumping duties	Weighted average margins
	Dollars	Dollars	Percent
Formaldehyde producers	***	***	***
Nonformaldehyde producers	***	***	***
Total	***	***	59.22

The Domestic Industry

At the present time, methyl alcohol is produced in the United States by 8 large, diversified chemical firms in 9 plants located in Louisiana (3), Texas (5), and in Pensacola, Fla. (1). In 1978, Du Pont and Celanese Chemical Co. (a division of Celanese Corp.) together accounted for * * * percent of the total U.S. production of methyl alcohol and of the industry's productive capacity. The number of methyl alcohol plants in the United States declined from 11 in 1976 to 9 in 1977 because Rohm & Haas Co., Philadelphia, Pa., ceased production, 1/ and Du Pont closed its plant in Orange, Tex. However, Du Pont will begin operating a new low-pressure plant with production capacity of * * * in Deer Park, Tex., later in 1979. In addition, plant expansions and conversions to low-pressure technology are planned for the Tenneco plant in Houston, Tex., the Hercofina plant in Plaquemine, La., 2/ and the Borden plant in Geismar, La. With these conversions, the capacity of low-pressure process plants in the United States will account for a substantially larger percentage of total methyl alcohol capacity in the United States. Getty Oil Co. has begun a preliminary study for a methyl alcohol plant with a possible production capacity of 650 million to 990 million pounds per year. According to an official at Getty, one of the likely locations of the plant is Delaware City, Del., where the firm has access to feedstock from its own refinery.

A list of firms that produced methyl alcohol in 1978, and their respective production capacities are shown in table 2.

1/ * * *.

2/ Hercofina, Inc., was formed Sept. 1, 1976, as a joint venture between Hercules, Inc., and American Petrofina. Hercofina is currently selling its methyl alcohol producing facility in Plaquemine, La., to International Minerals & Chemicals Corp. (IMC), and Ashland Oil, Inc. * * * IMC was a producer of methyl alcohol until 1974, when the firm * * *.

Table 2.--Methyl alcohol: U.S. producers' capacity and share of total capacity, by firms, 1978

Firm and plant location	Annual capacity	Share of total capacity
	Million pounds	Percent
Celanese Chemical Co	***	***
Bishop, Tex	***	
Clear Lake, Tex	***	
E.I. du Pont de Nemours & Co., Inc	***	***
Beaumont, Tex	***	
Orange, Tex	***	
Borden, Inc., Geismar, La.	***	***
Georgia-Pacific Corp., Plaquemine, La	***	***
Monsanto Co., Texas City, Tex	***	***
Hercofina, Inc., Plaquemine, La	***	***
Tenneco Chemicals, Inc., Houston, Tex	***	***
Air Products & Chemicals, Inc.		
Pensacola, Fla	***	***
Total	8,350.3	100.0

1/ * * *.
2/ No production in 1978.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Foreign Producers

The United States is the world's largest producer of methyl alcohol, accounting for about 30 percent of total world production in 1975. In that year, West Germany and Japan were the second and third largest producers, accounting for 10 and 9 percent, respectively. Western Europe accounted for 29 percent of the world's total in 1975, while Eastern Europe produced somewhat less. 1/ The U.S.S.R. reportedly accounted for about 70 percent of the production in Eastern Europe. 2/

In the past few years, several countries with large sources of natural gas (e.g. Saudi Arabia, Algeria, and Mexico) have built or are planning to build large (more than 650 million pounds per year) methyl alcohol plants. New Zealand is also planning to build a slightly smaller plant in the next few years. In 1978, Mexico opened a methyl alcohol plant and shipped small amounts of methyl alcohol to the United States. Imports from Mexico in January-March 1979 rose sharply to about 30 million pounds.

1/ Statistical Yearbook 1975, United Nations, New York, N.Y., 1977, pp. 275-79 and industry estimates.
2/ European Chemical News, Aug. 6, 1976, p. 25.

The vast majority of methyl alcohol imported into the United States at the present time, however, is produced in Canada. In 1978, Canada accounted for 71 percent of a total 478 million pounds of methyl alcohol imported into the United States. Other major sources included Korea (14.4 percent) and the United Kingdom (8.5 percent). The Canadian industry is composed of two firms: AGCL, which accounts for approximately * * * percent of the methyl alcohol produced in Canada, and Celanese Chemical Co., Ltd., a subsidiary of Celanese Corp., New York, N.Y. Of the two firms, only AGCL exports methyl alcohol to the United States while, reportedly, Celanese ships principally in Eastern Canada. In 1978, AGCL produced * * * million pounds of methyl alcohol, operating at * * * percent of its capacity. In the same year, 339 million pounds of methyl alcohol (* * * percent of AGCL's total production) was exported to the United States. The company's plant in Medicine Hat, Alberta, consists of two producing units brought into operation in early 1975 and May 1976, respectively. Both units are of the low-pressure type. While officials at AGCL indicated that no decision to expand capacity at Medicine Hat has been made, * * *.

U.S. Market

In 1978, apparent U.S. consumption of methyl alcohol was 6.7 billion pounds. This quantity was primarily domestically produced methyl alcohol with a small amount of imports. Imports of methyl alcohol in 1978 amounted to 478 million pounds. Georgia-Pacific Corp.--the * * * largest U.S. producer--and Alberta Gas Chemicals, Inc., (AGCI), a subsidiary of AGCL, account for * * * imports from Canada.

After producing or importing methyl alcohol, a firm may consume the product, ship to another producer, ship to a trading company, or ship to an end user. U.S. producers internally consume approximately 55 percent of all the methyl alcohol produced in the United States. A major use of this internal consumption is in the production of formaldehyde. All current domestic producers of methyl alcohol, except * * * also produce formaldehyde. 1/

Captive consumption is often facilitated by means of intercompany transfer shipments, whereby various participants in the market, including importers, agree to exchange the product among themselves on a reciprocal basis. This is a consequence of firms having utilization facilities and/or customers in diverse locations, so that in many instances it is cheaper in terms of transportation costs for some companies to supply each other rather than to supply themselves. These transactions, often called "swaps," occur frequently in the chemical industry and are possible because methyl alcohol and certain other chemicals are fungible commodities (i.e., the product of any one firm does not differ materially from the product made by other firms). Therefore, a buyer of methyl alcohol will accept any methyl alcohol, whether produced by the seller or some other firm. * * *.

1/ * * *.

Consideration of Injury or Likelihood Thereof

The industry, as defined by domestic producers at the Commission's hearing, consists of those firms that produce methyl alcohol. Domestic producers argued, however, that the alleged injury is not limited to the producers of methyl alcohol but also extends to producers of derived products such as formaldehyde. (Tr. 96 and 178).

U.S. production

Total production of methyl alcohol rose from 6.1 billion pounds in 1976 to 6.5 billion pounds in 1977. This 5-percent increase in production occurred despite the closing of Du Pont's plant in Orange, Tex., and the Rohm & Haas plant in Deer Park, Tex. Production declined 1.6 percent in 1978 to 6.4 billion pounds, but increased 12 percent in January-March 1979 to 1.53 billion pounds compared with 1.37 billion pounds in the corresponding period of 1978.

Allegations were made by AGCL that production outages caused by severe operating difficulties accounted for a decline in production from late 1978 through early 1979. Counsel for Du Pont responded by stating, that because AGCL's market penetration has been rapid and because it has displaced significant U.S. production from the market place, domestic producers have curtailed production (Tr. 34). As shown below, data submitted to the Commission indicate that most reported plant outages were planned, rather than unexpected.

* * * * * * *

Production figures derived from responses to the Commission's questionnaires are shown in the tabulation below. 1/

	Million pounds
1976	6,120.3
1977	6,454.8
1978	6,353.9
January-March--	
1978	1,376.7
1979	1,538.9

Utilization of productive facilities

Producers of methyl alcohol operate their facilities 24 hours a day, 7 days a week. Accordingly, downtime for maintenance and/or catalyst replacement is usually in the form of 2- to 3-week plant closings, which generally occur once a year. Older plants might experience a longer downtime for maintenance (Tr. 92) while some plants operate more than an entire year without downtime.

As shown in table 3, capacity utilization for U.S. producers of methyl alcohol increased slightly from 1976 to 1977, then decreased by about 3 percentage points to 76.1 percent in 1978. Capacity utilization in January-March 1979 was 75.4 percent, 7 percentage points above the 68.8 percent reported in the corresponding period of 1978.

Table 3.--Methyl alcohol: U.S. production, producers' practical rated capacity, 1/ and capacity utilization, 1976-78, January-March 1978, and January-March 1979

Item	1976	1977	1978	January-March-- 1978	January-March-- 1979
Production--million pounds	6,120.3	6,454.8	6,353.9	1,376.7	1,538.9
Capacity--do	7,801.7	8,142.6	2/ 8,350.3	2,001.7	2,040.0
Capacity utilization percent	78.4	79.3	76.1	68.8	75.4

1/ Practical rated capacity is defined as the normal sustained production that can be achieved on an annual basis, making allowance for anticipated maintenance and downtime. In 1978, practical rated capacity was 99 percent of nameplate capacity.

2/ Does not include data for Rohm & Haas Co., which ceased production in 1977, but does include data for Du Pont's Orange, Tex., plant since that plant is still operational, although shut down.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ Production figures for 1967-78 from the Commission's Synthetic Organic Chemicals Production and Sales are presented in table I-1, app. I.

At the Commission's hearing, officials from Celanese explained that methyl alcohol producing facilities should not operate below 85 percent of nameplate capacity for an extended period of time (Tr. 171). * * * Capacity figures for the total industry in 1978 include Du Pont's facility at Orange, Tex. Although there has been no production at that facility since 1977, it is in a state of readiness and could become operational if prices rise to a level adequate to generate a reasonable level of profit (Tr. 49, 129-130).

In responses to the Commission's questionnaires, the following firms reported plans for expanding their production facilities:

* * * * * * *

U.S. producers' shipments and exports

U.S. producers both consume methyl alcohol internally and sell the product on the "open" or "merchant" market. During 1976-78, about 55 percent of all U.S.-made methyl alcohol was captively consumed. As shown in table 4, open-market shipments steadily increased from 2.7 billion pounds in 1976 to 2.8 billion pounds in 1977, and 2.9 billion pounds in 1978. A substantial increase occurred in January-March 1979 when open-market shipments were 1 billion pounds compared with 692 million pounds in the corresponding period of 1978. Captively used methyl alcohol followed the same general pattern of steady increases, rising from 3.4 billion pounds in 1976 to 3.5 billion pounds in 1978. However, in January-March 1979, the amount of captively used methyl alcohol declined by 18 percent, compared with that consumed in January-March 1978. As a percentage of total production, captively used methyl alcohol remained at approximately 55 percent from 1976 through 1978.

Exports declined from 529 million pounds in 1976 to 507 million pounds in 1977. A 54-percent decline to 235 million pounds followed in 1978. Exports increased from 43 million pounds in January-March 1978 to 76 million pounds in the corresponding period of 1979. In 1978, exports were made principally to Canada, Taiwan, Australia, and the Netherlands. U.S. producers indicated that the increase in exports is partly the result of the reduced world supplies of Iranian oil and gas supplies which were used to make methyl alcohol (Tr. 61-62).

Table 4.--Methyl alcohol: U.S. producers' production, captive use, and open-market shipments, 1976-78, January-March 1978, and January-March 1979

Period	Production	U.S. producers' captive use 1/	U.S. producers' open-market shipments: Domestic shipments 2/	U.S. producers' open-market shipments: Exports	U.S. producers' open-market shipments: Total 3/	Ratio of captive use to production
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1976	6,120.3	3,383.5	2,143.3	528.8	2,672.1	55.3
1977	6,454.8	3,526.1	2,341.8	507.1	2,848.9	54.6
1978	6,353.9	3,542.6	2,679.8	234.6	2,914.4	55.8
January-March--						
1978	1,376.7	894.3	649.4	42.9	692.3	65.0
1979	1,538.9	731.9	923.8	76.3	1,000.1	47.6

1/ Captive use is slightly overstated since some U.S. producers captively consume some imported methyl alcohol.
2/ Total open-market shipments less exports.
3/ Production less captive use, plus an adjustment for changes in inventory levels.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, except as noted.

The unit values of shipments made by U.S. producers and AGCI to U.S. customers were as shown in table 5.

Table 5.--Methyl alcohol: U.S. shipments made by U.S. producers and AGCI to methyl alcohol producers and other customers, 1976-78, January-March 1978, and January-March 1979

(In cents per pound)

Period	U.S. shipments made by--			
	U.S. producers to--		AGCI to--	
	Methyl alcohol producers	Other U.S. customers	Methyl alcohol producers	Other U.S. customers
1976	5.05	5.78	***	***
1977	4.54	5.70	***	***
1978	4.77	5.90	***	***
January-March--				
1978	4.76	6.01	***	***
1979	5.12	6.04	1/	***

1/ No sales.

Source: Compiled from data supplied in response to questionnaires of the U.S. International Trade Commission.

As previously discussed, transfer shipments or "swaps" occur frequently in the methyl alcohol industry. Questionnaire responses show that on a yearly basis, roughly comparable amounts of methyl alcohol are given and received by firms engaging in such transactions (table 6).

Table 6.--Methyl alcohol: Transfer shipments made and received by domestic producers and Alberta Gas Chemicals Inc., 1976-78, January-March 1978 and January-March 1979

(In millions of pounds)

Period	Transfer shipments 1/			
	Made by domestic producers	Received by domestic producers	Made by Alberta Gas Chemicals, Inc.	Received by Alberta Gas Chemicals, Inc.
1976	1,086.2	1,078.4	***	***
1977	1,026.9	1,031.6	***	***
1978	984.9	1,028.6	***	***
January-March--				
1978	307.4	304.5	***	***
1979	231.7	277.1	***	***

1/ Small quantities were transferred to firms that do not produce methyl alcohol.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Inventories

Table 7 shows that U.S. producers' end-of-period inventories increased from 677 million pounds in 1976 to 757 million pounds in 1977, while inventories as a percent of production increased from 11.1 percent to 11.7 percent. Inventories declined by 14 percent in 1978 to 654 million pounds or 10.3 percent of production. Inventories declined further to 461 million pounds in January-March 1979 in comparison with 547 million pounds in the corresponding period of 1978. The percentage of inventories to production followed the same pattern, falling from 9.9 percent in January-March 1978 to 7.5 percent in the corresponding period of 1979.

Inventories of AGCI showed * * *.

Table 7.--Methyl alcohol: End-of-period inventories held by U.S. producers and Alberta Gas Chemicals, Inc., 1976-78, January-March 1978, and January-March 1979

Period	U.S. producers'-- Inventories	U.S. producers'-- Ratio of inventories to production	Alberta Gas Chemicals, Inc.-- Inventories	Alberta Gas Chemicals, Inc.-- Ratio of inventories to imports
	1,000 pounds	Percent	1,000 pounds	Percent
1976	677,104	11.1	***	***
1977	756,935	11.7	***	***
1978	653,809	10.3	***	***
January-March--				
1978	546,984	1/ 9.9	***	2/ ***
1979	460,696	1/ 7.5	***	2/ ***

1/ Based on annualized production.
2/ Based on annualized imports.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Inventories may include methyl alcohol owed to "swap" partners.

U.S. imports

Imports of methyl alcohol from Canada steadily increased from virtually nothing in 1974 to 358 million pounds in 1977, then decreased by 5 percent in 1978 to 339 million pounds. Total imports as well as imports from Canada appear to be decreasing in 1979. Imports from Canada declined by 33 percent, from 86.9 million pounds in January-March 1978 to 58.6 million pounds in the corresponding period of 1979. Total imports declined by 10 percent in the same period. Although no imports from Mexico entered the United States from 1975 through 1977, imports from this country amounted to 18.9 million pounds in 1978, accounting for 4 percent of total imports in that year. 1/ Imports from Mexico increased in the first quarter of 1979. For January-March 1979, these imports amounted to 30.1 million pounds accounting for 26.1 percent of total imports in that period. In January-March 1979, the unit value of imports of methyl alcohol from Mexico was 5.0 cents per pound while the unit value of imports from Canada was 5.8 cents per pound, as shown in table 8.

1/ Imports from Mexico began entering the United States in September 1978. In January-March 1979, 93 percent of imports from Mexico entered duty-free under provisions of the GSP.

Table 8.--Methyl alcohol: U.S. imports for consumption, by principal sources, 1974-78, January-March 1978, and January-March 1979

Source	1974	1975	1976	1977	1978	January-March-- 1978	January-March-- 1979
	Quantity (million pounds)						
Canada	0.9	70.9	195.1	357.7	339.1	86.9	58.6
Korea	-	-	-	-	68.7	15.4	18.1
United Kingdom	31.3	22.1	80.9	48.3	40.8	15.1	8.8
Other	88.7	19.1	8.1	11.5	29.9	10.9	30.1
Total	120.9	112.1	284.1	417.5	478.5	128.3	115.6
	Percentage of total quantity						
Canada	0.7	63.3	68.7	85.7	70.9	67.7	50.7
Korea	-	-	-	-	14.4	12.0	15.7
United Kingdom	25.9	19.7	28.5	11.6	8.5	11.8	7.6
Other	73.4	17.0	2.8	2.7	6.2	8.5	26.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Value (1,000 dollars)						
Canada	125	1,775	5,873	14,205	18,173	3,677	3,375
Korea	-	-	-	-	3,802	840	1,047
United Kingdom	2,189	1,125	2,693	1,970	1,610	652	360
Other	9,849	1,027	231	434	1,419	518	1,503
Total	12,163	3,927	8,797	16,609	25,004	5,687	6,285
	Percentage of total value						
Canada	1.0	45.2	66.8	85.5	72.7	64.6	53.7
Korea	-	-	-	-	15.2	14.8	16.7
United Kingdom	18.0	28.6	30.6	11.9	6.4	11.5	5.7
Other	81.0	26.2	2.6	2.6	5.7	9.1	23.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Unit value (cents per pound)						
Canada	13.9	2.5	3.0	4.0	5.4	4.2	5.8
Korea	-	-	-	-	5.5	5.5	5.8
United Kingdom	7.0	5.1	3.3	4.1	3.9	4.3	4.1
Other	11.1	5.4	2.9	3.8	4.8	4.8	5.0
Average	10.1	3.5	3.1	4.0	5.2	4.4	5.4

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Imports were reported in gallons. Conversion factor: 6.63 lbs./gal.

U.S. consumption

Data on apparent consumption show an increasing trend from 1976 through January-March 1978. In table 9, apparent consumption is calculated on the basis of total U.S. producers' shipments (captive plus open market 1/). Such total apparent consumption rose from 5.8 billion pounds in 1976 to 6.3 billion pounds in 1977 and 6.7 billion pounds in 1978. Data for January-March 1979 remained at roughly the same level as the level in the corresponding period in 1978. Table 10 shows apparent open-market consumption, as calculated by using U.S. producers' open-market shipments. Apparent open-market consumption is roughly half of apparent total consumption.

A discussion of projected U.S. consumption of methyl alcohol through 1981 is presented in appendix J.

U.S. employment

Employment of production and related workers in the production of methyl alcohol is summarized in table 11. In the methyl alcohol industry, a decline in production does not ordinarily result in a decline in employment, since employees are usually retained to operate the production equipment with steam to keep it ready for use when methyl alcohol production resumes. Basic changes in employment occur when new plants are opened or when old plants are closed or converted to new methods of producing methyl alcohol.

As table 11 indicates, employment declined steadily from 1976 through 1978 and continued to decline in January-March 1979. Employment dropped by 15 percent from 563 in 1976 to 477 in 1978. January-March 1979 data show a 6-percent decline to 446 from 476 in the corresponding period of 1978. Person-hours worked followed the same declining trend, while the average workweek remained fairly constant throughout the period. Despite declines in employment over the period covered, there were steady increases in worker productivity. Output increased from 5.1 thousand pounds per person-hour in 1976 to 6.3 thousand pounds in 1978. A further increase was achieved in January-March 1979.

1/ To avoid double counting, the method used to derive open market shipments was to subtract captive consumption from domestic production and adjust for inventory changes.

Table 9.--Methyl alcohol: U.S. producers' captive use, open-market shipments, imports for consumption, exports of domestic merchandise, and apparent total consumption 1976-78, January-March 1978, and January-March 1979

Period	U.S. producers' captive use	Producers' open-market shipments	Imports: From Canada	Imports: From all others	Imports: Total	Exports	Apparent total consumption	Ratio of imports to consumption: From Canada	Ratio of imports to consumption: From all others	Ratio of imports to consumption: Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent
1976	3,383.5	2,672.1	195.1	89.0	284.1	528.8	5,810.9	3.4	1.5	4.9
1977	3,526.1	2,848.9	357.7	59.8	417.5	507.1	6,285.4	5.7	0.9	6.6
1978	3,542.6	2,914.4	339.1	139.4	478.5	234.6	6,700.9	5.1	2.1	7.1
January-March--										
1978	894.3	692.3	86.9	41.4	128.3	42.9	1,672.0	5.2	2.5	7.7
1979	731.9	1,000.1	58.6	57.0	115.6	76.3	1,771.3	3.3	3.2	6.5

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics from the U.S. Department of Commerce.

Table 10.--Methyl alcohol: U.S. producers' open-market shipments, imports for consumption, exports of domestic merchandise, and apparent open-market consumption, 1976-78, January-March 1978, and January-March 1979

Period	Producers' open-market shipments	Imports: From Canada	Imports: From all others	Imports: Total	Exports	Apparent open-market consumption	Ratio of imports to consumption: From Canada	Ratio of imports to consumption: From all others	Ratio of imports to consumption: Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent
1976	2,672.1	195.1	89.0	284.1	528.8	2,427.4	8.0	3.7	11.7
1977	2,848.9	357.7	59.8	417.5	507.1	2,759.3	13.0	2.2	15.1
1978	2,914.4	339.1	139.4	478.5	234.6	3,158.3	10.7	4.4	15.2
January-March--									
1978	692.3	86.9	41.4	128.3	42.9	777.7	11.2	5.3	16.5
1979	1,000.1	58.6	57.0	115.6	76.3	1,039.4	5.6	5.5	11.1

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics from the U.S. Department of Commerce.

Table 11.--Methyl alcohol: Average monthly employment of production and related workers and person-hours worked, average workweek and output per person-hour 1976-78, January-March 1978, and January-March 1979

Period	Production and related workers	Person-hours worked by production and related workers	Average workweek	Output per person-hour
			Hours	1,000 pounds
1976	563	1,208,796	41.29	5.063
1977	501	1,081,724	41.52	5.967
1978	477	1,015,620	40.95	6.256
January-March--				
1978	476	255,987	41.37	5.378
1979	446	243,381	41.98	6.326

Source: Completed from data submitted in response to questionnaires of the U.S. International Trade Commission.

Financial performance of domestic producers

Usable financial data were received from seven U.S. producers that together accounted for * * * percent of total methyl alcohol production in 1978. As shown in table 12, aggregated data for these firms reveal an overall deterioriating trend in profitability since 1976.

Net sales increased steadily from $250.8 million in 1976 to $252.8 million in 1977, and $263 million in 1978. In January-March 1979, however, sales declined slightly (1 percent) to $67.9 million from $68.9 million in the corresponding period of 1978. Net operating profits decreased steadily throughout the same period, starting at $55.6 million in 1976, dropping 21 percent to $43.9 million in 1977, and falling an additional 9 percent to $40 million in 1978. 1/ A dramatic decline in profits was shown in January-March 1979 when profits amounted to $3.6 million, down 69 percent from the corresponding period of 1978 when profits amounted to $11.4 million. The ratio of net operating profit to net sales declined from 22.2 percent in 1976 to 17.4 percent in 1977 and fell again to 15.2 percent in 1978. The ratio of net operating profits to net sales showed a substantial decline of 69 percent from 16.6 percent in January-March 1978 to 5.2 percent in the corresponding period of 1979. 2/

1/ Net operating profit is defined as net sales less cost of goods sold and administrative and selling expenses.

2/ According to 1978 data in the Federal Trade Commission's Quarterly Financial Report, the ratio of net operating profits to net sales for all manufacturing was 8 percent, while the ratio for industrial chemicals and synthetics was 10 percent. At the Commission's hearing, an official of Celanese pointed out that "the chemical industry is characterized as a high capital industry. As such, (it) operates at relatively large profit margins as a percent of sales to get a return on investment that would be adequate. Because of its large commitment and requirements of capital, the chemical industry needs a higher percent of sales margin" (Tr. 173).

Table 12.--Financial experience of 7 U.S. producers of methyl alcohol 1/ on their methyl alcohol operations, 1976-78, January-March 1978, and January-March 1979

Period	Net sales	Cost of goods sold	Gross profit or loss	Administrative and selling expenses	Net operating profit or loss	Net assets: Book value	Net assets: Replacement cost	Net assets: Original cost	Ratio of--: Net operating profit to net sales	Ratio of--: Net operating profit to book value 2/	Ratio of--: Net operating profit to replacement cost 2/	Ratio of--: Net operating profit to original cost 2/
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
1976	250,752	184,390	66,362	10,780	55,582	157,763	523,891	265,027	22.2	35.2	10.6	21.0
1977	252,835	198,901	53,934	10,035	43,899	157,375	581,724	296,271	17.4	27.9	7.5	14.8
1978	263,004	211,673	51,331	11,298	40,033	141,209	646,400	300,409	15.2	28.4	6.2	13.3
Jan.-Mar--												
1978	68,894	54,733	14,161	2,734	11,427	155,589	645,243	303,501	16.6	29.4	7.1	15.1
1979	67,899	61,236	6,663	3,107	3,556	144,588	665,802	304,854	5.2	9.8	2.1	4.7

1/ Accounted for * * * percent of total methyl alcohol production in 1978.
2/ Net operating profit annualized for January-March 1978 and January-March 1979.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 12 also presents data on the value of net assets employed in the production of methyl alcohol and the ratio of net operating profits to such assets. The return on assets generally followed the same trends as did the return on sales. Net asset data indicate that production facilities for these seven firms have been depreciated by about 50 percent in 1978 (book value of $141 million compared with original cost of $300 million) and that the replacement cost of the facilities would be about $646 million.

The decline in profitability for methyl alcohol producers is the result of rapidly increasing costs without corresponding increases in prices. For example, the ratio of cost of goods sold to net sales rose from 73.5 percent in 1976 to 78.7 percent in 1977, 80.5 percent in 1978, and 90.2 percent in January-March 1979. An analysis of the major cost components (table 13) shows that raw materials (primarily natural gas) account for the bulk of the increase, while labor and plant depreciation declined slightly in their contribution to total costs. As planned additional investments are made in new production facilities, the amount of annual depreciation will increase, causing further increases in costs.

Table 13.--Components of 7 U.S. producers' cost of goods sold, 1976-78, January-March 1978, and January-March 1979

Period	Cost of goods sold				Ratio of--		
	Total	Raw material	Labor	Depreciation	Raw materials to cost of goods	Labor to cost of goods	Depreciation to cost of goods
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent	Percent	Percent
1976------	184,390	99,503	6,221	29,688	54.0	3.4	16.1
1977------	198,901	104,846	5,825	23,466	52.7	2.9	11.8
1978------	211,673	116,680	5,769	22,712	55.1	2.7	10.7
Jan.-Mar--							
1978----	54,733	27,507	1,407	5,195	50.3	2.6	9.5
1979----	61,263	37,789	1,594	4,665	61.7	2.6	7.6

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The price of natural gas is the principal factor affecting raw material costs and is so critical to the economical production of methyl alcohol that the location of natural gas fields strongly influences decisions concerning plant locations. U.S. producers report that their average costs for natural gas rose continuously since 1976 as shown below:

	Weighted average cost of natural gas (per million BTU's)
1976-----------------	$0.90
1977-----------------	1.05
1978-----------------	1.15
January-March--	
1978---------------	1.12
1979---------------	1.77

* * *. As existing natural gas purchase contracts expire, purchasers will likely experience further cost increases. For example, the intrastate natural gas prices for renegotiated or amended contracts in Louisiana and Texas in September 1978 (most recent data) were $2.00 and $1.97 per 1,000 cubic feet, 1/ respectively. 2/

Additional data on each producer's cost of natural gas, along with selected financial data for each firm, are presented in table I-2.

1/ Roughly equivalent to 1 million BTU's.
2/ Monthly Energy Review, U.S. Department of Energy, March 1979, pp. 92-94.

Consideration of the Causal Relationship Between LTFV Imports and the Alleged Injury

Market penetration of imports from Canada

If apparent consumption is calculated on the basis of both captive use and U.S. producers' open-market shipments (table 9), imports of methyl alcohol from Canada increased as a percentage of consumption from 3.4 percent in 1976 to 5.7 percent in 1977, then dropped to 5.1 percent in 1978. Such imports dropped again in January-March 1979 compared with imports in the corresponding period in 1978. As the trend in open-market consumption is similar to and about one-half of that of total market consumption, the ratio of Canadian imports to consumption increased from 8.0 percent in 1976 to 13.0 percent in 1977, then dropped to 10.7 percent in 1978. There was a further substantial decline in January-March 1979 compared with the ratio in the corresponding period of 1978 (table 10).

Prices 1/

U.S. producers, AGCL, and AGCI were asked to report prices (f.o.b. producing plant or f.o.b. point of entry, net of all discounts and allowances) and quantities of methyl alcohol shipped to their two principal U.S. customers, by months, from January 1976 to March 1979. On the basis of these data, a weighted average price per pound, for each producer, by months, for each of three categories of buyers was calculated. The three categories of buyers are (1) methyl alcohol producers, (2) formaldehyde producers, and (3) nonformaldehyde producers.

In addition to the weighted average price for each producer, an average price for all U.S. producers was also constructed. The price data are shown in tables 14-16, and plotted in figures 1-3. The following observations can be made:

Sales prices to producers of methyl alcohol (table 14 and fig. 1).--The only U.S. producers that had frequent sales to co-producers of methyl alcohol during January 1976-March 1979 were * * *. * * * reported a few sales from time to time that were apparently made when co-producers needed temporary supplies to make up for plant outages or production shortfalls. The prices shown for AGCL reflect the long-term contractual price negotiated with * * * (see additional information on this contract in app. K).

This long-term contract, which accounted for * * * percent of AGCL's total exports to the United States in 1978, resulted in AGCL selling to * * * at * * * cents per pound throughout most of the period from July 1976 to 1979. * * *. This price was lower than U.S. producers' prices by as much as * * * percent, a margin of underselling more than accounted for by the dumping margins, which ranged from 9.9 percent to 108.6 percent and averaged 59.2 percent.

AGCI's reported prices were significantly higher than all U.S. producers' average sales prices through * * * when they dropped sharply to a level equal

1/ See additional information on the pricing policies of AGCL/AGCI in app. K.

Table 14.--Methyl alcohol: Weighted average prices of U.S. producers, AGCI, and AGCL to principal U.S. buyers classified as methyl alcohol producers, by months, January 1976-March 1979

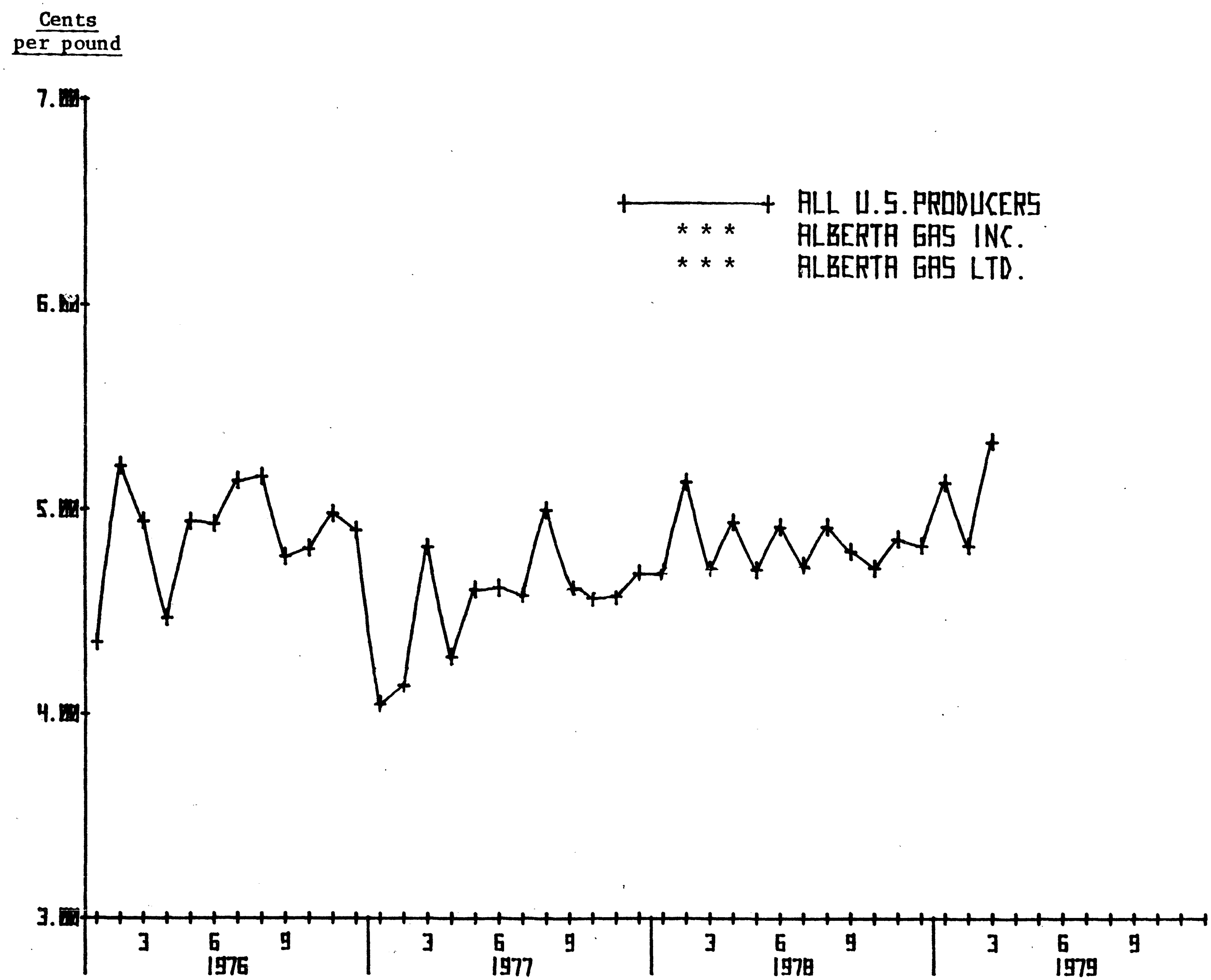
(In cents per pound)

Period	Air Products	Borden	Celanese	Du Pont	Georgia Pacific	Hercofina	Tenneco	All U.S. producers	Alberta Gas Chemicals Inc.	Alberta Gas Chemicals Ltd.
1976:										
Jan-----	***	***	***	***	***	***	***	4.35	***	***
Feb-----	***	***	***	***	***	***	***	5.21	***	***
Mar-----	***	***	***	***	***	***	***	4.94	***	***
Apr-----	***	***	***	***	***	***	***	4.47	***	***
May-----	***	***	***	***	***	***	***	4.94	***	***
June----	***	***	***	***	***	***	***	4.93	***	***
July----	***	***	***	***	***	***	***	5.14	***	***
Aug-----	***	***	***	***	***	***	***	5.16	***	***
Sept----	***	***	***	***	***	***	***	4.77	***	***
Oct-----	***	***	***	***	***	***	***	4.81	***	***
Nov-----	***	***	***	***	***	***	***	4.98	***	***
Dec-----	***	***	***	***	***	***	***	4.90	***	***
1977:										
Jan-----	***	***	***	***	***	***	***	4.05	***	***
Feb-----	***	***	***	***	***	***	***	4.14	***	***
Mar-----	***	***	***	***	***	***	***	4.82	***	***
Apr-----	***	***	***	***	***	***	***	4.28	***	***
May-----	***	***	***	***	***	***	***	4.61	***	***
June----	***	***	***	***	***	***	***	4.62	***	***
July----	***	***	***	***	***	***	***	4.59	***	***
Aug-----	***	***	***	***	***	***	***	5.00	***	***
Sept----	***	***	***	***	***	***	***	4.65	***	***
Oct-----	***	***	***	***	***	***	***	4.57	***	***
Nov-----	***	***	***	***	***	***	***	4.58	***	***
Dec-----	***	***	***	***	***	***	***	4.69	***	***
1978:										
Jan-----	***	***	***	***	***	***	***	4.69	***	***
Feb-----	***	***	***	***	***	***	***	5.14	***	***
Mar-----	***	***	***	***	***	***	***	4.71	***	***
Apr-----	***	***	***	***	***	***	***	4.94	***	***
May-----	***	***	***	***	***	***	***	4.71	***	***
June----	***	***	***	***	***	***	***	4.92	***	***
July----	***	***	***	***	***	***	***	4.73	***	***
Aug-----	***	***	***	***	***	***	***	4.92	***	***
Sept----	***	***	***	***	***	***	***	4.80	***	***
Oct-----	***	***	***	***	***	***	***	4.72	***	***
Nov-----	***	***	***	***	***	***	***	4.86	***	***
Dec-----	***	***	***	***	***	***	***	4.83	***	***
1979:										
Jan-----	***	***	***	***	***	***	***	5.14	***	***
Feb-----	***	***	***	***	***	***	***	4.83	***	***
Mar-----	***	***	***	***	***	***	***	5.34	***	***

1/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 1.--Weighted average prices of U.S.-made and imported methyl alcohol to principal U.S. buyers classified as methyl alcohol producers, by months, January 1976-March 1979



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

to or slightly lower than U.S. producers' prices. This sharp drop by AGCI is the result of * * *.

Sales prices to formaldehyde producers (table 15 and fig. 2).--While the market segment of methyl alcohol sales to methyl alcohol producers was dominated by * * * the market segment of sales to formaldehyde producers consisted of all seven reporting U.S. producers and AGCI. AGCI's weighted average prices in this market were lower than all U.S. producers' average prices for most of 1976 and January-June 1977. Starting in * * *, AGCI's average prices moved upward and were generally higher than all U.S. producers' average prices for the rest of the period. Taken individually, AGCI's prices were generally lower than those of * * *, and higher than those of * * *. As shown in fig. 2, AGCI's prices were more stable over the whole period than all U.S. producers' prices, which fluctuated widely over the 3-year time span.

Sales prices to nonformaldehyde producers (table 16 and fig. 3).--AGCI's average selling prices in this market segment were higher than all U.S. producers' average prices over the whole period of analysis. Also, AGCI's prices were higher than all U.S. producers' prices taken individually, except in very few instances. As shown in figure 3, the monthly movements in prices of U.S. producers and AGCI were generally in the same direction, although changes in AGCI's prices were greater than those for U.S. producers.

Long-run behavior of methyl alcohol prices.--Figure 4 shows the long-run price behavior of methyl alcohol compared with price indexes of total industrial commodities and energy. The indexes shown in Figure 4 are presented in table I-3. Since about 1967, the graph shows that prices for methyl alcohol have dropped well below the other prices presented. The sharp drop during 1969-73 was due to * * *.

Du Pont reported an increase in the firm's list price of methyl alcohol on June 1, 1979, to open-market customers, and on July 1, 1979, to the firm's contract customers. Du Pont will increase its f.o.b. gulf coast bulk price by * * * cents per pound and its terminal bulk price by * * * cents per pound. Du Pont indicated, however, that the firm has no knowledge of whether this price increase will hold. Tenneco and Celanese already reported similar price increases to be effective June 1, 1979, and July 1, 1979, respectively. Legal counsel for AGCL/AGCI indicated that AGC prices * * *.

Lost sales

During January 1976-March 1979, three of the eight domestic producers * * * cited specific lost sales to certain customers who allegedly purchased methyl alcohol imported from AGCL, and losses of revenue on sales that were made at reduced prices because of price depression caused by imports from AGCL. These domestic producers cited 38 lost sales to 32 different firms amounting to 952.7 million pounds and lost revenue to eight firms amounting to $1.1 million in cases where sales by U.S. producers were made at reduced prices. 1/

1/ No instances were confirmed of losses of revenue on sales that were made at reduced prices because of price depression caused by imports from AGCL.

Table 15.--Methyl alcohol: Weighted average prices of U.S. producers and AGCI to principal U.S. buyers classified as formaldehyde producers, January 1976-March 1979

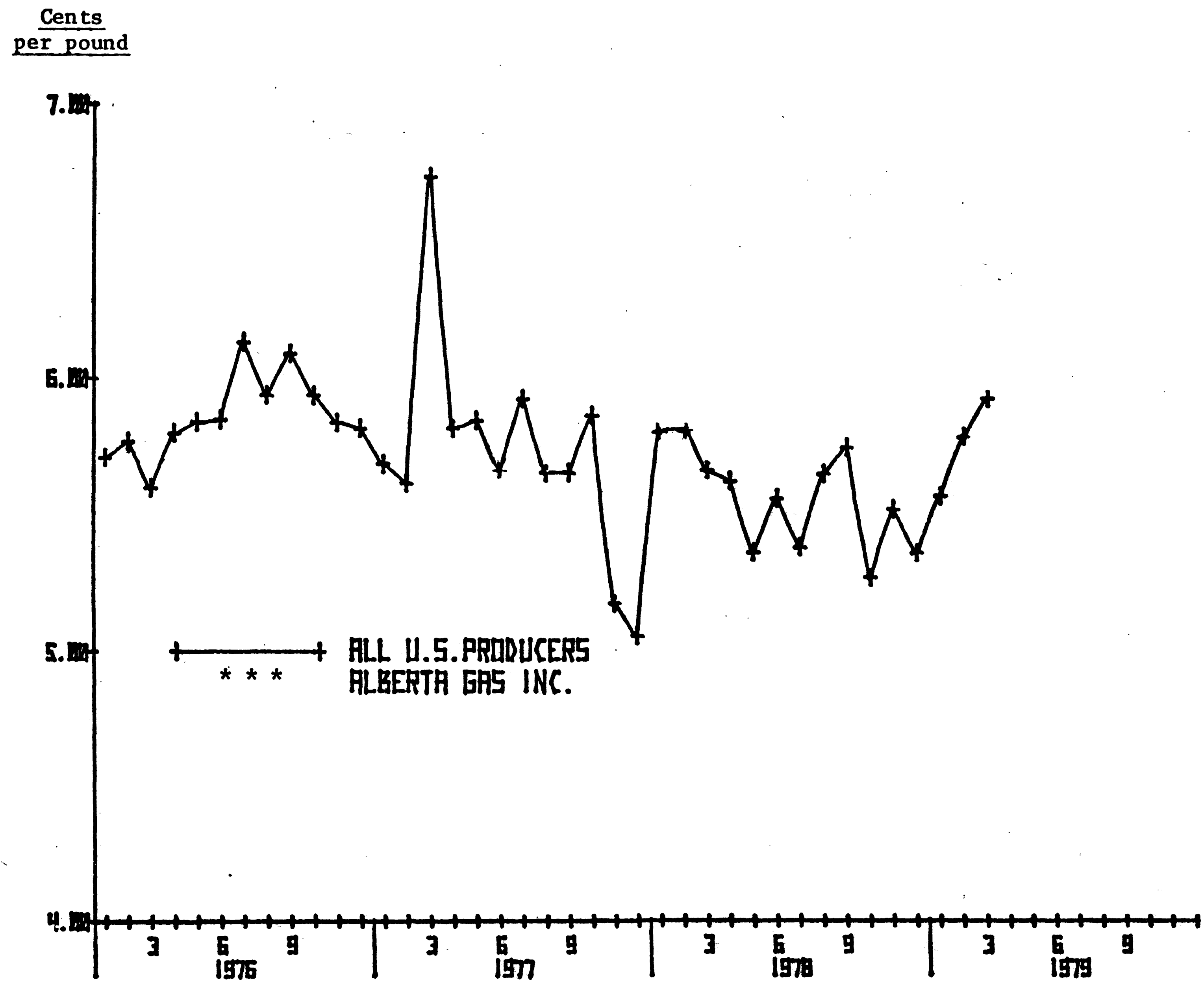
(In cents per pound)

Period	Air Products	Borden	Celanese	Du Pont	Georgia Pacific	Hercofina	Tenneco	All U.S. producers	Alberta Gas Chemicals Inc.
1976:									
Jan-----	***	***	***	***	***	***	***	5.71	***
Feb-----	***	***	***	***	***	***	***	5.77	***
Mar-----	***	***	***	***	***	***	***	5.60	***
Apr-----	***	***	***	***	***	***	***	5.80	***
May-----	***	***	***	***	***	***	***	5.84	***
June----	***	***	***	***	***	***	***	5.85	***
July----	***	***	***	***	***	***	***	6.13	***
Aug-----	***	***	***	***	***	***	***	5.94	***
Sept----	***	***	***	***	***	***	***	6.09	***
Oct-----	***	***	***	***	***	***	***	5.94	***
Nov-----	***	***	***	***	***	***	***	5.84	***
Dec-----	***	***	***	***	***	***	***	5.82	***
1977:									
Jan-----	***	***	***	***	***	***	***	5.69	***
Feb-----	***	***	***	***	***	***	***	5.62	***
Mar-----	***	***	***	***	***	***	***	6.74	***
Apr-----	***	***	***	***	***	***	***	5.82	***
May-----	***	***	***	***	***	***	***	5.85	***
June----	***	***	***	***	***	***	***	5.66	***
July----	***	***	***	***	***	***	***	5.93	***
Aug-----	***	***	***	***	***	***	***	5.66	***
Sept----	***	***	***	***	***	***	***	5.66	***
Oct-----	***	***	***	***	***	***	***	5.87	***
Nov-----	***	***	***	***	***	***	***	5.18	***
Dec-----	***	***	***	***	***	***	***	5.06	***
1978:									
Jan-----	***	***	***	***	***	***	***	5.84	***
Feb-----	***	***	***	***	***	***	***	5.84	***
Mar-----	***	***	***	***	***	***	***	5.67	***
Apr-----	***	***	***	***	***	***	***	5.63	***
May-----	***	***	***	***	***	***	***	5.37	***
June----	***	***	***	***	***	***	***	5.57	***
July----	***	***	***	***	***	***	***	5.39	***
Aug-----	***	***	***	***	***	***	***	5.66	***
Sept----	***	***	***	***	***	***	***	5.76	***
Oct-----	***	***	***	***	***	***	***	5.28	***
Nov-----	***	***	***	***	***	***	***	5.53	***
Dec-----	***	***	***	***	***	***	***	5.37	***
1979:									
Jan-----	***	***	***	***	***	***	***	5.58	***
Feb-----	***	***	***	***	***	***	***	5.80	***
Mar-----	***	***	***	***	***	***	***	5.94	***

1/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 2.--Weighted average prices of U.S.-made and imported methyl alcohol to principal U.S. buyers classified as formaldehyde producers, by months, January 1976-March 1979.



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 16.--Methyl alcohol: Weighted average prices of U.S. producers, and AGCI to principal U.S. buyers classified as nonformaldehyde producers, January 1976-March 1979

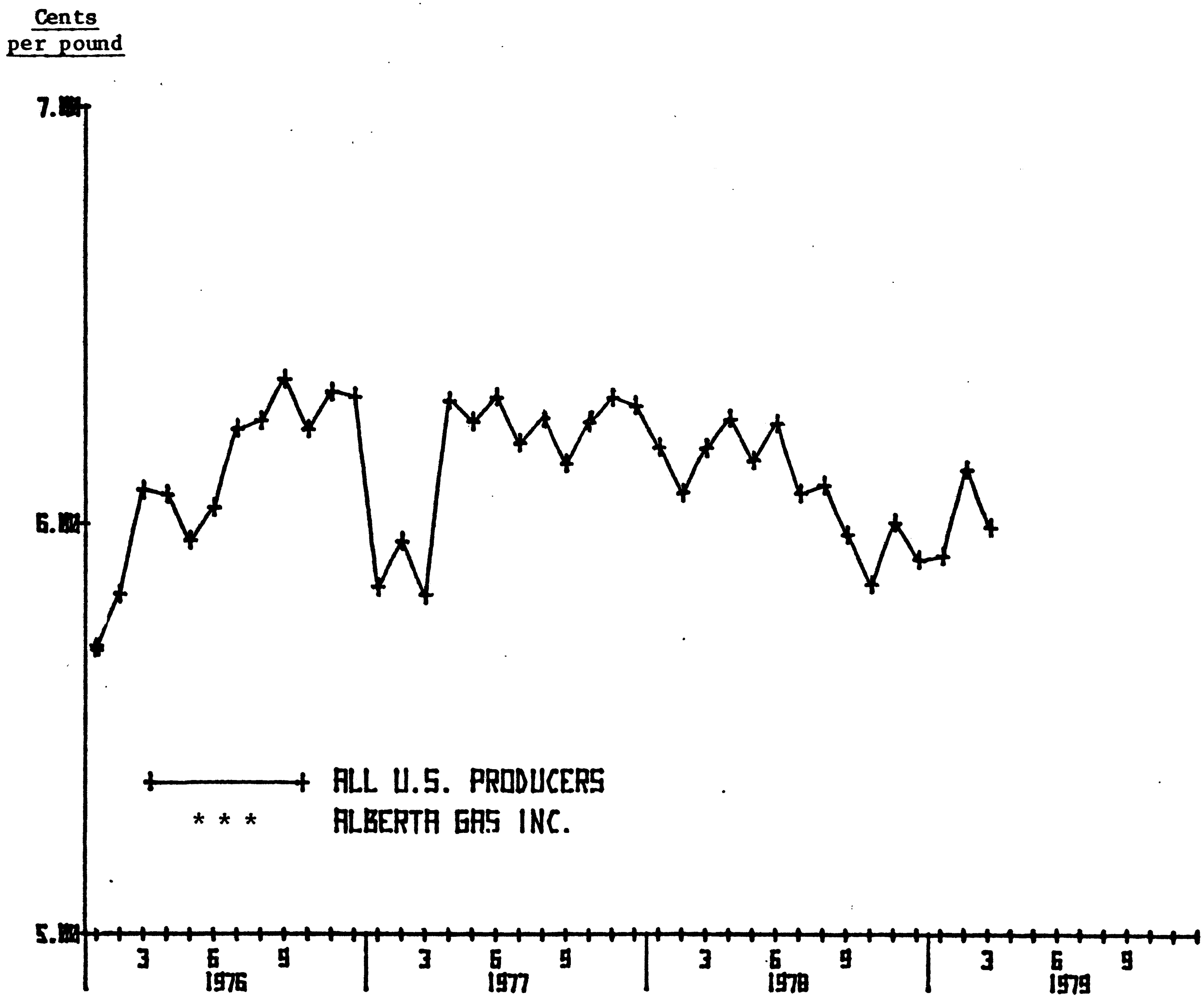
(Cents per pound)

Period	Air Products	Borden	Celanese	Du Pont	Georgia Pacific	Hercofina	Tenneco	All U.S. producers	Alberta Gas Chemicals Inc.
1976:									
Jan-----	***	***	***	***	***	***	***	5.70	***
Feb-----	***	***	***	***	***	***	***	5.83	***
Mar-----	***	***	***	***	***	***	***	6.08	***
Apr-----	***	***	***	***	***	***	***	6.07	***
May-----	***	***	***	***	***	***	***	5.96	***
June----	***	***	***	***	***	***	***	6.04	***
July----	***	***	***	***	***	***	***	6.23	***
Aug-----	***	***	***	***	***	***	***	6.25	***
Sept----	***	***	***	***	***	***	***	6.35	***
Oct-----	***	***	***	***	***	***	***	6.23	***
Nov-----	***	***	***	***	***	***	***	6.32	***
Dec-----	***	***	***	***	***	***	***	6.31	***
1977:									
Jan-----	***	***	***	***	***	***	***	5.85	***
Feb-----	***	***	***	***	***	***	***	5.96	***
Mar-----	***	***	***	***	***	***	***	5.83	***
Apr-----	***	***	***	***	***	***	***	6.30	***
May-----	***	***	***	***	***	***	***	6.25	***
June----	***	***	***	***	***	***	***	6.31	***
July----	***	***	***	***	***	***	***	6.20	***
Aug-----	***	***	***	***	***	***	***	6.26	***
Sept----	***	***	***	***	***	***	***	6.15	***
Oct-----	***	***	***	***	***	***	***	6.25	***
Nov-----	***	***	***	***	***	***	***	6.31	***
Dec-----	***	***	***	***	***	***	***	6.29	***
1978:									
Jan-----	***	***	***	***	***	***	***	6.19	***
Feb-----	***	***	***	***	***	***	***	6.08	***
Mar-----	***	***	***	***	***	***	***	6.19	***
Apr-----	***	***	***	***	***	***	***	6.26	***
May-----	***	***	***	***	***	***	***	6.16	***
June----	***	***	***	***	***	***	***	6.25	***
July----	***	***	***	***	***	***	***	6.08	***
Aug-----	***	***	***	***	***	***	***	6.10	***
Sept----	***	***	***	***	***	***	***	5.98	***
Oct-----	***	***	***	***	***	***	***	5.86	***
Nov-----	***	***	***	***	***	***	***	6.01	***
Dec-----	***	***	***	***	***	***	***	5.92	***
1979:									
Jan-----	***	***	***	***	***	***	***	5.93	***
Feb-----	***	***	***	***	***	***	***	6.14	***
Mar-----	***	***	***	***	***	***	***	6.00	***

1/ Not available.

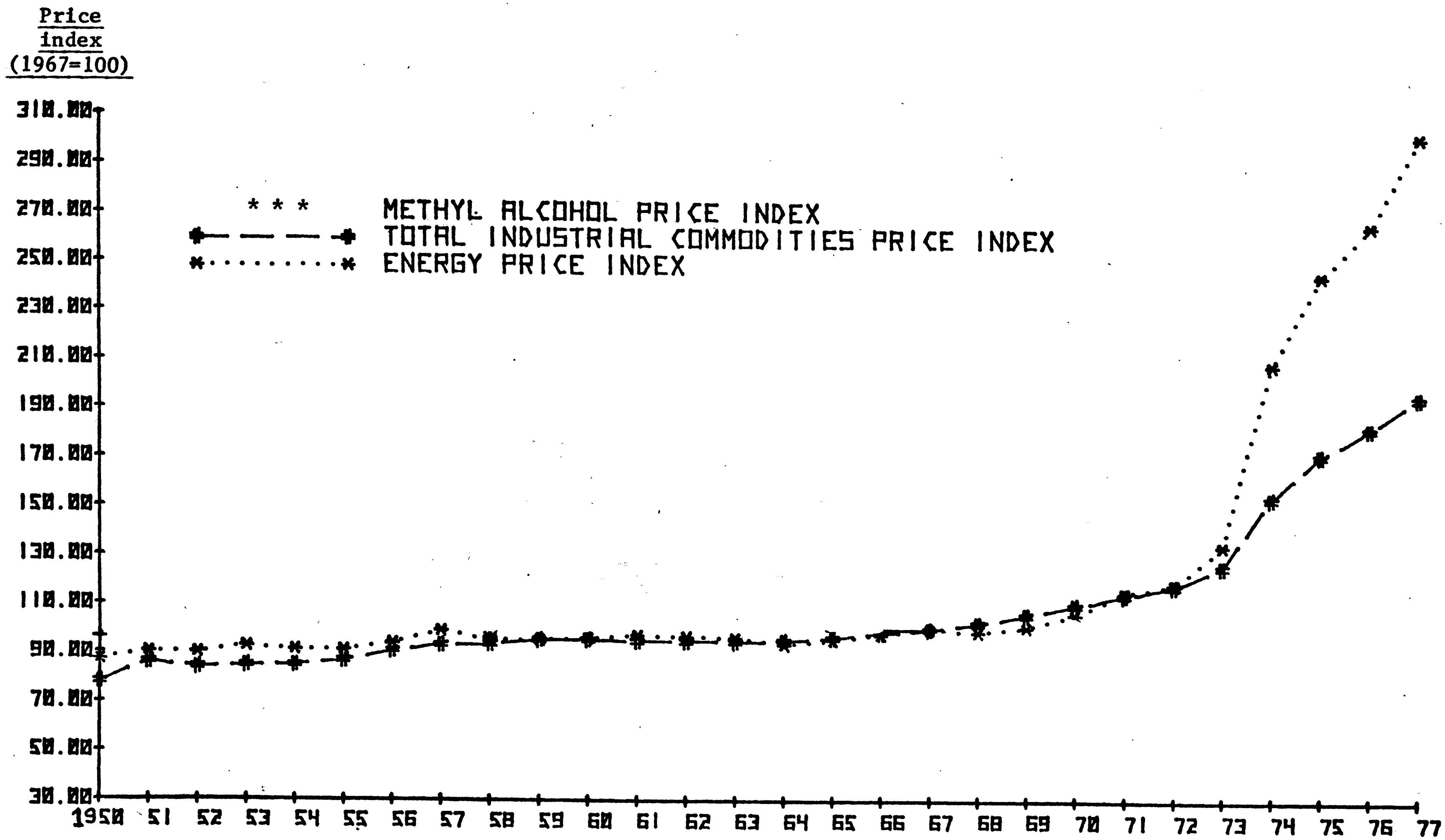
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commisson.

Figure 3.--Weighted average prices of U.S.-made and imported methyl alcohol to principal U.S. buyers classified as non-formaldehyde producers, by months, January 1976-March 1979



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 4.--Price indexes for methyl alcohol, total industrial commodities, and energy, 1950-77



Source: Compiled from official statistics of the U.S. Department of Commerce and from the <u>Chemical Economics Handbook, 1977</u>.

One large domestic producer, * * * offered the following remarks in its response to the Commission's questionnaires.

> There were instances in the period under review where U.S. co-producers or U.S. distributors of LTFV Canadian methanol sold methanol in the United States at low prices. While these low prices were made possible by the LTFV sales of AGCL, such low prices were not always attributed by a buyer to quotes or sales of AGCL material. These low prices tended to spread and, in fact, became widespread and common in the marketplace. When that occurred, the origin of the low prices became obscured.
>
> Moreover, we believe that some U.S. producers faced with this situation not only met these low prices but also quoted new prices in an effort to gain back sales lost to Canadian imports. Thus, where * * * lost sales and revenues to other producers of U.S. methanol these losses, in significant part, can be attributed to Canadian imports.

In the Commission's efforts to verify these lost sales, all 32 firms were contacted. Ten firms verified that methyl alcohol from Canada was chosen over the domestic product. Of the remaining 22 firms, 20 indicated that no domestic sales were lost by reason of Canadian imports, one was uncertain as to whether or not a domestic sale was lost by reason of the subject imports, and one refused to supply the Commission with any information. 1/

The principal reasons for purchase provided by the 10 firms that verified that methyl alcohol from Canada was chosen in lieu of the domestic product were--alternate source of supply, 4 firms; duty drawback privileges, 3 firms; long-term source of supply, 1 firm; and lower price, 2 firms. A brief discussion of each of the categories follows.

Four firms indicated that having alternate sources of supply was the major factor in purchasing Canadian imports of methyl alcohol. It was reported that, in 1974, methyl alcohol from domestic producers was not always available, and a diversification of supply sources became necessary. These four firms further stated that they were also supplied by domestic sources. Price was not a consideration since the imported product was not lower than U.S.-made methyl alcohol.

Three firms indicated that they bought Canadian imports of methyl alcohol to fill a portion of the firms' total requirements in order to take advantage of duty drawback privileges. These firms indicated that they gained a rebate

---

1/ Of the 20 firms that indicated that no domestic sales were lost by reason of Canadian imports, 15 specifically reported that the alleged lost sales were made to other domestic producers.

of about 1 cent per pound on their export sales of derivative methanol products. This price advantage was not met by domestic producers.

One firm indicated that it purchased Canadian-made methyl alcohol because it needed a long-term source of the product. This firm entered into a contractual agreement with AGCI to insure itself of a steady supply at a relatively stable price.

Two firms verified that methyl alcohol from Canada was chosen over the domestic product by reason of lower prices. One firm (a distributor) indicated that Canadian-made methyl alcohol was purchased because the regular domestic supplier * * * failed to meet its usual price discount. The distributor's own customer was in turn being offered lower priced methyl alcohol by a domestic producer. The distributor further indicated that without purchasing imported Canadian methyl alcohol, it would not have been able to retain its own customer that was being offered lower priced U.S.-made methyl alcohol from another domestic producer. The other firm * * *, a domestic producer, indicated that it had, in fact, purchased on many occasions methyl alcohol from Canada over the domestic product for a variety of reasons. Reasons given were availability of the product, geographic proximity to * * * formaldehyde-producing facilities, and, sometimes, the overriding factor was lower price. * * * added, however, that sometimes the U.S.-made methyl alcohol was bought in lieu of the Canadian product because of lower prices.

Other possible causes of injury

Respondents to the petition argued at the Commission's hearing that a major reason for any injury alleged to have been suffered by the domestic industry is the inefficiency of operating the large number of high-pressure production systems used by the domestic industry in producing methyl alcohol.

In the Commission's investigation, the question of efficiency of high versus low-pressure processes was addressed by examining the amount of energy used to produce 1 pound of methyl alcohol by each process. In the tabulation below, low-pressure processes appear to be about 10 percent more efficient in natural gas usage than high-pressure processes.

(In thousands of BTU's per pound of methyl alcohol)

Period	High-pressure plants	Low-pressure plants
1976	21.78	18.71
1977	21.25	20.02
1978	20.92	19.88
January-March--		
1978	21.96	20.37
1979	22.10	19.75

Note.--Excludes Monsanto, Borden, and Rohm & Haas.

As shown below, during January 1976-March 1979, the share of total production of methyl alcohol that was produced by high-pressure processes has decreased steadily.

(In percent)

Period	Percentage of total methyl alcohol production produced in--	
	High-pressure plants	Low-pressure plants
1976	56.9	43.1
1977	50.1	49.9
1978	50.1	49.9
January-March--		
1978	53.8	46.2
1979	43.0	57.0

Note.--Excludes Monsanto, Borden, and Rohm & Haas.

Conversely, methyl alcohol produced by the low-pressure process has increased and will account for a much higher percentage of total production in the future. Borden, Hercofina, and Tenneco are converting or will convert their methyl-alcohol-producing facilities from the high-pressure to the low-pressure process. In addition, Du Pont's Deer Park facility, scheduled to begin operation at the end of 1979, will also be of the low-pressure type.

APPENDIX A

TREASURY'S LETTER TO THE COMMISSION CONCERNING
LTFV SALES FROM CANADA

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

MAR 2 3 1979

DOCKET NUMBER

#566

Office of the Secretary
Intl. Trade Commission

Dear Mr. Chairman:

In accordance with section 201(a) of the Antidumping Act, 1921, as amended, you are hereby advised that methyl alcohol from Canada is being, or is likely to be, sold at less than fair value within the meaning of the Act. The public notice announcing Treasury's determination is enclosed.

The U.S. Customs Service will make available to the Commission as promptly as possible the file relative to this determination. Some of the data contained in the file is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the enclosed information to be for official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.

Sincerely yours,

Robert H. Mundheim

Robert H. Mundheim

The Honorable
Joseph O. Parker
Chairman
U.S. International Trade Commission
Washington, D.C. 20436

Enclosure

APPENDIX B

FEDERAL REGISTER NOTICE OF THE
COMMISSION'S INVESTIGATION AND HEARING

Methyl Alcohol From Canada; Notice of Investigation and Hearing

Having received advice from the Department of the Treasury on March 29, 1979, that methyl alcohol from Canada is being, or is likely to be, sold at less than fair value, the United States International Trade Commission, on April 4, 1979, instituted investigation No. AA1921-202 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. Methyl alcohol, also known as methanol, is provided for in items 427.9600 and 427.9700 of the Tariff Schedules of the United States Annotated.

Hearing. A public hearing in connection with the investigation will be held on Tuesday, May 15, 1979, in the Commission's Hearing Room, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, beginning at 10 a.m., e.d.t. Requests to appear at the public hearing should be filed with the Secretary to the Commission, in writing, not later than noon, Wednesday, May 9, 1979.

By order of the Commission.

Issued: April 5, 1979.

Kenneth R. Mason,
Secretary.

[AA 1921-202]

[FR Doc. 79-11282 Filed 4-10-79; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

FEDERAL REGISTER NOTICE OF TREASURY'S INITIATION OF ANTIDUMPING INVESTIGATION

[4810-22]

Office of the Secretary

METHYL ALCOHOL FROM CANADA

Antidumping Proceeding

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of methyl alcohol from Canada are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. However, as there is substantial doubt that imports of the subject merchandise alleged to be at less than fair value are the cause of present, or likely future, injury to an industry in the United States, the case is being referred to the U.S. International Trade Commission for preliminary injury consideration pursuant to Section 201(c) of the Act.

EFFECTIVE DATE: June 14, 1978.

FOR FURTHER INFORMATION CONTACT:

Vincent Kane or Michael E. Crawford, Operations Officers, U.S. Customs Service, Office of Operations, Duty Assessment Division, Technical Branch, 1301 Constitution Avenue NW., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On May 2, 1978, information was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from E. I. du Pont de Nemours & Co., indicating a possibility that methyl alcohol from Canada is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

The margins of dumping alleged, based on a comparison of sales to the U.S. with prices in the home market, range from aproximately 12 to 100 percent.

There is evidence on record concerning injury or likelihood of injury from the alleged less than fair value imports. This evidence also indicates that although petitioner's domestic production, sales, and share of the domestic market for noncaptive uses of methanol (so-called "merchant-market sales") declined in 1977 compared to 1976, the other domestic producers of the product experienced increases in each of these categories during the same period. Evidence on hand also indicates that while profitability on merchant-market sales for the entire industry producing methyl alcohol has declined, that decline may, in part, be attributable to rapidly increased costs of production. Furthermore, in determining whether profitability has been adversely affected, it appears inappropriate to consider merchant-market sales separately from total production and use or sale, particularly as the share of domestic production accounted for by captive consumption of U.S. producers has increased substantially in recent years. In 1977, 73 percent of U.S. production was used by domestic producers for further processing. Moreover, domestic prices for methanol appear to have increased sharply over the past five years, including the periods in which Canadian sales occurred. In that connection, in determining pursuant to section 201(c)(2) of the Antidumping Act as recently as October 1977 that there was no reasonable indication of injury from imports of methyl alcohol from Brazil, Chairman Minchew of the U.S. International Trade Commission noted that "U.S. purchasers of open-market methyl alcohol have had to rely on imports to meet part of their raw material requirement." 42 FR 55950 (October 20, 1977).

Therefore, it has been concluded that there is substantial doubt of injury, or likelihood of injury, to an industry in the United states as a result of imports of such merchandise from Canada. Accordingly, the U.S. International Trade Commission is being advised of such doubt pursuant to section 201(c)(2) of the Act.

Having conducted a summary investigation as required by section 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value. Should the International Trade Commission, within 30 days of receipt of the advice cited in the preceding paragraph, advise the Secretary that there is no reasonable indication that an industry in the United States is being, or is likely to be, injured by reason of the importation of such merchandise into the United States, the Department will publish promptly in the FEDERAL REGISTER a notice terminating the investigation. Otherwise the investigation will continue to conclusion.

This notice is published pursuant to section 153.30 of the Customs Regulations (19 CFR 153.30).

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

JUNE 8, 1978.

[FR Doc. 78-16428 Filed 6-13-78; 8:45 am]

APPENDIX D

FEDERAL REGISTER NOTICE OF THE COMMISSION'S INQUIRY AND HEARING FOR INQUIRY AA1921-INQ.-13

[7020-02]

[AA1921-Inq.-13]

INTERNATIONAL TRADE COMMISSION

METHYL ALCOHOL FROM CANADA

Inquiry and Hearing

The United States International Trade Commission (Commission) received advice from the Department of the Treasury (Treasury) on June 9, 1978, that, during the course of determining whether to institute an investigation with respect to methyl alcohol from Canada in accordance with section 201(c) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(c)), Treasury had concluded from the information developed during its preliminary investigation that there is substantial doubt that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of this merchandise into the United States. Therefore, the Commission on June 16, 1978, instituted inquiry AA1921-Inq.-13, under section 201(c)(2) of that act, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

The Treasury advised the Commission as follows:

> Dear Mr. Chairman: In accordance with section 201(c) of the Antidumping Act of 1921, as amended, an antidumping investigation is being initiated with respect to methyl alcohol from Canada. Pursuant to section 201(c)(2) of the Act, you are hereby advised that the information developed during our preliminary investigation has led me to the conclusion that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States.
>
> The bases for my determination are summarized in the attached copy of the Antidumping Proceeding Notice in this case. Further data will be supplied by Treasury.
>
> Some of the enclosed data is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the enclosed information to be for the official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.
>
> Sincerely yours,
>
> ROBERT H. MUNDHEIM.

Hearing. A public hearing in connection with the inquiry will be held in Washington, D.C., on Monday, June 26, 1978, at 10:00 a.m., E.D.T. The hearing will be held in the Hearing Room, United States International Trade Commission Building, 701 E Street, NW., Washington, D.C. All parties will be given an opportunity to be present, to produce evidence, and to be heard at such hearing. Requests to appear at the public hearing should be received in writing in the office of the Secretary to the Commission not later than noon Wednesday, June 21, 1978.

Written statements. Interested parties may submit statements in writing in lieu of, and in addition to, appearance at the public hearing. A signed original and nineteen true copies of such statements should be submitted. To be assured of their being given due consideration by the Commission, such statements should be received not later than Thursday, June 22, 1978.

By order of the Commission.

Issued: June 20, 1978.

KENNETH R. MASON,
Secretary.

[FR Doc. 78-17480 Filed 6-21-78; 9:44 am]

APPENDIX E

FEDERAL REGISTER NOTICE OF THE COMMISSION'S DETERMINATION OF "A REASONABLE INDICATION OF INJURY" IN INQUIRY AA1921-INQ.-13

[7020-02]

INTERNATIONAL TRADE COMMISSION

[AA1921-Inq.-13]

METHYL ALCOHOL FROM CANADA

Commission Determines "A Reasonable Indication of Injury"

JULY 10, 1978.

On June 9, 1978, the U.S. International Trade Commission received advice from the Department of the Treasury that, in accordance with section 201(c)(1) of the Antidumping Act of 1921, as amended, an antidumping investigation was being initiated with respect to methyl alcohol from Canada, and that, pursuant to section 201(c)(2) of the act, information developed during Treasury's preliminary investigation led to the conclusion that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of such methyl alcohol into the United States from Canada. Accordingly, the Commission, on June 16, 1978, instituted inquiry AA1921-Inq.-13 under section 201(c)(2) of the act to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held on June 26, 1978, in Washington, D.C. Public notice of both the institution of the inquiry and of the hearing was duly given by posting copies of the notice at the Secretary's Office in the Commission in Washington, D.C., and at the Commission's office in New York City, and by publishing the original notice in the FEDERAL REGISTER on June 22, 1978 (43 FR 26800).

The Treasury instituted its investigation after receiving a properly filed complaint on May 2, 1978, from the E. I. du Pont de Nemours & Co., Inc., Wilmington, Del. The Treasury's notice of its antidumping proceeding was published in the FEDERAL REGISTER of June 14, 1978 (43 FR 25758).

On the basis of information developed during the course of this inquiry the Commission determines that there is a reasonable indication that an industry in the United States is being or is likely to be injured, by reason of the importation of methyl alcohol into the United States from Canada allegedly sold at less than fair value as indicated by the Department of the Treasury.[1]

VIEWS OF CHAIRMAN JOSEPH O. PARKER AND COMMISSIONERS GEORGE M. MOORE AND CATHERINE BEDELL

On June 9, 1978, the United States International Trade Commission received advice from the Department of the Treasury that, during the course of a preliminary investigation with respect to methyl alcohol from Canada, Treasury had concluded from the information available to it "that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of this merchandise into the United States." On June 16, 1978, the Commission instituted inquiry No. AA1921-Inq.-13 under section 201(c)(2) of the Antidumping Act, 1921, as amended, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

[1]Vice Chairman Bill Alberger and Commissioners George M. Moore and Catherine Bedell determine that, on the basis of information developed during the course of this inquiry, there is a reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of methyl alcohol from Canada allegedly sold at less than fair value as indicated by the Department of the Treasury. Chairman Joseph O. Parker, concurring in this determination, does not determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of methyl alcohol from Canada allegedly sold at less than fair value, as indicated by the Department of the Treasury. Commissioners Italo H. Ablondi and Daniel Minchew determine that there is a reasonable indication that an industry in the United States is likely to be injured by reason of the importation of methyl alcohol from Canada allegedly sold at less than fair value as indicated by the department of the Treasury.

Determination

On the basis of information developed during the course of this inquiry, we do not determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established,[2] by reason of the importation of methyl alcohol into the United States from Canada allegedly sold at less than fair value (LTFV) as indicated by the Department of the Treasury.

Discussion

Domestic production of methyl alcohol decreased from 1973 to 1975 and then increased in 1976 and 1977. In 1977, however, domestic production was lower than in 1973 and 1974. In January through April 1978, production fell 7 percent below that of the corresponding period of the previous year. Throughout this period, domestic producers' shipments were about equally divided between captive consumption and open-market consumption. Two firms have ceased production since 1975, and one has indicated curtailment of plans to expand capacity.

Capacity utilization has decreased. In 1977, capacity utilization was 11 percent lower than in 1974. In January through April 1978, capacity utilization was 71.3 percent, compared with 77.6 percent in January-April 1977. Between 1976 and the first 4 months of 1978, the average monthly employment of production and related workers in the manufacture of methyl alcohol decreased from 501 to 394.

Although domestic consumption of methy alcohol has increased in recent years, domestic producers' inventories of methyl alcohol have continued to increase. In 1974, domestic producers' inventories of methyl alcohol as a share of shipments were 8 percent. In 1977, the share was 20 percent, and data for the first 4 months of 1978 indicate that this trend of increasing inventories has continued.

Data on the financial performance of U.S. producers of methyl alcohol show a deteriorating trend in their methyl alcohol operations since 1974. The aggregate ratio of net operating profit to net sales has declined from 38 percent in 1974 to 17.2 percent in the first 4 months of 1978. Two producers indicated losses for both 1977 and January through April 1978. Domestic producers' average production costs per unit are increasing faster than the average value per pound of methyl alcohol shipped. On two different occasions within the past 2 years, complainant DuPont has announced price increases which it could not sustain.

[2]Prevention of establishment of an industry in this inquirey is not in question and will not be discussed further in these views.

Since 1976, the average value per pound of shipments from Alberta Gas Chemicals, Ltd., the only Canadian exporter, has been consistently lower than the corresponding value for U.S. producers' shipments by a significant margin, given the quantities shipped (357.7 million pounds) and the duty imposed on methyl alcohol (1.1 cents per pound). The difference between the value of the Canadian product and the U.S. product can be completely accounted for by the alleged LTFV margin of 1.8 cents per pound.

Imports of methyl alcohol from Canada have increased from virtually zero in 1974 to 5.5 percent of total apparent U.S. consumption in 1977 or approximately 11 percent of 1977 U.S. open-market consumption. Imports in the first 4 months of 1978 increased by more than 50 percent over the corresponding period of 1977. Since 1975, imports from Canada have accounted for 26 percent of the increase in U.S. open-market consumption and 16 percent of the increase in total consumption.

Three domestic producers provided the Commission with information of sales allegedly lost as a result of imports sold at LTFV. While some of these claims were difficult to verify because of transfer shipping, the Commission's investigation indicates that a significant volume of sales may have been lost to Canadian imports. Alberta Gas Chemicals, Ltd., has announced plans to construct two additional plants for the production of methyl alcohol by 1983. The United States is a major market for methyl alcohol produced by Alberta Gas Chemicals, Ltd., accounting for a substantial percentage of its production in 1977.

Conclusion

On the basis of the information established by this 30-day inquiry, we do not determine that there is no reasonable indication that an industry in the United States is being or is likely to be injured by reason of imports alleged to be sold at LTFV.

STATEMENT OF REASONS OF VICE CHAIRMAN BILL ALBERGER

Statutory criteria of section 201(c)(2)

If the Secretary of the Treasury concludes, during a preliminary investigation under the Antidumping Act, 1921, as amended, that there is substantial doubt regarding possible injury to an industry in the United States, he shall forward to the U.S. International Trade Commission (Commission) his reasons for such doubt. Within 30 days of receipt of the Secretary's reasons, the Commission shall determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established,[1] by reason of the importation of merchandise allegedly sold in the United States at less than fair value (LTFV). This inquiry, instituted on June 16, 1978, concerns methyl alcohol from Canada.

Determination

On the basis of information developed during the course of this inquiry, I determine that there is a reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of methyl alcohol into the United States from Canada allegedly sold at less than fair value as indicated by the Department of the Treasury (Treasury).

Information regarding alleged margins of LTFV sales

Treasury advised the Commission that the petitioner alleged margins of LTFV sales of 48% of the U.S. market price or 32% of the home market price.

A Reasonable Indication of Injury

Imports from Canada.—Since 1974, imports from Canada have increased from virtually nothing to 358 million pounds in 1977, up to 5.5 percent of total U.S. consumption. The increase in imports appears to be continuing in 1978. Since about half of U.S. consumption is captive (by domestic producers themselves), imports from Canada amounted to 11 percent of open-market consumption in 1977.

U.S. production.—1973 was the highest level of production in the past 5 years. Domestic production declined slightly in 1974, sharply in 1975, and recovered in both 1976 and 1977, but was still slightly below the 1973 and 1974 levels in 1977. Domestic production during the first 4 months of 1978 was below that of the corresponding period of 1977.

Utilization of productive capacity.—In 1974, capacity utilization was 90 percent. It dropped sharply to 65 percent in 1975 before climbing back to 79 percent in 1977. Figures for the first 4 months of 1978 show a decline back to 71 percent, from the 78 percent experienced during the first 4 months of 1977.

Employment.—The data available to us shows a decline in the average monthly number of production and related workers engaged in the production of methyl alcohol from 501 in 1976 to 394 in the first 4 months of 1978.

Profitability.—Aggregate data for domestic producers show generally increasing net sales and net operating profits from methyl alcohol since 1974. However, the ratio of net operating profits to net sales has declined from 38 percent in 1974 to 17.2 percent in the first 4 months of 1978. Two of the eight producers show losses for 1977 and early 1978.

Inventories.—Since 1974, year-end inventories of methyl alcohol have increased steadily as a percentage of shipments.

Prices.—Since 1976, the average value per pound for the major importer's shipments has remained below the corresponding value for U.S. producers' shipments by a margin which could be completely accounted for by the alleged LTFV margin of 1.8 cents per pound. Since August of 1977, the major importer's weighted average price to its four principal customers has also been lower than U.S. producers. This appears to be due to the major importer's price on shipments to one U.S. producer which receives co-producers' prices. No comparable price data was received from any U.S. producers, since none of their four principal customers were other U.S. producers. The average unit value of methyl alcohol shipped by the major importer to trading companies and end users was higher than that of U.S. producers in both 1976 and 1977, but was lower than that of U.S. producers during the first 4 months of 1978. The average value per pound shipped by U.S. producers increased between 1976 and 1977, and increased further during January-April 1978. However, average unit production costs have increased at a faster rate, indicating the possibility of price suppression.

Lost Sales.—The staff was able to verify one source to which U.S. producers claim to have lost sales. This source has purchased large quantities of Canadian methyl alcohol in recent months.

Conclusion

In 30 day inquiries, the Commission need only find a reasonable indication of injury. Data on domestic production and capacity utilization shows no clear trends. Inventories are growing, profitability and employment seem to be declining, and imports from Canada are increasing. Our data on prices is somewhat confusing, as we appear to be comparing apples and oranges at one point. The possibility of price suppression is clearly present, and we do have one verified lost sale.

While all factors do not point in the same direction, on balance I believe there is a ". . . reasonable indication that an industry in the United States is being or is likely to be injured . . . by reason of the importation of methyl alcohol into the United States from Canada".

If Treasury finds sales at LTFV in this investigation, the Commission will be called upon to determine whether

[1] Prevention of establishment of an industry in this inquiry is not in question and will not be discussed further in these veiws.

this industry is indeed being injured by reason of such LTFV sales. In this opinion, I am certainly not prejudging that case. In fact, it will be important to this Commissioner to get better data on several factors, particularly prices.

STATEMENT OF REASONS OF COMMISSIONER ITALO H. ABLONDI [4]

On June 9, 1978, the United States International Trade Commission received advice from the Department of the Treasury that during the course of a preliminary investigation with respect to methyl alcohol from Canada, Treasury had concluded from the information available to it "that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of this merchandise into the United States." Acting upon this advice, the Commission, on June 16, 1978, instituted inquiry No. AA1921-Inq.-13, under section 201(c)(2) of the Antidumping Act, 1921, as amended, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Determination

On the basis of information developed during the course of this inquiry, I determine that there is a reasonable indication that an industry in the United States is likely to be injured, [5] by reason of the importation of methyl alcohol into the United States from Canada allegedly sold at less than fair value as indicated by the Department of the Treasury.

Discussion

The legislative intent in the enactment of section 201(c)(2) of the Antidumping Act, 1921, as amended, is "to eliminate unnecessary and costly investigations which are an administrative burden and an impediment to trade." [6] This intent is effectuated when the Commission determines, pursuant to section 201(c)(2), that "there is no reasonable indication that a domestic industry is being or is likely to be injured" by reason of the subject imports, thereby eliminating an unnecessary, costly, and burdensome investigation by Treasury. The information obtained in this inquiry requires a finding that there is a reasonable indication that an industry in the United States is likely to be injured by reason of the importation of methyl alcohol into the United States from Canada allegedly sold at less than fair value as indicated by the Department of the Treasury.

The antidumping complaint filed with Treasury by du Pont alleges that because of the importation of methyl alcohol from Canada at less than fair value (LTFV), the complainant (du Pont) and other domestic producers are being injured by reason of lost sales and price suppression.

Market penetration by imports from Canada

Imports of Canadian methyl alcohol comprise the bulk of U.S. imports.[7] The Canadian industry is composed of two firms, Alberta Gas Chemicals, Ltd., which accounts for approximately 85 percent of the methyl alcohol produced in Canada, and Celanese Chemical Co., Ltd. Only Alberta Gas exports methyl alcohol to the United States. In 1977, Alberta exported a very large proportion of its annual production to the United States. Imports from Canada have increased from virtually zero in 1974 to 358 million pounds in 1977.[8] This represents almost 10.9 percent of open-market apparent consumption. In addition, during the period from January to April 1978, there has been an increase of nearly 10 percent in imports over the corresponding period in 1977. This continuous pattern of growth and increased market penetration reveals the likelihood of injury to the domestic industry.

The plans to expand the Alberta Gas operation offer further evidence of likely injury to the domestic industry. Alberta Gas has plans to substantially increase its capacity in stages during the next 4 years. The present pattern of rapidly increasing exports to the United States coupled with the vast planned expansion of the Alberta Gas operation, with its probable additional increase in exports to the United States presents the likelihood of serious injury to the U.S. industry.[9]

Unlike the situation in the investigation of methyl alcohol from Brazil, there is present a continuous pattern of increasing imports currently affecting 11 percent of the open market, with the likelihood of greater increased imports in the future. Based on these facts we find there is a reasonable indication that the domestic methyl alcohol industry is likely to be injured.

By order of the Commission:

KENNETH R. MASON,
Secretary.

JULY 11, 1978.

[FR Doc. 78-19469 Filed 7-13-78; 8:45 am]

---

[4] Commissioner Daniel Minchew concurs in the result.

[5] Prevention of establishmnent of an industry in this inquiry is not in question and will not be discussed further in these views.

[6] See S. Rept. No. 93-1298, 93d Cong., 2d sess. p. 171, of the Committee on Finance of the U.S. Senate, which accompanied H.R. 10710, the bill which became the Trade Act of 1974.

[7] Canadian-produced methyl alcohol accounted for 86 percent of the total U.S. imports of methyl alcohol in 1977.

[8] As a percentage of total consumption, imports from Canada have increased from virtually 0 in 1974 to 5.5 percent in 1977.

[9] We are not convinced by the argument advanced in the Alberta brief that the increased output from the expanded operation will be exported primarily to the Pacific rim countries, and hence does not represent a threat to the domestic industry.

APPENDIX F

FEDERAL REGISTER NOTICE OF TREASURY'S WITHHOLDING OF APPRAISEMENT

[4810-22-M]

Office of the Secretary

METHYL ALCOHOL FROM CANADA

Antidumping; Withholding of Appraisement Notice

AGENCY: United States Treasury Department.

ACTION: Withholding of Appraisement.

SUMMARY: This notice is to advise the public that there are reasonable grounds to believe or suspect that there are sales of methyl alcohol (methanol) from Canada to the United States at less than fair value within the meaning of the Antidumping Act, 1921. Sales at less than fair value generally occur when the price of merchandise sold for exportation to the United States is less than the price of such or similar merchandise sold in the home market or to third countries. Appraisement for the purpose of determining the proper duties applicable to entries of this merchandise will be suspended for six months. Interested persons are invited to comment on this action not later than January 18, 1979.

EFFECTIVE DATE: December 19, 1978.

FOR FURTHER INFORMATION CONTACT:

Mr. Edward F. Haley, Operations Officer, Duty Assessment Division, United States Customs Service, 1301 Constitution Avenue, NW, Washington, D.C. 20229, telephone (202) 566-5492.

SUPPLEMENTARY INFORMATION: On May 2, 1978, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26 and 153.27), from counsel acting on behalf of E. I. du Pont de Nemours & Company alleging that methyl alcohol from Canada is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C 160 *et seq.*) (referred to in this notice as "the Act").

On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of June 14, 1978 (43 FR 25758).

Methyl alcohol, commonly called methanol, is classifiable under item numbers 427.9600 and 427.9700 of the Tariff Schedules of the United States Annotated.

TENTATIVE DETERMINATION OF SALES AT LESS THAN FAIR VALUE

On the basis of information developed in the Customs investigation and for the reasons noted below, pursuant to section 201(b) of the Act (19 U.S.C. 160(b)), I hereby determine that there are reasonable grounds to believe or suspect that the purchase price of methyl alcohol from Canada is less, or likely to be less, than the fair value, and thereby the foreign market value, of such or similar merchandise.

STATEMENT OF REASONS ON WHICH THIS DETERMINATION IS BASED

The reasons and bases for the above tentative determination are as follows:

a. *Scope of the Investigation.* It appears that virtually all imports of methanol from Canada were manufactured by Alberta Gas Chemicals, Limited (hereinafter referred to as AGCL). Therefore, the investigation has been limited to this manufacturer.

b. *Basis of Comparison.* For the purpose of this tentative determination, the proper basis of comparison appears to be between purchase price and the adjusted home market price of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used since U.S. sales compared were made to unrelated customers. Home market price, as defined in § 153.2 of the Customs Regulations, was used for fair value comparison purposes since such or similar merchandise was sold in the home market in sufficient quantities to provide an appropriate basis of comparison.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was obtained concerning sales to the United States and in the home market during the 6-month period January 1, 1978 through June 30, 1978.

c. *Purchase Price.* For the purposes of this tentative determination, the purchase price has been calculated based on prices to unrelated U.S. customers with deductions for freight, U.S. duty, and sales commission, where appropriate. For the purpose of making fair value comparisons customers were classified in two groups: Producers of formaldehyde and producers of other than formaldehyde, since sales to producers of formaldehyde are generally made at a different price level than sales to other classes of customers.

In calculating purchase price, so called "swap" transactions, which appear to be common in the methanol industry to reduce freight expenses, have not been considered. A swap transaction involves the delivery of the product by one methanol producer to the customer of a second, while the second producer agrees at an undetermined future time to deliver a comparable amount to a customer of the first. No payment is exchanged. Swap shipments between AGCL and United States producers during the period of investigation involved about 8 million gallons, or approximately 28 percent of total U.S. sales. Because the swaps are not valued as such to permit simple price comparisons, these sales were not used in making fair value comparisons.

In addition, AGCL made sales to a United States producer of methanol. These sales, which are referred to as "co-producer" sales, were not included within the price comparisons because there were not sales to the same level of trade in the home market. They affected less than 6 percent of all sales to the United States.

d. *Home Market Price.* For purposes of this tentative determination, two separate home market prices have been calculated for fair value comparisons because AGCL sold methanol in Canada to two distinct classes of purchaser—producers of formaldehyde and producers of other than formaldehyde. Deductions were made for freight costs in both instances, where applicable.

e. *Results of Fair Value Comparisons.* Using the above criteria, preliminary analysis suggests that the purchase price appears to be lower than the home market price of such or similar merchandise. Comparisons were made on approximately 67 percent of the methanol sold in the United States by AGCL during the period of investigation. Margins were tentatively found, ranging from 9.9 percent to 108.6 percent, on 100 percent of sales compared. The weighted-average margin computed over all sales compared was 56.3 percent.

Customs officers are being directed to withhold appraisement of methyl alcohol from Canada in accordance with § 153.48, Customs Regulations (19 CFR 153.48).

In accordance with § 153.40, Customs Regulations (19 CFR 153.40), interested persons may present written views or arguments, or request in writing that the Secretary of the Treasury afford an opportunity to present oral views.

Any request that the Secretary of the Treasury afford an opportunity to present oral views should be addressed to the Commissioner of Customs, 1301 Constitution Avenue, NW., Washington, D.C. 20229, in time to be received by his office not later than December 29, 1978. Such requests must be accompanied by a statement outlining the issues to be discussed.

Any written views or arguments should likewise be addressed to the Commissioner of Customs in time to be received by his office not later than January 18, 1979. All persons submitting written views or arguments should avoid repetitious and merely cumulative material. Counsel for the petitioner and respondent are requested to serve all written submissions on all other counsel and to file their submissions with the Commissioner of Customs in 10 copies.

This notice, which is published pursuant to § 153.35(b), Customs Regulations (19 CFR 153.35(b)), shall become effective December 19, 1978. It shall cease to be effective at the expiration of 6 months from the date of this publication, unless previously revoked.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

DECEMBER 3, 1978.

[FR Doc. 78-35185 Filed 12-18-78; 8:45 am]

APPENDIX G

FEDERAL REGISTER NOTICE OF TREASURY'S DETERMINATION OF SALES AT LTFV

[4810-22-M]

Office of the Secretary

METHYL ALCOHOL FROM CANADA

Antidumping: Determination of Sales at Less Than Fair Value

AGENCY: U.S. Treasury Department.

ACTION: Determination of Sales at Less Than Fair Value.

SUMMARY: Based upon an investigation it has been determined that methyl alcohol (methanol) from Canada is being sold at less than fair value within the meaning of the Antidumping Act, 1921. Sales at less than fair value generally occur when the price of merchandise for exportation to the United States is less than the price of such or similar merchandise sold in the home market. This proceeding is being referred to the United States International Trade Commission for a determination concerning injury to an industry in the United States.

EFFECTIVE DATE: March 30, 1979.

FOR FURTHER INFORMATION CONTACT:

Mr. Edward F. Haley, U.S. Customs Service, Duty Assessment Division, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, telephone (202) 566-5492.

SUPPLEMENTARY INFORMATION: On May 2, 1978, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from E. I. du Pont de Nemours and Company alleging that methyl alcohol (methanol) from Canada is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*). (Referred to in this notice as "the Act")

On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of June 14, 1978 (43 FR 25758). A "Withholding of Appraisement Notice" was published in the FEDERAL REGISTER of December 19, 1978 (43 FR 59196).

Methyl alcohol, also known as methanol, is classifiable under item numbers 427.9600 and 427.9700 of the Tariff Schedules of the United States Annotated.

DETERMINATION OF SALES AT LESS THAN FAIR VALUE

I hereby determine that, for the reasons stated below, methyl alcohol from Canada is being, or is likely to be, sold at less than fair value within the meaning of section 201(a) of the Act (19 U.S.C. 160(a)).

STATEMENT OF REASONS ON WHICH THIS DETERMINATION IS BASED

The reasons and bases for the above determination are as follows:

a. *Scope of the Investigation.* Virtually all imports of methanol from Canada during the period covered by this investigation were manufactured by Alberta Gas Chemicals Limited (AGCL); therefore, the investigation was limited to this manufacturer.

b. *Basis of Comparison.* For the purpose of considering whether the merchandise in question is being, or is likely to be, sold at less than fair value within the meaning of the Act, the proper basis of comparison is between purchase price and the adjusted home market price of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used since U.S. sales were made to unrelated customers prior to the date of exportation of the merchandise. Home market price, as defined in section 153.2, Customs Regulations (19 CFR 153.2), was used for fair value comparison purposes since such or similar merchandise was sold in the home market in sufficient quantities to provide an appropriate basis of comparison. In this case, AGCL's home market sales accounted for over 55 percent of all sales to markets other than the United States, and over 38% of AGCL's total sales during the period investigated.

Consequently, this was deemed adequate to establish a home market for purposes of price comparisons.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was obtained concerning sales to the United States and in the home market during the 6-month period January 1, 1978, through June 30, 1978.

c. *Purchase Price.* For the purpose of this determination of sales at less than fair value, the purchase price was calculated based on prices to unrelated U.S. customers with deductions for freight, U.S. duty, and sales commission, where appropriate.

For the purposes of making fair value comparisons customers were classified into three groups: Producers of formaldehyde, producers of other than formaldehyde, and co-producers of methanol, since sales to these classes of customers were generally made at different price levels.

In the Withholding of Appraisement Notice cited above, it was stated that sales to U.S. co-producers were not included within the price comparisons because of the absence of the same level of trade within Canada. That notice indicated that those co-producer sales to the U.S. accounted for less than 6 percent of all sales to the United States. It was subsequently discovered, however, that sales made to one U.S. customer at the co-producer level inadvertently had not been reported by the respondent as co-producer sales. These co-producer sales accounted for 15 percent of the total sales to the U.S. On the basis of the new formation the Department has decided that sales to U.S. co-producers should be included within the price comparisons for purposes of this final determination.

In calculating purchase price, so called "swap" transactions, which appear to be common in the methanol industry to reduce freight expenses, have not been considered. A swap transaction involves the delivery of the product by one methanol producer to the customer of a second. The second producer agrees to deliver a comparable amount to a customer of the first at an undetermined future time. No payment is exchanged. Swap shipments to U.S. customers of AGCL and United States producers during the period of investigation involved about 8 million gallons of methanol, or approximately 28 percent of AGCL's total U.S. sales. Because the swaps are not valued as such to permit simple price comparisons, these sales were not used in making fair value comparisons.

The respondent has maintained that the above swap transactions are not sales and, therefore, are outside the scope of the Act. Although swap shipments were not included in making price comparisons for purposes of this investigation, Treasury considers any such transactions in which methanol is imported into the U.S. from Canada to be within the scope of the Antidumping Act and thus subject to any Finding of Dumping which subsequently may be issued. This would be consistent with the treatment accorded so-called swap shipments to U.S. customers of Canadian producers of potassium chloride (otherwise known as muriate of potash) from Canada. (Finding of Dumping, December 19, 1969 (34 FR 19904)).

d. *Home Market Price.* AGCL sold methanol in Canada to two distinct classes of purchaser—producers of formaldehyde and producers of other than formaldehyde. Consequently, for the purpose of this determination of sales at less than fair value, two separate weighted-average home market prices were calculated for fair value comparisons. Deductions were made for freight costs in both instances, where applicable. In the case of sales to one U.S. purchaser, which were made pursuant to a long-term fixed-price contract renegotiated in July 1975, a home market price was calculated based upon sales in Canada during the months of June and July of that year. The purchaser contended that the contract was concluded in 1973 and, that the price and quantity terms renegotiated in 1975 included a reservation permitting either party to revert to the 1973 terms. Therefore, it urged use of 1973 home market price data. It has been determined that the changes to the contract concluded in 1975, involving such fundamental terms as price and quantity, require that the 1975 renegotiation be treated as the date of agreement to purchase the merchandise in question for purposes of the Act. Therefore, 1973 home market prices cannot be used to establish fair value.

In making price comparisons, sales to U.S. companies characterized as "co-producers" were compared with sales in the home market to producers of formaldehyde because there were no sales by AGCL to co-producers in Canada. Although Celanese Canada, a producer of methanol in Canada, purchased methanol from AGCL during the period investigated, that methanol was for use in the production of formaldehyde in Celanese Canada's facility in Western Canada. Celanese Canada produces some methanol in that facility; however, methanol is produced there only as a by-product. The great bulk of Celanese Canada's methanol is produced in a facility located in Eastern Canada. Because the prices paid by Celanese Canada for AGCL's methanol are generally reflective of prices paid by producers of formaldehyde, Celanese Canada is not considered to be a co-producer of methanol sales in the usual sense of the term.

Respondent maintained that sales to a third-country co-producer should be used as the basis for comparing prices to U.S. co-producers or, in the absence of that, the price differential on AGCL's sales in the U.S. to co-producers and sales to producers of formaldehyde be used for establishing the adjustment to the home market price. Georgia-Pacific Corp., a U.S. co-producer, also maintained that third-country experience should be used, or that, in the alternative, adjustments be made for volume discounts pursuant to § 153.9 of the Customs Regulations (19 CFR 153.9) or for circumstances of sale, pursuant to § 153.10 (19 CFR 153.10).

Treasury's consistent interpretation of § 153.15 of the Customs Regulations (19 CFR 153.15) has precluded the use of third-country sales as a basis for making level of trade comparisons for fair value purposes. Moreover, the Department has not considered sales at different levels of trade in the U.S. as an appropriate basis for adjustments in calculating fair value. Nevertheless, the Treasury has in the past considered claims for quantity discounts or differences in circumstances of sale, to the extent the requirements for such adjustments can be satisfied, which have reached results comparable to a "level of trade" adjustment. Where price differences result from differences in the levels of trade being served, and the cost of those differences can be quantified by reference to verified added costs incurred due to different marketing practices in the foreign market under examination, an adjustment will be considered. However, in this case no actual quantification of such differences was presented. Accordingly, the Department has used sales at the nearest comparable level of trade, in this case sales to producers of formaldehyde, for purposes of comparison with sales to co-producers in the United States.

In prior cases, the Department has noted that adjustments for differences in level of trade cannot always be accounted for satisfactorily by adjustments for differences in circumstances of sale and quantity discounts. Since the issue here is a fundamental one, affecting many cases, it is deemed inadvisable to depart from consistent prior practice until a thorough review of the issue has been completed and any changes to that practice implemented through a formal rule-making process.

Respondent made a claim for an adjustment for differences in quantities relative to sales to one large U.S. producer of formaldehyde. Since adequate documentation was not provided pursuant to § 153.9 of the Customs Regulations to justify such an adjustment, that claim was disallowed.

e. *Result of Fair Value Comparisons.* Using the above criteria, U.S. purchase prices were found to be lower than the home market price of such or similar merchandise in all instances. Comparisons were made on approximately 72 percent of the methanol sold in the United States by AGCL during the period of investigation. Margins were found ranging from 9.9 percent to 108.6 percent on 100 percent sales compared. The weighted-average margin computed over all sales compared was 59.2 percent.

The Secretary has provided an opportunity to known interested persons to present written and oral views pursuant to § 153.40, Customs Regulations (19 CFR 153.40).

The U.S. International Trade Commission is being advised of this determination.

This determination is being published pursuant to § 201(d) of the Act (19 U.S.C. 160(d)).

MARCH 23, 1979.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

[FR Doc. 79-9739 Filed 3-29-79; 8:45 am]

APPENDIX H

DIAGRAM AND DISCUSSION OF METHYL ALCOHOL SYNTHESIS

Diagram and Discussion of Methyl Alcohol Synthesis

Methyl alcohol production in the United States is based on either high-pressure or low-pressure processes. In 1978, 50 percent of the U.S. methanol production was based on high-pressure processes with the remaining 50 percent based on low-pressure processes.

In the high-pressure processes, synthesis gas (usually made by reforming natural gas to yield a mixture of carbon monoxide, carbon dioxide, and hydrogen) is desulfurized, compressed to a pressure of about 5,000 psi, and passed into a methanol converter. The conversion of synthesis gas to methanol takes place at 300°C in the presence of a zinc-chromium-oxide catalyst. The methanol-containing gas is then cooled, condensed, and purified by distillation to yield a product of 99+ percent purity.

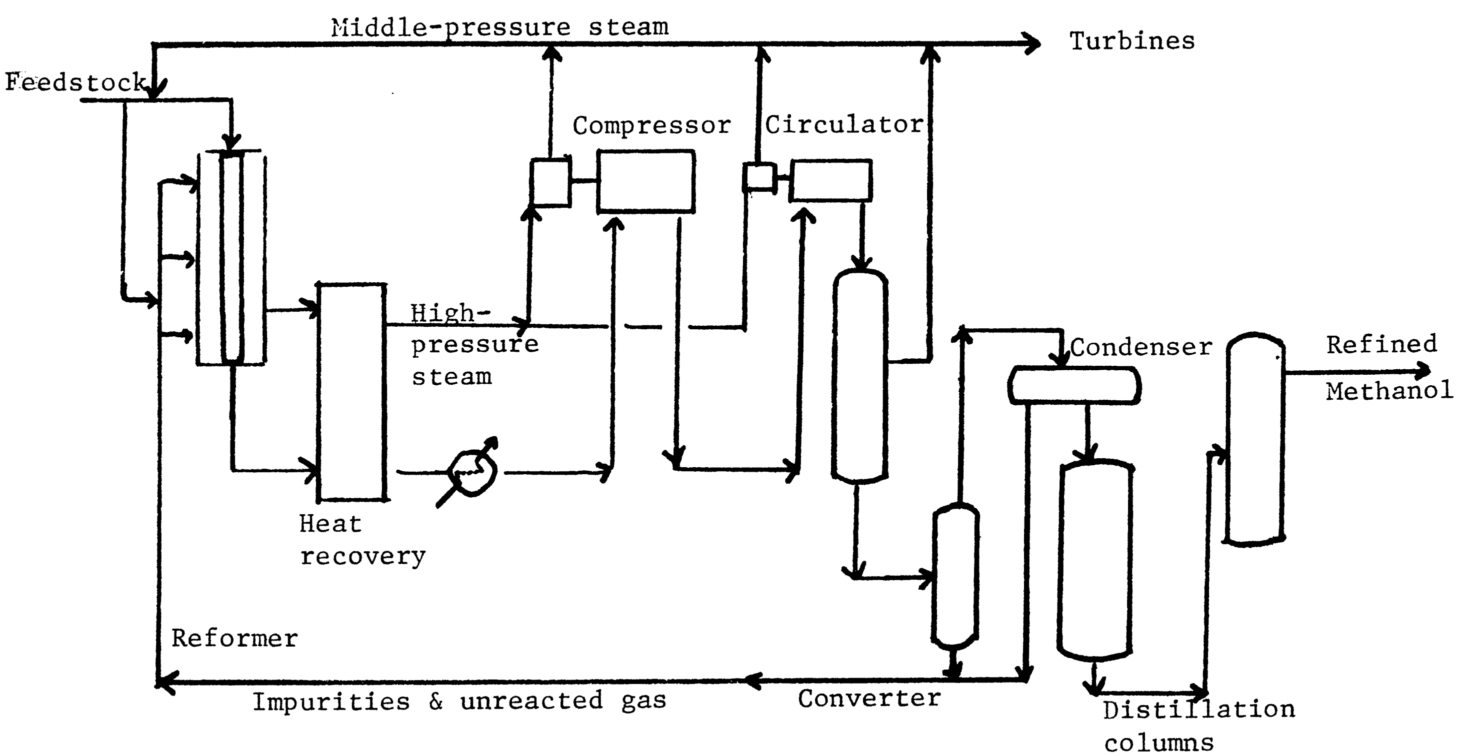
In the high-pressure processes, only plants with a capacity over 400 million pounds per year can use the more efficient centrifugal compressors driven by steam turbines. The smaller capacity plants must use the reciprocating engines which are driven by electricity or fossil fuels.

Low-pressure processes operate at a pressure of about 1,000 psi and a temperature of 225-275°C due to the greater reactivity of the copper-based catalyst used in the converter. Production and maintenance costs for the low-pressure processes are usually lower due to reduced compressor requirements and the use of centrifugal compressors. A simpler converter design also allows for rapid catalyst replacement which increases the plant's on-stream time.

One disadvantage of low-pressure processes is that the copper-based catalyst is easily poisoned by sulfur and halogens. Any trace of these elements in the synthesis gas will greatly decrease the efficiency of the catalyst.

The following diagram is a typical flowsheet of the methanol synthesis process. The difference between the high- and low-pressure processes would occur primarily in the compression and conversion stages of the synthesis process.

Figure H-1: Schematic flow diagram for methyl alcohol synthesis.



APPENDIX I

STATISTICAL TABLES

Table I-1.--Methyl alcohol: U.S. production 1967-78

Year	Production
	1,000 pounds
1967	3,432,078
1968	3,817,382
1969	4,205,886
1970	4,931,682
1971	4,949,904
1972	6,471,605
1973	7,064,370
1974	6,878,310
1975	5,176,292
1976	6,242,241
1977	6,452,741
1978	1/ 6,359,945

1/ Preliminary data based on monthly reports.

Source: Synthetic Organic Chemicals, U.S. Production and Sales.

Table I-2.--Methyl alcohol: Selected financial data for U.S. producers on their methyl alcohol operations, by firms, 1976-78, January-March 1978, and January-March 1979

* * * * * * *

Table I-3.--Price indexes of methyl alcohol, total industrial commodities, and energy, 1950-77

(1967-100)

Year	Methyl alcohol	Total industrial commodities	Energy
1950	***	78.0	87.1
1951	***	86.1	90.3
1952	***	84.1	90.1
1953	***	84.8	92.6
1954	***	85.0	91.3
1955	***	86.9	91.2
1956	***	90.8	94.0
1957	***	93.3	99.1
1958	***	93.6	95.3
1959	***	95.3	95.3
1960	***	95.3	96.1
1961	***	94.8	97.2
1962	***	94.8	96.7
1963	***	94.7	96.3
1964	***	95.2	93.7
1965	***	96.4	95.5
1966	***	98.5	97.8
1967	***	100.0	100.0
1968	***	102.5	98.9
1969	***	106.0	100.9
1970	***	110.0	106.2
1971	***	114.1	115.2
1972	***	117.9	118.6
1973	***	125.9	134.3
1974	***	153.8	208.3
1975	***	171.5	245.1
1976	***	182.4	265.6
1977	***	195.1	302.2

1/ In 1972 the industry converted from a delivered to an f.o.b. price basis, and the list price was reported at * * * cents per pound.

Source: U.S. Department of Commerce Official Statistics, and the Chemical Economics Handbook, 1977.

APPENDIX J

DEMAND FORECAST FOR METHYL ALCOHOL

Demand Forecast for Methyl Alcohol

* * * * * * *

APPENDIX K

PRICING POLICIES OF AGCI/AGCL

Pricing Policies of AGCI/AGCL

*   *   *   *   *   *   *