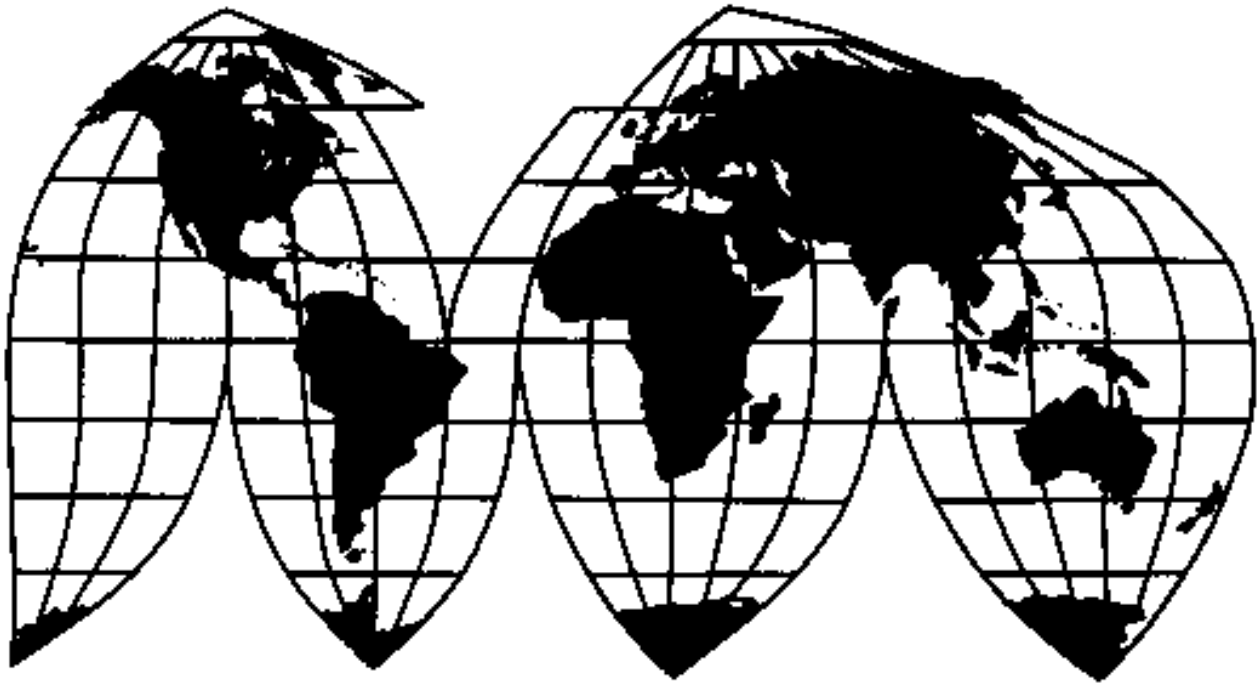
Solid Urea from Russia and Ukraine

Investigations Nos. 731-TA-340-E & H (Second Review)

Publication 3821 **December 2005**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Stephen Koplan, Chairman
Deanna Tanner Okun, Vice Chairman
Jennifer A. Hillman
Charlotte R. Lane
Daniel R. Pearson
Shara L. Aranoff

Robert A. Rogowsky
Director of Operations

Staff assigned

Olympia Hand, *Investigator*
Raymond Cantrell, *Industry Analyst*
James Fetzer, *Economist*
Charles Yost, *Accountant*
Michael Haldenstein, *Attorney*
Lita David-Harris, *Statistician*

George Deyman, *Supervisory Investigator*

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

U.S. International Trade Commission

Washington, DC 20436

Solid Urea from Russia and Ukraine

Investigations Nos. 731-TA-340-E & H (Second Review)

Publication 3821

December 2005

CONTENTS

	Page
Determinations	1
Views of the Commission	3
Dissenting Views of Vice Chairman Deanna Tanner Okun, Commissioner Jennifer A. Hillman, and Commissioner Shara L. Aranoff	27
Part I: Introduction and overview	I-1
Background	I-1
The original investigations and the first five-year reviews	I-2
Statutory criteria and organization of the report	I-7
Commerce's results of expedited reviews	I-10
Commerce's administrative reviews	I-10
The subject product	I-10
Physical characteristics	I-11
Uses	I-12
Manufacturing processes	I-13
Channels of distribution	I-15
Domestic like product issues	I-15
Prills and granules	I-16
U.S. market participants	I-21
U.S. producers	I-21
U.S. importers	I-25
U.S. purchasers	I-26
Apparent U.S. consumption and market shares	I-26
Part II: Conditions of competition in the U.S. market	II-1
Market segments/market structure	II-1
Supply and demand considerations	II-1
U.S. supply	II-1
U.S. demand	II-5
Substitutability issues	II-6
Factors affecting purchasing decisions	II-7
Comparison of domestic products and subject imports	II-10
Comparison of domestic products and nonsubject imports	II-14
Comparison of subject imports and nonsubject imports	II-14
Comparison of Russian and Ukrainian products	II-14
Elasticity estimates	II-14
U.S. supply elasticity	II-14
U.S. demand elasticity	II-15
Substitution elasticities	II-15
Part III: Condition of the U.S. industry	III-1
U.S. producers' capacity, production, and capacity utilization	III-1
U.S. producers' domestic shipments, company transfers, and export shipments	III-3
U.S. producers' inventories	III-5
U.S. producers' purchases	III-5
U.S. producers' employment, wages, and productivity	III-6

CONTENTS

Page

Part III: Condition of the U.S. industry–*Continued*
- Financial experience of U.S. producers . . . III-7
  - Background . . . III-7
  - Operations on solid urea . . . III-9
    - Variance analysis . . . III-14
  - Assets and return on investment . . . III-16
  - Capital expenditures and research and development expenses . . . III-17

Part IV: U.S. imports and the industries in Russia and Ukraine . . . IV-1
- U.S. imports . . . IV-1
- U.S. importers' inventories . . . IV-2
- The industry in Russia . . . IV-3
  - Capacity, production, capacity utilization, domestic shipments, export shipments, and inventories in Russia . . . IV-5
- The industry in Ukraine . . . IV-8
  - Capacity, production, capacity utilization, domestic shipments, and export shipments in Ukraine . . . IV-9
- The industries in Russia and Ukraine combined . . . IV-10
- The world industry . . . IV-10

Part V: Pricing and related information . . . V-1
- Factors affecting prices . . . V-1
  - Raw material costs . . . V-1
  - Transportation costs to the U.S. market . . . V-1
  - U.S. inland transportation costs . . . V-1
  - Exchange rates . . . V-2
- Pricing practices . . . V-4
  - Pricing methods . . . V-4
  - Sales terms and discounts . . . V-4
- Price data . . . V-4
  - Price trends . . . V-5

Appendixes

A. *Federal Register* notices and the Commission's statement on adequacy . . . A-1
B. List of witnesses who appeared at the Commission's hearing . . . B-1
C. Summary data . . . C-1
D. Responses of U.S. producers, U.S. importers, foreign producers, and U.S. purchasers concerning the significance of the antidumping duty orders and the likely effects of revocation . . . D-1

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 340-E and H (Second Review)

SOLID UREA FROM RUSSIA AND UKRAINE

DETERMINATIONS

On the basis of the record[1] developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines,[2] pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted these reviews on October 1, 2004 (69 F.R. 58957) and determined on January 4, 2005 that it would conduct full reviews (70 F.R. 2882, January 18, 2005). Notice of the scheduling of the Commission's reviews and of a 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, DC, and by publishing the notice in the *Federal Register* on April 13, 2005 (70 F.R. 19502). The hearing was held in Washington, DC, on September 22, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

---

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

[2] Vice Chairman Deanna Tanner Okun, Commissioner Jennifer A. Hillman, and Commissioner Shara L. Aranoff dissenting.

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (the Act), that revocation of the antidumping duty orders on solid urea from Russia and Ukraine is likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[1]

I. BACKGROUND

In July 1987, the Commission determined that an industry in the United States was being materially injured by reason of imports of urea from the German Democratic Republic ("GDR"), Romania, and the Union of Soviet Socialist Republics ("USSR") that were being sold at less than fair value.[2] On July 14, 1987, the Department of Commerce ("Commerce") issued antidumping duty orders on imports of solid urea from the GDR, Romania, and the USSR.[3] On June 29, 1992, following the division of the USSR in December 1991 into 15 independent states, Commerce divided the original antidumping duty order on solid urea from the USSR into 15 orders applicable to each independent state.[4] Commerce noted that any interested party that believed the order should not apply, in whole or in part, to any of the new states could request a changed circumstances review.[5] On April 3, 1998, Commerce revoked the antidumping duty order on solid urea from the former GDR, based on the fact that the Ad Hoc Committee of Domestic Nitrogen Producers ("Ad Hoc Committee"), the petitioners in the original investigation, had expressed no further interest in the order against the former GDR.[6]

During Commerce's first five-year reviews of the orders on solid urea, Commerce received no notice of intent to participate by domestic interests in the reviews concerning solid urea from Azerbaijan, Georgia, Kazakhstan, Krygyzstan, Latvia, and Moldova and therefore revoked its orders with respect to these countries.[7] The Commission then terminated its five-year reviews with respect to those orders.[8]

On March 1, 1999, the Commission instituted its first five-year reviews pursuant to section 751(c) of the Act to determine whether revocation of the antidumping duty orders on Russia and Ukraine would be likely to lead to continuation or recurrence of material injury.[9] The Commission expedited its

---

[1] Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff dissent from this determination. They join sections I (Background), II (Domestic Like Product and Industry), III (Cumulation), IV.A (Legal Standard), and IV.B (Conditions of Competition), of the Commission's Opinion. See Separate and Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff.

[2] Urea From the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Inv. Nos. 731-TA-338-340 (Final), USITC Pub. 1992 (July 1987) ("Original Determination"). The petition was filed on behalf of the Ad Hoc Committee of Domestic Nitrogen Producers, which was comprised of seven domestic producers of solid urea. Final Staff Report, OINV-CC-186, ("CR") (Oct. 28, 2005) at I-2, Public Staff Report (PR) at I-2.

[3] 52 Fed. Reg. 26367 (July 14, 1987).

[4] 57 Fed. Reg. 28828 (June 29, 1992).

[5] 57 Fed. Reg. at 28829.

[6] 63 Fed. Reg. 16471 (April 3, 1998).

[7] 64 Fed. Reg. 24137 (May 5, 1999); 64 Fed. Reg. 28974 (May 28, 1999).

[8] 64 Fed. Reg. 30358 (June 7, 1999).

[9] 64 Fed. Reg. 10020 (March 1, 1999).

reviews because, although the individual and group domestic interested party response to its notice of institution were adequate, the respondent responses for all subject countries were not adequate.[10] The Commission also determined that no other circumstances warranting a full review were present. The Commission determined that revocation of the orders covering solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. However, it also determined that revocation of the antidumping duty order covering solid urea from Armenia would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[11]

On October 1, 2004, the Commission instituted reviews pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"), to determine whether revocation of the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would likely lead to the continuation or recurrence of material injury.[12] Because the domestic interested parties chose not to participate in Commerce's review of the orders on solid urea from Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan, Commerce revoked all the orders, except those on Russia and Ukraine, effective November 17, 2004.[13] The Commission then terminated its reviews corresponding to the revoked orders.[14] [15]

---

[10] See Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Inv. Nos. 731-TA-339 and 340-A-I (Review) USITC Pub. 3248 (Oct. 1999) Appendix B, Commission Statement on Adequacy.

In five-year reviews, the Commission initially determines whether to conduct a full review (which would include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review. In order to make this decision, the Commission first determines whether individual responses to the notice of institution are adequate. Next, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties – domestic interested parties (such as producers, unions, trade associations, or worker groups) and respondent interested parties (such as importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review. If the Commission finds the responses from both groups of interested parties adequate, or if other circumstances warrant, it will determine to conduct a full review. See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

[11] Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Inv. Nos. 731-TA-339 and 340-A-I (Review) USITC Pub. 3248 (Oct. 1999) (Chairman Bragg and Commissioner Koplan dissenting). Subject imports from Armenia were not cumulated because the Commission found that they were likely to have no discernible adverse impact due to the destruction of the Armenian urea industry in an earthquake in 1998. USITC Pub. 3248 at 9.

[12] 69 Fed. Reg. 58957.

[13] 69 Fed. Reg. 77993 (Dec. 29, 2004).

[14] 70 Fed Reg. 2657 (Jan. 14, 2005).

[15] Commissioner Pearson observes that it is noteworthy that domestic interested parties have supported removal of numerous producing and exporting countries from review of these orders. Commissioner Pearson further notes that none of the domestic producers have affiliated urea production facilities in or import urea from the FSU countries whose antidumping duty orders were revoked. At the Commission hearing, Jim Dietz, President of PCS Nitrogen, a domestic producer, testified that "Today, we are asking the Commission to allow the antidumping orders on urea from Russia and Ukraine to remain in effect for another five years. As you know, we have concluded that all of the other orders that had been in place since 1987 are no longer necessary. The next five years, however, will be of critical importance for the nitrogen industries in Russia and Ukraine, as well as for the U.S. urea industry. Accordingly, we are seeking renewal of these orders through 2010.

What makes the next five years such a pivotal period? The short answer is natural gas. During this period,

In response to the notice of institution for these reviews, the Commission received an adequate joint response with company specific data from four domestic producers who are members of the Ad Hoc Committee: CF Industries, Inc.; PCS Nitrogen Fertilizer; Terra Industries Inc.; and Mississippi Chemical Corporation. It also received a separate adequate response with company-specific data from another domestic producer, Agrium US, Inc.[16] The Commission also received adequate responses from several Russian producers of solid urea: Nevinnomysskiy Azot; Novomoskovsk Azot JSC; Kuybyshevazot JSC; Salavatnefteorgsintez OJSC; Kemerovo OJSC "Azot"; OJSC Tolyatti Azot; Azot OJSC, Berezniki; and MCC EuroChem.[17] Because the Commission received adequate responses representing a substantial percentage of the production of solid urea in Russia, the Commission determined that the respondent interested party group response for Russia was adequate and determined to proceed to a full review with respect to the order on Russia.[18]

While the Commission did not receive a response from any Ukranian respondent interested parties, the Commission determined to conduct full reviews of both orders in order to promote administrative efficiency in light of its decision to conduct a full review with respect to the order on subject imports from Russia.[19]

Solid urea is a high-nitrogen-content fertilizer that is produced by reacting ammonia with carbon dioxide. It is sold in both prilled and granular form. Solid urea has many uses, primarily as a fertilizer, but also for industrial applications, including urea-formaldehyde resins used in the adhesives industry (plywood and particle board); molding powders; varnishes and foams; and for impregnating paper, textiles, and leather. Solid urea is also used extensively as a synthetic protein supplement for ruminant animals where tiny microprills are commonly incorporated uniformly into animal feeds.[20]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the "domestic like product" and the "industry."[21] The Act defines the "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle."[22] The Commission practice in five-year reviews is to look to the like product

---

we are hopeful that there will be meaningful changes in the industrial natural gas pricing situations in Russia and Ukraine. We also hope to see the normalization of natural gas prices in the United States. We sincerely hope, and even expect, that we will not have to seek continuation beyond 2010. We believe, however, that if these orders are not continued, we may not be here in 2010." Transcript of Commission's Hearing of September 22, 2005 ("Tr.") at 17-18.

[16] See Commission Statement on Adequacy (Jan. 2005); CR/PR at Appendix A.

[17] See Commission Statement on Adequacy (Jan. 2005); CR/PR at Appendix A.

[18] See Commission Statement on Adequacy (Jan. 2005); CR/PR at Appendix A.

[19] See Commission Statement on Adequacy (Jan. 2005); CR/PR at Appendix A.

[20] CR at I-17, PR at I-13.

[21] 19 U.S.C. § 1677(4)(A).

[22] 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979). The Commission generally considers the following factors: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and

definitions from the original investigations and any previous reviews and consider whether the record indicates any reason to revisit that definition.

In these five-year reviews, Commerce has continued to define the subject merchandise as it had in its original investigations and first five-year reviews:

> The merchandise covered by this order is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the Harmonized Tariff Schedules of the United States Annotated ("HTS") item 3102.10.00.00.[23]

Solid urea is produced in both granular and prilled forms for fertilizer and industrial use.[24] Eighty percent of solid urea sold in the United States is used as fertilizer.[25] Much of the remainder is used in industrial applications, such as the manufacture of adhesives, though some prilled urea is used as a protein supplement in animal feeds.[26]

Granular and prilled urea are produced by production processes that differ in the final processing of molten urea into small solid pellets.[27] U.S. consumers generally prefer granular urea for fertilizer, while prilled urea is predominantly used for industrial applications in the United States.[28] While similar in physical characteristics (they are chemically identical), granular urea has better physical integrity than prilled urea, enabling it to be blended more efficiently with other fertilizers and to be transported and stored more easily.[29] At the time of the original determinations in 1987, half of U.S. production was granular urea and half was prilled urea. Currently, over three-quarters of domestic production is granular urea.[30]

In the original investigations, the Commission defined the domestic like product consistent with Commerce's scope of subject merchandise as solid urea, whether granular or prilled.[31] It noted that solid urea was sold in the United States in two forms, prills and granules, and that subject imports were virtually all in prilled form.[32] The Commission further noted that prilled and granular urea were chemically identical and that, while there were some physical differences between them, they were generally suitable for the same uses and were fungible.[33] In the first five-year reviews of the orders, the Commission noted that the parties did not object to the original like product definition and that there was

---

production employees; (5) customer or producer perceptions; and, when appropriate, (6) price. See Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[23] Solid Urea from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order, 70 Fed. Reg. 24394 (May 9, 2005); Solid Urea from the Russian Federation; Final Results of the Expedited Sunset Review of the Antidumping Duty Order, 70 Fed. Reg. 24528, 24529 (May 10, 2005).

[24] CR at I-14, PR at I-11.

[25] CR at I-15, PR at I-12.

[26] CR at I-17, PR at I-13.

[27] CR at I-18 to I-19, PR at I-13 to I-14.

[28] CR at I-23, PR at I-16.

[29] CR at I-15, PR at I-11.

[30] CR at I-15, PR at I-12.

[31] Original Determination at 3-4.

[32] Original Determination at 4.

[33] Original Determination at 4.

no new information that warranted a departure from that definition.[34] Accordingly, the Commission again defined the domestic like product as solid urea.[35]

Neither the Russian Respondents[36] nor the Ad Hoc Committee presented arguments concerning the definition of the domestic like product and the Commission has not obtained information in these reviews indicating that it is appropriate to revisit the definition. Accordingly, we again define the domestic like product as we did in the original investigations and first five-year reviews as solid urea, co-extensive with the scope.

B. Domestic Industry and Related Parties

Section 771(4)(A) of the Act defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[37] Based on our domestic like product finding, we determine that the domestic industry consists of all U.S. producers of solid urea.[38] The industry consisted of 24 firms during the original investigations, 12 firms at the time of the first reviews in 1999, and only 7 firms today.[39]

III. CUMULATION

A. Overview

Section 752(a) of the Act provides that:

> the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.[40]

---

[34] USITC Pub. 3248 at 6.

[35] USITC Pub. 3248 at 6.

[36] Nevinnomysskiy Azot; Novomoskovsk Azot JSC; JSC MCC EuroChem; Kuybyshevazot JSC; JSC "Azot" Berezniki; JSC "Azot" Kemerovo; and the Fertilizer Producers' Association of Russia (collectively "Russian Respondents").

[37] 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed.Cir. 1996).

[38] During the original investigations and first five-year reviews, there were no related parties. See USITC Pub. 3248 at 6; USITC Pub. 1992 at 4. No information has been obtained during these reviews to indicate that the related parties provision of the statute applies to any domestic producer.

[39] CR at I-32 to I-33, PR at I-20 to I-21.

[40] 19 U.S.C. § 1675a(a)(7).

Thus, cumulation is discretionary in five-year reviews. The Commission may exercise its discretion to cumulate only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.[41] We note that neither the statute nor the Uruguay Round Agreements Act ("URAA") Statement of Administrative Action ("SAA") provides specific guidance on what factors the Commission is to consider in determining that imports "are likely to have no discernible adverse impact" on the domestic industry.[42] With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.[43]

In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied as Commerce initiated all the reviews on October 1, 2004.[44]

The Commission generally has considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.[45] Only a "reasonable overlap" of competition is required.[46] In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists because the subject imports are absent from the U.S. market. Moreover, because of the prospective nature of five-year reviews, we have examined not only the Commission's traditional competition factors, but also other significant conditions of competition that are likely to prevail if the orders under review are terminated. The Commission has

---

[41] 19 U.S.C. § 1675a(a)(7).

[42] SAA, H.R. Rep. No. 103-316, vol. I (1994).

[43] For a discussion of the analytical framework of Chairman Koplan and Commissioner Hillman regarding the application of the "no discernible adverse impact" provision, see Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review) USITC Pub. 3274 (Feb. 2000). For a further discussion of Chairman Koplan's analytical framework, see Iron Metal Construction Castings from India; Heavy Iron Construction Castings from Brazil; and Iron Construction Castings from Brazil, Canada, and China, Inv. Nos. 303-TA-13 (Review); 701-TA-249 (Review); and 731-TA-262, 263, and 265 (Review) USITC Pub. 3247 (Oct. 1999) (Views of Commissioner Stephen Koplan Regarding Cumulation).

[44] 69 Fed. Reg. 58890 (Oct. 1, 2004).

[45] The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (CIT 1989).

[46] See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (CIT 1996); Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685 (CIT 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 (Preliminary) and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 15 (Feb. 1999), aff'd sub nom, Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp.2d 1353 (CIT 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-761-762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

considered factors in addition to its traditional competition factors in other contexts where cumulation is discretionary.[47]

Based on the record, we do not find that subject imports from either Russia or Ukraine would be likely to have no discernible adverse impact on the domestic industry if the orders were revoked. We also find a likely reasonable overlap of competition between the subject imports from both countries and the domestic like product if the orders were revoked. We do not find any significant differences in the conditions of competition with respect to the subject imports from Russia and Ukraine, and we therefore exercise our discretion to cumulate the likely volume and price effects of subject imports from both countries.

B. Likelihood of No Discernible Adverse Impact

Neither the Russian Respondents nor the Ad Hoc Committee presented arguments concerning whether the Commission should find that subject imports from Russia or Ukraine would be likely to have no discernible adverse impact if the order were revoked. We do not find that subject imports from either country would likely have no discernible adverse impact on the domestic industry upon revocation of its respective order.

There have been no subject imports from Russia since 1987 when the antidumping order was imposed.[48] However, information concerning the Russian producers indicates that they are highly export oriented, and exported over *** percent of their production during the period of review.[49] According to data from the International Fertilizer Industry Association (IFA), the Russian producers had approximately ***.[50] The IFA data indicate capacity for urea production in Russia was over *** million short tons in 2004.[51] By comparison, the U.S. industry's capacity was 4.8 million short tons in 2004.[52] Additions to capacity are also planned by Russian producers Eurochem and ***.[53] Excess production capacity in Russia is estimated by the IFA to be *** short tons, which was equivalent to *** percent of domestic apparent consumption in 2004.[54] Pricing data are unavailable due to the absence of subject imports from the U.S. market.

---

[47] See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (CIT 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (CIT 1988).

[48] CR at I-41, PR at I-24. The import data from the original investigations do not distinguish Russian urea from urea from other exporters in the former Soviet Union. CR/PR at Table I-1.

[49] CR/PR at Tables IV-4 and IV-6. Major export markets are the European Union and Latin America, particularly Mexico and Brazil. CR at IV-10, PR at IV-5. Exports to the European Union have increased rapidly while those to Latin America have fallen during 2003-2004. CR at IV-10, PR at IV-5.

[50] See CR/PR at Table IV-6.

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

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

[53] CR/PR at Table IV-4 to IV-5.

[54] See CR/PR at Tables I-1, IV-6.

We also take into account other factors discussed below, including the vulnerability of the domestic industry,[55] the substitutability of urea from different sources, and the attractiveness of the U.S. market. In short, given the large size and export orientation of the Russian producers, we do not find that subject imports from Russia would likely have no discernible adverse impact on the domestic industry if the order were revoked.

As was the case with subject imports from Russia, we do not have separate country data for subject imports from Ukraine in the original investigations.[56] The industry's capacity is reported by the IFA to be *** million short tons.[57] The industry has added *** short tons of capacity since 1999.[58] The Ukranian industry is even more export oriented than the Russian industry, exporting *** its production.[59] Mexico, an important export market, imposed antidumping duties on Ukranian urea in 2003, and the European Union likewise did so in 2002.[60] Pricing data are unavailable due to the absence of subject imports from the U.S. market since imposition of the order.

We also take into account other factors discussed below, including the vulnerability of the domestic industry,[61] the substitutability of urea from different sources, and the attractiveness of the U.S. market. In short, given the large size and export orientation of the Ukrainian producers, we do not find that subject imports from Ukraine would likely have no discernible adverse impact on the domestic industry if the order were revoked.

C. Likelihood of a Reasonable Overlap of Competition

In these reviews, the Ad Hoc Committee argues that urea is a fungible commodity and that all U.S.-produced and imported urea, including urea from Russia and Ukraine, is highly interchangeable.[62] It asserts that the subject imports compete in multiple third-country markets, suggesting that the subject imports would compete with each other and domestically produced urea if the orders were revoked.[63] It also claims that subject country producers typically sell solid urea through the same trading companies that offer the product for sale to foreign markets, indicating that the subject imports would compete with each other in the United States.[64] The Russian Respondents assert that the subject imports would not compete with domestic urea because solid urea produced in the subject countries is prilled, while only

---

[55] Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff do not find the domestic industry to be in a vulnerable state. Commissioner Pearson also does not find the industry to be in a vulnerable state.

[56] CR at I-41, PR at I-25. The import data from the original investigations do not distinguish Ukrainian urea from urea from other exporters in the former Soviet Union. CR/PR at Table I-1.

[57] CR/PR at Table IV-8. The Ukrainian producers did not respond to the Commission's questionnaires, so information on the Ukrainian industry is based upon published data. CR at I-12, PR at I-9 to I-10.

[58] CR/PR at Table IV-8.

[59] CR/PR at Table IV-8. Primary export markets are Turkey, Vietnam, and Latin America, although Vietnam may not be as attractive a market in the future because the Vietnamese have added significant capacity in 2004 and plan to add more capacity. CR at IV-12, 13, PR at IV-9.

[60] CR at IV-13, PR at IV-9.

[61] Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff do not find the domestic industry to be in a vulnerable state. Commissioner Pearson also does not find the industry to be in a vulnerable state.

[62] Ad Hoc Committee's Prehearing Brief at 20.

[63] Ad Hoc Committee's Prehearing Brief at 20.

[64] Russian Respondents' Prehearing Brief at 5.

one-quarter of domestic urea is prilled.[65] They also claim that over *** percent of domestic shipments of solid urea would not face competition from the subject imports because it is a specialty product, is produced for export, or is geographically isolated from import competition.[66]

In the original investigations, the Commission found that the subject imports and domestic urea were substantially fungible and sold to the same customers. It also found that imports from the subject countries were marketed within a reasonably coincident period, indicating that domestic urea and subject imports were simultaneously present in the U.S. market.[67]

In the first five-year reviews, the Commission found that domestically produced and imported solid urea were substitutable products. It stated that both prilled urea, whether domestically produced or imported, and granular urea were suitable for use alone as a single-nutrient fertilizer or for blending with other solid fertilizers for field applications. Accordingly, it found a reasonable level of fungibility between domestically produced urea and subject imports if the orders were revoked.[68] The Commission also found that the channels of distribution for domestic and imported solid urea would likely be similar and that the subject and domestic merchandise would likely be sold in the same or similar channels of distribution, as international trading companies offered solid urea for sale from multiple countries, including the subject countries.[69]

In these reviews, approximately three-quarters of domestic solid urea production is granular urea.[70] All of the subject product produced in Russia and Ukraine is in prill form.[71] Because one-quarter of domestic production is prilled urea and virtually all subject imports are likely to be prilled urea, the subject imports are likely be fungible with at least the prilled portion of the U.S. market, except apparently the pharmaceutical and animal feed markets.[72] Although granular urea is preferred for use as fertilizer in the United States, substitution can and does occur.[73] Granular urea's particles, which have an irregular surface and uniform size, are better for blending with other fertilizers.[74] However, only *** percent of urea used as fertilizer in the United States is blended with other fertilizers, limiting the importance of this distinction.[75]

---

[65] Russian Respondents' Prehearing Brief at 5.

[66] Russian Respondents' Prehearing Brief at 28.

[67] USITC Pub. 1992 at 8.

[68] USITC Pub. 3248 at 11.

[69] USITC Pub. 3248 at 11.

[70] CR at I-15, PR at I-12.

[71] CR at I-15, PR at I-12.

[72] The evidence indicates that Russian prilled urea is used in fertilizer and industrial applications in third country markets and in the Russian home market, though the Russian and Ukrainian producers do not produce microprilled urea suitable for the animal feed market or formaldehyde-free urea for pharmaceutical use. CR at I-24 to I-25, PR at I-17; Russians' Posthearing Brief, Answers to Commissioners' Questions, at 6; Tr. at 130 .

[73] The information suppled by the Russian Respondents also indicates that granular urea is preferred for use as fertilizer, but prilled urea can substitute for granular urea in some circumstances. See Respondents' Prehearing Brief at 16-17 and Exhibit 5 (citing 1999 CRU International Report on Urea) (***); *** (granular urea preferred due to larger particle size and durability, but some farmers would switch to prilled urea if offered at considerable discount). Other information also suggests that a switch from granular to prilled urea would occur given a substantial discount. See Russian Respondents' Posthearing Brief at 16.

[74] CR at I-15, I-26, PR at I-11, I-18.

[75] CR at I-16 n.48, PR at I-12 n.48.

Although granular urea is more commonly used as fertilizer, *** percent of domestic consumption of prilled urea is used as fertilizer, indicating that it is also suitable for use as fertilizer.[76] Indeed, Russian prilled urea is used as fertilizer in third-country markets.[77] Thus, we find that the subject imports from both subject countries would be likely to be used to some extent as fertilizer in the United States. This fact, in addition to the fact that prilled urea constitutes one-quarter of domestic production, leads us to conclude that the subject imports will likely be somewhat fungible with domestic production of solid urea. We therefore find that the subject imports and domestic like product are likely to be sufficiently fungible for there to be a reasonable overlap of competition.[78]

We also evaluate the likely geographic overlap, simultaneous presence and channels of distribution for the subject imports and domestic like product. These factors are less easy to evaluate, given that, since the orders were imposed in 1987, imports of subject merchandise from Russia and Ukraine have been absent from the United States.

Domestic solid urea is generally sold to distributors, who then sell to end users.[79] Nonsubject imports are also typically sold to distributors.[80] International trading companies offer solid urea from multiple countries, including the subject countries, for sale.[81] If the orders were revoked, it is likely that these trading companies would offer the subject imports for sale to U.S. importers.[82] The Commission found in the original investigations that domestic and imported urea were directed to the same customers and were frequently commingled in wholesalers' warehouses,[83] and urea from both subject countries is marketed by the same international trading companies.[84] The fact that these companies sell urea from both subject countries suggests that there will likely be competition between the subject imports and the domestic like product. These facts suggest that the factors other than fungibility also support a finding of a reasonable overlap of competition. Accordingly, we find that the evidence in these reviews indicates that there is likely to be a reasonable overlap of competition if the orders were to be revoked.

D. Other Considerations

In determining whether to exercise our discretion to cumulate the subject imports from the two countries, we assess whether the subject imports from certain countries are likely to compete under similar or different conditions in the U.S. market. The record does not indicate that they will compete under significantly different conditions of competition. Both industries are export oriented, ship to

---

[76] CR at I-23, PR at I-16.

[77] CR at I-25, PR at I-17. The evidence indicates that Russian prilled urea is used in fertilizer and industrial applications. Russians' Posthearing Brief, Answers to Commissioners' Questions, at 5.

[78] We acknowledge that approximately *** percent of the domestic industry's total production is insulated from competition because it is exported or is a specialty, formaldehyde-free product. See Russian Respondents' Final Comments at 12; Ad Hoc Committee's Posthearing Brief at Exhibit 12. However, excluding the industry's exports, *** percent of domestic shipments of domestically produced urea would face competition with the subject imports. See Ad Hoc Committee's Posthearing Brief at Exhibit 12 (only *** percent of U.S. shipments would be insulated from import competition).

[79] CR/PR at Table I-2.

[80] CR/PR at Table I-2.

[81] Tr. at 28.

[82] Russian Respondents' Posthearing Brief, Answers to Commissioners' Questions, at 1.

[83] Original Determination at 8, n.22.

[84] Tr. at 28, 173.

similar markets, and currently operate at relatively high rates of capacity utilization.[85] There appear to be no significant differences in the urea exported from the two countries. Accordingly, we exercise our discretion to cumulate subject imports from Russia and Ukraine.

IV. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE ANTIDUMPING DUTY ORDERS ARE REVOKED

A. Legal Standard In A Five-Year Review

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping order unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of the antidumping order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."[86] The SAA states that "under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports."[87] Thus, the likelihood standard is prospective in nature.[88] The U.S.

[85] CR/PR at Tables IV-6, IV-8; CR at IV-10 to IV-13, PR at IV-3 to IV-10.

[86] 19 U.S.C. § 1675a(a).

[87] SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that "[t]he likelihood of injury standard applies regardless of the nature of the Commission's original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed." SAA at 883.

[88] While the SAA states that "a separate determination regarding current material injury is not necessary," it indicates that "the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked." SAA at 884.

Court of International Trade has found that "likely," as used in the sunset review provisions of the Act, means "probable," and the Commission applies that standard in five-year reviews.[89] [90] [91]

The statute states that "the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time."[92] According to the SAA, a "'reasonably foreseeable time' will vary from case-to-case, but normally will exceed the 'imminent' timeframe applicable in a threat of injury analysis [in antidumping investigations]."[93] [94]

Although the standard in a five-year review is not the same as the standard applied in an original antidumping investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to "consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated."[95] It

---

[89] See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int'l Trade 2003) ("'likely' means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)"); Nippon Steel Corp. v. United States, Slip Op. 02-153 at 7-8 (Ct. Int'l Trade Dec. 24, 2002) (same); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 4 n.3 & 5-6 n.6 (Ct. Int'l Trade Dec. 20, 2002) ("more likely than not" standard is "consistent with the court's opinion"; "the court has not interpreted 'likely' to imply any particular degree of 'certainty'"); Indorama Chemicals (Thailand) Ltd. v. United States, Slip Op. 02-105 at 20 (Ct. Int'l Trade Sept. 4, 2002) ("standard is based on a likelihood of continuation or recurrence of injury, not a certainty"); Usinor v. United States, Slip Op. 02-70 at 43-44 (Ct. Int'l Trade July 19, 2002) ("'likely' is tantamount to 'probable,' not merely 'possible'").

[90] Vice Chairman Deanna Tanner Okun notes that consistent with her dissenting views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004) at 15-17, she does not concur with the U.S. Court of International Trade's interpretation of "likely" to mean "probable." See Usinor Industeel, S.A. et al v. United States, No. 01-00006, Slip Op. 02-39 at 13 (Ct. Int'l Trade April 29, 2002). However, she will apply the Court's standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses the issue. Additional Views of Vice Chairman Deanna Tanner Okun Concerning the "Likely" Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 731-TA-707-709 (Review)(Remand), USITC Pub. 3754 (Feb. 2005).

[91] Commissioner Lane notes that, consistent with her views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004) at 15-17, she does not concur with the U.S. Court of International Trade's interpretation of "likely" but she will apply the Court's standard in these reviews and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses the issue.

[92] 19 U.S.C. § 1675a(a)(5).

[93] SAA at 887. Among the factors that the Commission should consider in this regard are "the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities." SAA at 887.

[94] In analyzing what constitutes a reasonably foreseeable time, Chairman Koplan examines all the current and likely conditions of competition in the relevant industry. He defines "reasonably foreseeable time" as the length of time it is likely to take for the market to adjust to a revocation or termination. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define "reasonably foreseeable time" by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

[95] 19 U.S.C. § 1675a(a)(1).

directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).[96]

B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[97]

In the original investigations, the Commission described urea as a fungible, widely traded commodity that is generally sold on the basis of price.[98] In the first five-year reviews, the Commission found that the domestic and imported product were generally substitutable.[99] It found that demand for urea was derived from several factors, including activity in the domestic farm sector, weather and soil conditions, the availability of specific equipment to spread the fertilizers, and, to some extent, the price of urea relative to the price of the other major nitrogen fertilizers such as anhydrous ammonia, nitrogen solutions, and ammonium nitrate.[100] The Commission noted that purchasers in the U.S. market could respond quickly to price differences between the domestic and imported product because fertilizer trade publications provide price information on a weekly basis.[101]

In the United States, approximately 80 percent of solid urea is used for fertilizer.[102] The majority of the remainder is used for industrial applications, such as the production of resins and adhesives.[103] A yet smaller portion is used in animal feed.[104] The majority of both domestic production and imports was sold to distributors, with the remainder sold directly to end users.[105]

Demand for solid urea is largely driven by its use as fertilizer, and factors such as acres planted and crop prices determine the rate of demand growth.[106] During the original investigation, apparent U.S. consumption was 5.8 million short tons in 1984, 5.3 million short tons in 1985, and 6.7 million short tons

---

[96] 19 U.S.C. § 1675a(a)(1). There have been no duty absorption findings by Commerce with respect to the orders under review. See CR at I-13, PR at I-10. The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

[97] 19 U.S.C. § 1675a(a)(4).

[98] Original Determination at 8-10.

[99] USITC Pub. 3248 at15-16.

[100] USITC Pub. 3248 at 16.

[101] USITC Pub. 3248 at 16.

[102] CR at I-15, PR at I-12.

[103] CR at 1-17, PR at I-12.

[104] One consultant has estimated that *** percent of prilled urea is used in animal feed. The prilled urea market is approximately one-quarter of the solid urea domestic market. See CR/PR at Table I-3; CR at I-23, PR at I-16.

[105] CR/PR at Table I-2.

[106] CR at II-8, PR at II-5; Tr. at 80.

in 1986.[107] In 1996, apparent U.S. consumption was 6.7 million short tons, the same as that in 1986.[108] Apparent U.S. consumption increased to 8.4 million short tons in 1998, before falling to 7.4 million short tons in 1999.[109] Apparent U.S. consumption continued to increase during the current review period at a moderate rate before falling from 8.8 million short tons in 2003 to 8.5 million short tons in 2004.[110] The parties forecast rather moderate growth in domestic demand of just 1 or 2 percent per year.[111]

Solid urea is produced in prilled and granular form. Both consist of the same chemical compound, although they differ slightly in shape and size.[112] Prices for both forms of urea are similar,[113] despite the fact that the production processes differ and granulated urea is more expensive to produce than prilled urea.[114] While the domestic industry has increased the portion of its production that is granular,[115] the subject producers only produce prilled urea.[116]

Consumers prefer granular urea to prilled urea for use as fertilizer. Granular urea is produced by newer technology and has better physical integrity, enabling it to be transported and stored without it disintegrating to the same degree as prilled urea.[117] While granular urea is preferred for use as fertilizer, prilled urea is used as fertilizer in the United States and Latin America.[118] There are substitutes for urea used as fertilizer, such as anhydrous ammonia, urea ammonium nitrate solutions, and ammonium nitrate, but the substitutability of these alternatives is limited by the different applicators used and other considerations.[119]

The relative shares of the domestic urea market accounted for by prilled versus granular urea have changed since the beginning of the period of review. In 1999, 38.7 percent of shipments of domestic and imported urea were prilled urea; by 2004 the share of prilled product was 27.6 percent.[120] With respect to imported urea, the mix of imported granular and prilled urea has remained essentially unchanged since 1999, with prilled urea comprising approximately 30 percent of urea imported into the United States.[121] Indeed, prilled imports continue to be important, with importers' shipments of prilled urea exceeding shipments of domestically produced prilled urea during 2003-2004.[122]

---

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

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

[109] CR/PR at Table I-1. The decline may be due in part to the lack of data from *** for 1999.

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

[111] Tr. at 78; Russian Respondents' Prehearing Brief at 38.

[112] CR at I-14, PR at I-11.

[113] CR/PR at Fig. V-7.

[114] CR at I-15, I-18 , and I-19, PR at I-13, I-16.

[115] CR at I-27, I-28, PR at I-20.

[116] CR at I-15, PR at I-11.

[117] CR at I-15, PR at I-11; Tr. at 33, 64-65.

[118] Russians' Posthearing Brief, Answers to Commissioners' Questions, at 5; Ad Hoc Committee's Prehearing Brief, Exhibit 2, at 10.

[119] CR at II-10, PR at II-6. See also various firms' responses to questions IV-B-14 in the Commission's producers' questionnaire and III-B-14 in the Commission's importers' questionnaire.

[120] See CR/PR at Table I-3 (derived from data in table).

[121] CR/PR at Table I-3.

[122] See CR/PR at Table I-3.

Natural gas, the feedstock for production of ammonia, which is in turn used to produce urea, constitutes over 70 percent of the cost of production of solid urea.[123] Domestic natural gas prices have generally risen over the period of review and spiked to $12.00 per million British Thermal Units (MMBTU) in September 2005, though they are expected to ease in 2006.[124] In contrast, the Russian and Ukranian producers enjoy natural gas prices closer to $1.00 per MMBTU.[125] The domestic producers have had varying degrees of success in employing hedging strategies to ease the effects of volatile natural gas prices, with the *** in 2004.[126]

The high natural gas prices recently have resulted in shutdowns and curtailments of urea production by U.S. producers. Mississippi Chemical and PCS reported high natural gas prices as at least partly responsible for their plant shutdowns.[127] The ***, CF Industries, is currently operating its facility at only 50 percent capacity due to high gas prices,[128] and Agrium has also struggled to obtain natural gas at economical prices for its facility in Alaska.[129]

The domestic urea industry continues to shrink. It consisted of 24 firms during the original investigations, 12 firms at the time of the first reviews in 1999, and just seven firms today. All seven firms provided questionnaire responses to the Commission.[130] Most of the firms' production facilities are located in the South or Midwest.[131] Major acquisitions during the period of review include Agrium's purchase of a plant in Kenai, Alaska, and Koch's purchase of Farmland. Terra also acquired bankrupt Mississippi Chemical's assets in 2004.[132] Terra subsequently halted production of solid urea in 2004.[133] The industry's plant closings led to a decline in total capacity during 2003 and 2004.[134] Urea producers seek to operate at higher capacity utilization rates in order to defray the high fixed costs of urea production.[135]

Domestic production accounted for less than one-half of the U.S. market for solid urea over the period examined.[136] Consequently, imports play an important role in serving the U.S. market. During the original investigations, nonsubject imports served between 28.0 and 36.8 percent of the U.S. market.[137] After subject imports exited the U.S. market in 1987, nonsubject imports generally increased from 41.7 percent of the U.S. market in 1996 to 64.9 percent in 2001, before falling slightly to 64.0 percent in

---

[123] CR at V-1, PR at V-1; CR at III-21, PR at III-13.

[124] See CR/PR at Figs. I-1, V-1.

[125] Russian Respondents' Posthearing Brief, Answers to Commissioners' Questions, at 23-24.

[126] CR at III-23, PR at III-14.

[127] CR at III-21 n.35, PR at III-12 n.35.

[128] CR at III-13 n.28, PR at III-9 n.28.

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

[130] CR/PR at Table I-5. Seven firms, believed to account for virtually all solid urea production over the period examined, provided usable trade and financial data on their U.S. operations producing solid urea. CR at I-12, PR at I-9.

[131] CR/PR at Table I-5.

[132] CR at I-33, PR at I-23 to I-24.

[133] CR at I-38, PR at I-24.

[134] CR/PR at Table III-1. The apparent increase in capacity from 2000 to 2001 may be a reflection of the absence of data for *** for 1999 and 2000. See CR at III-1, Table III-1, PR at III-1, Table III-1.

[135] Tr. at 266, 269-270.

[136] See CR/PR at Table I-1.

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

2004.[138] Domestic producers were responsible for over one-third of urea imports in 2004.[139] The largest sources for imports (other than Canada and China) are countries where natural gas prices are low: Bahrain, Egypt, Kuwait, Qatar, Saudi Arabia, Trinidad and Tobago, and Venezuela.[140] International trading companies offer for sale solid urea from multiple countries, including the subject countries.[141] Transportation costs from Russia and Ukraine are estimated to range from 11 to 20 percent of the customs value of urea.[142]

The world urea market also has an impact on domestic market conditions as urea is a widely traded commodity.[143] The data indicate that the world market has been "tight" into 2005, but that the world capacity is forecast to increase faster than world demand, leading to an oversupply of urea.[144] [145] [146]

We find that these conditions in the solid urea market provide us with a reasonable basis on which to assess the effects of revocation of the orders.[147]

C. Revocation of the Orders on Subject Imports from Russia and Ukraine Is Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time

1. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the antidumping and countervailing duty orders are revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.[148] In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries

---

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

[139] CR/PR at Tables I-1 and I-6.

[140] CR at IV-1, PR at IV-1; CR/PR at Table C-2; Russian Respondents' Posthearing Brief, Answers to Commissioners' Questions at 24.

[141] Tr. at 28.

[142] CR at V-1, PR at V-1 (based upon freight rates from Baltic and Black Sea ports and customs values for nonsubject imports).

[143] See Ad Hoc Committee's Prehearing Brief, Exhibit 1, at 2.

[144] See CR at IV-16, PR at IV-10 and Table IV-10 (***). ***.

[145] Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff do not join in this finding. They explain their views on future global supply and demand conditions in their dissenting views.

[146] Given the inherent difficulty in predicting urea production capacity levels, particularly reductions in urea production capacity, and given the fact that there have been significant reductions in domestic urea capacity during the period of review, Commissioner Pearson gives little weight to the IFA and *** world urea capacity and production capability projections in his analysis.

[147] Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff do not join the remainder of the opinion. See Separate and Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff.

[148] 19 U.S.C. § 1675a(a)(2).

other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.[149]

During the original investigation, the Commission found that subject imports increased sharply, particularly from 1985 to 1986.[150] U.S. market penetration by the cumulated subject imports increased from 12.4 percent in 1984 to 17.8 percent in 1986.[151]

In the Commission's first five-year reviews, it found that subject import volume was likely to be significant in the event that the orders were revoked. Capacity utilization in the subject countries was low, and subject industries were export oriented and were responsible for a substantial portion of world trade in solid urea.[152] China, which was the largest urea-consuming market in the world and by far the largest market for urea imports, had just halted its urea imports in 1997, leaving the United States as one of the largest remaining urea export markets.[153]

In these reviews, we conclude that upon removal of the antidumping duty orders, the volume of cumulated subject imports from Russia and Ukraine would likely increase to significant levels. First, the combined Russian and Ukrainian industries have *** the production capacity of the U.S. industry,[154] and have increased their capacity over the period of review. While capacity utilization for the combined industries was *** percent in 2004, it has not been consistently high during the period of review.[155] Excess capacity for the combined industries (*** short tons) was equivalent to *** percent of apparent U.S. consumption and *** percent of domestic production in 2004.[156] Available information indicates that inventories in the subject countries are not significant.[157]

The urea industries in Russia and Ukraine[158] are both highly export oriented, exporting *** percent of their total shipments in 2004.[159] The combined industries are the world's largest exporters, accounting for *** percent of world trade in urea.[160] Available information indicates that urea from the subject countries is exported to markets around the world with countries in Latin America and Europe

---

[149] 19 U.S.C. § 1675a(a)(2)(A-D).

[150] Subject imports at the time of the original investigations comprised imports from the former German Democratic Republic, the Soviet Union as a whole, and Romania.

[151] USITC Pub. 1992 at Table 19. Subject imports from the Soviet Union were 7.2 percent of apparent U.S. consumption in 1984 and 12.6 percent in 1986. USITC Pub. 1992 at Table 19.

[152] USITC Pub. 3248 at 18.

[153] USITC Pub. 3248 at 18-19.

[154] See CR at Tables III-1 and IV-9. We have relied upon IFA data which are more complete than the data we received in response to our questionnaires. Only a portion of the Russian producers responded to Commission questionnaires and no Ukrainian producers responded. See CR at I-12, PR at I-9 to I-10; CR at IV-6, PR at IV-5.

[155] See CR/PR at Table IV-9. Capacity utilization ranged from *** percent in 1999 to *** percent in 2004. See CR/PR at Table IV-9.

[156] See CR/PR at Tables I-1, III-1 and IV-9.

[157] CR at IV-11, PR at IV-8 (inventories in Russia reported to be small).

[158] The Ukrainian producers did not respond to the Commission's questionnaires so information on the Ukrainian industry is based upon published data. CR at I-12, PR at I-10.

[159] CR/PR at Table IV-9.

[160] CR at IV-13, PR at IV-10; FERTECON, "Urea International Production and Trade Statistics," in Ad Hoc Committee's Prehearing Brief, Exhibit 1, at 1.

being the largest markets for subject countries' exports.[161] Subject country exports to Latin America may grow with increasing demand for fertilizer; although exports from Russia to Latin America declined from 2003 to 2004, the combined subject countries' exports to Latin America increased in the first half of 2005.[162]

The cumulated subject countries' exports to China, their largest export market, were diverted to other markets after China decided to cease importing urea in 1998.[163] Mexico imposed antidumping measures on Ukrainian exports in 2003.[164] Although the European Union imposed measures on imports from both Russia and Ukraine, only the measures on imports from Ukraine have had a restraining effect, leading to a decline of exports from Ukraine to the European Union of almost 90 percent from 2003-2004 while Russian exports to the European Union increased rapidly.[165] Furthermore, trading companies began importing solid urea from Estonia, Lithuania, and Romania into the United States shortly after revocation of the orders.[166] Thus, the record indicates that the subject exporters are able to shift their exports to different countries as market opportunities change apparently facilitated by international trading companies that deal in solid urea from multiple countries.[167]

Several factors indicate that the U.S. market will be an attractive market for subject exporters. Prices in the United States are relatively high. Prices in the United States, net of transportation costs and duties, are higher than prilled urea prices in the Black Sea ports, which are the principal shipping points for the subject merchandise.[168] Available information also indicates that prilled urea prices are higher in the United States, net of freight and duties, than in Brazil, the largest export market for Russian and Ukrainian exporters.[169] Russian exporters have also indicated that they are interested in selling in the U.S. market if prices are higher than in other markets and have received inquiries about shipping to the U.S. market from international trading companies that deal in solid urea.[170] These companies already sell solid urea from Russia and Ukraine in third-country markets and nonsubject imports in the U.S. market.[171]

As described above in the section on conditions of competition, forecasts that global urea capacity is likely to outpace global consumption over the next few years also suggest that exporters in the

---

[161] FERTECON, "Russian and Ukrainian Urea Capacity," in Ad Hoc Committee's Prehearing Brief, Exhibit 2, at 8-10 (data for Russia).

[162] CR at IV-10, PR at IV-8, CR at IV-12, PR at IV-8 to IV-9; Russian Respondents' Posthearing Brief at 4.

[163] CR at IV-12, PR at IV-8 to IV-9.

[164] CR at IV-13, PR at IV-9.

[165] See Russian Respondents' Prehearing Brief at 9-10, 63.

[166] See Ad Hoc Committee's Posthearing Brief at Exhibit 7; CR at Table C-2 (imports entering January- August 2005). The orders on these three countries were lifted as of November 17, 2004. CR at I-5, PR at I-3.

[167] Russian Respondents maintain that, if arbitrage opportunities exist, urea for spot sales can be rapidly shifted from one region to another since global traders sell urea. Russian Respondents' Posthearing Brief, Answers to Commissioners' Questions, at 2-3.

[168] Ad Hoc Committee's Posthearing Brief at Exhibit 16.

[169] Ad Hoc Committee's Posthearing Brief, Answers to Commissioners' Questions at 26, and Exhibit 22.

[170] CR at D-13, PR at D-11 (*** indicated it would return to U.S. market for "premium price" net of transportation costs); CR at D-13, PR at D-11 (*** may export to the United States); CR at D-13, PR at D-12 (*** has received inquiries from the big trading companies (***) interested in selling into the U.S. market).

[171] ***.

subject countries will need to turn to other markets to sell their exports.[172] [173] The United States is currently the largest importer in the world of solid urea and is therefore a natural alternative market.[174]

Accordingly, we conclude that the likely volume of cumulated subject imports of the subject merchandise, both in absolute terms and relative to production and consumption in the United States, would be significant if the antidumping duty orders are removed.

2. Likely Price Effects of Subject Imports

In evaluating the likely price effects of cumulated subject imports if the antidumping and countervailing duty orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to domestic like products and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.[175]

In the original investigations, the Commission found a significant decline in U.S. urea prices, as reflected in the decline in unit value.[176] The Commission found that monthly domestic prices fell by 41 to 56 percent, coincident with significant underselling by all the subject imports.[177] The underselling also resulted in lost sales by the domestic producers.[178]

In the first five-year reviews, the Commission found a growing worldwide surplus of urea and aggressive competition by subject imports in other markets. The Commission noted that U.S. prices declined steadily from $185 per short ton in 1996 to $124 per short ton in 1998.[179] It found that urea continued to be a substitutable commodity product for which price is a significant purchase factor and that consumers generally purchased from the lowest priced supplier. The Commission pointed to the underselling by subject merchandise in third-country markets and the aggressive pricing by the subject imports in the original investigation and concluded that the subject imports would be likely to significantly undersell domestic urea and significantly depress and suppress prices if the orders were revoked.[180]

---

[172] The Russian Respondents contend that subject imports are more likely to displace nonsubject imports than domestic shipments and that much of the U.S. market is foreclosed to their imports. As we explained, only a relatively small portion of domestic shipments are insulated from import competition. Further, given that nonsubject imports serve almost two-thirds of the U.S. market, it may be true that subject imports would undersell and displace nonsubject imports to some extent. However, this does not preclude the fact that domestic shipments will also likely be displaced, particularly given that importers such as *** that are likely to import and sell the subject imports, already market nonsubject imports in the United States. See CR/PR at Table I-7.

[173] As noted earlier, Commissioner Pearson gives little weight to the IFA and *** world urea capacity and production capability projections in his analysis.

[174] Ad Hoc Committee's Prehearing Brief at 31.

[175] 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

[176] USITC Pub. 1992 at 9.

[177] USITC Pub. 1992 at 9.

[178] USITC Pub. 1992 at 10.

[179] USITC Pub. 3248 at 20.

[180] USITC Pub. 3248 at 21.

In these reviews, the Commission lacks pricing data reflecting the relative pricing of subject imports in the U.S. market due to the absence of subject imports since 1987. During the period of review, U.S. solid urea prices more than doubled as U.S. natural gas prices increased sharply.[181]

The current record indicates that the subject imports would be moderately substitutable for domestic urea, notwithstanding the fact that only prilled urea is produced in the subject countries and the majority of domestic production is granular. First, there is a substantial prilled urea market in the United States, supplied in part by the domestic industry.[182] Second, price is an important consideration in purchasing decisions[183] and the record indicates that consumers will consider switching to prilled urea for use as fertilizer given a sufficient discount.[184] In addition, Russian and Ukrainian urea producers have access to natural gas at State-set prices that are below market prices, which allows urea from these producers to undersell U.S. producers' urea, yet still be sold at a profit.[185] Given these circumstances and the attractiveness and size of the U.S. market, we find that significant underselling by the subject imports to gain market share, as occurred during the original investigation, is likely.

Pricing information is also widely disseminated in the U.S, market by publications such as Green Markets, with pricing often tied to the published Green Markets price.[186] In addition, most purchases of solid urea are made on the spot market rather than long term contractual arrangements.[187] These factors suggest that underselling by the subject imports can quickly translate into more general price declines in the U.S. market. Further, even prilled imports not sold into the granular urea market are used as leverage by purchasers to negotiate lower granular urea prices.[188] The high correlation of granular and prilled urea prices indicates that prices for the two rarely diverge, suggesting that even though they both correlate with natural gas prices, prices for the two forms of urea also have an effect on each other.[189] Thus, if domestic prilled urea prices are driven downwards by the subject imports, we would expect to see granular urea prices falling as well.

---

[181] See CR/PR at Fig. V-7.

[182] Indeed, as noted, in 2003 and 2004, more prilled urea is imported than produced in the United States. See CR/PR at Table I-3

[183] CR/PR at Table II-1, II-2.

[184] Information indicates that purchasers will switch to prilled urea if it is sold at a discount. *** (granular urea preferred due to larger particle size and durability, some farmers would switch to prilled urea if offered at considerable discount); Tr. at 34 (many customers will switch); Tr. at 43-45 (farmers will switch or use lower prill prices to negotiate lower granular prices). Other information also suggests that a switch from granular to prilled urea would occur given a substantial discount. For example, ***. See Russian Respondents' Posthearing Brief at 16.

The Russian Respondents' suggest that the use of prilled urea as fertilizer would be limited. It is clear, however that while granular urea is preferred for this application, prilled urea can also be used. Indeed, the information suppled by the Russian Respondents only indicates that granular urea is preferred for use as fertilizer because it is a higher quality product than prilled urea, not that it is unsuitable. See Respondents Prehearing Brief at 16-17 and Exhibit 5 (citing 1999 CRU International Report on Urea) ("preference for granular urea is a function both of convenience and efficiency" and large prills may be acceptable).

[185] See Ad Hoc Committee's Posthearing Brief, Answers to Commissioners' Questions, at 7-11.

[186] Tr. at 22, 110.

[187] CR at V-3, V-5, PR at V-4.

[188] Tr. at 34, 45-46.

[189] See CR/PR at Fig. V-7. See also CR at II-19 and II-20, PR at II-13 (indicating a high correlation between prilled and granular urea even after controlling for the effects of natural gas prices).

The significant volumes of cumulated subject imports are also likely to suppress the price increases necessary to compensate for the domestic industry's increasing costs due to rising natural gas prices. We therefore find that the likely underselling by the subject imports would be significant and likely lead to significant adverse price effects.

3. Likely Impact of Subject Imports

In evaluating the likely impact of cumulated imports of subject merchandise if the antidumping orders are revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.[190] All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.[191] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the order at issue and whether the industry is vulnerable to material injury if the orders are revoked.[192]

The Commission found in the original investigations that the decline in urea prices, as reflected in the decline in unit values, caused the domestic industry's net sales to decline much more than the cost of goods sold, resulting in a large decline in operating income.[193] The industry experienced a significant decline in profitability, particularly in 1985-1986.[194] Its ratio of operating income to net sales declined from 18 percent in 1984 to 1.4 percent in 1986.[195] U.S. producers' solid urea unit values declined from $147 in 1984 to $103 in 1986.[196] The quantity of U.S. shipments remained about the same from 1984 to

---

[190] 19 U.S.C. § 1675a(a)(4).

[191] 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887.

Commerce found the likely margins of dumping to be the same for exporters in both subject countries. It assigned a likely margin of dumping for subject exporter Phillip Brothers Ltd. of 53.23 percent. With respect to all other subject exporters, Commerce found a likely margin of dumping of 68.26 percent. Solid Urea from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order, 70 Fed. Reg. 24394, 24395 (May 9, 2005); Solid Urea from the Russian Federation; Final Results of the Expedited Sunset Review of the Antidumping Duty Order, 70 Fed. Reg. 24528, 24529 (May 10, 2005). Commerce has not issued any duty absorption findings. CR at I-13, PR at I-10.

[192] The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

[193] USITC Pub. 1992 at 9.

[194] USITC Pub. 1992 at 9.

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

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

1986 but the value of the shipments declined from $476.8 million in 1984 to $340.6 million in 1986.[197] Capacity utilization also declined from 80.9 percent in 1984 to 63.5 percent in 1986.[198]

In the first five-year reviews, the Commission found that U.S. market share, prices, and profitability quickly rebounded and were well above 1986 levels. It therefore did not find that the domestic industry was vulnerable, although U.S. prices for solid urea fell rapidly from 1996 to 1998.[199]

The Commission concluded that revocation of the antidumping duty orders would lead to significant increases in the volume of cumulated subject imports at prices that would undersell the domestic product and significantly depress U.S. prices. It found that the volume and price effects of the cumulated subject imports would have a significant negative impact on the domestic industry and would likely cause the domestic industry to lose market share.[200]

The domestic industry was profitable during three of the six years of the current period of review and during the two most recent years, 2003 and 2004[201] because the industry was able to increase its prices sufficiently to cover its rising cost of goods sold due to increasing natural gas prices.[202] Indeed, the industry's ratio of cost of goods sold to net sales declined from 2001 to 2004.[203] During this period, tight world demand and supply resulted in strong world market prices, including in the United States.[204]

During the period of review, however, while urea prices doubled, the industry's production and sales fell.[205] The domestic industry generally reduced its capacity over the period.[206] Its market share fell and it could not fully capitalize on the higher market prices for solid urea.[207] Natural gas prices have necessitated large production cutbacks, and the idling of capacity and led to the bankruptcy of Mississippi Chemical.[208] Both Mississippi Chemical and PCS attributed their shutdowns to high natural gas prices.[209]

---

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

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

[199] USITC Pub. 3248 at 22.

[200] USITC Pub. 3248 at 22.

[201] CR/PR at Table III-7. The industry's results shifted dramatically based upon their costs and market prices for solid urea, suggesting that the industry can only pass on its higher costs during periods of tight supply. The industry reported an operating loss of 12 percent in 1999, a profit of 4.0 percent in 2000, a loss of 11.2 percent in 2001, a loss of 2.0 percent in 2002, a profit of 6.3 percent in 2003 and a profit of 15.2 percent in 2004. CR/PR at Table III-7. Return on investment followed a similar trend. See CR/PR at Table III-6.

[202] Unit net sales values rose more than cost of goods sold unit values. See CR/PR at Table III-7.

[203] The ratio of cost of goods sold to net sales was 107.7 percent in 2001, 98.5 percent in 2002, 90.6 percent in 2003, and 81.9 percent in 2004. CR/PR at Table III-7.

[204] Tr. at 127, 129.

[205] CR/PR at Table III-1. Despite a rise in 2002 and 2003, production fell overall during the period from 3.9 million short tons in 1999 to 3.8 million short tons in 2004. CR/PR at Table III-1. Sales fell from 3.9 million short tons in 1999 to 3.8 million short tons in 2004. CR at Table III-6. The value of net sales did increase, however, from $378 million in 1999 to $789 million in 2004. CR/PR at Table III-6.

[206] See CR/PR at Table III-1. Total capacity was 4.2 million short tons in 1999, 5.4 million short tons in 2001, but 4.8 million short tons in 2004. CR/PR at Table III-1. The apparent increase in capacity from 2000 to 2001 may be a reflection of the absence of data for ***. See CR/PR at III-1, Table III-1.

[207] Its market share fell from 51.5 percent in 1999 to 36.0 percent of the U.S. market in 2004 on a quantity basis. CR/PR at Table I-9. Its market share fell on a value basis as well, although not to the same extent. See CR/PR at Table I-9.

[208] CR at III-4, III-5, PR at III-3.

[209] CR at III-21 n.35, PR at III-12 n.35.

While productivity increased,[210] the domestic producers were operating at lower rates of capacity utilization in 2004 than in 1999.[211]

Moreover, extraordinarily high natural gas prices in 2005, have further forced the domestic urea industry to severely curtail production. The ***, CF Industries, is currently operating its facility at only 50 percent capacity due to high gas prices.[212] The *** U.S. producer, PCS, announced a 45-day shutdown of its Lima, Ohio plant.[213] Natural gas prices are expected to ease during 2006, but still remain high and volatile, making planning difficult for the domestic producers.[214] As the Russian Respondents readily acknowledge, continued high natural gas prices will further weaken the domestic industry.[215] Because of high natural gas prices as well as the volatility in those prices and the uncertainty of supply,[216] we find the domestic industry to be vulnerable to material injury.[217]

While the industry remained profitable despite relatively high gas prices in 2003 and 2004, if the antidumping duty orders were revoked, the domestic industry's profits would likely quickly evaporate, given the likely large volumes of low-priced subject imports for several reasons. First, in 2005, the industry is operating at even lower rates of capacity utilization, and natural gas prices are even higher than during the period of review. The world demand and supply situation for solid urea is expected to change in the near future.[218] Hedging strategies employed by domestic producers that were able to mitigate the high spot prices for natural gas during the period of review[219] are not expected to be able to continue to successfully reduce costs to the same extent in coming years as demonstrated by CF Industries' decision to severely cutback production in 2005,[220] despite successfully employing hedging strategies in 2003 and 2004.[221] Furthermore, while domestic producers were responsible for over *** of

---

[210] Productivity increased from 2.4 to 3.3 short tons per hour from 1999 to 2004. CR/PR at Table III-5. Employment by the industry fell from 790 workers in 1999 to 560 workers in 2004. CR/PR at Table III-5. The industry's capital expenditures were relatively steady during most of the period, although they fell from their peak level of $*** million in 1999 to $*** million in 2004. See CR/PR at Table III-12.

[211] Capacity utilization fell towards the end of the period from 90.2 percent in 2002 to 75.9 percent in 2003 and 78.8 percent in 2004. CR/PR at Table III-1. Total capacity was 4.2 million short tons in 1999, 5.4 million short tons in 2001, but 4.8 million short tons in 2004. CR/PR at Table III-1. The change in the domestic industry's capacity may be partially accounted for by lack of data from *** for certain periods. See CR at III-7, PR at III-4 to III-5.

[212] CR at III-13 n.28, PR at III-8 n.28. It operated at a *** percent capacity utilization in 2004. CR/PR at Table III-1.

[213] CR at I-9, PR at I-7.

[214] CR/PR at V-1, Fig. V-1. See also CR at III-12, III-13, III-22, PR at III-12 to III-14 (noting volatility of natural gas prices).

[215] Russian Respondents' Final Comments at 3.

[216] See CR at I-8 to I-9, PR at I-7 (noting supply interruptions and double digit futures prices for natural gas into 2006).

[217] Commissioner Pearson does not find the domestic industry to be vulnerable to material injury, given domestic producers' operating income margin of 15.2 percent and return on investment margin of 44.0 percent in 2004. CR/PR at tables III-6 and III-11.

[218] CR at IV-16, PR at IV-10. See also FERTECON, "Russian and Ukrainian Urea Capacity," in Ad Hoc Committee's Prehearing Brief, Exhibit 2, at 11 (***).

[219] CF Industries was able to *** in 2004 by hedging the cost of natural gas. CR at III-23, PR at III-14.

[220] CR at III-13 n.28, PR at III-9 n.28.

[221] Forward prices for natural gas remain over $10 per MMBTU, indicating that forward purchases (a strategy reportedly employed by PCS) can no longer mitigate current high spot prices. CR at I-9, III-23, PR at I-7, III-14. Agrium reported that it had difficulty securing supply for its Kenai, Alaska plant. See CR at III-21 n.35, PR at III-12

urea imports in 2004,[222] the return of subject imports in significant volumes will result in a significantly larger portion of the U.S. market not controlled and marketed by domestic producers. The record also demonstrates that the prilled subject imports would likely be sold at significant discounts from granular prices in order to capture a portion of the fertilizer market.

Apparent U.S. consumption of solid urea is forecast to grow only modestly in the foreseeable future.[223] We find that the growth in consumption would not be sufficient to absorb the likely significant increase in cumulated subject imports if the orders were revoked. Also, as described above, revocation of the antidumping duty orders would be likely lead to a significant increase in the volume of cumulated subject imports that would undersell the domestic like product and significantly suppress or depress U.S. prices. We find that these volume and price effects of the subject imports would necessarily have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. These reductions, in turn, would have a direct adverse impact on the industry's profitability as well as its ability to raise capital and make and maintain necessary capital investments. Accordingly, we conclude that if the orders were revoked, subject imports would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

CONCLUSION

For the above-stated reasons, we determine that revocation of the antidumping orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

---

n.35.

[222] See CR/PR at Tables I-1 and I-6.

[223] Tr. at 78; Russian Respondents' Prehearing Brief at 38.

DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN, COMMISSIONER JENNIFER A. HILLMAN, AND COMMISSIONER SHARA L. ARANOFF

On the basis of the record developed in these reviews, we determine that material injury to an industry in the United States is not likely to continue or recur within a reasonably foreseeable time if the antidumping duty orders on solid urea from Russia and Ukraine were revoked. Except as noted therein, we join the majority's analysis and conclusions with respect to the issues of domestic like product, domestic industry, cumulation, and conditions of competition. We write these views to explain our negative conclusion with respect to likely material injury.

Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the orders under review are revoked, we are directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.[1] In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.[2]

In the original investigation period, the Commission cumulated the volume and effects of then-subject imports from the German Democratic Republic (GDR), Romania, and the Union of Soviet Socialist Republics (USSR). The volume of cumulated subject imports from those countries increased by 65 percent, from 720,000 short tons in 1984 to 1.2 million short tons in 1986, and increased in market share from 12.4 percent in 1984 to 17.8 percent in 1986.[3] There have been no imports of solid urea from Russia or Ukraine since at least 1999. Despite the absence of any recent subject imports, we must consider whether the volume of subject imports would be significant if the restraining effects of the antidumping duty orders were removed.

In evaluating the likely volume of subject imports, we first find that none of the four statutorily enumerated factors indicate that the volume of imports is likely to be significant. First, although the solid urea industries in the subject countries are large (just under *** short tons combined annual capacity), their available production capacity is limited. Over the most recent three years for which data are available (2002–2004), the solid urea industries in Russia and Ukraine operated at a combined utilization rate of *** percent.[4] In the most recent year for which data are available (2004), the rate was *** percent, indicating that the industries were operating at virtually full capacity. There are plans for only limited

[1] 19 U.S.C. § 1675a(a)(2).

[2] 19 U.S.C. § 1675a(a)(2)(A)–(D).

[3] Staff report in the original investigations, memorandum INV-K-074, June 19, 1987.

[4] Confidential Staff Report ("CR") at Table IV-9, Public Staff Report ("PR") at Table IV-9. Questionnaire data on the Russian urea industry accounts for approximately *** percent of Russian capacity, according to third-party published sources. The Commission received no questionnaire responses from Ukrainian urea producers. Therefore, we rely on data from the International Fertilizer Industry Association (IFA), as the IFA is "the most complete source for production, shipment, and export data." CR at IV-6 n.13, PR at IV-5 n.13.

capacity growth in the next few years.[5] Accordingly, the subject foreign industries would not be able to increase their exports to the United States significantly simply by increasing production.

Second, there are no inventories of subject solid urea in the United States, and inventory levels in Russia are extremely low. For the entire period from 1999 to 2004, Russian producers reported holding inventories at a level that was less than 4 percent of their annual production quantity.[6]

Third, although other countries maintain some barriers to the export of solid urea from Russia and Ukraine, these barriers have not hindered overall subject exports to third country markets to a significant degree. The domestic industry focuses its arguments on antidumping measures maintained by the European Union (EU), a geographically close market for subject producers. The EU imposed a minimum price measure with respect to Russian urea in 1995, as well as antidumping duties with respect to solid urea from Ukraine in 2002. Despite these measures, combined exports by Russia and Ukraine to the EU have increased substantially in recent years, growing by 120 percent from 2000 to 2004, mainly as a result of higher exports from Russia.[7]

The domestic producers also note that China, which as the world's largest consumer of urea[8] had been a major export destination both for Russia and Ukraine, restricted all solid urea imports starting in 1998. Additionally, in 2005 it imposed a 30 percent *ad valorem* tax on its exports of solid urea in order to retain more urea for its domestic market. The record indicates that China was likely to reduce that tax to 15 percent in November 2005. Even with such a decrease in the tax, however, China would continue to restrict its exports.[9]

Although the Chinese market has been largely eliminated as an export destination, exports of solid urea from Russia and Ukraine to other markets have grown substantially. Total exports of solid urea from Russia and Ukraine grew *** percent from 1999 to 2004.[10] These larger export volumes and domestic market sales have absorbed nearly all available capacity in Russia and Ukraine.

Additionally, these restrictions have been in place for several years. Therefore, subject producers in Russia and Ukraine have already adjusted to these restrictions, which we do not expect to further alter the conditions of competition in the global urea market in the foreseeable future. In sum, neither the EU antidumping measures nor China's import restrictions make it likely that there would be significant diversion of exports away from those markets in favor of the U.S. market in the event of revocation of the orders.

Fourth, there appears to be little potential for product shifting in favor of greater solid urea production in facilities in the subject countries. All responding Russian producers indicated that they would not be able to switch from producing other products to producing solid urea using the same equipment and labor.[11]

---

[5] Two Russian producers intend to add additional production capacity of approximately *** short tons, which would amount to an increase of approximately *** percent in the combined capacity of the subject countries. This capacity expansion would reportedly take "several years" to reach a productive state. Russian Respondents' Posthearing Brief, Responses to the Questions of the Commission, at 4.

[6] CR at Table IV-4, PR at Table IV-4. Because no Ukrainian producers participated in these reviews, the Commission has no data on Ukrainian producers' inventories.

[7] Russian Respondents' Prehearing Brief at exhibit 1. The only other applicable trade remedy measure is an antidumping measure maintained by Mexico on solid urea from Ukraine.

[8] China is the world's largest urea producer and in recent years was a major urea exporter.

[9] It is not clear the extent to which such a move would induce a significant increase in exports from China.

[10] CR at Table IV-9, PR at Table IV-9.

[11] CR at IV-6, PR at IV-4.

Thus, the statutorily enumerated factors show that a significant increase in subject import volume from Russia and Ukraine is not likely. We have considered other record information and arguments on the issue of whether it is likely that a significant volume of solid urea produced in the subject countries that is currently exported to other markets would be shifted to the U.S. market in the event of revocation. We note that the industries in the subject countries are highly export oriented; exports have accounted for more than *** percent of their combined shipments each year from 1999 to 2004.[12] In considering possible market shifting, we have examined such factors as product form, the global supply and demand balance, and relative prices.

With respect to product form, as discussed earlier, about three-fourths of the solid urea sold in the U.S. market is in granular form, whereas subject producers in Russia and Ukraine make only prilled urea.[13] The U.S. market share accounted for by granular urea has increased by more than 10 percentage points since 1999, indicating that the U.S. market has become increasingly a granular market. The vast majority of granular urea is sold for fertilizer use. U.S. purchasers prefer the durability and uniform size of granular urea over prilled urea in fertilizer applications. As a result, only a tiny percentage of solid urea used for fertilizer in the United States is prilled urea.[14] Importers provided various responses when asked about the substitutability of prilled for granular urea for fertilizer use.[15] It would appear that prilled product would need to be sold at a substantial discount vis-à-vis granular urea to induce some purchasers to switch to prilled urea for fertilizer use, and even so, some would be unlikely to switch. It does not appear likely that solid urea from Russia or Ukraine would be sold at a sufficiently large discount to cause a significant shift to occur.[16]

Even within the one-quarter of the U.S. market that consumes prilled urea, the portion that could be served by subject imports is limited. In 2004, animal feed and pharmaceutical uses accounted for *** percent of prilled shipments in the United States.[17] However, these uses require specialized prilled urea (micro-prilled or formaldehyde-free urea) that producers in Russia and Ukraine either do not produce or are incapable of providing to the U.S. market.[18] In sum, the fact that subject imports would be in the form of unspecialized prilled urea limits the amount of the U.S. market that the imports could reasonably serve.

---

[12] CR at Table IV-9, PR at Table IV-9.

[13] It appears that one producer in Ukraine is in the process of installing capacity to make granular urea. However, this producer represents only *** of overall solid urea capacity in the subject countries. CR at IV-12 n.24, PR at IV-8 n.24.

[14] For example, one consultant estimated that only *** percent of urea used for fertilizer was prills. CR at I-23, PR at I-16.

[15] *See* summary of responses at the Ad Hoc Committee of Domestic Nitrogen Producers' (Ad Hoc Committee) Posthearing Brief at exhibit 19.

[16] Notably, pricing data gathered by the Commission found that prilled urea prices commanded a *** over prices for granular urea in the U.S. market. This price *** occurred regardless of the end-use application of the prilled urea. Prilled urea used in fertilizer applications commanded a price *** over granular urea in 20 of the 24 quarters of pricing data. CR at V-6 and at Tables V-1 and V-2, PR at V-5 and at Tables V-1 and V-2.

[17] Ad Hoc Committee's Final Comments at 10 (citing quantity data from CR at Table V-2, PR at Table V-2). Thus, in 2004, less than *** percent of the domestic industry's shipments in the U.S. market were non-specialized prills.

[18] Russian Respondents' Posthearing Brief, Responses to the Questions of the Commission, at 6–7; Transcript of Commission's Hearing of September 22, 2005, (Tr.) at 130 (Dietz).

With respect to global supply and demand conditions, high prices for solid urea in the United States and worldwide reflect generally tight supply conditions that have prevailed since at least 2004. Even domestic producer representatives agree that recent available supply has been limited.[19]

Analysts predict that both global production capacity and end-user demand are likely to continue to increase in the next several years, such that this tight supply condition is likely to continue. For example, data from the *** show global solid urea production capability in 2005 to be *** short tons greater than demand, an amount equivalent to *** percent of total global capability. Despite the apparent excess capability, the global solid urea market in 2005 is one of high prices and limited available supply. *** projects that the excess global production capability will grow somewhat to *** short tons by 2007, an amount equivalent to *** percent of total global capacity and *** percentage points higher than in 2005.[20] Thus, although global solid urea production capacity is projected to grow somewhat faster than global demand in the next few years, the difference is not so great as to fundamentally alter global conditions in such a way that would significantly displace subject imports from third-country markets into which they are currently sold.[21]

With respect to the price attractiveness of the U.S. market, the domestic industry submitted a net-back analysis that purports to show that higher relative U.S. prices would pull additional low-priced subject imports into the U.S. market upon revocation of the orders.[22] The domestic industry compares the price subject producers could receive net of transportation costs and distributors' mark-up on sales to the U.S. market versus F.O.B. prices at the main Black Sea port through which a substantial quantity of subject merchandise passes. On average, U.S. solid urea prices less transportation costs and importer mark-ups were somewhat higher than Black Sea prices over the period for which we have data. However, the amount of the difference has varied substantially over time, and for certain months the U.S. price less transportation costs and importer mark-ups was not higher.[23] Thus, although higher U.S. solid urea prices would provide some incentive for shifting product to the U.S. market, the lack of a consistent and significant U.S. market premium means that the amount of shifting is not likely to be significant.[24]

The domestic industry additionally presents a comparison of prices in the U.S. and Brazilian markets for the January–September 2005 period that purports to show that higher relative U.S. prices would divert subject volume to the U.S. market. Like Black Sea prices, net solid urea prices in Brazil were on average somewhat lower than those in the United States in 2005 but by a highly variable amount that did not clearly establish an incentive to shift a significant quantity of subject product toward the U.S.

---

[19] *See, e.g.*, Tr. at 24 (Dietz), 102, 127 (Buckley).

[20] CR at Table IV-10, PR at Table IV-10. *** projections assume no production facility closures. Given the several plant closures that have occurred in the United States alone in the last several years, such an outcome is not likely. Any closures would reduce the amount of excess capacity.

[21] At a conference shortly after the Commission's hearing, an executive of Agrium, a large U.S. producer of solid urea, explained his view that the global supply and demand balance was likely to be favorable to solid urea producers for the foreseeable future. Russian Respondents' Posthearing Brief at exhibit 1 (audio remarks of Bruce Waterman, Senior Vice President, Finance, and Chief Financial Officer, Agrium at the Credit Suisse First Boston 18th Annual Chemicals Conference (September 27, 2005)) and exhibit 2 (charts on global supply and demand changes in 2000–2008, based in part on projections of Fertecon and British Sulphur, showing relatively balanced supply and demand growth through 2008).

[22] Ad Hoc Committee's Prehearing Brief at 32–35.

[23] Ad Hoc Committee's Posthearing Brief at exhibit 16.

[24] We note that Black Sea urea prices have increased significantly in late October 2005, which would tend to reduce or eliminate any price differential. *See, e.g.*, Russian Respondents' submission responding to staff requests, October 26, 2005 (Daily Update from Fertilizerweek.com, October 26, 2005). In addition, *** Ad Hoc Committee's submission of additional information, October 26, 2005, at exhibit 1.

market. Further, the probative value of this analysis is limited by the truncated nine-month time frame presented. Additionally, this analysis captures a period in which demand in Brazil was declining versus a period of increasing demand in the U.S. market.[25] It is in no way surprising that, given the opposite trends in demand during this period, market prices in Brazil would be lower than market prices in the United States. Nor is the period of decline in demand in Brazil representative of demand globally. Indeed, global demand forecasts all indicate growing worldwide demand.[26]

In sum, although we would expect some increase in subject imports in the event of revocation, for the reasons stated above we do not find that the volume of subject imports is likely to be significant.

Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if the antidumping duty orders are revoked, we are directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.[27]

In the original investigations on solid urea from the GDR, Romania, and the USSR, the Commission found significant underselling.[28] The Commission also found that domestic solid urea prices declined 41–56 percent coincident with significant underselling by subject imports, leading to a finding that subject imports significantly depressed prices.[29] In the first expedited five-year reviews, the Commission noted that U.S. prices declined steadily during the period of review.[30] Additionally, the Commission found that a growing worldwide surplus of solid urea, excess production capacity in the subject countries, and aggressive pricing behavior by subject imports in other markets indicated that

---

[25] *Compare* Ad Hoc Committee's Prehearing Brief at 26; CR at II-8–II-9, PR at II-5.

[26] CR at Table IV-10 and at IV-16, PR at Table IV-10 and at IV-10; Tr. at 47 (Klett). Additionally, the domestic industry claims that recent increases in urea imports from Estonia, Belarus, Lithuania, and Romania, for which antidumping duty orders were revoked at the end of 2004, are an indication that urea imports from Russia and Ukraine are likely to increase significantly in the event of revocation. The domestic industry claims that the same trading companies that import urea from Estonia, Belarus, Lithuania, and Romania would import urea from the subject countries. Ad Hoc Committee's Prehearing Brief at 35–37; Ad Hoc Committee's Posthearing Brief at 10 and exhibit 7. However, we have no basis to conclude that the circumstances of urea imports from Estonia, Belarus, Lithuania, or Romania would be analogous to circumstances pertaining to urea imports from Russia and Ukraine. For example, the record does not contain data on available capacity in those countries, or on how the quality of solid urea from those countries compares with solid urea produced in Russia, Ukraine, or the United States. Further, subject producers would need to have urea available. As noted, subject producers are operating at high levels of capacity utilization and therefore are not likely to have additional urea available for sale. If trading companies were to import urea from the subject countries, they would do so only to the extent that such moves correspond with their overall global business model, which freely and timely transports urea worldwide for readily available and price-attractive sales. Additionally, even if trading companies were to import urea from the subject countries, the volume of these imports is not likely to be significant.

[27] 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

[28] Original Determination at 9.

[29] *Id.*

[30] First Review Determination at 26.

subject imports would likely depress or suppress U.S. prices if the orders were revoked.[31] We note that the original determinations are not directly applicable in these second five-year reviews as the makeup of two of the countries involved in the original investigations, the GDR and the USSR, has changed dramatically during the intervening years.[32]

In these reviews, as in the first reviews, price data for subject imports in the U.S. market are not available. However, unlike in the first reviews, currently there is not a worldwide surplus of solid urea, nor are prices going down. As noted, subject producers are operating at high levels rates of capacity utilization. U.S. prices generally increased during the current period of review and increased significantly in the most recent periods.[33] U.S. producers' prices for prilled urea increased from $*** per ton in the first quarter of 1999 to $*** per ton in the fourth quarter of 2004, an increase of *** percent. U.S. producers' prices for prilled urea increased by *** percent from the third quarter of 2003 to the third quarter of 2004. U.S. producers' prices for granular urea increased from $*** per ton in the first quarter of 1999 to $*** per ton in the fourth quarter of 2004, an increase of *** percent. U.S. producers' granular urea prices increased by *** percent from the third quarter of 2003 to the third quarter of 2004.[34]

Although these price increases have occurred as natural gas prices increased, the domestic industry has been able to increase prices by a greater amount than its cost increases. Raw material costs increased by $*** per ton from 2002 to 2003 while the average unit value of total net sales increased by $*** per ton.[35] Raw material costs increased by a further $*** per ton from 2003 to 2004 while the average unit value of total net sales increased by a substantially larger $*** per ton.[36] The significantly greater increase in sales value versus costs resulted in significant improvements in the domestic industry's profitability.[37]

These price increases occurred as total U.S. imports of solid urea increased both absolutely and relative to U.S. consumption. U.S. imports increased from 3.6 million short tons in 1999 to 5.4 million short tons in 2004. Import market share increased from 48.5 percent in 1999 to 64.0 percent in 2004. A significant share of these imports are from countries with lower natural gas costs than the subject producers.[38] U.S. imports from the Middle East (Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates) and Venezuela accounted for approximately 35 percent of total U.S. imports in 2004.[39] Since 2002, U.S. producers have increased prices faster than costs despite an absolute and relative increase in imports from low-cost producers. If imports from these low natural gas–cost countries did not suppress or depress prices since 2002, we do not find it likely that subject imports would have that effect.

Forecasts of world prices provided by the domestic industry indicate that solid urea prices will remain high for the foreseeable future. *** projects subject prices to remain at or above 2004 levels for

---

[31] *Id.* at 27.

[32] The GDR was reunited with West Germany, and the USSR devolved into many separate nation-states. All former members of the USSR other than Russia and Ukraine, as well as Germany and Romania, are no longer subject to orders. 69 Fed. Reg. 77993, December 29, 2004.

[33] CR at Tables V-1 and V-2, PR at Tables V-1 and V-2.

[34] CR at Table V-1, PR at Table V-1.

[35] CR at Table III-6, PR at Table III-6.

[36] *Id.*

[37] CR at III-25, PR at III-15.

[38] Russian Respondents' Posthearing submission, Responses to the Questions of the Commission, at 24. The Russian government regulates its natural gas market prices, but those prices are still higher than natural gas prices in the Middle East. *Id.* at 22–23. Ukraine's natural gas prices are higher than those in Russia. *Id.* at 24

[39] CR at Table C-2, PR at Table C-2.

the remainder of 2005 and for all of 2006 and 2007.[40] In 2006 and 2007, U.S. prices are projected to decline slightly from their peak levels in the second half of 2005 but are projected to remain above price levels in 2004.[41]

Additionally, we have found above that there is not likely to be a significant volume of subject imports upon revocation. We find that whatever increase in subject imports does occur will not significantly impact prices in the U.S. market.

The domestic industry has offered several arguments for why upon revocation of the orders subject imports would likely undersell domestic solid urea and depress or suppress U.S. prices. These arguments include the assertions that prices for prilled urea exported from the Black Sea have consistently been lower than prices for prilled urea exported from the Middle East; that prices of U.S. imports of solid urea from Belarus, Estonia, Lithuania, and Romania are highly indicative of the highest prices that would likely be associated with subject imports; and that subject imports undersell other countries' exports in non-U.S. markets.[42] We address each of these arguments in turn.

We find that the comparison of prilled urea export prices F.O.B. from Black Sea ports versus prilled urea export prices F.O.B. from Middle Eastern ports does not show that subject prices "are consistently the lowest in the world."[43] As these price comparisons are made on an F.O.B. basis, they necessarily do not include significant transportation cost differences that would affect the price on a delivered basis.[44] Respondents noted the importance of these differences in transportation costs as explaining the difference in prices on an F.O.B. basis.[45] These data do show a steady and significant increase in the export price of prilled urea from each region. These significant price increases do not support a finding that subject import prices are likely to have a depressing or suppressing effect on U.S. prices upon revocation of the orders.

The domestic industry argued that prices of solid urea from Belarus, Estonia, Lithuania, and Romania are indicative of likely subject import prices because producers in each country produce prilled urea, sell through trading companies, and ship out of some of the same ports. We do not find this information persuasive. The data for imports from Belarus, Estonia, Lithuania, and Romania represent average unit values, not transaction prices. Moreover, as discussed above, the record does not contain data on how the quality of solid urea from those countries compares with solid urea produced in Russia, Ukraine, or the United States.

The analysis presented by the domestic industry on third-country pricing does not establish that subject import prices are either underselling solid urea from other sources or having a price depressing or suppressing effect in those markets. Nor does it establish that subject import prices are likely to have a depressing or suppressing effect on U.S. prices if the orders are revoked. The domestic industry compares average unit values on an F.O.B. basis of imports from the subject producers to all other imports in Brazil and Canada and on a C.I.F. basis for imports in Colombia. We note that, where these data show subject import average unit values to be lower than the average unit value of all other import sources combined, the difference is generally small. The difference in average unit values is greater than $20 per ton in only five of the 21 comparisons.

---

[40] ***; Ad Hoc Committee's submission of additional information, October 26, 2005, at exhibit 1.

[41] *Id.*

[42] Ad Hoc Committee's Prehearing Brief at 45–50.

[43] *Id.* at 45.

[44] For example, freight rates from the Black Sea to India ranged from $*** to $*** per ton versus freight rates of $*** to $*** per ton from the Middle East to India. ***; Ad Hoc Committee's additional submission of October 26, 2005, at exhibit 4.

[45] Russian Respondents' Posthearing Brief at 8.

More importantly, this analysis suffers from several critical flaws that significantly limit its probative value. Subject import average unit values are compared to the average unit values of all other import sources combined. This analysis does not account for potentially significant differences in product mix, such as between granular and prilled urea, which affects prices.[46] Additionally, the use of annual or multi-month averages potentially masks significant price fluctuations. Indeed, the more detailed price data submitted by the domestic industry elsewhere shows significant volatility in monthly prices.[47] Therefore, we do not find that this analysis demonstrates that subject imports are likely to undersell or depress or suppress U.S. prices if the orders are revoked.[48]

For the foregoing reasons, we find that upon revocation of the orders, subject imports are not likely to undersell U.S. prices significantly or have a significant depressing or suppressing effect on U.S. prices.

Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if the order is revoked, we are directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.[49] All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.[50] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue and whether the industry is vulnerable to material injury if the order is revoked.[51]

In the original investigations, the Commission found that the decline in solid urea prices, as reflected in the decline in unit values, caused the domestic industry's net sales to decline much more than

---

[46] *See* CR at Table V-1, PR at Table V-1 (product 1 versus product 2).

[47] Ad Hoc Committee's Posthearing Brief at exhibit 16.

[48] We note that in the first five-year reviews the Commission did not place significant weight on the domestic industry's allegations regarding aggressive pricing behavior by subject producers in third-country markets. First Review Determination at 27.

[49] 19 U.S.C. § 1675a(a)(4).

[50] 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). *See also* SAA at 887. Commerce has determined that, were the antidumping duty orders on solid urea from Russia and Ukraine to be revoked, dumping would likely continue or recur at the rate of 53.23 percent for Phillip Brothers, Ltd./Phillip Brothers, Inc. and at the country-wide rate of 68.26 percent. 70 Fed. Reg. 24394 (May 9, 2005) (Ukraine); 70 Fed. Reg. 24528 (May 10, 2005) (Russia).

[51] The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

the cost of goods sold, resulting in a marked decline in gross profit and operating income.[52] The domestic industry experienced a significant decline in profitability, particularly from 1985 to 1986.[53] The industry's ratio of operating income to net sales declined from 18.0 percent in 1984 to 1.4 percent in 1986.[54] The quantity of U.S. shipments of domestically produced urea remained about the same from 1984 to 1986 (3.25 million short tons as compared with 3.29 million short tons), but the value of those shipments declined dramatically, from $476.8 million in 1984 to $340.6 million in 1986.[55] Capacity utilization declined from 80.9 percent in 1984 to 63.5 percent in 1986.[56]

In the first five-year reviews, the Commission noted that imports of subject merchandise effectively ceased following imposition of the orders.[57] The domestic producers maintained that U.S. market share, prices, and profitability quickly rebounded and remained well above 1986 levels.[58] The Commission did not find that the domestic industry was vulnerable, although it noted that U.S. solid urea prices fell rapidly from 1996 to 1998.[59]

In the current reviews, the written record and testimony by the domestic industry offer examples of the industry-wide restructuring that occurred during this period of review. The number of U.S. urea producers has declined steadily since 1986, from 24 companies during the original investigations to 12 companies during the first five-year reviews and to eight companies during the current five-year reviews.[60] U.S. production capacity increased slightly from a range of 6.1 million to 6.2 million short tons during the original investigations to 6.3 million short tons during the first five-year reviews but then declined to a range of 4.2 million to 5.4 million short tons during the current reviews.[61] The domestic industry has benefited from this restructuring. The domestic industry noted that older, inefficient plants that primarily produced prilled product have been closed.[62] The remaining producers are more efficient and profitable.[63]

Capacity utilization is higher during the current reviews (ranging from 71.7–92.2 percent) compared to the original investigations (ranging from 63.5–80.9 percent) and is similar to the utilization rate in the first reviews (93.9 percent in 1998).[64] Productivity also increased during the current reviews,

---

[52] Original Determination at 9.

[53] *Id.*

[54] CR at Table I-1, PR at Table I-1.

[55] *Id.*

[56] *Id.*

[57] USITC Pub. 3248 at 22.

[58] *Id.* at I-11. The record in these reviews indicates that U.S. producers' market share ranged from 57.2–58.3 percent and that the ratio of operating income to net sales ranged from 11.7–34.4 percent during the 1996–1998 period (the period of the first review). CR at Table I-1, PR at Table I-1. The values of U.S. shipments during the first review were not available. *Id.*

[59] USITC Pub. 3248 at 22.

[60] CR at I-32–I-33, PR at I-20–I-21. Additionally, the record indicates that two of the eight U.S. urea producers in the current reviews, *** and ***, each closed ***. CR at Table I-5, PR at Table I-5.

[61] CR at Table I-1, PR at Table I-1.

[62] Tr. at 20 (Dietz), 28–29 and 33 (Buckley).

[63] *See id.* at 29.

[64] CR at Table I-1, PR at Table I-1. The year 1998 was the only year during the period of review in the first reviews for which capacity utilization data was provided. *Id.*

from 2.4 short tons per hour in 1999 to 3.3 short tons per hour in 2004, reaching a similar level of productivity as during the original investigations, when productivity averaged 3.5 short tons per hour.[65]

The domestic industry has provided information indicating that *** percent of total U.S. shipments will not be subject to competition from subject imports.[66] U.S. shipments of pharmaceutical-grade urea, urea fertilizer blends, and urea designated for export are shielded from competition with subject imports.[67] In addition, three of the eight responding purchasers in these reviews indicated that between 60 percent and 100 percent of their urea purchases must be produced in the United States because of quality, availability, supply, and delivery cost concerns.[68] Further, some U.S. production is shielded from competition by virtue of the geographic locations of the production facilities.[69]

The domestic industry's operating margin improved in each of the last three years, reaching its highest level at 15.2 percent in 2004, which was approximately 47 percent higher than the average operating margin during the original investigation.[70] As noted above, the domestic industry has been able to raise prices more quickly than the increase in costs, primarily natural gas price increases.[71] As a result, operating income increased from a $45.2 million loss in 1999 to a profit of $119.9 million in 2004.[72] Based on all these factors, we do not find the domestic industry to be in a vulnerable condition.

We conclude that revocation of the subject orders would not be likely to lead to a significant volume of subject imports that would significantly depress or suppress U.S. prices. Absent a significant volume of, or significant price effects from, subject imports, we also find that revocation of the orders would not likely have a significant adverse impact on the production, shipments, sales, employment, market share, and revenues of the domestic industry. Given that all subject imports are of basic prilled urea, which represented less than *** percent of U.S. urea production in 2004, the domestic industry does not compete directly with subject imports for a substantial share of its sales. Any minimal effect on the industry's production, shipments, sales, market share, and revenues would not adversely impact the industry's profitability and ability to raise capital and maintain necessary capital investments to a significant degree.

Accordingly, based on the record in these reviews, we conclude that, if the subject orders were revoked, subject imports likely would not have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

Conclusion

For the foregoing reasons, we determine that the revocation of the antidumping duty orders on solid urea from Russia and Ukraine would not be likely to lead to a continuation or recurrence of material injury to an industry in the United States in a reasonably foreseeable time.

---

[65] CR at Table I-1, PR at Table I-1. Productivity figures were not available during the first reviews.

[66] Ad Hoc Committee's Posthearing Brief at exhibit 12.

[67] *Id.*

[68] CR at II-14, PR at II-9. Four purchasers indicated that "various types of prilled urea" and insulin-grade urea were only available from ***, a U.S. producer. CR at II-15, PR at II-9.

[69] Dyno Nobel, with solid urea production facilities in Wyoming and Oregon, accounted for *** percent of U.S. solid urea shipments in 2004. CR at I-35 and Table I-5, PR at I-22 and Table I-5.

[70] CR at Table I-1, PR at Table I-1.

[71] CR at Table III-6, PR at Table III-6. *See* CR at Table V-1, PR at Table V-1.

[72] CR at Table I-1, PR at Table I-1. The domestic industry's return on investment has also improved in each of the last three years to reach its highest point during the current reviews, at 44.0 percent in 2004, an almost threefold increase from 2003. CR at Table III-11, PR at Table III-11.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On October 1, 2004, the Commission gave notice, pursuant to section 751(c) of the Tariff Act of 1930 ("the Act"), that it had instituted reviews to determine whether revocation of the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would likely lead to the continuation or recurrence of material injury to a domestic industry. Effective November 17, 2004, the Commission terminated the reviews on Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan as a result of the revocation of the antidumping duty orders on those countries by the Department of Commerce.[1] Effective January 4, 2005, the Commission determined that it would conduct full reviews on the orders for Russia and Ukraine pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of the reviews is provided in the following tabulation.[2]

Effective date	Action
July 14, 1987	Commerce's antidumping duty orders (52 FR 26367)
March 1, 1999	Commission's institution of the first reviews (64 FR 10020)
November 4, 1999	Commission's determinations in the first reviews (64 FR 60225)
October 1, 2004	Commission's institution of the current (second) reviews (69 FR 58957)
November 17, 2004	Commerce's revocation of certain orders (69 FR 77993, December 29, 2004)
November 17, 2004	Commission's termination of certain reviews (70 FR 2657, January 14, 2005)
January 4, 2005	Commission's decision to conduct full reviews (70 FR 2882, January 18, 2005)
April 7, 2005 and June 23, 2005	Commission's scheduling of the reviews (70 FR 19502, April 13, 2005 and 70 FR 37433, June 29, 2005)
May 9, 2005	Commerce's final results of expedited review on Ukraine (70 FR 24394)
May 10, 2005	Commerce's final results of expedited review on Russia (70 FR 24528)
September 22, 2005	Commission's hearing[1]
November 17, 2005	Commission's vote
December 2, 2005	Commission's determinations transmitted to Commerce

[1] App. B contains a list of witnesses who appeared at the hearing.

[1] Commerce revoked the antidumping duty orders because the "domestic interested parties did not participate in these sunset reviews." 69 FR 77993, December 29, 2004.

[2] The Commission's notice of institution, notice to conduct full reviews, scheduling notices, and statement on adequacy appear in app. A and may also be found at the Commission's web site (internet address www.usitc.gov). Commissioners' votes on whether to conduct expedited or full reviews may also be found at the web site.

The Original Investigations and the First Five-Year Reviews

On July 16, 1986, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped imports of solid urea from the German Democratic Republic ("GDR"), Romania, and the Union of Soviet Socialist Republics ("USSR").[3] In the ensuing original investigations, Commerce defined the subject merchandise as imports of solid urea, a high-nitrogen-content fertilizer which is produced by reacting ammonia with carbon dioxide. On May 26, 1987, Commerce made final affirmative dumping determinations, with margins as follows:[4]

Country and manufacturer/producer/exporter	Weighted-average margin *(percent)*
GDR (all firms)	44.80
Romania (all firms)	90.71
USSR (Philbro)	53.23
USSR (Soyuzpromexport ("SPE"))	68.26
USSR (all others)	64.93

In its corresponding investigations, the Commission defined the domestic like product as solid urea in any form, i.e., whether granular or prilled, and it defined the domestic industry as producers of solid urea in any form.[5] The Commission made its final affirmative injury determinations in July 1987 and Commerce issued antidumping duty orders on July 14, 1987.

Commerce conducted one administrative review of solid urea from the USSR prior to that country's division, finding a margin of 68.26 percent for SPE for the period reviewed (January 2, 1987 through June 30, 1988).[6] In December 1991, the USSR divided into 15 independent countries. To conform to these changes, Commerce changed the original USSR antidumping duty order into 15 orders applicable to each independent country of the former USSR. Further, on June 29, 1992, Commerce issued a *Transfer of the Antidumping Duty Order on Solid Urea From the Union of Soviet Socialist Republics to the Commonwealth of Independent States and the Baltic States and Opportunity to Comment*. This document officially determined that the cash deposit rate of 68.26 percent established in the most recent administrative review would remain in effect for each new independent country.[7] Commerce also conducted one administrative review for Estonia after the division of the USSR and determined that the cash deposit rate would remain at 68.26 percent because there was no record of any

[3] The petition was filed on behalf of the Ad Hoc Committee of Domestic Nitrogen Producers, which was comprised of the following firms: Agrico Chemical Co.; American Cyanamid Co.; CF Industries; First Mississippi Corp.; Mississippi Chemical Corp.; Terra International, Inc.; and W.R. Grace & Co.

[4] 52 FR 19549, May 26, 1987.

[5] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics*, USITC Publication 1992, July 1987, p. 4.

[6] 54 FR 39219, September 25, 1989.

[7] 57 FR 28828, June 29, 1992.

U.S. imports of solid urea from Estonia during the period reviewed.[8] Petitioner expressed no further interest in the antidumping duty order for the GDR and it was revoked by Commerce.[9]

During its first sunset reviews, Commerce did not receive notice of intent to participate from any domestic interested party in the reviews concerning Azerbaijan, Georgia, Kazakhstan, Kyrgystan, Latvia, and Moldova; it revoked those antidumping duty orders on May 5 and May 28, 1999,[10] and the Commission terminated its corresponding expedited reviews.[11] On September 3, 1999, Commerce issued its final results of expedited sunset reviews concerning solid urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, and made its final determinations that dumping was likely to continue or recur if the antidumping duty orders were revoked for each of the subject sources. The following tabulation provides information on the margins of dumping that Commerce found would likely prevail if the orders were to be revoked:[12]

Country and manufacturer/producer/exporter	**Weighted-average margin *(percent)***
Romania (Chimica)	90.71
Romania (all other firms)	90.71
FSU[1] (Phillip Brothers)	53.23
FSU[1] (SPE)	68.26
FSU[1] (country-wide rate)	68.26
[1] Former Soviet Union countries still subject to the antidumping duty orders.	

In its reviews, the Commission defined the domestic like product as solid urea in any form, i.e., whether granular or prilled, and it defined the domestic industry as producers of solid urea in any form.[13] On November 4, 1999, the Commission determined that revocation of the antidumping duty order on solid urea from Armenia would not likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time and that revocation of the orders on solid urea from the other subject sources would lead to such injury.[14] On November 17, 1999, Commerce revoked the antidumping duty order on solid urea from Armenia,[15] and continued the orders on Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[16]

On October 1, 2004, the Commission instituted the second five-year sunset reviews on the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[17] Effective November 17, 2004, Commerce revoked the orders on Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan because the domestic

---

[8] 59 FR 25606, May 17, 1994.

[9] 63 FR 64471, April 3, 1998.

[10] 64 FR 24137, May 5, 1999 and 64 FR 28974, May 28, 1999.

[11] 64 FR 30358, June 7, 1999.

[12] 64 FR 48357, September 3, 1999; 64 FR 48360, September 3, 1999.

[13] *Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, USITC Publication 3248, October 1999, pp. 5-6.

[14] 64 FR 60225, November 4, 1999.

[15] 64 FR 62654, November 17, 1999.

[16] 64 FR 62653, November 17, 1999.

[17] 69 FR 58957, October 1, 2004.

interested parties did not participate in the second sunset reviews instituted by Commerce on October 1, 2004.[18] Effective November 17, 2004, the Commission terminated the second five-year reviews on solid urea from those countries.[19]

Table I-1 presents a summary of data from the original investigations, the first expedited sunset reviews, and the current (second) reviews; there have been no imports of solid urea from Russia or Ukraine since 1987.[20] Quantity data throughout this report are presented in 1,000 short tons of solid urea, dry, 100-percent urea basis; unless indicated otherwise, "tons" refers to short tons.

During the period of the original investigations through the current period of review there has been a generally increasing trend in domestic consumption and a marked decline in the domestic producers' share. U.S. domestic consumption increased by approximately 46 percent, from 5.8 million tons in 1984, to 8.5 million tons in 2004, while the domestic producers' share declined by approximately 29 percentage points, from 64.8 percent in 1984 to 36.0 percent in 2004. This was accompanied by a 23-percent decline in domestic capacity, from 6.2 million annual tons in 1984 to 4.8 million tons in 2004; however, the average unit values of both U.S. producers' shipments and imports have increased greatly during the period. The average unit value of reported U.S. producers' U.S. shipments increased by 41 percent, from $147 per ton in 1984 to $208 per ton in 2004, while the average unit value of imports from all countries increased by 37 percent, from $137 per ton in 1984 to $188 per ton in 2004.[21]

Several domestic plants closed during 2003-04 (accounting for roughly 1.3-1.4 million tons of annual capacity), primarily because of soaring prices of natural gas, the feedstock for ammonia and hence urea. U.S. natural gas prices increased from the $4 per million Btu (MMBTU) range in late 2002, to above $6 per MMBTU during 2004, and in July 2005 were projected to remain at high levels (in the $7 range) between mid-2005 and throughout 2006.[22] Several producers reported that the high natural gas prices made ammonia and urea production prohibitive relative to import competition, in spite of rising domestic prices for urea.[23] However, natural gas prices moved into the $9 range in August 2005, and following Hurricane Katrina, gas prices moved to near $13 in September.[24] Then, on the heels of Hurricane Rita, force majeure was declared on the major Henry Hub pipeline system at Sabine, LA on September 23, 2005, and futures prices soared into the $14-$15 range for the fourth quarter of 2005

---

[18] 69 FR 77993, December 29, 2004.

[19] 70 FR 2657, January 14, 2005.

[20] Exhibit 2 of the domestic interested parties' November 22, 2004 submission corrects errors to the official statistics of the Department of Commerce, which had erroneously listed imports of solid urea from Russia and Ukraine from 1987 to 2004. The corrections are in the form of correspondence with the Department of Commerce validating the claims of the domestic interested parties that the entries originally attributed to imports of solid urea from the subject countries were misclassified and were entries of other products.

[21] There are reporting anomalies in the 1999-2004 data for U.S. producers' U.S. capacity, production, and U.S. shipments. Data for *** plant are missing for 1999-2000, and data for ***'s plants are missing for 1999-2002.

[22] http://www.eia.doe.gov, Henry Hub natural gas spot prices, retrieved July 25, 2005.

[23] In January 2003, Mississippi Chemical Corp. closed its 396,000 annual short ton urea prill plant at Donaldsonville, LA, citing "continued pressure from the natural gas price" (*Mississippi Chemical News Release*, February 26, 2003). PCS followed suit on June 4, 2003, by closing its 409,000 short ton urea prill plant at Memphis, TN, citing "high natural gas costs in North America." (*PCS 2003 Annual Report*, pp. 19, 31). On March 31, 2004, Terra Industries announced the closure of its ammonia and 480,000-ton granular urea plant at Blytheville, AR, citing "continuing high natural gas costs, and the likelihood that competition from imported ammonia and urea barged up the Mississippi River will make future major maintenance and capital investments at the Blytheville facility unsound." http://terraindustries.com, retrieved June 23, 2005.

[24] http://www.eia.doe.gov, Henry Hub natural gas prices retrieved September 21, 2005.

Table I-1
Solid urea: Summary data from the original investigations, the first sunset reviews, and the current reviews, 1984-86, 1996-98, and 1999-2004

(Quantity=*1,000 short tons*; value=*1,000 dollars*; unit values, unit labor costs, and unit financial data are *per short ton*)

Item	Calendar year											
	1984	1985	1986	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. consumption quantity: Amount[1]	5,795	5,309	6,666	6,661	6,469	8,437	7,372	7,810	8,136	8,315	8,842	8,472
Producers' share:[2]	64.8	62.9	50.6	58.3	57.5	57.2	51.5	45.3	35.1	49.1	38.0	36.0
Importers' share:[2] USSR/FSU	7.2	8.6	12.6	([3])	([3])	([3])	0.0	0.0	0.0	0.0	0.0	0.0
All other countries	28.0	28.5	36.8	41.7	42.5	42.8	48.5	54.7	64.9	50.9	62.0	64.0
Total imports	35.2	37.1	49.4	41.7	42.5	42.8	48.5	54.7	64.9	50.9	62.0	64.0
U.S. imports from-- USSR/FSU: Quantity	418	455	843	([3])	([3])	([3])	0	0	0	0	0	0
Value	52,408	61,030	65,624	([3])	([3])	([3])	0	0	0	0	0	0
Unit value	$126	$134	$78	([3])	([3])	([3])	([4])	([4])	([4])	([4])	([4])	([4])
All other countries: Quantity	1,622	1,513	2,449	2,779	2,752	3,607	3,573	4,275	5,279	4,229	5,480	5,425
Value	227,466	207,420	259,287	447,032	421,858	515,457	484,494	619,255	772,216	555,913	866,102	1,021,567
Unit value	$140	$137	$106	$161	$153	$143	$136	$145	$146	$131	$158	$188
All countries: Quantity	2,040	1,968	3,292	2,779	2,752	3,607	3,573	4,275	5,279	4,229	5,480	5,425
Value	279,874	268,450	324,911	447,032	421,858	515,457	484,494	619,255	772,216	555,913	866,102	1,021,567
Unit value	$137	$136	$99	$161	$153	$143	$136	$145	$146	$131	$158	$188
U.S. producers'-- Capacity quantity	6,214	6,215	6,084	([3])	([3])	6,270	4,242	4,242	5,444	5,444	5,417	4,810
Production quantity	5,025	4,495	3,865	5,502	5,151	5,889	3,909	3,582	3,903	4,911	4,112	3,790
Capacity utilization[2]	80.9	72.3	63.5	([4])	([4])	93.9	92.2	84.4	71.7	90.2	75.9	78.8

Footnotes at end of table.

Table I-1--*Continued*
Solid urea: Summary data from the original investigations, the first sunset reviews, and the current reviews, 1984-86, 1996-98, and 1999-2004

(Quantity=*1,000 short tons*; value=*1,000 dollars*; unit values, unit labor costs, and unit financial data are *per short ton*)

Item	Calendar year											
	1984	1985	1986	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. shipments: Quantity	3,246	3,119	3,292	3,882	3,717	4,830	3,799	3,535	2,857	4,086	3,362	3,047
Value	476,812	426,680	340,557	([3])	([3])	([3])	368,381	475,559	412,786	493,914	587,987	634,117
Unit value	$147	$137	$103	([4])	([4])	([4])	$97	$135	$145	$121	$175	$208
Ending inventory quantity	593	760	624	([3])	([3])	([3])	271	250	467	317	219	202
Inventories/total U.S. shipments[2]	***	***	***	([4])	([4])	([4])	***	***	***	***	***	***
Production workers	924	931	855	([3])	([3])	([3])	790	772	776	778	669	560
Hours worked (*1,000 hours*)	1,747	1,711	1,550	([3])	([3])	([3])	1,629	1,583	1,627	1,605	1,374	1,132
Wages paid (*1,000 dollars*)	25,418	26,528	23,654	([3])	([3])	([3])	48,176	48,926	53,301	53,644	47,441	41,773
Hourly wages	$14.55	$15.50	$15.26	([3])	([3])	([3])	$29.57	$30.90	$32.76	$33.42	$34.53	$36.89
Productivity (*short tons per hour*)	3.7	3.5	3.4	([4])	([4])	([4])	2.4	2.3	2.4	3.1	3.0	3.3
Total sales (*1,000 dollars*)	686,563	585,422	444,847	534,297	489,833	427,142	377,594	478,279	501,925	600,126	736,262	788,987
Cost of goods sold (*1,000 dollars*)	530,349	488,347	408,940	329,885	396,100	360,543	406,761	441,722	540,167	591,012	667,014	646,416
Gross profit (*1,000 dollars*)	156,214	97,075	35,907	204,413	93,932	66,599	(29,167)	36,558	(38,242)	9,114	69,248	142,572
SG&A expenses (*1,000 dollars*)	32,696	28,992	29,560	20,393	17,939	16,576	16,053	17,643	18,045	21,010	22,506	22,693
Operating income/loss (*1,000 dollars*)	123,518	68,083	6,347	184,020	75,794	50,023	(45,220)	18,915	(56,287)	(11,896)	46,741	119,879
Ratio of operating income/loss to net sales(*1,000 dollars*)	18.0	11.6	1.4	34.4	15.5	11.7	-12.0	4.0	-11.2	-2.0	6.3	15.2

[1] Consumption for 1984-86 and 1996-98 is calculated using U.S. production minus exports plus imports. Consumption for 1999-2004 is calculated using U.S. producers' U.S. shipments plus imports.
[2] In *percent*.
[3] Not available.
[4] Not applicable.

Note.–Because of rounding, figures may not add to the totals shown. Calculated data are based on unrounded numbers. Imports during 1984-86 are based on questionnaire data for Romania and official statistics for all other countries; imports during 1996-98 and 1999-2004 are from official statistics.

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

through the first quarter of 2006.[25] Futures prices for the remainder of 2006 are at or near double-digit levels. PCS announced a 45-day closure of its Lima, OH, urea facility effective October 1, 2005.[26] Figure I-1 shows the increases in average annual natural gas prices in the United States from 1993 to 2005, as illustrated by the Henry Hub pipeline prices recorded by the U.S. Department of Energy.

Statutory Criteria and Organization of the Report

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation "would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury."

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury–

(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

> *(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*
>
> *(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,*
>
> *(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*
>
> *(D) in an antidumping proceeding . . ., (Commerce's findings) regarding duty absorption . . ..*

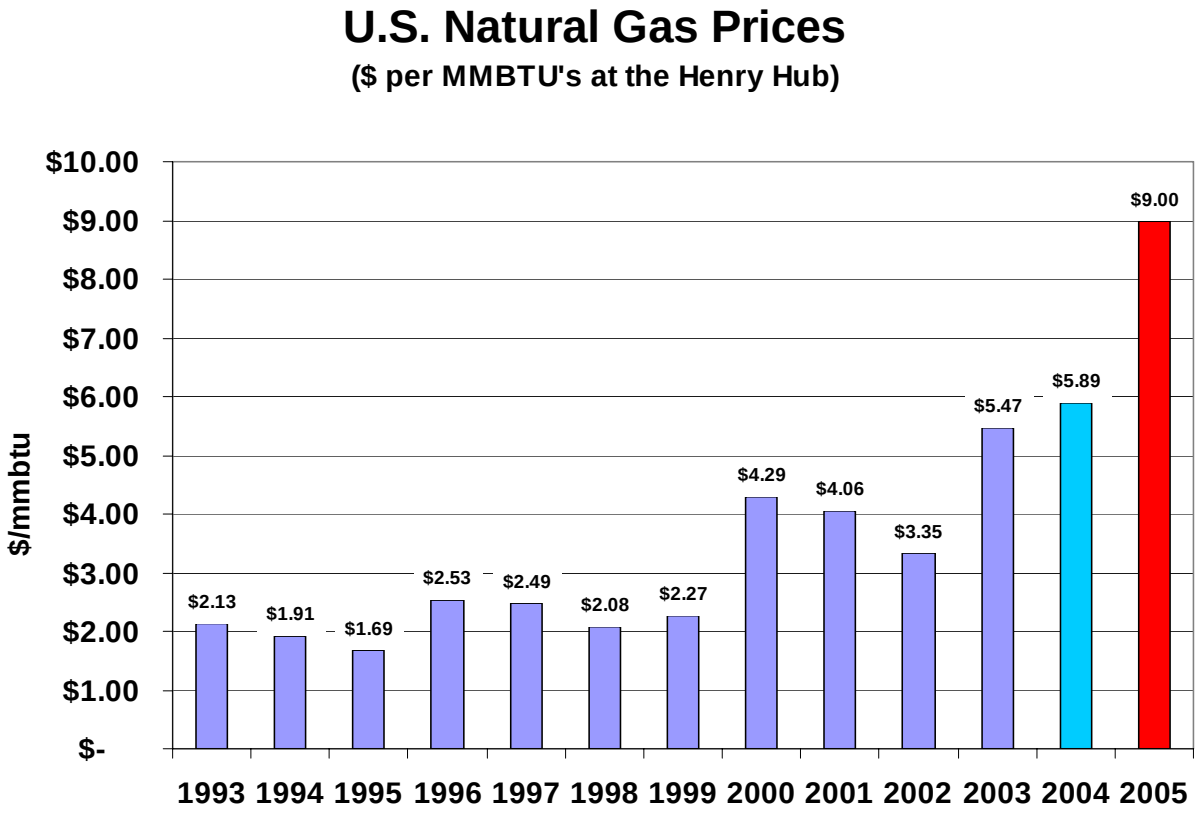
(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including-

> *(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*
>
> *(B) existing inventories of the subject merchandise, or likely increases in inventories,*

[25] http://www.nymex.com, NYMEX natural gas futures prices retrieved October 6, 2005.

[26] *Green Markets*, October 3, 2005, p. 1.

Figure I-1
Solid urea: Annual average Henry Hub natural gas prices, 1993-2005



Source: Energy Information Administration ("EIA"), Department of Energy ("DOE"), http://www.eia.doe.gov, retrieved October 6, 2005. 2005 data are estimated based on published data through September 2005, and futures prices thereafter.

(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and

(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.

(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--

(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

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

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement."

Information obtained during the course of the reviews that relates to the above factors is presented throughout this report. A summary of data collected in the reviews is presented in appendix C. U.S. industry data are based on questionnaire responses of seven firms that accounted for virtually all U.S. production of solid urea during 2004. U.S. import data are based on official statistics of the Department of Commerce.[27] Foreign industry data are based on both published sources and questionnaire

[27] Nonsubject importers' questionnaire responses accounted for approximately 61 percent of official imports of the quantity of solid urea from all sources other than Russia and Ukraine in 2004. There were no imports from Russia or Ukraine during the period of review. Exhibit 2 of the domestic interested parties' November 22, 2004 submission corrects errors to the official statistics of the Department of Commerce, which had erroneously listed

(continued...)

responses for the Russian industry and published sources only for the industry in Ukraine. Responses by U.S. producers, importers (from nonsubject sources), and purchasers of solid urea and by producers of solid urea in Russia to a series of questions concerning the significance of the existing antidumping duty orders and the likely effects of revocation are presented in appendix D.[28]

COMMERCE'S RESULTS OF EXPEDITED REVIEWS

On May 9, 2005 and May 10, 2005, Commerce found that revocation of the antidumping duty orders on solid urea from Ukraine and Russia, respectively, would likely lead to continuation or recurrence of dumping at margins listed in the tabulation below. The rates for the original expedited sunset reviews were continued due to inadequate responses by the Russian producers and no responses by the Ukrainian producers to Commerce's notices of initiation.[29] Commerce has not issued duty absorption determinations with respect to these orders.

Country and manufacturer/producer/exporter	Weighted-average margin *(percent)*
Phillip Brothers, Ltd./Phillip Brothers, Inc.	53.23
All others	68.26

COMMERCE'S ADMINISTRATIVE REVIEWS

Commerce conducted one administrative review of solid urea from the USSR prior to its division, finding a margin of 68.26 percent for SPE for the period reviewed (January 2, 1987 through June 30, 1988).[30]

THE SUBJECT PRODUCT

The imported product subject to the antidumping orders under review, as defined by Commerce, is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classifiable under HTS subheading 3102.10.00 and can be imported from any source free of duty aside from antidumping duties. Prior to 1989, such merchandise was classified under item 480.3000 of the Tariff Schedules of the United States.[31]

---

[27] (...continued)
imports of solid urea from Russia and Ukraine from 1987 to 2004. The corrections are in the form of correspondence with the Department of Commerce validating the claims of the domestic interested parties that the entries originally attributed to imports of solid urea from the subject countries were misclassified and were entries of other products.

[28] Questionnaire responses were not supplied by producers of solid urea in Ukraine.

[29] Commerce's notices are presented in app. A.

[30] 54 FR 39219, September 25, 1989.

[31] 70 FR 24394, May 9, 2005 and 70 FR 24528, May 10, 2005.

Physical Characteristics

Solid urea ($CO(NH_2)_2$) is a white crystalline organic compound containing at least 46 percent nitrogen (N) by weight. It is produced in both granular and prilled forms for fertilizer and industrial use. Granular forms are typically larger, irregularly-shaped particles ranging predominately in size from 1.7 to 3.4 millimeters (mm), while prills are smaller spherical particles of 1.2 to 2.0 mm.[32] [33] The international sizing specification for granular urea is 2-4 mm (90 percent of the total), with prills 1-4 mm (90 percent of the total).[34] The product typically contains a small amount of urea-formaldehyde conditioning agent (1 to 3 percent by weight) which enhances physical strength and inhibits moisture absorption. A small amount of biuret byproduct (0.5 to 1.5 percent by weight) is also contained in the product.[35] [36] Biuret is an organic nitrogen compound which must be kept to a minimum as it can be harmful to fertilized crops and deleterious in other uses. Solid urea is not flammable and is not used as an explosive. It is water soluble.

Solid urea is the most popular solid nitrogen fertilizer sold for export because of its unique physical and chemical properties. It has the highest nitrogen content of all solid nitrogen fertilizers, the lowest transportation costs per unit of nitrogen nutrient, and excellent physical strength characteristics. Solid urea is also an important industrial product, particularly in the United States, Canada, and other Western countries.

One advantage of prills is that in general they can be produced more cheaply than granules.[37] Prills are used in many applications, including fertilizer and industrial uses. The industrial market for prills consists of a small niche for pharmaceutical applications; a larger market of microprills for animal feed; a small market for swimming pool chemicals; and a larger market for adhesive resins.[38] Granular forms, however, have increasingly become the product of choice as a fertilizer product, and for selected nonfertilizer applications[39] because of their physical integrity, including a generally higher impact strength and crushing strength than prills, particularly important in product handling, storage, and bulk transportation. Granular products, because of their irregular particle surface and physical integrity, are also preferred for bulk blending applications with other fertilizer nutrients, such as phosphate and potash. Free-flowing behavior is also an important characteristic which must be considered in making the choice between granular and prilled product.[40] All of the subject product produced in the subject countries, Russia and Ukraine, is in prilled form, while the granular product is the predominant solid urea product produced in the United States.[41] [42]

---

[32] Microprills are much smaller (about 0.5mm).

[33] Russian prills are believed to be generically referred to ***, and range in particle size from ***, although an average particle size was not reported by the three Russian producers providing technical data sheets. *** reported the incorporation of a urea-formaldehyde conditioning agent. Russian interested parties' submission of October 5, 2005.

[34] E-mail from ***, October 6, 2005.

[35] http://www.agrium.com, retrieved May 19, 2005.

[36] http://www.cfindustries.com, retrieved May 18, 2005.

[37] http://www.stamicarbon.com, retrieved May 27, 2005.

[38] Hearing transcript, pp. 86 (Klett), 87 (McGlone), 88 (Dietz), and 112 (Dietz).

[39] Domestic interested parties' posthearing brief, p. 7 and exh. 1.

[40] http://www.stamicarbon.com, retrieved May 27, 2005.

[41] *Worldwide Urea Capacity Listing by Plant*, International Fertilizer Development Center ("IFDC"), Muscle Shoals, AL, pp. 11-13, June 2005, and hearing transcript, p. 14 (Morgan).

[42] Ibid. pp. 2-3.

Uses

On a global basis, more than 90 percent of solid urea shipments are estimated to be consumed for fertilizer use;[43] the remainder is destined for industrial use. In the United States, solid urea consumption is 80-85 percent for fertilizer use and 15-20 percent for industrial use.[44] Urea is consumed in both granular and prilled forms for fertilizer and industrial use. According to published industry sources, in 2004, granular urea accounted for 77 percent of U.S. production, and prilled urea accounted for 23 percent.[45] In 2004, the price of U.S. shipments of prilled product was $219 per ton compared to $193 per ton for granular product, representing a premium of $26 per ton for prilled product.[46] This is suggestive of a preference for prilled urea used in specialty industrial markets where the product is sold at a premium.[47]

In 2004, U.S. nitrogen (N) fertilizer consumption reached an all-time record high of 13.1 million tons N, of which 10.5 million tons N (80 percent) was applied as direct application–individual fertilizers containing only nitrogen. Solid urea ranked third in terms of U.S. nitrogen fertilizer consumption for direct application, eclipsed only by liquid anhydrous ammonia and by liquid nitrogen solutions consisting predominately of urea ammonium nitrate ("UAN") solutions.[48] [49] Solid urea applied by direct application to the soil in 2004 was 2.7 million tons N (26 percent of total direct application), compared to 31 percent each for anhydrous ammonia and UAN solutions, while other N forms accounted for 12 percent.[50] In 1999, urea also ranked third behind anhydrous ammonia and UAN solutions, but its market share was only 20 percent of the total. Thus, direct application solid urea N consumption has gained 6 percentage points in market share during the 1999-2004 period, mostly at the expense of anhydrous ammonia which held a 38-percent market share in 1999.[51] [52] Anhydrous ammonia is more hazardous and difficult to transport and apply than urea or UAN solutions, and is generally confined to consumption in the Midwest Corn Belt region of the country.

In the United States, solid urea is typically broadcast onto fields as a single nutrient fertilizer or in bulk blends with conventional equipment, and may be plowed down because of its tendency to volatilize back into the atmosphere as ammonia and carbon dioxide if allowed to stand on the surface. Urea is most heavily applied during the spring season to a wide variety of crops, and is more effective (efficient) if

---

[43] http://www.stamicarbon.com, retrieved May 27, 2005.

[44] ***.

[45] *Current Industrial Reports*, *Fertilizer Materials and Related Products*, Quarterly Statistics, MQ325B, U.S. Department of Commerce.

[46] Ibid.

[47] In 2004, PCS' industrial sales were ***. PCS is a major producer of industrial urea in the United States. PCS cited ***. Staff correspondence with ***.

[48] Approximately *** percent of solid urea is believed to be applied by direct application, and *** percent as bulk blends. Granular urea is popular in multi-nutrient bulk blends with phosphate (P) and potash (K), known as NPKs in the industry. This is due to its relatively larger particle size and irregular surface which minimize segregation of the NPK blends during storage, handling, and transport. ***.

[49] *Commercial Fertilizers 2004*, Association of American Plant Food Control Officials, and The Fertilizer Institute, May 2005.

[50] Ibid.

[51] *Commercial Fertilizers 1999*, Association of American Plant Food Control Officials, and The Fertilizer Institute, published in 2000.

[52] Single-nutrient fertilizers reported in *Commercial Fertilizers* are not necessarily used for direct application; single-nutrient fertilizers may be mixed with other fertilizer materials before sale to the final consumer. E-mail from ***, October 4, 2005.

applied in cooler climate regions. It is typically the only nitrogen fertilizer applied to rice crops.[53] The high nitrogen content of solid urea, together with its excellent stability in storage and transport and safe handling characteristics, have contributed to its growth in both the United States and worldwide.[54]

As an industrial product, solid urea finds widespread use as the raw material for the production of urea-formaldehyde resins used in the adhesives industry (plywood and particle board); molding powders; varnishes and foams; and for impregnating paper, textiles, and leather. The product is also used extensively as a synthetic protein supplement for ruminant animals where tiny microprills are commonly incorporated uniformly into animal feeds. Melamine resins are also produced from solid urea; their principal uses are for laminates and surface coatings. There are a variety of miscellaneous industrial uses for the subject product, including nitrogen oxide abatement in industrial power plants and de-icing material for airport runways.[55] [56]

Manufacturing Processes [57]

Solid urea ($CO(NH_2)_2$) is manufactured by reacting ammonia (NH_3) with carbon dioxide (CO_2), a byproduct of ammonia production, at high temperatures and pressures. This is followed by a sequence of vacuum evaporators designed to remove water, the reaction byproduct, from the dilute aqueous urea product solution. Following the injection of a urea-formaldehyde conditioning agent into the resulting molten urea product, it is then either granulated or prilled. All new plants producing only solid urea employ a process known as total-recycle; in this process all unconverted reactants are recycled to the urea reactor, resulting in a conversion of over 99 percent.[58]

The front-end urea synthesis reaction process is fundamentally the same for all subject granular and prilled urea products; however, the urea granulation and prilling processes themselves are quite different. The newest granulation technologies employ fluid bed granulators which require a substantial capital outlay for the patented process, including the costs of engineering, licensing fees, and royalties; whereas older granulation technologies employ drum granulators.[59] Prilled products employ older and less complex prill tower technologies, which are not as expensive as granular processes;[60] however, the new fluid bed granulation technologies are reported to produce superior hard, durable, solid urea products. Only one prill plant has reportedly been constructed globally during the past several years, in China.[61]

Fluid bed granulation technology involves spraying molten urea at a concentration of approximately 96 percent onto a moving bed of small urea granules until the granules are built up to the proper size by cool air drawn into the granulator. Drum granulation techniques involve spraying molten urea at over 99 percent concentration onto a rolling bed of solid particles or contacting a recycled stream of fines. As a result of the rolling action, particles are coated with thin layers of liquid and are gradually

---

[53] ***.

[54] Ibid.

[55] http://www.stamicarbon.com, retrieved May 27, 2005.

[56] ***.

[57] ***.

[58] *Fertilizer Manual*, IFDC/United Nations Industrial Development Organization ("UNIDO"), Muscle Shoals, AL/Vienna, Austria, 1998, p. 260.

[59] ***, July 18, 2005.

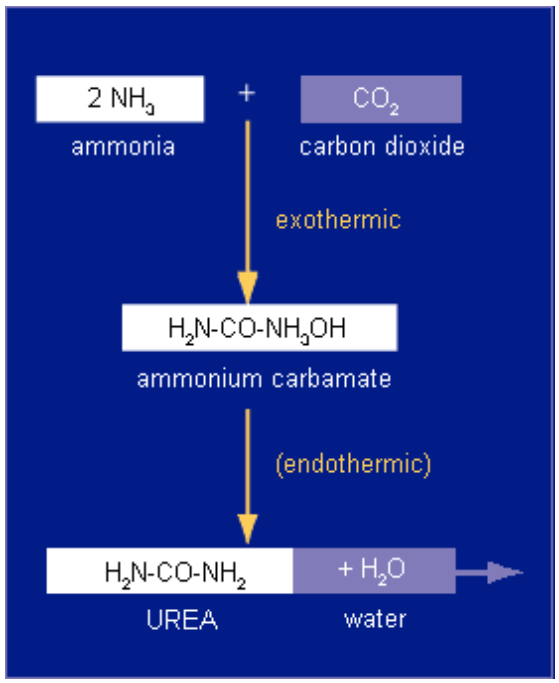
[60] http://www.stamicarbon.com, retrieved May 27, 2005.

[61] ***, July 18, 2005.

built up to granules of an appropriate size. Cooling air is drawn in countercurrent to the flow of granules.[62]

Prilling typically involves pumping an over-99-percent urea melt into a perforated spinning cone or similar dispersion device that sits atop a large multistory cylindrical prill tower. The perforated cone casts out molten spherical urea droplets which solidify as they fall downward through the large tower and are cooled by a countercurrent upward flow of air. This relatively simple process is typical of most prilling operations. Stamicarbon, a major urea engineering design firm, developed a process which significantly improved the physical properties of prills.[63] This process involves a seeding system wherein fine urea dust is blown into the prill tower at a point about two-thirds above the bottom. This forms a nucleus for proper crystal growth. The resulting prill contains long interlocking crystals which significantly improve the crushing and impact strength.[64] Figure I-2 shows the urea synthesis process.

Figure I-2
Typical urea synthesis process flow diagram



Source: http://www.stamicarbon.com, retrieved May 27, 2005.

As shown by the above diagram, ammonia and carbon dioxide are reacted in an exothermic (heat-generating) reaction to produce ammonium carbamate, which, in turn, is converted to a solution of urea in water in an endothermic (heat-absorbing) reaction. Unconverted carbamate (approximately 40 percent) is decomposed back to ammonia and carbon dioxide and recycled. Catalysts are not required for these reactions. The process is energy intensive. Roughly *** percent of the total cost of producing finished

[62] Ibid.

[63] Stamicarbon is the licensing agent for Dutch State Mines (DSM), Geleen, the Netherlands. http://www.stamicarbon.com, retrieved May 27, 2005. Stamicarbon is the leading licensor of global urea synthesis technology. *** employs Stamicarbon processes at its *** urea complex.

[64] *Fertilizer Manual*, IFDC/UNIDO, Muscle Shoals, AL/Vienna, Austria, 1998, p. 267.

granular urea product is attributable to the ammonia costs. External energy requirements come from natural gas and byproduct steam.[65]

Channels of Distribution

Because of its high nitrogen analysis, physical integrity and stability, solid urea can be shipped economically in large bulk tonnages by oceangoing vessel and easily offloaded to barge, rail, and trucks. The product may also be distributed in bagged form. Urea can be offloaded from large cargo ships in bulk to barges on the Mississippi River and other waterways. Barges have a capacity of 1,500 tons and several barges can be bound together for towing. Railcars can hold up to 100 tons each, while trucks have a capacity of 25 tons. Urea imports can be offloaded to warehouses at strategic points of distribution. Domestic plants also have the capability to move product by oceangoing ship for export, or by barge, rail, and truck to strategic domestic locations for warehousing and distribution.

During the review period, U.S. producers' U.S. shipments of solid urea were predominantly to distributors, with approximately a 25-percent share destined for end users. The imported product was shipped mainly to distributors, with a 20-percent share at the beginning of the review period and a 30-percent share at the end of the review period destined for end users. Table I-2 presents data on channels of distribution.

Table I-2
Solid urea: Channels of distribution for U.S. producers' and U.S. importers' U.S. shipments from all sources, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Share of quantity (*percent*)						
U.S. producers' U.S. shipments--						
To distributors	74.4	74.9	71.9	76.5	77.4	76.9
To end users	25.6	25.1	28.1	23.5	22.6	23.1
U.S. importers' U.S. shipments of product from all sources--						
To distributors	79.4	74.3	78.1	74.9	79.9	69.7
To end users	20.6	25.7	21.9	25.1	20.1	30.3
Source: Compiled from data submitted in response to Commission questionnaires.						

DOMESTIC LIKE PRODUCT ISSUES

In its original determinations and in its first sunset review determinations, the Commission found the appropriate domestic like product to be "solid urea in any form, e.g., whether granular or prilled."[66] In response to a question soliciting comments regarding the appropriate domestic like product in the Commission's notice of institution of the current reviews, the Ad Hoc Committee of Domestic Nitrogen Producers agreed with the definition of domestic like product set forth in the previous investigations'

[65] ***.

[66] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics*, USITC Publication 1992, July 1987, p. 4, and *Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, USITC Publication 3248, October 1999, p. 6.

determinations.[67] The Russian respondent interested parties noted that a full review is necessary to enable the Commission to gather information so it can examine issues such as this one, and that they reserved the right to request the Commission to collect data broken out by granular and prilled urea and to comment on the proper definition of the domestic like product at that time.[68] Respondent interested parties did not make any domestic like product arguments during the remainder of the reviews.

Prills and Granules

In these reviews, counsel for respondent interested parties has made the argument that the market for solid urea in the United States is segmented into granules and prills, with little overlap in applications and uses between the two forms of the product. The U.S. market has become a majority granular market, driven by a change in demand preferences. Counsel for respondent interested parties argued that the fertilizer market in the United States is solely serviced by granular urea and that the industrial market is only serviced by prilled urea. Counsel for respondent interested parties argued that the subject countries only produce prills and that if the orders were revoked and subject imports were to resume, the imported prills would not compete with the majority of granular urea now produced by the domestic industry in the United States because the products are not substitutable.[69] Further, counsel for respondent interested parties argued that there is another segment of specialty low formaldehyde prills manufactured for the pharmaceutical industry by PCS which is sheltered from competition because it is not made by the subject countries.[70]

Counsel for domestic interested parties agreed that the fertilizer market is mainly granular urea and that the industrial market is mainly prilled urea, but argued that granular and prilled urea are substitutable if the price of prills is low enough, and that if the allegedly low-priced subject prilled imports were to return to the U.S. market, they would substitute for granular urea produced by the domestic industry as well as for the prilled urea produced by U.S. producers. Further, counsel argued that the change in consumption toward granular urea in the United States was supply-driven, and not necessarily a reflection of demand preferences.[71]

*** estimates that industrial uses of both granular and prilled urea during an average year accounted for about *** percent of total U.S. apparent consumption of solid urea. Prills were *** percent of total solid urea consumption in fertilizers. Of all industrial uses of solid urea, prills accounted for *** percent and granular urea *** percent. Prills accounted for *** percent of animal feed uses and *** percent of other industrial uses. The distribution of consumption of prilled urea in the United States was the following: fertilizer, *** percent; animal feed, *** percent; and industrial uses, *** percent. It is believed by *** that all prilled urea for animal feed and most prilled urea for industrial uses was produced domestically, and that any prilled urea for fertilizer uses would be imported.[72]

A representative of a purchaser of urea-formaldehyde resin adhesives, ***, was interviewed by telephone by Commission staff. He claimed that the firm prefers granular urea because it is easier to ship

[67] Domestic interested parties' submission of November 22, 2004, p. 36.

[68] Russian interested parties' submission of November 22, 2004, p. 10.

[69] Russian interested parties' prehearing brief, pp. 13-27, and posthearing brief, p. 7. Counsel for Russian interested parties did admit that some prilled urea, particularly recently because of the abnormal natural gas situation, may go into the fertilizer segment. Russian interested parties' posthearing brief, Responses to the Questions of the Commission, p. 6.

[70] Russian interested parties' prehearing brief, pp. 13-27, and posthearing brief, p. 7.

[71] Domestic interested parties' prehearing brief, pp. 4-8, hearing transcript, pp. 33 and 64 (Buckley), and posthearing brief, pp. 1-7.

[72] E-mails from ***, October 5, 2005 and October 6, 2005.

and keep clean, but that the firm has bought prills also. The ratio of his purchases is roughly *** granular to *** prills.[73]

Several purchasers of solid urea for fertilizers have expressed a strong preference for granular urea over prilled urea for strength, ease of handling, and generally superior characteristics, including the Agricultural Retailers Association, the ***, and ***.[74]

In response to questions at the Commission's hearing, *** claimed that it had substantial sales of granular urea into the industrial market (although most of its granular urea sales are to the agricultural market): *** short tons in 2002; *** short tons in 2003; *** short tons in 2004; and *** short tons in 2005 to date.[75] *** claimed that it had a substantial amount of shipments of prilled urea into the fertilizer market (although most of its sales prilled urea sales are to the industrial market): *** short tons in 1999; *** short tons in 2000; *** short tons in 2001; *** short tons in 2002; and *** short tons in 2003. Moreover, *** estimated that about *** percent of the fertilizer market was accounted for by prilled urea. In addition, *** reported granular sales for the industrial market: *** short tons in 1999; *** short tons in 2000; *** short tons in 2001; *** short tons in 2002; *** short tons in 2003; and *** short tons in 2004.[76] *** of Agrium's prilled production consumed in the United States is destined for the animal feed market.[77]

In response to questions from the Commission's hearing, Kuybyshev reported that in its home market, *** percent of its prilled urea was consumed for agricultural applications and *** percent for industrial uses, including the production of plastics, glues, and resins. For its export sales, about *** percent were accounted for by industrial uses, and *** percent for agricultural applications.[78] MCC EuroChem (which controls two Russian producers) reported that most of the prilled urea it sells to export markets are used in fertilizer applications. It reported *** companies that purchased prilled urea from EuroChem for industrial uses (for ***), with amounts of *** metric tons and *** metric tons in 2004. It further reported that it is possible that other Western European buyers are purchasing prilled urea for technical (industrial) purposes but it would be difficult to estimate.[79] In general, Russian prilled urea is used for fertilizers in the Latin American markets and both fertilizer and industrial uses in the Western European markets. Berezniki reported that in its home market, approximately *** percent of urea shipments are destined for the industrial sector and *** percent for the agricultural sector. The industrial urea is used to produce formaldehyde resin for the woodworking industry and the furniture industry. The exported urea is distributed in the reverse order, with *** percent destined for the industrial sector and *** percent for the agricultural sector.[80] Counsel for Russian interested parties had no knowledge of Russian prilled urea in microprill form.[81]

EuroChem further estimated that about *** percent of world urea consumption is for industrial uses. It estimates that about 21 percent of world capacity is for granular urea.[82]

According to domestic interested parties and domestic producer ***, granular urea is generally considered to be a higher quality product for agricultural uses due to the hardness of the product and its

---

[73] E-mail from ***, October 5, 2005.

[74] Russian interested parties' prehearing brief, exh. 4 and 5, and posthearing brief, exh. 12.

[75] Domestic interested parties' posthearing brief, exh. 1, attachment C. These shipments of granular urea to the industrial market accounted for approximately *** percent of total shipments of granular urea in 2002-04.

[76] Ibid., exh. 2, attachment B, and attachment C. These shipments of prilled urea to the fertilizer market accounted for approximately *** percent of total shipments of prilled urea in 1999-2004.

[77] Submission by counsel for Agrium, October 5, 2005.

[78] Russian interested parties' posthearing brief, exh. 6, p. 3.

[79] Ibid., exh. 5, p. 8.

[80] Submission by counsel for Russian interested parties, October 6, 2005, p. 4.

[81] Russian interested parties' posthearing brief, responses to the questions of the Commission, p. 5.

[82] Ibid., exh. 5, pp. 8 and 10.

uniform size compared to prills. As a result, there is typically a small premium for granular over prilled urea.[83] This assertion is also argued by counsel for Russian interested parties.[84] According to domestic interested parties and ***, there is a high degree of substitutability between granular and prilled urea, except in bulk blending when urea is mixed before application with other solid phosphate and/or potash products. Since products used in blends require a uniform size and shape in order to keep an even mixture, granular urea is preferred.[85] However, based on data from the Commercial Fertilizer Report[86] and other information, domestic interested parties and *** estimate that about *** percent of urea fertilizer applied in the United States is used for direct application (urea supplied alone), with bulk blends accounting for the remaining *** percent.[87] This assertion is disputed by the Russian interested parties, who argued that the majority of fertilizer is used for blended, as opposed to direct, application.[88] However, the citation for this statement refers to all solid fertilizers and not specifically to solid urea, so there is question about whether respondents' assertion is valid. Counsel for Russian interested parties also asserted that there is no substitution between granular and prilled urea.[89]

According to domestic producer ***, specialty (low formaldehyde) prilled urea demands substantially higher value than other prill or granular solid urea. It is produced in ***'s *** plant and is used in ***. However, its volume is only about *** tons annually. Reportedly, the industrial market typically consumes prilled urea, but two domestic producers contend that prilled urea is also used in the agricultural market for direct application, and compete with granular product.[90] According to a *** study, granular urea can be ***.[91] According to the ***, "***."[92]

Table I-3 presents data from U.S. producers and U.S. importers on their shipments of prilled urea and granular urea. Table I-4 presents company-specific data on shipments of prills and granules. Of the importers who responded to this data request (all imported from nonsubject countries), accounting for 61 percent of the quantity of official 2004 total imports, a substantial majority of shipments was of granules and a small minority of shipments of imports was of prills. This division does not represent any Russian

[83] Domestic interested parties' prehearing brief, p. 6, fn. 19. This premium is solely in the fertilizer market; the prilled product commands a premium in the industrial market.

[84] Russian interested parties' prehearing brief, pp. 16-17.

[85] Hearing transcript, pp. 61-62 and 65 (Buckley).

[86] *Commercial Fertilizers 2004*, Association of American Plant Food Control Officials, and The Fertilizer Institute, May 2004.

[87] ***, and domestic interested parties' prehearing brief, p. 6 and exh. 26.

[88] Russian interested parties' prehearing brief, p. 17, fn. 83. K.F. Isherwood, International Fertilizer Industry Association, *Mineral Fertilizer Distribution and the Environment 9* (2000), exh. 6, and *Commercial Fertilizers 1999*, Association of American Plant Food Control Officials and The Fertilizer Institute, published in 2000.

[89] Russian interested parties' prehearing brief, pp. 21-22.

[90] Producers' questionnaire responses of ***.

[91] Russian interested parties' posthearing brief, exh. 7, chap. 1-6.

[92] ***.

Table I-3
Solid urea: U.S. producers' and U.S. importers' U.S. shipments of solid urea (from all sources), by product, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Quantity (*1,000 short tons*)						
U.S. producers' U.S. shipments--						
Prills	1,646	1,566	1,346	1,612	1,058	793
Granules	2,156	1,974	1,515	2,480	2,310	2,260
Total	3,802	3,540	2,861	4,092	3,368	3,053
U.S. importers' U.S. shipments of product from all sources--						
Prills	639	931	1,188	944	1,079	961
Granules	1,461	2,278	2,966	2,291	3,053	2,344
Total	2,100	3,209	4,154	3,235	4,132	3,305
Share of quantity (*percent*)						
U.S. producers' U.S. shipments--						
Prills	43.3	44.2	47.0	39.4	31.4	26.0
Granules	56.7	55.8	53.0	60.6	68.6	74.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments of product from all sources--						
Prills	30.4	29.0	28.6	29.2	26.1	29.1
Granules	69.6	71.0	71.4	70.8	73.9	70.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires.						

Table I-4
Solid urea: U.S. producers' and U.S. importers' U.S. shipments of solid urea (from all sources), by product and firm, 1999-2004

* * * * * * *

and Ukrainian solid urea, which consist of only prilled product.[93] However, according to ***, it would not be difficult for producers in Russia and Ukraine to convert from prilled to granular urea by installing granulators, which would take about *** and cost less than $*** million.[94]

U.S. producers' shipments began the 1999-2004 period at a little more than half in granules, and ended the period at about two-thirds granules. Most of the capacity of recent plant closures during the

[93] *Worldwide Urea Capacity Listing by Plant*, IFDC, Muscle Shoals, AL, June 2005, pp. 11-13. However, one Ukrainian producer, SC Concern Stirol in Gorlovka, is reportedly building a granulator at its plant. Domestic interested parties' prehearing brief, p. 6 and exh. 3.

[94] Producers' questionnaire response of *** and domestic interested parties' prehearing brief, p. 41 and exh. 2. At the hearing, counsel for domestic interested parties testified that it would cost between $15 to $25 million to add a granulator to an existing urea plant. Hearing transcript, p. 145 (Slater).

period of review involved prills plants that were older and less efficient than granular plants.[95] The following tabulation is from official Commerce statistics on U.S. domestic production of prills and granules during the review period, reported in short tons of urea.

Year	Granules	Prills	Total
1999.....	4,187,313	1,843,709	6,031,022
2000.....	3,173,804	1,636,302	4,810,106
2001.....	2,524,830	1,615,486	4,140,316
2002.....	3,497,216	1,841,340	5,338,556
2003.....	2,978,769	1,086,469	4,065,238
2004.....	2,858,829	868,267	3,727,096

The following tabulation, also from official Commerce statistics, presents data on U.S. producers' domestic shipments of prills and granules from 2000-04 (1999 data are unavailable).

Year	Granules (*tons*)	Granules (*$1,000*)	Granules (*per ton*)	Prills (*tons*)	Prills (*$1,000*)	Prills (*per ton*)	Total (*tons*)	Total (*$1,000*)
2000.....	3,167,667	412,269	$ 130.15	1,128,205	156,786	$ 138.97	4,295,872	569,055
2001.....	2,495,255	323,683	$ 129.72	1,397,435	197,221	$ 141.13	3,892,690	520,904
2002.....	3,454,888	407,121	$ 117.84	1,661,227	228,727	$ 137.69	5,116,115	635,848
2003.....	3,007,938	371,609	$ 123.54	1,087,423	205,272	$ 188.77	4,095,361	576,881
2004.....	2,866,756	553,575	$ 193.10	813,761	177,934	$ 218.66	3,680,517	731,509

U.S. MARKET PARTICIPANTS

U.S. Producers

During the original investigations in 1986, there were 24 firms producing solid urea at 35 plants in the United States. U.S. producers ranged from small chemical or fertilizer companies to large integrated multinational oil and chemical corporations. Some of the largest urea producers were farmers' cooperatives (including CF Industries, Farmland Industries, and Mississippi Chemical). Major shifts in the U.S. industry began in 1987 and 1988 when two industry icons, Agrico and W.R. Grace, exited the business, selling their large solid urea production facilities in Arkansas and Louisiana to Freeport-McMoRan and a plant in Tennessee to Nitrex. Further consolidation of the urea industry resulted from the formation of Arcadian in 1989, which purchased a number of large nitrogen fertilizer producers, including Nitrex. (Arcadian, in turn, was later purchased by PCS Nitrogen in 1997.) Also in 1989, American Cyanamid, one of the petitioning firms in the original investigations, permanently closed its urea facility. By 1999, the former Agrico plants were owned and operated by Terra Industries and IMC-Agrico, and the W.R. Grace plants by Terra Industries and PCS Nitrogen. In addition, in 1994, Mississippi Chemical opted to convert from a cooperative system, going public on the NASDAQ exchange. In 1996, the firm also assumed full ownership of its large solid urea plant (the Triad Chemical

[95] During the period 2003-04, approximately *** annual short tons of prill capacity were closed compared to *** annual tons of granular product capacity. PCS and Triad (now Terra) mothballed prill plants at Memphis, TN, and at Donaldsonville, LA, respectively. Terra closed a granular plant at Blytheville, AR.

facility), formerly held in a joint venture with First Mississippi. By the time of the first sunset reviews in 1999, there were approximately 12 urea firms operating in the United States.[96]

During the review period for the current reviews, there were about eight firms operating solid urea production facilities in the United States. In April 1999, Royster-Clark purchased IMC's plant at East Dubuque, IL. In January 2000, Agrium purchased the Kenai, AK, plant from Unocal Corp. Borden Chemical closed its plant at Geismar, LA, in August 2000. The plants operated by Coastal Chem and Coastal St. Helens at Cheyenne, WY, and St. Helens, OR, were purchased by Dyno Nobel in December 2003. The IMC plant (name changed to IMC) at Faustina, LA, was purchased by Mississippi Chemical in 2000 and sold back to IMC in September 2001. It was never operated after its sale in 2001. Farmland's plant in Enid, OK was purchased by Koch Nitrogen in May 2003. PCS shut down its prill plant in Memphis, TN indefinitely in June 2003. Terra's granular plant in Blytheville, AR was closed in May 2004. Mississippi Chemical closed its prill plant in Donaldsonville, LA in March 2004. Terra purchased the assets of bankrupt Mississippi Chemical in December 2004. In July 2005 Terra sold its Blytheville, AR assets to Kinder Morgan Energy Partners, L.P.[97]

Agrium

Agrium U.S., Inc. ("Agrium"), as a wholly owned subsidiary of Agrium, Inc., is part of a group of companies that is a leading global supplier of three primary groups of agricultural nutrients: nitrogen, phosphate, and potash, as well as micronutrients, industrial products, and farm retail products and services, in both North and South America. Its foundation dates back to 1931 when Cominco Fertilizers, Ltd. entered the fertilizer business. Its North American wholesale operations produced and marketed over eight million short tons of the three major crop nutrients in 2004, primarily from its 13 production facilities.[98] The Agrium U.S. urea production facilities are located at the Borger, TX nitrogen operations and the Kenai, AK, nitrogen operations. Its South American wholesale operation is comprised of a large, jointly-owned nitrogen facility, Profertil S.A., Bahia Blanca, Argentina (2000), marketing primarily to Argentina and neighboring countries. Its retail operations provide nutrients and other crop inputs and services directly to growers in the United States and South America. Its retail operations in the United States conduct operations through its wholly owned subsidiaries, Crop Production Services, Inc. ("CPS") (1994) in the Midwest and Northeast and Western Farm Service, Inc. ("WFS") (1995) in the West. In South America, retail operations are conducted through its wholly owned subsidiary, Agroservicios Pampeanos S.A. (ASP) (1995). Its retail network consists of 206 North America retail centers and 39 South American retail centers.[99]

---

[96] Agrium, Borden, CF Industries, Coastal Chem, Coastal St. Helens, Farmland Industries, IMC-Agrico, Mississippi Chemical, PCS Nitrogen, Royster-Clark, Terra Industries, and Unocal Corp. *Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan,* Investigations Nos. 731-TA-339 and 340 A-I (Review), p. I-8.

[97] Terra press release of July 14, 2005.

[98] The 13 facilities are: Homestead Nebraska Nitrogen Operations (1965); Borger, TX Nitrogen Operations (1968); Vanscoy, Saskatchewan Potash Operations (1969); Carseland, Alberta Nitrogen Operations (1977); Joffre, Alberta Nitrogen Operations (1987); Redwater, Alberta Fertilizer Operations (1996); Fort Saskatchewan, Alberta Nitrogen Operations (1996); Kapuskasing, Ontario Phosphate mine (1999); Kenai, AK nitrogen operations (2000); as well as its Standard and Granum, Alberta nitrogen operations; Kennewick, WA nitrogen operations; and West Sacramento, CA nitrogen operations.

[99] E-mail from ***, July 21, 2005.

CF Industries

CF Industries, Inc. ("CF") is a producer and distributor of nitrogen and phosphate fertilizer products. CF is an interregional cooperative that is owned by eight large regional farm supply cooperatives. On May 16, 2005, CF Industries Holdings, Inc. registered with the Securities and Exchange Commission in connection with a proposed initial public offering. The offering was completed on August 16, 2005, at which time CF became a wholly owned subsidiary of CF Industries Holdings, Inc. The company was originally called "Central Farmers Fertilizer Company" and was founded in 1946 by a group of regional farm cooperatives. CF is headquartered in Long Grove, IL. CF's solid urea plant is located on the Mississippi River in Donaldsonville, LA, where it also manufactures anhydrous ammonia and urea-ammonium nitrate ("UAN") solutions. CF is the largest U.S. producer of solid urea, and its Donaldsonville plant has four separate urea production units. The company sells solid urea to its cooperative members and to nonmembers. Urea produced at CF's Donaldsonville complex is distributed throughout the United States by truck, rail, and barge. CF supplies solid urea to farmers and industrial users throughout the United States, with direct deliveries being made from CF's Donaldsonville plant to 31 states. This product is then further distributed by CF's customers to additional locations. CF also is a majority owner and the operator of Canadian Fertilizers, Ltd. in Medicine Hat, Alberta, Canada ("CFL"). ***.[100]

Dyno Nobel

Dyno Nobel is the world's leading commercial explosives company with over 5,200 employees in 36 countries, research and technology facilities on four continents, and sales of over $1.2 billion per year. Dyno Nobel is headquartered in Oslo, Norway. Founded in 1836 as the Ensign-Bickford Co., it began operations in the United States as Dyno Nobel in 1984. Dyno Nobel produces ammonium nitrate in the United States in many locations, and solid urea in Wyoming and Oregon.[101]

Koch Industries

Koch Industries, Inc. ("Koch") was founded in 1927 by Fred C. Koch to develop a crude oil process. Koch Nitrogen Co. supplies approximately 7.5 million metric tons of nitrogen fertilizers annually. In addition to its production capacity in North America, Koch Nitrogen owns interests in plants in Venezuela and Trinidad and Tobago. Koch Nitrogen Co. also manages an investment in Propileno de Falcon Profalca, C.A., which operates a propylene splitter in Venezuela.[102]

Mississippi Chemical Corp.

Mississippi Chemical Corp. ("MCC") was founded in 1948 as a farmer-owned cooperative. Nitrogen fertilizer production commenced in Yazoo City, MS in 1951, with its first product being ammonium nitrate. MCC became a publicly traded company in 1994 (NASDAQ) and was listed on the New York Stock Exchange in 1996. MCC began solid urea production in Yazoo City in 1957, and at the Triad nitrogen facility (in Donaldsonville, LA) in 1969. Triad was originally a joint venture with First Mississippi Corp. In 1996, MCC assumed full ownership of the Triad solid urea plant. Each of these plants produced urea prills. Solid urea production ceased at Yazoo City in 1990 and at Donaldsonville (Triad) in 2003. In May 2003, MCC filed for reorganization under Chapter 11 of the U.S. Bankruptcy

[100] E-mail from ***, July 21, 2005.

[101] http://www.dynonobel.com, retrieved on July 22, 2005.

[102] http://www.kochind.com, retrieved on July 22, 2005.

Code. The company emerged from bankruptcy in December 2004, when it was acquired by Terra Industries, Inc.[103]

PCS Nitrogen

PCS Nitrogen Fertilizer, L.P. and PCS Nitrogen Ohio L.P. ("PCS") produce solid urea at their plants in Augusta, GA and Lima, OH, respectively. They are wholly owned subsidiaries of Potash Corp. of Saskatchewan which has all of its North American solid urea production in the United States, but also owns solid urea production in Trinidad and Tobago. PCS Nitrogen came into existence in 1997 after its parent company acquired the assets of Arcadian Corporation, which included solid urea plants in Augusta, GA, Lima, OH, and Memphis, TN. Today, the Augusta and Lima plants remain in operation. The Memphis plant indefinitely discontinued operations in June 2003. PCS' Lima, OH plant produces solid urea in both prilled and granular form, including some products for feed and industrial applications, as well as for agricultural use. PCS also produces anhydrous ammonia, nitrogen solutions, and nitric acid at Lima. PCS' Augusta, GA plant produces solid urea prills and also produces anhydrous ammonia, nitrogen solutions, nitric acid, and ammonium nitrate. The location of PCS' plants permits the company to serve much of the United States' solid urea market.[104]

Royster-Clark

Royster-Clark Inc. ("Royster-Clark)'s history dates back over 130 years to 1872, when W.S. Clark was established as a general mercantile business in Tarboro, NC. The Royster Company was founded in 1885 with origins in the fertilizer business in Tarboro. In 1900, the Royster Company moved its headquarters to Norfolk, VA, and eventually extended its service base into 16 states. In 1992, Royster-Clark was established through the merger of W.S. Clark & Sons, Inc., and Royster Company–two agribusinesses with roots in Southeastern agriculture that had been rivals. In 1996, the firm set on a path to growth, purchasing Weaver Fertilizer Company, Dixie Guano, and Lebanon Agricorp. In 1999, Royster-Clark added significantly to its retail presence with the acquisition of IMC Agribusiness, including 215 outlets, the Rainbow division, and two nitrogen plants, one at East Dubuque, IL, including solid urea product, and the other at South Bend, OH. Continuing expansion followed in 2000 through the acquisitions of Armstrong Ag Center, Cropbuilders, Inc., and American Crop Services, Inc. By 2002, Royster-Clark had become the largest agricultural retailer in the United States with approximately 300 Farmmarkets®. In August 2004, Rentech, Inc. entered into a letter of intent with Royster-Clark Nitrogen, Inc., designed to acquire a 100-percent ownership in the East Dubuque plant. In July 2005, Royster-Clark, together with its parent Royster-Clark Group, Inc., completed an initial public offering in Canada. The firm offers a wide variety of agricultural products, including fertilizers, seed, and crop protection chemicals.[105]

Terra Industries

Terra Industries, Inc. ("Terra") is a leading international producer of nitrogen fertilizer. Terra was founded in 1964 as "Terra Chemicals International, Inc." with the opening of the Port Neal nitrogen fertilizer manufacturing facility in Sergeant Bluff, IA. Terra is headquartered in Sioux City, IA and is publicly traded on the New York Stock Exchange. Terra began producing solid urea at its Port Neal, IA plant in 1967, but the plant ceased solid urea production in 1994. Terra acquired Agricultural Minerals and Chemicals, Inc. in 1994, including a solid urea manufacturing plant in Blytheville, AK. The

[103] E-mail from ***, July 21, 2005.

[104] Ibid.

[105] http://www.roysterclark.com, retrieved August 1, 2005.

Blytheville plant continued to produce solid urea, as well as UAN and nitrogen solutions, until it ceased operations in mid-2004. With the closure of its Blytheville plant in mid-2004, Terra no longer produces solid urea in the United States. Although Terra acquired MCC in December 2004, MCC had ceased its production of solid urea in March 2004.[106]

Table I-5 presents U.S. producers, their plant locations, positions on continuing the antidumping duty orders, shares of 2004 production, and shares of 2004 U.S. shipments. ***. Production in 2004 was concentrated in three firms: ***; U.S. shipments were concentrated in two firms: ***.

No U.S. producer has imported solid urea from Russia or Ukraine, nor was any U.S. producer related to foreign producers in Russia or Ukraine. Five producers (***) imported solid urea from other sources. *** imports in 2004 were *** tons, accounting for *** percent of 2004 total imports. *** imports in 2004 were *** tons, accounting for *** percent of 2004 total imports. *** imports in 2004 were *** tons, accounting for *** percent of 2004 total imports. *** imports in 2004 were *** tons, accounting for *** percent of 2004 total imports. *** imports in 2004 were *** tons, accounting for *** percent of 2004 total imports. In total, U.S. producers' 2004 imports were approximately 1.9 million tons and accounted for 34.4 percent of total 2004 imports. Producers' imports and imports as a share of production, by firm, are shown in table I-6. Although***.[107]

[106] E-mail from ***, July 21, 2005.

[107] E-mail from *** to Olympia Hand, July 28, 2005.

Table I-5
Solid urea: U.S. producers, their positions on continuing the antidumping duty orders, and their reported shares of U.S. production and shipments, 2004

Firm	Position on continuing the antidumping duty orders	Production location(s)	Share of 2004 production *(percent)*	Share of 2004 U.S. shipments *(percent)*
Agrium[1]	***	Borger, TX Kenai, AK	***	***
CF[2]	Support	Donaldsonville, LA	***	***
Dyno Nobel[3]	***	Cheyenne, WY St. Helens, OR	***	***
Koch[4]	***	Enid, OK	***	***
MCC[5]	Support	Donaldsonville, LA	***	***
PCS[6]	Support	Augusta, GA Lima, OH Memphis, TN	***	***
Royster-Clark[7]	***	East Dubuque, IL	***	***
Terra[8]	Support	Blytheville, AR	***	***

[1] ***.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.
[8] ***.

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

Table I-6
Solid urea: U.S. producers' imports (from all nonsubject countries), production, and ratios of imports to production, 1999-2004

* * * * * * *

U.S. Importers

Importers' questionnaires were sent to 18 firms identified in proprietary U.S. Customs and Border Protection data as importing solid urea in quantities of over $1 million per year, in addition to U.S. producers. The importers were importing solid urea from countries other than Russia and Ukraine, as there were no imports from those two countries since the antidumping duty orders in 1987. Thirteen firms, accounting for 61.1 percent of the quantity of U.S. imports as measured by official statistics of the Department of Commerce, corrected for errors based on information supplied by the domestic interested parties,[108] responded to Commission questionnaires.[109] They included five U.S. producers: ***. Other

[108] Exhibit 2 of the domestic interested parties' November 22, 2004 submission corrects errors to the official statistics of the Department of Commerce, which had erroneously listed imports of solid urea from Russia and

(continued...)

firms were scattered throughout the United States and Canada. The largest importer was ***, followed by three firms, ***, followed closely by two more firms, ***. Together, all six firms accounted for approximately 85 percent of reported 2004 imports. Table I-7 presents data on responding importers, their locations, and shares of 2004 imports from all sources.

Table I-7
Solid urea: U.S. importers, their locations, and their shares of reported U.S. imports in 2004

* * * * * * *

U.S. Purchasers

Purchasers' questionnaires were sent to 29 firms identified as purchasers of solid urea. Seven firms responded to the questionnaire, reporting purchases of 3.1 million short tons of solid urea in 2004, with 1.5 million short tons from domestic sources. The largest of these purchasers was ***, which reported purchasing *** short tons of solid urea in 2004, with *** short tons from domestic sources.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-8 presents apparent U.S. consumption for the review period and table I-9 presents U.S. market shares for the same period. The quantity of U.S. consumption increased from 1999 to 2003, then decreased slightly in 2004. At the same time, U.S. imports increased from 1999 to 2001, decreased in 2002, increased in 2003, and decreased slightly in 2004. Reported U.S. producers' U.S. shipments decreased from 1999 to 2001, then increased in 2002 (as imports decreased), and decreased in 2003 and in 2004. The U.S. producers' shares of the quantity of consumption followed a similar trend, with the overall trend indicating a decrease from a little more than half of consumption in 1999 down to about one-third of consumption in 2004.

[108] (...continued)
Ukraine from 1987 to 2004. The corrections are in the form of correspondence with the Department of Commerce validating the claims of the domestic interested parties that the entries originally attributed to imports of solid urea from the subject countries were misclassified and were entries of other products.

[109] One firm, ***, responded to the questionnaire but did not import, and only answered the qualitative questions.

Table I-8
Solid urea: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Quantity (*short tons*)						
U.S. producers' U.S. shipments	3,799	3,535	2,857	4,086	3,362	3,047
U.S. imports from all sources--	3,573	4,275	5,279	4,229	5,480	5,425
Apparent consumption	7,372	7,810	8,136	8,315	8,842	8,472
Value (*$1,000*)						
U.S. producers' U.S. shipments	368,381	475,559	412,786	493,914	587,987	634,117
U.S. imports from all sources--	484,494	619,255	772,216	555,913	866,102	1,021,567
Apparent consumption	852,875	1,094,814	1,185,002	1,049,827	1,454,089	1,655,684

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

Table I-9
Solid urea: U.S. market shares, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Quantity (*short tons*)						
Apparent consumption	7,372	7,810	8,136	8,315	8,842	8,472
Value (*1,000 dollars*)						
Apparent consumption	852,875	1,094,814	1,185,002	1,049,827	1,454,089	1,655,684
Share of quantity (*percent*)						
U.S. producers' U.S. shipments	51.5	45.3	35.1	49.1	38.0	36.0
U.S. imports from all sources	48.5	54.7	64.9	50.9	62.0	64.0
Share of value (*percent*)						
U.S. producers' U.S. shipments	43.2	43.4	34.8	47.0	40.4	38.3
U.S. imports from all sources	56.8	56.6	65.2	53.0	59.6	61.7

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

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

MARKET SEGMENTS/MARKET STRUCTURE

Three U.S. producers (***) reported commercial sales of solid urea throughout the United States. Three producers (***) reported selling in the midwest region, two producers (***) reported selling in the southeast region, one producer (***) reported selling in the northeast and midatlantic regions, one producer (***) reported selling in the southwest and west coast regions, and two producers (***) reported selling in the Rocky Mountain region.

Purchasers reported making about one-half of their purchases from U.S.-produced solid urea, with the remaining purchases from nonsubject urea. Five of eight reporting purchasers indicated that they purchased both domestic and nonsubject imports. In 2004, these five purchasers made at least 18 percent of their purchases from either domestic product or nonsubject imports and represented over 90 percent of the quantity of purchases.

The four largest participants in the U.S. market in 2004 accounted for about 65 percent of the market,[1] with 12 other firms selling to the remainder of the market. The four firms with the largest market share were ***. All four of these firms sell both U.S.-produced and imported solid urea in the U.S. market.

Seven of eight responding purchasers indicated that there are price leaders in the U.S. market for solid urea. Aside from (***), which indicated that all suppliers can be price leaders based on their available supply, view of the market, and willingness to except risk, and ***, which indicated that the price leaders have been the domestic producers based on the cost of natural gas, PCS was named by three purchasers, CF was named by two purchasers, and Cargill, Koch, and Yara were named by one purchaser each as price leaders. Two purchasers indicated that PCS is the price leader for untreated urea. However, the Fertilizer Institute indicates that fertilizer producers are price takers since the world market sets the price for fertilizer products.[2]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

U.S. Producers

Based on available information, U.S. solid urea producers are likely to respond to changes in demand with moderate changes in the quantity shipped to the U.S. market. Supply responsiveness is enhanced by the existence of alternative markets, the availability of production alternatives, and the availability of some unused capacity, but is limited by the low level of inventories.

---

[1] Market shares are based on the quantity of shipments to the U.S market from all sources. U.S. producer Royster-Clark did not provide a U.S. producer questionnaire response. It is assumed that its shipments account for approximately *** percent of total U.S. shipments, based on anecdotal evidence that the firm possesses about *** percent of U.S. production capacity.

[2] "Fertilizer and Natural Gas," The Fertilizer Institute, January 2001, http://www.tfi.org/media/naturalgasjan.doc, retrieved August 17, 2005.

All responding producers and producer/importers[3] indicated that they anticipate a decrease in the availability of U.S.-produced solid urea in the U.S. market in the future. One producer and one producer/importer indicated that a ***.[4] Another producer indicated that low-priced imports will pressure U.S. plants to close or cut back production, while another producer/importer indicated that relatively high natural gas costs in the United States are likely to continue to pressure U.S. producers to decrease the production of urea.

Industry capacity

U.S. producers' capacity utilization rates fluctuated between 1999 and 2004, declining from 92.2 percent in 1999 to 71.7 percent in 2001, and increasing to 78.8 percent in 2004.[5] This level of capacity utilization indicates that U.S. producers have some unused capacity with which they could increase production of solid urea in the event of a price change. In addition to available unused capacity, the reported level of domestic capacity has increased by nearly 13 percent since 1999, largely as a result of ***.

Alternative markets

Exports of solid urea fluctuated between 1999 and 2004, increasing from *** percent of U.S. producers' total shipments to *** percent in 2001 and then falling to *** percent in 2004. These data indicate that U.S. producers have the ability to divert shipments to or from alternative markets in response to changes in the price of solid urea.

Inventory levels

U.S. producers' inventories as a ratio of their total shipments fluctuated between 1999 and 2004, increasing from *** percent of their shipments in 1999 to *** percent in 2001, and then falling to *** percent in 2004. These data indicate that U.S. producers have some ability to use inventories as a means of increasing shipments of solid urea to the U.S. market.

Production alternatives

Other products, particularly ammonia, UAN, urea solutions (70 percent concentration), and nitric acid can be produced using the same equipment and workers as solid urea by some U.S. firms.[6] *** of *** responding producers indicated that they could switch production between solid urea and other products. Two producers, ***, indicated that their ability to switch production is limited and does not depend on the relative prices of other fertilizers, but on the expectation of demand from customers. These two producers were the only ones who reported that since 1987 their firm produced, or anticipated

---

[3] Firms which responded to both the U.S. producer and importer questionnaires are referred to as "producer/importers" when describing their responses to questions which appeared in both the U.S. producer and importer questionnaires. These firms are ***.

[4] See Part III for more information on ***.

[5] Note that trends in U.S. producers' reported data between (1) 1999 to 2000 and (2) 2001 to 2004 may be misleading since *** did not report any data for the *** for 1999 and 2000, while *** reported data for the *** for 2001 to 2004.

[6] The production process is discussed in detail in Part I.

producing in the future, other products on the same equipment and machinery used in the production of solid urea and/or using the same production and related workers employed to produce solid urea.

Subject Imports

Based on available information, subject imports of solid urea are likely to respond to changes in demand with moderate changes in the quantity shipped to the U.S. market. Supply responsiveness is enhanced by the availability of alternate markets, but limited by a lack of unused capacity, and for imports from Russia, the low level of inventories and the lack of production alternatives.

Six of 11 responding importers (including producer/importers) indicated that they anticipate no changes in terms of the availability of solid urea imported from subject countries in the U.S. market in the future. Three remaining importers indicated that they anticipated an increase in the availability of solid urea imported from subject countries, while the remaining two importers indicated that they anticipated a decrease in the availability of solid urea. Two importers expect subject imports to increase if the antidumping duty orders are removed. However, one of these importers does not expect the increase to be significant because it states that a strong preference for granular product has emerged among U.S. users, and Black Sea prills have found other markets, particularly Brazil and Mexico, that did not exist in 1987. Another importer expects an increase in availability to meet demand.

Industry capacity

Russian producers' reported capacity utilization rates increased from 73.5 percent in 1999 to 92.6 percent in 2004, while Ukrainian producers' capacity utilization rates increased from *** percent in 1999 to *** percent in 2004. These levels of capacity utilization indicate that producers in the subject countries have little unused capacity with which they could increase production of solid urea in the event of a price change.

Alternative markets

All shipments of solid urea by Russian and Ukrainian producers were to markets other than the United States from 1999 to 2004. These data indicate that producers in the subject countries can divert shipments to or from alternative markets in response to changes in the price of solid urea. Further details on alternative markets appear in Part IV.

Two of four responding Russian producers (***) indicated that they anticipate an increase in the availability of solid urea from subject countries in the U.S. market in the future, while the remaining two responding producers expected no change in availability. *** indicated that they would expect this increase if the antidumping duties were removed. Russian producers *** and *** indicated that if the antidumping duty orders are removed, the U.S. market will become an alternative market.[7] *** and *** also indicate that the size of the shipments will depend on global market conditions and that it does not expect that it will ship "substantial" volumes to the United States; and it noted that its sales to the U.S. market could be limited by the U.S. market preference for granular urea.

*** indicated that it would be prevented or retarded from shifting shipments to the United States from alternative country markets in a 12-month period since *** percent of its sales are made under 18-month contracts. *** reported that it would be delayed by 3 to 6 months because of the need to perform market research and necessary changes in contract obligations.

[7] ***.

Inventory levels

Russian producers' inventories, as a share of their total shipments, fell slightly between 1999 and 2004, declining from 3.5 percent of their shipments in 1999 to 3.4 percent in 2004. These data indicate that Russian producers have a limited ability to use inventories as a means of increasing shipments of solid urea to the U.S. market. Ukrainian producers did not report inventory data.

Production alternatives

Unlike U.S. producers, *** responding Russian producers indicated that other products cannot be produced using the same equipment and workers as solid urea.[8] No Ukrainian producers indicated whether other products can be produced using the same equipment and workers as solid urea.

Nonsubject Imports

Based on available information, nonsubject imports of solid urea are likely to respond to changes in demand with large changes in the quantity shipped to the U.S. market. Supply responsiveness is enhanced by increased capacity in nonsubject countries.

Four of five responding U.S. producer/importers, the only responding U.S. producer, and six of eight responding importers indicated that the availability of nonsubject imported solid urea has changed since 1987, all indicating that the availability of nonsubject imports has increased, in most cases through an increase in capacity or because of increased imports from nonsubject countries. One producer/importer and two importers specifically indicated that availability increased from the Middle East; two importers identified China; one producer and one importer identified Venezuela; one importer identified Argentina; and one producer/importer identified Caribbean countries. One importer, ***, indicated that almost all of the world's export capacity constructed since 1987 has been for granular urea.

Three responding purchasers indicated that their pattern of purchases of solid urea from nonsubject countries changed for reasons other than the antidumping duty orders.[9] Two responding purchasers indicated that their firms did not purchase from nonsubject sources before or after the antidumping duty orders, and two responding purchasers indicated that their pattern of purchasing is unchanged since 1977. *** indicated that its purchasing of urea from nonsubject countries increased due to the closure of domestic facilities, while *** indicated that U.S. urea production has been reduced due to high local natural gas costs and inefficient production facilities and that this reduced production has been replaced by imports.

Four of eight responding purchasers indicated that they expect new solid urea suppliers to enter the market in the future. One purchaser (***) expects increased production from low-cost natural gas countries, while another expects new suppliers in 2 to 3 years. Another purchaser (***) cites the FERTECON[10] study which expects ***.

---

[8] The production process is discussed in detail in Part I.

[9] One of these purchasers (***) also indicated that it increased purchases from nonsubject countries because of the antidumping duty orders.

[10] FERTECON is a provider of market information and analysis on fertilizers and fertilizer raw materials, including current market and price reports and long-term supply/demand and price forecast studies.

U.S. Demand

Based on the available information regarding substitute products and the percentage cost of solid urea in the products in which it is used, it is likely that changes in the price level of solid urea will result in a moderate change in the quantity of solid urea demanded. The main contributing factors to the moderate degree of responsiveness of demand is the substitutability of other products for solid urea and the high cost share of solid urea for fertilizer; that use accounted for 80 to 85 percent of U.S. consumption of solid urea.

Demand Characteristics

Demand for solid urea depends on the level of demand for the intermediate products in which it is used and on demand in the end-use industries such as agriculture. All responding producers and purchasers and six of nine responding importers indicated that demand for solid urea has increased since 1987. Several of these firms indicated that urea demand has increased due to both an increase in agricultural production and in users switching to urea from other nitrogen products. Two of the remaining importers indicated that demand was unchanged, while the other remaining importer indicated that demand decreased.

Two of five responding purchasers reported that demand for their products using solid urea has increased since 1987, with one responding purchaser indicating that demand fell and the other two (***) indicating that demand was unchanged.

Russian respondents indicate that demand for solid urea in the United States is growing by approximately one to two percent annually, while demand in other markets is growing by approximately three percent annually.[11] Citing estimates of apparent consumption in other markets, Russian respondents claim that demand in other markets is rising.[12] Citing declines in imports from subject countries to other markets, domestic interested parties claim that demand for subject imports in other markets is declining, particularly in Latin America, Vietnam, and Turkey.[13] However, Russian respondents claim that subject exports to all countries increased in the first half of 2005 compared to the first half of 2004 and that although exports from subject countries to Brazil fell during the first half of 2005 compared to the first half of 2004, exports to Latin America increased.[14]

All responding producers and producer/importers, six of nine responding importers, and five of eight responding purchasers (including ***) indicated that they anticipate future changes in solid urea demand in the United States. Many responding producers, importers, and purchasers indicated that they anticipated an increase in solid urea demand because of increased agricultural production and the further substitution away from substitute products. One purchaser (***) indicated that the continual development of industrial applications will increase the use of urea via increased use of urea resin. Citing industry forecasts, one producer indicated that demand for urea would increase by about one to 1.15 percent per year in the U.S. market and by 3 percent in the world market, while another indicated that U.S. demand would increase by 2 percent in the U.S. market and by 3 percent in the world market.

One of four responding producer/importers, the only responding producer, one of nine responding importers, and three of eight responding purchasers (including ***) indicated that

---

[11] Russian respondents' prehearing brief, pp. 38-41.

[12] Russian respondents' prehearing brief, pp. 40-43.

[13] Domestic interested parties' prehearing brief, pp. 25-27.

[14] Russian respondents' posthearing brief, p. 4, Responses to the Questions of the Commission, pp. 36-37.

they anticipate changes in the end uses of solid urea in the future. Three of these firms indicated that some urea is now used in nitrogen oxide emission controls and one firm also indicated that the feed industry is using a higher concentration of urea as more sophisticated blends and feed formulations are developed.

Several producers, importers, and purchasers indicated that prices in the United States generally move in line with those in the global market. Several firms indicated that price differences are due to differences in transportation costs. An importer indicated that demand in the United States is more elastic than in most fertilizer markets because of the variety of nitrogen fertilizers available.

Substitute Products

Aside from one producer/importer, all U.S. producers, importers, foreign producers, and purchasers indicated that there are substitutes for solid urea. These substitutes include ammonia, UAN, anhydrous ammonia, and ammonium nitrate. However, one producer/importer indicated that nitrogen products may not easily be substituted for a number of reasons, including storage facilities and types of applicators, specific nitrogen needs of different crops, and climate and weather conditions.

Three of four producer/importers, the only responding U.S. producer, six of nine responding importers, and four of seven responding purchasers (including ***) indicated that changes in the prices of substitute products affect the price for solid urea.[15] Figure II-1 shows changes in the price paid by farmers for anhydrous ammonia, UAN, ammonium nitrate, and urea between 1977 and 2005. Prices for all three products increased in 2001, decreased in 2002, and then increased in 2003 to 2005.

One responding importer, one responding producer, and one responding purchaser indicated that they anticipate changes in the substitutability of other products for solid urea in the future. The responding importer anticipated that there may be restrictions placed on ammonium nitrate for security reasons and the responding producer anticipated more substitution due to higher raw materials prices.

Cost Share

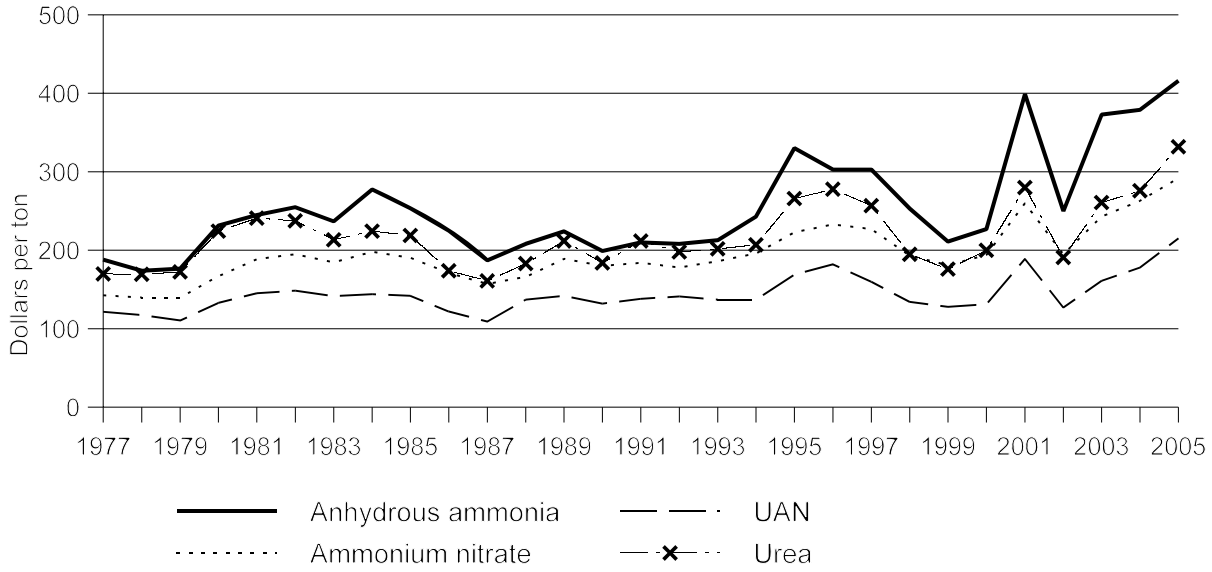
The share of the costs that solid urea makes up of the final products in which is it used varies by type of final product. Two purchasers indicated that solid urea makes up between 24 percent to 46 percent of the cost of producing ***. Three producer/importers and four importers reported that solid urea make up 81 percent to 100 percent of the cost of fertilizer or agricultural uses, while another producer/importer reported that solid urea makes up 30 percent of the cost of fertilizer. Two producer/importers and one importer reported that solid urea makes up 9 to 10 percent of the cost of animal feed. One purchaser (***) indicated that the cost share accounted for by solid urea for UF resin, UFC, and urea solutions were 50 percent, 70 percent, and 85 percent, respectively. Purchasers reported that the cost share accounted for by solid urea in industrial uses ranges from 10 percent to 60 percent.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported solid urea depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a moderate level of substitutability

[15] All four responding Russian producers indicated that changes in prices of substitute products did not affect the price of solid urea. However, it was not clear whether they were indicating that this was true in the U.S. market.

Figure II-1
Solid urea: Prices paid by farmers for anhydrous ammonia, UAN, ammonium nitrate, and urea in April of 1977-2005



Note.– Prices from 1987 to 1996 are averages of the March and May prices.

Source: Agricultural Prices, National Agricultural Statistics Service, USDA.

between domestically produced solid urea and solid urea imported from subject countries and other import sources.

Factors Affecting Purchasing Decisions

Purchasers were asked a variety of questions to determine what factors influence their decisions when buying solid urea. Information obtained from their responses indicates that both quality and price are important factors.

As indicated in table II-1, price was named by one of seven responding purchasers as the number one factor generally considered in deciding from whom to purchase solid urea, and as the number two or number three factor by the other six responding purchasers. Also, as indicated in table II-2, all but one of the responding purchasers (***) indicated that price was a "very important" factor in their purchase decisions. However, none of the eight responding purchasers indicated that the lowest-priced solid urea will "always" win a sale. Four responding purchasers indicated that the lowest-priced solid urea "usually" will win a sale, three reported "sometimes," and one reported "never."[16] Domestic interested parties claim that urea is a commodity product generally sold on the basis of price.[17]

Quality was named by three of the seven responding purchasers as the number one factor generally considered in deciding from whom to purchase solid urea, and as the number two or number

[16] *** was the purchaser that responded "never." It indicated that ***. *** responded "usually" to this question.

[17] Domestic interested parties' prehearing brief, pp. 4-8.

Table II-1
Solid urea: Ranking of factors used in purchasing decisions, as reported by U.S. purchasers

Factor	Number of firms reporting		
	Number one factor	Number two factor	Number three factor
Quality	3	1	2
Availability	2	1	0
Price	1	3	3
Prearranged contracts[1]	1	0	1
Reliability of supply	0	2	0
Delivery	0	0	1

[1] Includes one instance of "contracts" for the number three factor.

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

Table II-2
Solid urea: Importance of factors used in purchasing decisions, as reported by U.S. purchasers

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Reliability of supply	8	0	0
Availability	7	1	0
Price	7	1	0
Product consistency	7	1	0
Quality meets industry standards	7	1	0
U.S. transportation costs	6	2	0
Delivery time	5	2	1
Delivery terms	4	4	0
Discounts offered	4	3	1
Extension of credit	2	5	1
Technical support/service	2	2	4
Quality exceeds industry standards	1	6	1
Minimum quantity requirements	1	3	4
Packaging	1	2	5
Product range	0	3	4

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

three factor by three other responding purchasers.[18] All but one responding purchaser (***) indicated that quality meeting industry standards and product consistency were "very important" factors in their purchasing decisions. However, only one of eight responding purchasers (***) indicated that quality exceeding industry standards was a "very important" factor. Purchasers named a number of factors they consider in evaluating quality, including: well-coated, storability, size of granules, density, hardness, cleanliness, crush strength, low turbidity, prilled granulometry, chemical analysis, uniformity, and flowability.

Five of eight purchasers (***) reported that they require their suppliers to become certified or pre-qualified. Two of eight purchasers (***) reported that since 1987 one or more suppliers have failed in their attempts to qualify solid urea.

All eight responding purchasers indicated that reliability of supply was a "very important" factor in their purchasing decisions and seven of eight responding purchasers indicated that availability was a "very important" factor. The remaining responding purchaser (***) indicated that availability was a "somewhat important" factor. Two of seven responding purchasers indicated that reliability of supply was the second-highest factor in their purchasing decisions, while three of seven responding purchasers indicated that availability was either the highest or second-highest factor.

None of the eight responding purchasers indicated that buying solid urea that is produced in the United States is required by law or regulation for some of their purchases. However, one purchaser (***) reported that all of its purchases must be produced in the United States because it must use 100 percent non-treated urea (no formaldehyde) due to lumping and quality issues, another purchaser (***) indicated that 75 percent of its purchases must be produced in the United States so that it has product available as needed, and another (***) indicated that 60 percent of its purchases must be produced in the United States based on security of supply and lower delivered costs.

Two of eight responding purchasers (***) indicated that their firm "never" makes purchasing decisions based on the country of origin. Four of the remaining purchasers indicated that their firm "sometimes" makes purchasing decisions based on the country of origin, and the two remaining purchasers (***) indicated that they "usually" make purchasing decisions based on the country of origin. One of eight responding purchasers (***) indicated that either it or its customers sometimes specifically order solid urea from one country in particular over other possible sources of supply. This purchaser purchased from *** because that product has slightly large granules and was better for blending. Also, six of seven responding purchasers (*** was the exception) indicated that certain grades/types/sizes of solid urea are available from only a single source. Two of these purchasers indicated that there were limited sources of prilled urea in the United States, while the other three purchasers indicated that various types of prilled urea were only available from PCS. One purchaser also indicated that "ESN polycoated granular for slow release" is only available from Agrium Canada.[19] Another purchaser indicated that insulin grade urea was only available from PCS.

One of three responding producer/importers,[20] no responding producers, and no responding importers indicated that there have been significant changes in the product range, product mix, or marketing (including sales over the internet) of solid urea since 1987.

Only two of nine responding importers, one producer/importer, and no responding producers indicate that they anticipate changes in product range, product mix, or marketing of solid urea in the future. One importer expects more import supply with increased world production and less U.S. production. Another importer expects that the fertilizer use of ammonium nitrate will decline sharply as security requirements become more costly and time-consuming and that urea consumption will increase

---

[18] The other remaining responding purchaser was ***. ***.

[19] The polycoat allows for a slower release of nitrogen to the soil, and minimization of losses to the atmosphere.

[20] ***.

as it replaces a portion of the ammonium nitrate market. The responding producer/importer anticipates increased imports from countries currently exporting to the United States.

Comparison of Domestic Products and Subject Imports

As indicated in table II-3, four of six responding importers indicated that U.S.-produced and imports of solid urea from all subject countries are "sometimes" used interchangeably.[21] The remaining two responding importers and one of two responding producer/importers indicated that U.S.-produced product and imports of solid urea from the subject countries are "frequently" interchangeable, while the other responding producer/importer indicated that imports of solid urea from the subject countries are "always" interchangeable with the U.S. product. As indicated in table II-4, all but one responding importers and all responding producer/importers reported that differences other than price between solid urea produced in the United States and in the subject countries were at most "sometimes" a significant factor in their firm's sales of the products.[22]

Several importers and producer/importers indicated that the main difference between U.S.-produced solid urea and imports from subject countries of solid urea depends on whether the product is in granular or prilled form. A few of these importers and producer/importers further indicated that while the granular form is better suited for blending with other fertilizers, both the prilled and granular forms are substitutable when directly used as fertilizer. As noted in Part I, solid urea consumption is 80-85 percent for fertilizer use and 15-20 percent for industrial use. U.S. production of solid urea has shifted more toward the granular form, from about 51 percent of U.S. producers' shipments in 1995 to about 77 percent in 2004.[23]

Russian respondents claim that market segments for prilled and granular urea have emerged in the United States since the Commission's original investigations, citing different end uses, price differences, and differences in cost share.[24] However, domestic interested parties claim that in most applications (direct application fertilizers and standard industrial uses) prilled urea remains fully interchangeable with granular urea and a sufficient price discount for prilled urea relative to granular urea causes customers to switch, particularly for direct (non-blended) applications.[25]

Domestic interested parties claim that the prices of granular and prilled urea are linked, citing a correlation coefficient of 99 percent between Green Markets' (a trade publication) prices for prilled and granular urea and that prilled and granular prices are linked through contracts.[26] Russian respondents claim that the correlation between prilled and granular urea prices is largely due to both prices being correlated with the price of natural gas.[27] Russian respondents also claim that contract and hedging

---

[21] Although two producer/importers, two importers and one producer indicated that their firms had no familiarity with at least one of the countries in the "U.S. vs. Russia" and "U.S. vs. Ukraine" country pairs, some of these firms provided narrative responses. See table II-3.

[22] Although three producer/importers, three importers, and one producer indicated that their firms had no familiarity with at least one of the countries in the "U.S. vs. Russia" and "U.S. vs. Ukraine" country pairs, some of these firms provided narrative responses. See table II-4.

[23] *Current Industrial Reports, Fertilizer Materials and Related Products*, U.S. Department of Commerce.

[24] Russian respondents' prehearing brief, pp. 15-21.

[25] Domestic interested parties' prehearing brief, p. 7.

[26] Domestic interested parties' prehearing brief, p. 7 and exh. 5 and domestic interested parties' posthearing brief, p. 6.

[27] Russian respondents' posthearing brief, Responses to the Questions of the Commission, pp. 30-31.

Table II-3
Solid urea: Perceived degree of interchangeability of solid urea produced in the United States and in other countries

Country pair	Number of U.S. producers (only) reporting				Number of U.S. importers (only) reporting				Number of U.S firms reporting that are both producers and importers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Russia	0	0	0	0	0	2	4	0	1	1	0	0
U.S. vs. Ukraine	0	0	0	0	0	2	4	0	1	1	0	0
Russia vs. Ukraine	0	0	0	0	3	1	1	0	2	0	0	0
U.S. vs. other	0	0	1	0	2	3	2	0	1	1	1	0
Russia vs. other	0	0	0	0	0	2	4	0	1	0	1	0
Ukraine vs. other	0	0	0	0	0	2	3	0	1	0	1	0

Note.–A=always; F=frequently; S=sometimes; N=never.

Although two producer/importers, two importers, and one producer indicated that their firms had no familiarity with at least one of the countries in the “U.S. vs. Russia” and “U.S. vs. Ukraine” country pairs, some of these firms provided narrative responses. ***.

Although one producer/importer, ***, failed to characterize the interchangeablity of any of the country pairs as the Commission requested, it did provide the following narrative response: ***.

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

Table II-4
Solid urea: Perceived significance of differences other than price between solid urea produced in the United States and in other countries

Country pair	Number of U.S. producers (only) reporting				Number of U.S. importers (only) reporting				Number of U.S firms reporting that are both producers and importers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Russia[1]	0	0	0	0	1	0	2	1	0	0	0	1
U.S. vs. Ukraine[1]	0	0	0	0	1	0	1	1	0	0	0	1
Russia vs. Ukraine[1]	0	0	0	0	0	0	1	2	0	0	1	1
U.S. vs. other[1]	0	0	1	0	0	0	6	2	0	0	2	1
Russia vs. other[1]	0	0	0	0	0	0	3	1	0	0	2	1
Ukraine vs. other[1]	0	0	0	0	0	0	2	1	0	0	2	1

Note.–A=always; F=frequently; S=sometimes; N=never.

[1] Does not include one instance of "S/N" from ***.

Although three producer/importers, three importers, and one producer indicated that their firm had no familiarity with at least one of the countries in the "U.S. vs. Russia" and "U.S. vs. Ukraine" country pairs, some of these firms provided narrative responses. ***.

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

techniques skew the correlation coefficient between the price of natural gas and prilled and granular urea prices lower as they may delay the impact of natural gas on urea pricing.

Using monthly data from January 1999 through September 2005, the correlation coefficients between the Green Markets Gulf Coast prices for granular barge urea and both imported and domestically produced prilled urea are both 0.99.[28] The correlation coefficient between the price of natural gas and the prices of granular barge, imported prill, and domestic prill urea from the Gulf Coast are 0.84, 0.81, and 0.78 respectively. The partial correlation coefficient between granular barge urea and domestic prilled urea is 0.98 when controlling for fluctuations in current and the previous six months of lagged natural gas prices, 0.97 when controlling for fluctuations in current and the previous 12 months of lagged natural gas prices, and 0.92 when controlling for fluctuations in current and the previous 18 months of lagged natural gas prices.[29] The partial correlation coefficient between granular barge and imported prilled urea is 0.98 when controlling for both current and the previous six, 12, 18, or 24 months of lagged natural gas prices.

As indicated in table II-5, one of two responding purchasers indicated that solid urea produced in the subject countries is "always" used in the same applications as solid urea produced in the United States, while the other responding purchaser indicated that solid urea imported from either subject country was "sometimes" used in the same applications.

Table II-5
Solid urea: Usage in the same applications of solid urea produced in the United States and in other countries, as reported by U.S. purchasers

Country pair	Number of U.S. purchasers reporting			
	A	F	S	N
U.S. vs. Russia	1	0	1	0
U.S. vs. Ukraine	1	0	1	0
Russia vs. Ukraine	2	0	0	0
U.S. vs. other	2	3	0	0
Russia vs. other	1	0	1	0
Ukraine vs. other	1	0	1	0

Note.–A=always; F=frequently; S=sometimes; N=never.

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

[28] Prices for imported prill were available from January 1999 to July 1999 and February 2000 to September 2005, and prices for domestic prill were available from January 1999 to February 2003.

[29] The partial correlation coefficient between the two variables (in this case the prices of prilled and granular urea) is an attempt to estimate the correlation that would be observed for these two variables if a third variable (in this case the price of natural gas) did not vary. See Their, Henry, *Principles of Econometrics* (1971), pp. 171-175 and *STATE Base Reference Manual, Volume 2, K-Q*, Release 9, 2005, pp. 375-376.

Comparison of Domestic Products and Nonsubject Imports

Five of seven responding importers and two of three responding U.S. producer/importers reported that U.S.-produced solid urea and imports from nonsubject sources are at least "frequently" used interchangeably. The two remaining responding importers, the remaining responding producer/importer, and the only responding producer indicated that U.S.-produced and nonsubject-country solid urea sources are "sometimes" used interchangeably. All responding importers, producer/importers, and the only responding producer reported that differences in price between solid urea produced in the United States and in all nonsubject countries were at most "sometimes" a significant factor in their firm's sales of the products. All five responding purchasers indicated that solid urea produced in all nonsubject countries is either "always" or "frequently" used in the same applications as solid urea produced in the United States.[30]

Comparison of Subject Imports and Nonsubject Imports

All responding importers reported that imports from subject sources and imports from nonsubject sources are either "frequently" or "sometimes" used interchangeably. One of the responding producer/importers indicated that imports from subject and nonsubject sources are "always" used interchangeably, while the other indicated that they were "sometimes" used interchangeably. All responding importers and producer/importers reported that differences in price between solid urea imported from subject countries and nonsubject countries are at most "sometimes" a significant factor in their firm's sales of the products. One of two responding purchasers indicated that solid urea produced in the subject countries is "always" used in the same applications as solid urea from nonsubject sources, while the other responding purchaser indicated that solid urea imported from either subject country was "sometimes" used in the same applications.

Comparison of Russian and Ukrainian Products

Three of five responding importers and both responding producer/importers reported that imports from Russia and Ukraine are "always" used interchangeably. The two remaining responding importers indicated that imports from Russia and Ukraine are "frequently" and "sometimes" used interchangeably, respectively. All responding importers and producer/importers reported that differences in price between solid urea imported from Russia and Ukraine are at most "sometimes" a significant factor in their firm's sales of the products. Both responding purchasers indicated that solid urea produced in Russia and Ukraine are "always" used in the same applications.

ELASTICITY ESTIMATES

U.S. Supply Elasticity

The domestic supply elasticity for solid urea measures the sensitivity of the quantity supplied by U.S. producers to a change in the U.S. market price of solid urea. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to the production of other products, the existence of inventories, and

[30] ***.

the availability of alternative markets for U.S.-produced solid urea.[31] Analysis of these factors earlier indicates that the U.S. industry has a moderate ability to increase or decrease shipments to the U.S. market given a change in price levels. Staff estimates that the supply elasticity is between 3 and 6. Domestic interested parties indicated that they had "no disagreement" with the estimate of U.S. supply.[32] Russian respondents did not comment on the supply elasticity estimate.

U.S. Demand Elasticity

The U.S. demand elasticity for solid urea measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of solid urea. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of solid urea in the production of downstream products. Based on available information, the demand elasticity for solid urea is likely to be in the range of -0.75 to -1.25. Domestic interested parties indicated that they had "no disagreement" with the estimate of aggregate U.S. demand.[33] Russian respondents did not comment on the aggregate U.S. demand elasticity estimate.

Substitution Elasticities

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[34] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, surfaces, coil sizes) and conditions of sale (e.g., service, availability, delivery). Based on this and other available information, the elasticity of substitution between U.S.-produced commercial market solid urea and subject imported solid urea is still likely to be in the range of 2 to 4.[35]

Domestic interested parties suggest that the substitution elasticity be increased from the 2 to 4 range suggested in the prehearing staff report to "moderate to high" in the range of 3 to 5, while the Russian respondents did not contest the staff estimate.[36] Domestic interested parties cite an estimate of 5 to 7 provided in a 1995 Commission fact-finding study, and that there have been no fundamental changes in products or markets which could justify a reduction of the estimate to a range of 2 to 4 in these reviews. They also claim that a large share of U.S. production continues to be prilled urea, that for direct application in the fertilizer market granular and prilled urea can be readily interchanged, and that prilled urea has been entering the U.S. market in larger volumes in 2005, particularly from Romania, Estonia, and Lithuania.[37] Russian respondents claim that the staff substitution elasticity estimate supports their claim that interchangeability and hence competition between the mostly granular U.S. product and the

---

[31] Domestic supply response is assumed to be symmetrical for both an increase and a decrease in demand for the domestic product. Therefore, factors affecting increased quantity supplied to the U.S. market also affect decreased quantity supplied to the same extent.

[32] Domestic interested parties' prehearing brief, exh. 6, p. 1.

[33] Ibid.

[34] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject product (or vice versa) when prices change.

[35] Additionally, the elasticities of substitution between U.S.-produced commercial market solid urea and nonsubject imports, between subject imports and nonsubject imports, and between products of the two subject countries are likely to be in the same range.

[36] Domestic interested parties' prehearing brief, exh. 6, pp. 1-2. Russian respondents' prehearing brief, p. 23.

[37] Domestic interested parties' prehearing brief, exh. 6, pp. 1-2. The study cited study is *The Economic Effects of Antidumping and Countervailing Duty Orders and Suspension Agreements, Inv. No. 332-344,* USITC Publication 2900, June 1995.

entirely prilled subject merchandise would be limited and is much lower than one would expect to find if the products were pure commodities.[38] They also claim that the fact that the estimate is lower than the estimate in the 1995 Commission study shows a significant decline in substitutability between the two products.[39]

As is the case in this report, the discussion regarding the substitutability in the 1995 study suggests a moderate level of substitutablity.[40] In particular, the report cited that some producers and most purchasers indicated that urea from subject countries was of lower quality or required a 15-percent price premium to switch and that subject imported urea is prilled while most domestic production is granular.[41] Although the staff estimate is based on available information for these reviews and is not intended to be a measure of changes in substitutability since the 1995 study, substitutability may have decreased since 1995 as U.S. production has shifted more toward the granular product from about 51 percent of U.S. producers' shipments in 1995 to about 77 percent in 2004.

---

[38] Russian respondents' prehearing brief, p. 23.

[39] Hearing transcript, p. 200 (Parsons).

[40] *The Economic Effects of Antidumping and Countervailing Duty Orders and Suspension Agreements, Inv. No. 332-344*, USITC Publication 2900, June 1995, p. 22.

[41] Ibid.

PART III: CONDITION OF THE U.S. INDUSTRY

U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Table III-1 presents U.S. producers' capacity, production, and capacity utilization from 1999 to 2004. During the review period, the urea industry reported fluctuating capacity that peaked in 2001-02 and declined in 2004 as firms closed plants and reduced capacity. The jump in capacity in 2001 was due to ***, and since *** did not provide data for 1999-2000, the jump in capacity reported may be misleading. ***.[1] However, Agrium has negotiated a gas supply contract with Cook Inlet producers until November 2006, and will operate one urea plant with ***. The Kenai facility produced about ***.[2] The decrease in capacity in 2004 was due to a number of plant closings: ***.[3] Capacity utilization fluctuated during the review period, with a decline from 1999 to 2001, as production fluctuated, an increase in 2002 as production peaked, and an irregular decline through 2004 as production declined along with capacity.[4] U.S. producers' capacity was well below U.S. consumption of solid urea in each year during 1999-2004.

Producers' reported constraints on capacity were the following: (1) ***'s production capacity is limited by its urea liquor production; (2) ***'s capacity is constrained by the production capacity of equipment to make solid prilled and granular urea; (3) ***'s production is constrained by reactor size and prilling capacity of the prill tower; (4) ***'s production is constrained by the design and condition of the physical equipment used in the production process (because ***'s urea melt and granulation capacities are in balance, neither one of these production stages individually constrains solid urea output); and (5) ***'s production is constrained by its natural gas supply and its *** production is constrained by normal market factors, as well as other demand for ammonia.[5]

In response to a question about whether firms are able to switch production between solid urea and other products in response to a relative change in the price of solid urea vis-a-vis other products, using the same equipment and labor, the following information was supplied. *** states that theoretically its production facility could produce less urea and more free ammonia; however, practically this would be difficult and may not be cost-efficient due to capital investment for additional ammonia distribution/logistics capacity, potential permit changes and environmental, health and safety costs, and risks to handle the increased production of ammonia. *** replied that it has only limited ability to switch production between urea and UAN, which is rarely made on price relationships but rather on anticipated demand and on customer requirements for each product. The limitations involve the narrow window of fertilizer seasons in the Midwest of eight weeks for fall and for spring, and the 2-3 weeks it takes to move product into that region once demand is recognized. *** stated that *** the ability to switch production to produce more ammonia. *** is able to switch between solid urea and urea solutions, but the local

---

[1] ***.

[2] ***'s questionnaire response, part II, revised September 13, 2005.

[3] Capacity and production data for 1999-2002 do not contain data for ***, which sold its operations to ***. *** reported its capacity and production data for 2003 and 2004 only. Although it provided rough estimates for partial data for ***'s information, *** officials described those partial data as unreliable and therefore they were not used in this report. E-mail from ***, July 27, 2005.

[4] Producers' questionnaire responses of ***, and e-mail from *** to Olympia Hand, June 10, 2005.

[5] Producers' questionnaire responses of ***.

Table III-1
Solid urea: U.S. producers' production capacity, production, and capacity utilization, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Agrium:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
CF:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
Dyno Nobel:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
Koch:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
Mississippi Chemical:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
PCS:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
Terra:						
Capacity (*1,000 short tons*)	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***
Total:						
Capacity (*1,000 short tons*)	4,242	4,242	5,444	5,444	5,417	4,810
Production (*1,000 short tons*)	3,909	3,582	3,903	4,911	4,112	3,790
Capacity utilization (*percent*)	92.2	84.4	71.7	90.2	75.9	78.8

[1] Not applicable.

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

market will not support additional shipments of urea solutions at this time. The time and costs for switching are minimal. *** stated that *** the ability to switch production to produce more ammonia. *** plants do have some capability to switch production to other nitrogen fertilizers they produce, but this is typically on a temporary basis, and is typically done for inventory balancing, not because of the relative prices of nitrogen fertilizers in the market. In addition, some parts of the production process are dedicated to one nitrogen fertilizer type (e.g., granulation for solid urea) such that it would not be possible to switch production volumes among the various fertilizer types due solely to changes in the relative prices of those fertilizers. *** stated that *** the ability to switch production to produce more ammonia.[6]

In response to a question requesting firms to supply information about any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failures, curtailment of production because of shortages of materials, or any other changes in character since 1987 or expected in the future, the following information was received. *** acquired the *** facility from the *** bankruptcy estate in ***. *** stated that its *** plant production was curtailed due to natural gas supply shortages resulting in operating rates of around *** percent in 2003 and *** percent in 2004. Its *** plant typically takes extended annual turnarounds of *** to *** weeks to manage inventory levels. *** due to natural gas supply considerations. *** mothballed its ***, and permanently closed it in ***. *** upgraded its operations in ***, when it increased capacity, and again in ***. In a press release of October 31, 2005, CF indicated that it would be operating at 50 percent capacity for the remainder of 2005 and supplementing production with increased purchases due to unprecedented natural gas costs, as well as other issues arising in the wake of two recent Gulf Coast hurricanes.[7] In ***, there was an ***, which reduced solid urea production by about *** percent. *** experienced production curtailments in 2001 as a result of increases in natural gas prices and weak sales, in 2003 as a result of a spike in natural gas pricing and inadequate demand, and in 2004 as a result of uncertain demand. *** closed its *** plant in ***. ***. *** shut down its *** plant indefinitely in ***, eliminating low margin sales. Its *** plant has operated with prolonged shutdowns in 2001, 2002, and 2004. Its *** plant was shut down in ***.[8] In July 2005, Terra sold its terminal assets (ammonia, urea, and UAN solutions) to Kinder Morgan for $5 million, and entered into a leasing agreement extending through 2010 to use the anhydrous ammonia and UAN terminal assets to store and distribute nitrogen products from its manufacturing facilities and import distribution assets.[9]

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

U.S. producers' U.S. shipments are shown in table III-2. The quantity of U.S. shipments declined from 1999 to 2001, but the unit value increased. The quantity of U.S. shipments peaked in 2002 and declined in 2003 and 2004, ending at a lower level than in 1999. The unit value decreased in 2002 before rising again in 2003 and 2004. The increase in average unit values can be attributed in part to the high prices of natural gas during the period of review.[10]

---

[6] Producers' questionnaire responses of ***.

[7] CF Industries Press Release, October 13, 2005.

[8] Producers' questionnaire responses of ***.

[9] *Terra News Release*, July 14, 2005.

[10] Benchmark natural gas prices on the New York Mercantile Exchange (NYMEX) rose from the $2 to $4 per MMBTU range during 2002, to roughly $6.50 per MMBTU by yearend 2004. http://www.eia.doe.gov., retrieved July 25, 2005.

Table III-2
Solid urea: U.S. producers' shipments, by types, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Quantity (*1,000 short tons*)						
Commercial shipments	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	3,799	3,535	2,856	4,087	3,362	3,048
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
Value (*1,000 dollars)*						
Commercial shipments	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	368,381	475,559	412,786	493,914	587,987	634,117
Export shipments	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***
Unit value (*per short ton*)						
Commercial shipments	$***	$***	$***	$***	$***	$***
Internal consumption	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	96.96	134.53	144.50	120.88	174.90	208.11
Export shipments	***	***	***	***	***	***
Average, all	***	***	***	***	***	***

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

During the review period, *** provided only 2003-04 data, thereby creating an artificial increase in the industry trend of *** short tons in 2003 to *** short tons in 2004, from a *** basis in the previous years. During the period, *** reduced its shipments from *** short tons in 2002 to *** tons in 2003 and *** short tons in 2004. *** also experienced large decreases from its usual shipments of about *** short tons per year to *** short tons in 2003 and *** short tons in 2004.

During the period, there was a wide variation of average unit values among firms. In 2004, the firms with the highest unit values were ***, with $*** per ton; ***, with $*** per ton; and ***, with $*** per ton. Next were ***, with $*** per ton; ***, with $*** per ton; ***, with $*** per ton; and ***, with $*** per ton. The range is attributable in part to the relative volumes shipped by different modes of transportation (e.g., barge, rail, and truck); different volumes sold at various times of the year;

and differences in the unit freight costs for different producers based on their locations.[11] Relative differences in natural gas costs, including hedging, may also have been factors, together with solid urea sold for industrial uses which may have brought premiums relative to solid urea fertilizer.[12] The firms with the highest unit sales values may represent the highest proportion of retail sales (like ***), and more distant sales markets from the Gulf of Mexico that experience less of an impact from imports.

U.S. PRODUCERS' INVENTORIES

Table III-3 presents U.S. producers' inventories. The ratio of inventories to U.S. shipments may be the most useful ratio presented, because of *** in the last four years of the period of review. For every year but 2001, the ratio was constant at about 7 percent of U.S. shipments. In 2001, the ratio more than doubled as shipments decreased and inventories increased. That imbalance was corrected in 2002, as shipments soared and inventories declined to the usual level. *** was responsible for the majority of the inventory holdings in 2004 (*** percent), followed by *** (*** percent) and *** (*** percent).[13]

Table III-3
Solid urea: U.S. producers' end-of-period inventories, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Inventories (*1,000 short tons*)	271	250	467	317	219	202
Ratio of inventories to production (*percent*)	6.9	7.0	12.0	6.4	5.3	5.3
Ratio of inventories to U.S. shipments (*percent*)	7.1	7.1	16.3	7.7	6.5	6.6
Ratio of inventories to total shipments (*percent*)	***	***	***	***	***	***

Note: Ratios are calculated using data from firms that provided both inventory and shipment data.

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

U.S. PRODUCERS' PURCHASES

U.S. producers' purchases are presented in table III-4. They mainly purchased solid urea from U.S. importers. There were no purchases from other domestic producers. For most of the period, the average unit value of domestic purchases from importers paralleled the average unit values reported by U.S. importers on their imports (see table IV-1 in Part IV).[14] However, the average unit value for U.S. producers' purchases of imports in 2001 is much higher than importers' reported average unit value of imports in that year (see table IV-1). This may be due to natural gas prices rising rapidly during the winter/spring of 2001, which, in turn, caught producers off guard. They decreased production early in the

[11] E-mail from *** to Olympia Hand, June 15, 2005.

[12] In 2004, PCS' industrial nitrogen sales were reported to be 67 percent of its total nitrogen sales. In 2005, industrial nitrogen net sales from U.S. plants comprised 70 percent of the total from those plants. *PCS 2004 Annual Report*, p. 9, found at http://www.potashcorp.com/.

[13] Inventories plus production minus total shipments do not reconcile due to reporting anomalies from ***.

[14] *** was unable to report the quantity or value of its purchases of urea from U.S. importers due to problems with its data collection system. E-mail from *** to Olympia Hand, July 20, 2005.

year when they needed to be producing flat out to supply the spring fertilizer season. This, in turn, caused import volumes and values to increase rapidly, resulting in producers purchasing large amounts of higher-priced imported product during the spring to meet customers' needs. After the spring fertilizer season, natural gas prices fell substantially, most domestic plants resumed normal production, and import prices decreased rapidly during the second half of the year; the market was possibly oversupplied with imports during the first half of 2001, which had to be drained off in the second half.[15] [16] This is a plausible explanation for higher producers' import purchase values in 2001 than average unit values for 2001 as a whole (as reported by U.S. importers).[17]

Table III-4
Solid urea: U.S. producers' purchases, by types, 1999-2004

* * * * * * *

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-5 presents employment data for U.S. producers. The number of production and related workers declined during the review period by almost one-third. During the review period, *** added *** workers in 2001 when it bought the *** plant from ***, but that addition of workers is misleading

Table III-5
Solid urea: Average number of production and related workers, hours worked, wages paid to such workers, hourly wages, productivity, and unit labor costs, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
PRWs (*number*)	790	772	776	778	669	560
Hours worked (*1,000*)	1,629	1,583	1,627	1,605	1,374	1,132
Wages paid (*$1,000*)	48,176	48,926	53,301	53,644	47,441	41,773
Hourly wages	$29.57	$30.90	$32.76	$33.42	$34.53	$36.89
Productivity (*short tons per hour*)	2.4	2.3	2.4	3.1	3.0	3.3
Unit labor costs (*per short ton*)	$12.32	$13.66	$13.66	$10.92	$11.54	$11.02

Note.--Because of rounding, figures may not add to totals shown. Productivity and unit labor cost calculations are based on firms that provided both numerator and denominator data.

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

because *** did not supply ***'s employment data for 1999-2000, despite requests for the data.[18] Also, *** added *** workers in 2003 and 2004, but it did not report *** employment data from 1999 to 2002.

---

[15] *Green Markets Fertilizer Market Intelligence Weekly*, various editions, 2001.

[16] Urea unit price and tonnage trends for 2001 corroborated per ITC Trade Dataweb. http://www.dataweb.usitc.gov, retrieved August 3, 2005.

[17] Henry Hub natural gas prices. Obtained at http://www.eia.doe.gov, retrieved on July 25, 2005.

[18] E-mail from *** to Olympia Hand, July 20, 2005.

During the review period, ***, ***, ***, ***, and *** experienced decreases in the number of employees producing solid urea in their facilities. Hourly wages were high due to the requirements for highly skilled labor in the production of solid urea.[19] The only exception was ***, whose hourly wages averaged approximately $*** to $*** per hour. Hourly wages increased during the period of review, along with productivity (irregularly). Productivity rates varied substantially among firms, from a low of approximately *** per hour for ***; *** short tons per hour for ***; *** short tons per hour for ***; *** short tons per hour for ***; and *** short tons per hour for ***. The rates vary according to their size and efficiency, and their mix of granules and prills.[20] Unit labor costs increased in the first half of the review period, then declined in 2002, increased in 2003, and declined in 2004, ending at a lower level than in 1999. In 2004, there was a large difference in the unit labor costs among firms, ranging from a low of $*** per short ton for ***, to a high of $*** per short ton for ***. Other values were $*** per short ton for ***, $*** per short ton for ***, $*** per short ton for ***, $*** per short ton for ***, and $*** per short ton for ***.

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

The same seven firms[21] that provided production and shipment data reported usable financial data on their operations on solid urea. These data accounted for the vast majority of known U.S. production of solid urea in 2004.

The U.S. solid urea industry has undergone considerable consolidation. Based upon information in the staff report in the original investigations, 24 firms produced solid urea in 35 U.S. plants in 1986.[22] The numbers fell to 10 firms and 14 plants by 1999 and fell again during 1999-2004, including Agrium's purchase of Unocal's plant in Alaska,[23] MCC's bankruptcy and purchase by Terra,[24] and Farmland's purchase by Koch (which had purchased certain of MCC's non-urea assets). According to Agrium, "from 2002 to 2004, there were relatively few new nitrogen facilities brought into production following the

---

[19] E-mail from ***, to Olympia Hand, June 10, 2005.

[20] Ibid.

[21] These firms are: ***. ***, each of the remaining firms has a fiscal year that ends on ***. Differences between the financial data and the trade data in this report are primarily accounted for by timing differences of ***.

[22] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics*, Investigations Nos. 731-TA-338-340 (Final), USITC Publication 1992, July 1987, p. A-19.

[23] Agrium stated that it anticipated closing its Kenai, AK facility in November 2005, after its low-cost gas supply contract ends with Unocal, unless it could obtain alternative economic sources of natural gas. Agrium, Inc., 2004 Annual Report on Form 40-F, "Management discussion and analysis," p. 11 (as filed), retrieved from the SEC's EDGAR database on June 27, 2005. Subsequently Agrium announced that it "successfully concluded gas supply contract negotiations with Cook Inlet gas producers to supply gas to the Kenai, Alaska nitrogen facility that will allow that nitrogen facility to continue to operate until November 2006. As of November 2005, Agrium will operate only one ammonia plant (650,000 tonnes of gross ammonia capacity) and one urea plant (630,000 tonnes of granular urea capacity). Annual net ammonia sales capacity would be approximately 280,000 tonnes, if both the urea and ammonia plant operated at full capacity. The Kenai nitrogen facility produced approximately 690,000 tonnes of urea and 480,000 tonnes of net ammonia in 2004." Agrium's material change report on Form 51-102F3 filed July 19, 2005, and Agrium's news release dated July 27, 2005, both found at the SEC's EDGAR database on October 7, 2005. According to a company official, the new agreement will allow it to produce 700,000 short tons of solid urea for the export market. Hearing transcript, pp. 35-36 (McGlone).

[24] MCC filed for bankruptcy in May 2003 and Terra's purchase of the remaining MCC assets was completed in December 2004. *See* Mississippi Chemical Corp., 2004 Form 10-K, p. 4 and Terra Industries, Inc., 2004 Form 10-K, p. 3, retrieved from the SEC's EDGAR database on August 4, 2005.

cyclical downturn in nitrogen prices that began in 1997. In addition, there was a shift to sustained higher North American natural gas prices during this period, accompanied by substantially higher gas price volatility. This forced the permanent closure of a number of U.S. nitrogen {production} facilities."[25] Further, Agrium has described the demand for nitrogen fertilizers, which include solid urea, as cyclical, and that these demand factors include demand fundamentals for grains and oilseeds (including fertilizer application rates), farm income, and overall economic growth, which influence industrial demand for nitrogen. It suggested that these factors add to the volatility of such demand cycles.[26] Agrium further stated that the supply of nitrogen fertilizers is driven by nitrogen prices, which affect capital spending and the construction of new plants, as well as by costs, which are highly dependent on the prices and price volatility of natural gas and ammonia.[27]

These supply and demand factors, particularly developments in natural gas costs, have led to some firms adopting strategies based on an increasing reliance on imported natural gas (including investment in natural gas production capability abroad), a switch to an alternative feedstock, the purchase of nitrogen fertilizers (including urea) from other suppliers,[28] and other risk management strategies, including hedging.

Operations on Solid Urea

Certain data omissions affect any trend analysis. It should be noted that *** did not report data for 1999-2000 for the plant at ***, which it purchased from ***, and *** did not report data for 1999-2002.[29] These *** accounted for approximately *** to *** percent of total industry sales quantity and

---

[25] Agrium, Inc., 2004 Annual Report on Form 40-F, "Management discussion and analysis," p. 6 (as filed), retrieved from the SEC's EDGAR database on June 27, 2005. With regard to industry consolidation, also *see* hearing transcript, pp. 28-29 (Buckley) and p. 92 (Slater). With regard to survivor bias, *see* hearing transcript, p. 248 (Morgan).

[26] See, for example, Agrium's 2002 Third Quarter Interim Report, which describes "significantly higher grain prices," expanded acreage planted to corn and wheat, and higher nutrient application rates as the reasons for improved fertilizer demand in 2002-03. The report also describes the important role of weather in determining seasonal demand for fertilizers, affecting crop yields and fertilizer use. Agrium's report retrieved from the SEC's EDGAR database on August 2, 2005. The Fertilizer Institute describes "fertilizer {as} essentially a commodity business, {with} the world market set{ting} the {U.S.} price for fertilizer products," and characterized U.S. producers as essentially price takers. "Fertilizer and Natural Gas," The Fertilizer Institute, August 2000, found at Internet site http://www.tfi.org/media/1167_naturalgaspaper.doc, retrieved on July 13, 2005.

[27] As described by the Fertilizer Institute, ammonia production accounted for approximately 3 percent of total U.S. natural gas production in 1999, and natural gas accounts for between 75 and 90 percent of the cost of ammonia used to produce nitrogen-based fertilizers (the percentage depends on the cost of natural gas). *See* "Fertilizer and Natural Gas," The Fertilizer Institute, August 2000, found at Internet site http://www.tfi.org/media/1167_naturalgaspaper.doc, retrieved on July 13, 2005.

[28] Agrium, Inc., 2004 Annual Report on Form 40-F, "Management discussion and analysis," p. 6 (as filed), retrieved from the SEC's EDGAR database on June 27, 2005. CF's business plan for 2005 ***. The business plan also states that CF may *** (CF Business Plan for 2005, pp. 9 and 12). CF announced recently that it has taken initiatives to mitigate the impact of "unprecedented natural gas costs:" (1) increase the volume of sales under its forward pricing program to increase the amount of natural gas it purchases on a hedged basis; (2) increase purchases of finished nitrogen fertilizer products to reduce the company's exposure to high natural gas prices; and (3) reduce operating rates to approximately 50 percent through the remainder of 2005 at its production facility at Donaldsonville, LA. CF press release, October 13, 2005.

[29] ***. *** stated that it was not able to certify the accuracy or completeness of the data of *** and did not believe the data to be reliable.

(continued...)

value in 2003, when they reported full data, but only *** percent to *** percent in 1999 when *** and ***. This also affects an analysis of changes in profit or loss of the industry: *** were among the *** in 2003 and 2004, so the 1999 to 2004 swing in operating income may be overstated because these *** did not report full 1999 data.

Results of U.S. firms' operations on solid urea are briefly summarized here. Total net sales quantities decreased slightly and irregularly between 1999 and 2004 after peaking in 2002 (table III-6). Total net sales values more than doubled between 1999 and 2004, attributable primarily to increased average unit sales values. Reported exports, which are included in total net sales (and accounted for about *** percent of total shipments in 2004), increased *** following ***. Although the cost of raw materials increased, those costs did not increase as rapidly as did the value of sales, but led to an overall increase in the industry's cost of goods sold ("COGS"). The industry's operating income fluctuated dramatically from a loss in 1999 to a profit in 2000, and from losses in 2001 and 2002 to increases in profits in 2003 and 2004, attributable to a widening spread between sales values and costs. Table III-7 provides firm-by-firm data on the results of operations on solid urea.

[29] (...continued)

Table III-6
Solid urea: Results of operations of U.S. firms, fiscal years 1999-2004

Item	Fiscal years					
	1999	2000	2001	2002	2003	2004
	Quantity (*1,000 short tons*)					
Commercial sales	***	***	***	***	***	***
Internal consumption[1]	***	***	***	***	***	***
Transfers to related firms[2]	***	***	***	***	***	***
Total net sales	3,874	3,627	3,646	5,042	4,386	3,821
	Value (*$1,000*)					
Commercial sales	***	***	***	***	***	***
Internal consumption[1]	***	***	***	***	***	***
Transfers to related firms[2]	***	***	***	***	***	***
Total net sales	377,594	478,279	501,925	600,126	736,262	788,987
COGS:						
Raw materials	244,410	292,809	370,138	397,866	503,658	494,767
Direct labor	26,946	25,335	30,131	32,163	29,727	21,410
Other factory costs	135,405	123,577	139,897	160,983	133,630	130,239
Total COGS[3]	406,761	441,722	540,166	591,012	667,014	646,416
Gross profit or (loss)	(29,167)	36,558	(38,241)	9,114	69,248	142,572
SG&A expenses	16,053	17,643	18,045	21,010	22,506	22,693
Operating income or (loss)	(45,220)	18,915	(56,286)	(11,896)	46,741	119,879
Interest expense	6,309	7,247	8,449	10,154	9,892	6,658
Other expense[4]	0	0	0	0	***	0
Other income	2,047	3,608	1,827	1,832	2,280	4,077
Net income or (loss)	(49,482)	15,276	(62,908)	(20,218)	***	117,298
Depreciation/amortization	42,711	40,054	39,968	45,014	42,128	34,267
Cash flow	(6,771)	55,329	(22,940)	24,796	***	151,565

Table continued on following page.

Table III-6--*Continued*
Solid urea: Results of operations of U.S. firms, fiscal years 1999-2004

Item	Fiscal years					
	1999	2000	2001	2002	2003	2004
	Ratio to net sales (*percent*)					
COGS:						
Raw materials	64.7	61.2	73.7	66.3	68.4	62.7
Direct labor	7.1	5.3	6.0	5.4	4.0	2.7
Other factory costs	35.9	25.8	27.9	26.8	18.2	16.5
Total COGS[3]	107.7	92.4	107.6	98.5	90.6	81.9
Gross profit or (loss)	(7.7)	7.6	(7.6)	1.5	9.4	18.1
SG&A expenses	4.3	3.7	3.6	3.5	3.1	2.9
Operating income or (loss	(12.0)	4.0	(11.2)	(2.0)	6.3	15.2
Net income or (loss)	(13.1)	3.2	(12.5)	(3.4)	***	14.9
	Unit value (*dollars per short ton*)					
Commercial sales	***	***	***	***	***	***
Internal consumption[1]	***	***	***	***	***	***
Transfers to related firms[2]	***	***	***	***	***	***
Total net sales	97.48	131.87	137.67	119.02	167.86	206.48
Cost of goods sold:						
Raw materials	63.10	80.73	101.52	78.91	114.83	129.48
Direct labor	6.96	6.99	8.26	6.38	6.78	5.60
Other factory costs	34.96	34.07	38.37	31.93	30.47	34.08
Total COGS[3]	105.01	121.79	148.15	117.22	152.07	169.17
Gross profit or (loss)	(7.53)	10.08	(10.49)	1.81	15.79	37.31
SG&A expenses	4.14	4.86	4.95	4.17	5.13	5.94
Operating income or (loss)	(11.67)	5.22	(15.44)	(2.36)	10.66	31.37
Net income or (loss)	(12.77)	4.21	(17.25)	(4.01)	***	30.70
	Number of firms reporting					
Operating losses	***	***	***	***	***	***
Data	6	6	6	6	7	7

[1] Accounted for by ***.
[2] Accounted for by ***.
[3] Staff allocated the components of COGS to ***, which reported total COGS only, based on the data reported by the other firms.

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

Table III-7
Solid urea: Results of operations of U.S. firms, by firm, fiscal years 1999-2004

* * * * * * *

CF is a farmer-owned cooperative, and its owners are large regional farm coops, although it sells to both members and nonmembers of the cooperative. CF's sales to members and non-member owners are broken out in table III-8.

Table III-8
Solid urea: CF's sales, by member and nonmember coops, fiscal years 1999-2004

* * * * * * *

CF stated that its ***.[30] CF explained that ***.[31] CF stated that the reason why the average unit values ("AUVs") *** was due to freight: a larger proportion of sales to ***.[32] Another factor that affected any unit analysis is the timing of sales during the year; reportedly, ***.[33] CF also stated that in 2004, ***.[34]

Raw material costs are a significant factor in industry profitability, and may be the determining factor in a firm's decision to enter the industry, what mix of nitrogen products to produce, where to concentrate sales, to expand, or to close a facility. Nitrogen is taken from the air and reacted with a hydrogen source, usually natural gas reformed with steam, to produce ammonia, and ammonia is processed to produce solid urea. Hence, natural gas is the primary raw material utilized in the production of nitrogenous fertilizers.[35] The Commission's questionnaire requested firms to report both the components of COGS as well as their raw material and energy costs (table III-9).

The total of raw material and energy costs in table III-9 is consistently lower than the total raw material costs in table III-6 presented earlier in this section. This is because (1) *** did not provide data for the requested breakout, and staff did not use the data of ***, which provided only limited information, but the data of *** were compiled for table III-6; and, (2) several firms classified energy costs (natural gas, steam, and electricity) in raw materials while other firms classified them in "other

---

[30] E-mail from ***, June 10, 2005.

[31] E-mail from ***, June 10, 2005.

[32] E-mail from ***, September 30, 2005.

[33] E-mail from ***, September 30, 2005.

[34] E-mail from ***, June 21, 2005.

[35] Illustrating the cost importance of natural gas in producing ammonia and urea, the natural gas requirement of Agrium's urea production facility in Kenai, AK has been purchased under a low-cost supply agreement with Unocal. As noted earlier, Agrium anticipated closing the facility when the gas supply agreement ended with Unocal, but has successfully concluded agreements with other firms and will continue to operate its Kenai, AK nitrogen facility. Other firms likewise stated the importance of being competitive with respect to natural gas. CF has taken several initiatives, described earlier, to increase the amount of natural gas it hedges or to reduce the firm's exposure to natural gas costs. CF press release, October 13, 2005. MCC listed the "extreme increase in price level and price volatility of domestic natural gas" among its reasons for seeking bankruptcy protection. Mississippi Chemical Corp., Form 10-Q for the quarter ended September 30, 2004, p. 8. Lastly, PCS reported that it shut down its Memphis, TN facility and suspended production of ammonia and nitrogen solutions at its Geismar, LA facility indefinitely due to high U.S. natural gas costs in June 2003. Potash Corp. of Saskatchewan Inc., Form 10-Q (Quarterly) report for the period ended September 30, 2004, p. 8 (as filed). Elsewhere PCS stated that in 2004, the purchase and transportation of natural gas accounted for over 50 percent of its total cost of goods sold (including a $43 million gain on hedges) of its unit producing nitrogen fertilizers. Potash Corp. of Saskatchewan Inc., 2002 Annual Report on Form 10-K, p. I-9 (as filed), and 2004 Form 10-K, p. I-10 (as filed), retrieved from the SEC's EDGAR database.

factory costs." Nonetheless, natural gas costs accounted for between 71.7 percent to 78.7 percent of total raw material and energy costs, with an average in the mid-70-percent range during the periods reviewed.[36] The average unit value of natural gas per ton of solid urea sold has increased, doubling during the six years examined. Natural gas costs as a percentage of sales value also have increased, somewhat faster than sales values. Data from the Energy Information Administration ("EIA") of the U.S. Department of Energy are presented for comparison and confirm the trends presented from company questionnaire data.

Table III-9
Solid urea: Raw material and energy costs of U.S. firms, fiscal years 1999-2004

Item	Fiscal years					
	1999	2000	2001	2002	2003	2004
Raw materials and energy[1]	**Value (*$1,000*)**					
Natural gas	170,535	210,721	222,087	243,240	332,729	311,077
Ammonia	22,339	24,090	24,494	23,757	50,231	55,323
Other raw materials	20,184	21,978	21,860	20,452	15,051	14,422
Energy	24,716	26,375	23,721	24,506	24,893	20,349
Total	237,774	283,164	292,162	311,955	422,904	401,171
Raw material components[1]	**Ratio to total raw materials and energy (*percent*)**					
Natural gas	71.7	74.4	76.0	78.0	78.7	77.5
Ammonia	9.4	8.5	8.4	7.6	11.9	13.8
Raw material components[1]	**Ratio to total net sales (*percent*)**					
Natural gas	49.7	48.5	61.1	55.3	58.9	53.7
Ammonia	6.5	5.6	6.8	5.4	8.9	9.6
Raw material components[1]	**Average unit value (*dollars per short ton of net sales*)**					
Natural gas	47.58	62.96	87.02	65.90	100.48	110.74
Ammonia	6.25	7.22	9.63	6.46	15.20	19.72
	Average unit value (*dollars per 1,000 cubic feet*)[2]					
Natural gas prices to the industrial sector	3.12	4.45	5.24	4.02	5.78	6.41

[1] Does not include ***. Ratios and AUVs are based on data of those companies providing both numerator and denominator data, i.e., exclude ***.
[2] The approximate heat content per cubic foot is 1,031 BTU.

Source: Compiled from data submitted in response to Commission questionnaires and from the U.S. Department of Energy, Energy Information Administration, Annual Energy Review 2003 and Monthly Energy Review, June 2005.

Natural gas prices have increased during the periods investigated, shown by data presented earlier. Natural gas prices have increased substantially since July 2005, resulting from increasing fuel costs generally and the disruptive effects on supply of hurricanes Katrina and Rita. Natural gas prices

[36] Natural gas is processed to produce ammonia, which in turn is processed to produce solid urea. Depending on how a firm broke out its costs, natural gas accounted for a wide spread of total raw material costs, ranging from about 5 percent to nearly 100 percent.

have exhibited considerable volatility (as shown by data on a monthly basis from the EIA that are presented in figure V-1). None of the producers of solid urea also produce natural gas, but instead purchase natural gas from various suppliers with varying purchase terms, including using several pricing mechanisms to smooth or mitigate the price volatility of natural gas. In its public statements, Agrium reported that its contracts contain mainly one-year terms, with nominal longer-term contracts in place with major suppliers, and that it purchases small amounts of spot market gas to meet peak requirements; it also stated that natural gas prices under its contracts are generally market-indexed with some hedging employed to reduce the impact of the volatility of gas prices, and range from spot purchases to contracts covering several years.[37] Agrium stated that the effect of hedging natural gas was ***.[38] CF stated that ***.[39] CF reported that the effect of its natural gas hedging activity (both physical and financial deals) was ***.[40] PCS reported that its natural gas strategy for domestic production is to purchase approximately half of its needs on the spot market or on short-term contracts and to purchase the remainder under fixed-price physical contracts or forward contracts that fix the price of future deliveries.[41] Terra's reported policy is to hedge 20 percent to 80 percent of its natural gas requirements for the next 12 months and up to 50 percent of requirements for the following 24-month period.[42]

Variance Analysis

The variance analysis showing the effects of prices and volume on U.S. producers' net sales of solid urea, and of costs and volume on their total expenses, is presented in table III-10. The information for this variance analysis is derived from table III-6, but differs in that only total net sales are shown. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume.[43]

---

[37] Agrium's 2004 Annual Report on Form 40-F, "Management's Discussion and Analysis," p. 15 (as filed). It has entered into swap contracts that do not qualify as hedges, representing 7 MMBTU in 2003 and 16 MMBTU in 2002, with maturities in 2004 and 2005 (the firm reportedly consumes approximately 130 MMBTU to 140 MMBTU of natural gas annually). It also entered into natural gas contracts that do qualify for hedge accounting treatment (see following note). Agrium's 2003 Annual Report, pp. 79-80 (as filed).

[38] Agrium's producer questionnaire response. In its 2004 Annual Report, Agrium summarized its natural gas costs and the effects of its hedging operations (Agrium did not ***). The firm consumes nearly 138 MMBTU of natural gas in all of its North American facilities each year, and the cost of natural gas represents nearly 84 percent of the total cost of producing ammonia. While the effect was zero in 2004, the firm incurred a hedging gain of 9 cents per MMBTU in 2003, and a hedging loss of 28 cents per MMBTU in 2002. Agrium 2004 Annual Report on Form 40-F, "Management's Discussion and Analysis," p. 15 (as filed). These represent a gain of approximately $12 million in 2003 and a loss of $38 million in 2002 in Agrium's total ammonia operations.

[39] E-mail from ***, June 10, 2005. In order to meet the accounting definition under standards established by the Financial Accounting Standards Board ("FASB"), a hedge must meet all of several specified criteria.

[40] E-mail from ***, June 10, 2005.

[41] Potash Corp. of Saskatchewan Inc., 2002 Annual Report on Form 10-K, p. I-9 (as filed).

[42] Terra Industries Inc., 2004 Form 10-K, p. 37 (as filed). Its annual North American natural gas requirements are about 106 million MMBTU. According to the firm's 10-K, it had hedged 28 percent of its 2005 requirements but none of its requirements beyond 2005.

[43] Agrium identified the impact of changes in key measurable variables on its earnings. For example, a change of 10 cents per MMBTU of natural gas cost results in a change of Agrium's net earnings by $7 million while a change of $10 per metric ton in the price of urea results in a change of Agrium's net earnings by $15 million. Agrium's Annual Report on Form 40-F, "Management's Discussion and Analysis," p. 12 (as filed).

Table III-10
Solid urea: Variance analysis on U.S. firms' operations, fiscal years 1999-2004

Item	Fiscal years					
	1999-2004	1999-2000	2000-01	2001-02	2002-03	2003-04
	Value (*$1,000*)					
Total net sales:						
Price variance	416,510	124,727	21,137	(93,993)	214,201	147,581
Volume variance	(5,117)	(24,042)	2,509	192,194	(78,065)	(94,856)
Total net sales variance	411,393	100,685	23,646	98,201	136,136	52,725
Cost of sales:						
Cost variance	(245,167)	(60,860)	(96,127)	155,990	(152,881)	(65,336)
Volume variance	5,513	25,900	(2,317)	(206,837)	76,879	85,935
Total cost variance	(239,654)	(34,960)	(98,444)	(50,847)	(76,002)	20,599
Gross profit variance	171,739	65,725	(74,798)	47,354	60,134	73,324
SG&A expenses:						
Expense variance	(6,857)	(2,612)	(310)	3,945	(4,229)	(3,086)
Volume variance	218	1,022	(93)	(6,910)	2,733	2,900
Total SG&A variance	(6,640)	(1,590)	(402)	(2,965)	(1,496)	(186)
Operating income variance	165,099	64,135	(75,200)	44,390	58,638	73,138
Summarized as:						
Price variance	416,510	124,727	21,137	(93,993)	214,201	147,581
Net cost/expense variance	(252,024)	(63,472)	(96,437)	159,935	(157,111)	(68,422)
Net volume variance	613	2,879	99	(21,553)	1,547	(6,022)

Note: Unfavorable variances are shown in parentheses; all others are favorable.

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

The variance analysis is summarized at the bottom of the table and shows that the increase in operating income from 1999 to 2004 is attributable to the favorable price variance (higher unit prices) that was much higher than the unfavorable net cost/expense variance (higher unit costs). However, because of differences in periods reported by certain firms that were noted earlier, this variance analysis has greater relevance for examining changes in operations between 2001 and 2004 than it does for periods prior to 2001. From 2001 to 2004, operating income increased by $176.2 million, attributable to increased unit sales values (a favorable price variance) that was much larger than the increases in unit costs of production and sales (an unfavorable net cost/expense variance) and the increase in volume.
From 2001 to 2002, a favorable net cost/expense variance (unit costs of producing and selling solid urea fell) was greater than a combined unfavorable price variance (unit sales prices declined) and volume variance. This pattern changed during 2002-04 as unit values increased, leading to favorable price variances but unfavorable net cost/expense variances between 2002 and 2003 and between 2003 and 2004. Although sales volume decreased between 2002 and 2003 as well as between 2003 and 2004, sales AUVs increased.

Assets and Return on Investment

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of solid urea to compute return on investment ("ROI") for 1999 to 2004 (table III-11). The data for total net sales and operating profit or (losses) are from table III-6. Operating income was divided by total net sales, resulting in the operating income ratio. Total net sales was divided by total assets, resulting in the asset turnover ratio. The operating income ratio was then multiplied by the asset turnover ratio, resulting in ROI; the expanded form of this equation shows how the profit margin and total assets turnover ratio interact to determine the return on investment.

Table III-11
Solid urea: Value of assets used in production, warehousing, and sales, and return on investment, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Value (*$1,000*)					
Accounts receivable, net	38,144	38,861	30,660	37,637	35,820	20,398
Inventories (finished goods)	33,995	51,059	61,100	49,209	44,387	60,376
Inventories (raw materials, work-in-process)	11,851	13,166	13,289	15,078	10,322	8,605
Original cost of property, plant, and equipment	272,313	277,644	580,723	598,502	226,857	183,489
Book value of property, plant, and equipment	150,831	148,048	404,153	408,573	101,018	47,678
Other assets[1]	119,554	153,204	122,070	98,705	98,632	135,275
Total assets	354,376	404,338	631,272	609,201	290,179	272,331
Total net sales	377,594	478,279	501,925	600,126	736,262	788,987
Operating profit or (loss)	(45,220)	18,915	(56,286)	(11,896)	46,741	119,879
Return on investment (*percent*)[2]	(12.8)	4.7	(8.9)	(2.0)	16.1	44.0

[1] Includes such items as cash, prepaid expenses, deferred taxes, and goodwill.
[2] Calculated by multiplying the operating income ratio times the asset turnover ratio (discussed earlier), or dividing operating income by total assets.

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

Although ROI generally followed operating income (discussed earlier in connection with table III-6), ROI increased more than operating income because of the large decrease in the industry's total assets from 2002 to 2004. Generally, U.S. firms allocated costs, expenses, and assets to solid urea, which represents one product out of several types of nitrogen fertilizers produced in their multiproduct plants. Hence, the fall in the value of total assets represents an allocation issue in part. Also, U.S. producers *** or decreased the value of certain of their assets in part or in whole, some of which is shown as "other expense" in table III-6. This is shown by an analysis of the data on a firm-by-firm basis, which are summarized as follows: ***.

These decreases in total assets more than compensated for the increases in total assets reported by ***.

Capital Expenditures and Research and Development Expenses

U.S. producers' data on their capital expenditures and research and development ("R&D") expenses for their operations on solid urea are shown in table III-12.

Table III-12
Solid urea: U.S. firms' capital expenditures and research and development expenses, fiscal years 1999-2004

* * * * * * *

According to CF's business plan, ***. CF's focus in the near future is on ***.[44] Other firms reportedly are continuing efforts to improve throughput (efficiency in production operations), conversion ratios of natural gas to ammonia and of ammonia to urea, and/or to reduce environmental discharges and potential liability.[45]

[44] CF's business plan, p. 25.

[45] See, for example PCS 2002 Form 10-K, p. I-18 (as filed).

PART IV: U.S. IMPORTS AND THE INDUSTRIES IN RUSSIA AND UKRAINE

U.S. IMPORTS

Table IV-1 presents U.S. imports from all sources, based on official statistics of the Department of Commerce. Official statistics are the most accurate measure of imports of solid urea. Importers' questionnaire responses accounted for only 61 percent of the quantity of imports in 2004 (the most recent year in the review period), as measured by official statistics. There were no imports of solid urea from Russia or Ukraine during the period of review. Although official statistics list minor quantities of solid urea being imported from Russia and Ukraine under the applicable HTS subheading, those entries are in fact misclassifications of other material which is not solid urea.[1] Both the domestic interested parties and respondents agree with the assertion that there have been no subject imports.[2] There is some urea in aqueous solution included in the official statistics, but the amounts are believed to be minimal.[3] The principal nonsubject countries from which there are imports are Bahrain, Canada, China, Egypt, Kuwait, Qatar, Saudi Arabia, Trinidad and Tobago, and Venezuela. In 2004, imports from Canada were 38 percent of total imports, and *** percent of U.S. producers' imports.[4] Imports by country are presented in appendix C, table C-2.

---

[1] Exhibit 2 of the domestic interested parties' November 22, 2004 submission contains corrections to errors to the official statistics of the Department of Commerce, which had listed imports of solid urea from Russia and Ukraine from 1987 to 2004. The corrections are in the form of correspondence with the Department of Commerce validating the claims of the domestic interested parties that the entries originally attributed to imports of solid urea from the subject countries were misclassified and were entries of other products. Over the years, there have been numerous instances of Customs misclassifying solid urea as either urea ammonium nitrate or UAN (which has a similar name) or ammonium nitrate (which has a similar appearance). The HTS subheadings for these three nitrogen fertilizers are very similar, so that misclassification may also be a function of errors on the part of the importer or broker. (Urea's subheading is 3102.10.00; UAN's is 3102.80.00; and ammonium nitrate's is 3102.30.00.) The Fertilizer Institute ("TFI"), an industry organization, regularly identifies in the Census data entries which appear to be erroneous, and requests Customs to confirm or correct those entries. This is done through correspondence with Census. The one outstanding issue remaining at this time is ***. E-mail from *** to Olympia Hand, August 1, 2005.

[2] Ibid. Russian respondent interested parties submitted a letter to Hon. Donald Evans, Response to DOC Notice of Initiation (A-821-801), November 1, 2004, pp. 21-23, in which they stated that they believed there were no imports of Russian solid urea into the United States during the review period.

[3] *Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, USITC Publication 3248, October 1999, p. I-5, fn. 11.

[4] Domestic interested parties' posthearing brief, exh. 13.

Table IV-1
Solid urea: U.S. imports from all sources, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (*1,000 tons*)	3,573	4,275	5,279	4,229	5,480	5,425
Value[1] (*1,000 dollars*)	484,494	619,255	772,216	555,913	866,102	1,021,567
Unit value (*per short ton*)	$135.60	$144.85	$146.28	$131.45	$158.04	$188.30
Ratio of imports to U.S. production (*percent*)	91.4	119.3	135.3	86.1	133.3	143.2

[1] Landed, duty-paid.

Source: Compiled from official Commerce statistics: HTS subheading 3102.10.00, modified by domestic interested parties' corrections that excluded material imported from Russia.

The quantity of imports increased from 1999 to 2001 (as U.S. producers' U.S. shipments decreased), decreased in 2002 (at the same time that domestic shipments surged), and increased in 2003 and 2004 (irregularly) as U.S. producers' U.S. shipments declined. Most of the volume increase came from imports from the Middle East. Average unit values of the imports increased irregularly during the review period, and were roughly parallel to domestic producers' unit values but higher except in 2003 and 2004.[5]

U.S. IMPORTERS' INVENTORIES

Inventories of solid urea held by U.S. importers are presented in table IV-2. Reported inventories were minimal, but increased by almost *** from 2002 to 2003. Only two firms reported inventory holdings: *** and ***. Although *** began importing in 2000, it only began holding inventories in 2003, and therefore the increase in inventories in that year is attributable to ***'s beginning inventory practices.

Table IV-2
Solid urea: U.S. importers' reported end-of-period inventories of imports and ratio of inventories to imports and to U.S. importers' U.S. shipments, 1999-2004

* * * * * * *

[5] Importers' reported imports accounted for approximately 61 percent of the quantity of 2004 imports, as measured by official statistics. Reported imports increased irregularly from 2.2 million short tons ($210 million) in 1999 to 3.3 million short tons ($627 million) in 2004. The trends in imports reported by importers are similar to those of official statistics except for a marked decrease in 2004 that does not match the very slight decrease in imports shown in official statistics. Reported imports decreased from 4.2 million short tons in 2003 to 3.3 million short tons in 2004. That decrease is attributable to *** experiencing large decreases in imports (although *** actually increased its imports during 2003-04). In addition, the average unit values of imports reported by U.S. importers were slightly lower than U.S. producers' average unit values of U.S. shipments except in 1999, when they were $2 lower, and 2001, when they were the same.

THE INDUSTRY IN RUSSIA

The International Fertilizer Development Center ("IFDC") 2004 study on worldwide capacity listing by plant lists 12 facilities having capacity to produce solid urea in Russia. They are JSC Acron ("Acron"); JSC Angarsk ("Angarsk"); JSC Azot Berezniki ("Berezniki"); JSC Azot Cherepovets ("Cherepovets"); JSC Azot Kemerovo ("Kemerovo"); JSC Kuybyshev Azot ("Kuybyshev"); JSC Mineralniye Udobreniy ("Mineralniye"); PJSC Nevinnomysskiy Azot ("Nevinka"); PJSC Novomoskovsk ("Nakazot"); JSC Salavatnefteorgsyntez ("Salavat"); JSC TataAzot ("Tata"); and JSC Togliattiazot ("Togliatti").[6] MCC EuroChem ("EuroChem") controls Nakazot and Nevinka, and Phosagro controls Cherepovets.[7] Therefore there are 11 entities with capacity to produce solid urea in Russia. Of those 11, Acron, Berezniki, EuroChem, Kemerovo, Kuybyshev, and Mineralniye responded to the Commission's foreign producers' questionnaires, accounting for approximately 43 percent of total capacity in Russia to produce solid urea in 2004. However, *** certified that it had no solid urea production during the period of review. Table IV-3 lists each Russian producer and their 2004 capacity from the IFDC 2004 publication and their questionnaire responses if supplied. Published sources and questionnaire sources for firms' production capacity were either identical or fairly close. All firms produced prilled urea.[8] It appears that one of the producers, ***, mothballed its capacity in 1999.[9] Data supplied by domestic interested parties from the Fertilizer Economic Market Analysis and Consultancy ("FERTECON") study in October 2001 seem to confirm the capacities stated in table IV-3, with the exception that the IFDC data list an additional producer, TOAZ.[10]

When asked whether foreign firms in Russia anticipated any changes in the character of their operations or organization relating to the production of solid urea in the future, most firms replied in the negative except for the following. *** stated that by ***, *** production is expected to be set up. The increase in production is planned to be performed in two phases–***. *** responded that it is currently attempting to expand its capacity to produce solid urea in order to meet demand for prilled urea in its current markets (primarily ***). If totally successful, it will expand its capacity (of the ***) by *** percent by 2006. However, if it experiences technical difficulties, it may not be able to achieve that level of capacity increase. The company's business plan reflects the first stages of the expansion.[11] In a June 2005 press release, EuroChem reported a 33-percent increase in capacity planned upon completion in 2005.[12]

---

[6] *Worldwide Urea Capacity Listing by Plant*, International Fertilizer Development Center, October 2004, pp. 10-11.

[7] E-mail from ***, to Raymond Cantrell, July 8, 2005.

[8] The IFDC Capacity by plant listing, October 2004, lists *** as having the capacity to produce granular urea. This is a contradiction with ***, and with the hearing testimony of counsel for respondent interested parties. Hearing transcript, p. 14 (Morgan). See also Russian interested parties' prehearing brief, pp. 77-78.

[9] Submission by respondent interested parties, November 22, 2004, exh. 2, and e-mail from *** to Olympia Hand, July 19, 2005.

[10] Submission by domestic interested parties, November, 22, 2004, exhibit 8.

[11] ***.

[12] Domestic interested parties' prehearing brief, p. 23 and exh. 14.

Table IV-3
Solid urea: Russian producers, their locations, and their capacity in 2004

Firm	Location	2004 capacity[1] *(short tons)*	2004 reported capacity[2] (*short tons*)
Acron[3]	Novogorod	***	***
Angarsk[5]	Irkutsk	***	([4])
Berezniki[6]	Berezniki	***	***
Cherepovets[7]	Cherepovets	***	([4])
Kemerovo[6]	Kemerovo	***	***
Kuybyshev[6]	Togliatti	***	***
Mineralniye[6]	Perm Minudobria	***	([4])
Nevinka[6 8]	Nevinnomissk	***	***
Nakazot[6 8]	Novomoskovsk	***	***
Salavat	Salavat	***	([4])
Tata	Togliatti	***	([4])
Togliatti[9] ("TOAZ")	Samara Oblast	***	([4])
Total		***	***

[1] Capacity derived from IFDC statistics, October 2004.
[2] Capacity derived from questionnaire responses submitted by counsel for respondent interested parties.
[3] ***.
[4] ***.
[5] ***.
[6] Questionnaire submitted by counsel for respondent interested parties.
[7] Controlled by Phosagro.
[8] Controlled by EuroChem.
[9] Was represented by counsel for respondent interested parties but did not reply to the Commission's foreign producers' questionnaire and counsel withdrew representation on July 19, 2005.

Source: *Worldwide Urea Capacity Listing by Plant*, IFDC, October 2004, pp. 10-11, converted to short tons from metric tons of urea measured in nitrogen content reported in the publication; location information partially taken from International Fertilizer Industry Association ("IFA") capacity data by firm transmitted by e-mail to Raymond Cantrell by ***, July 20, 2005; and data submitted in response to Commission questionnaires.

When asked about restraints on production capacity, firms responded with the following. *** reported that a lack of ammonia as a raw material (*** percent of the time) and equipment defects (*** percent of the time) were constraining its capacity. *** stated that natural gas volumes and commercial restraints (reassignment of production volumes of ammonia products in accordance with the sales market trends as regards marginal income value) were constraining its capacity. *** reported that its main constraint was restrictions on raw materials (ammonia).

When asked if firms were able to switch production between solid urea and other products in response to a relative price change in the price of solid urea vis-a-vis the price of other products, using the same equipment and labor, all responding firms replied in the negative.

No firms reported maintaining any inventories of solid urea in the United States at any time since 1999.

Capacity, Production, Capacity Utilization,
Domestic Shipments, Export Shipments, and Inventories in Russia

Tables IV-4 and IV-5 present data collected on the Russian industry from Russian firms responding to foreign producers' questionnaires. Table IV-6 presents data published on the Russian industry from the International Fertilizer Industry Association ("IFA"). Questionnaire data account for about *** percent of total published capacity from the IFDC but for about *** percent of published capacity by the IFA in 2004. The difference may be attributable to the organizations counting different producers in their databases.[13]

Both data sets show high capacity utilization for 2004; however, they differ in how much excess capacity there may have been in the other years of the review period. The trend toward increasing capacity utilization is irregular (with a decrease in 2001 and 2003) in the IFA data and irregular (with a decrease from 2002 to 2003) in the questionnaire data. The size of the home market appears to be larger and growing in the IFA data (an approximately *** percent increase in 2004), compared with the questionnaire data which show a declining trend from approximately *** percent to approximately *** percent of total shipments. The European Union was a growing market, as shown by table IV-5. Shipments to the Asian market experienced a decline during the review period.

Until 1998, China was Russia's largest export market for solid urea. However, in 1998 China instituted a virtual embargo on urea imports into China to assist in the development of China's industry. According to domestic interested parties, although the Russian industry has diverted exports to other countries, especially to Turkey, Brazil, and Mexico, the Chinese embargo did not change the nature of distribution of world trade in urea.[14]

Antidumping measures were implemented against Russian urea by the European Union in 1995, diverting Russian exports to other countries. In 2000, Russian exports began to surge again as European prices strengthened and Russian urea was able to enter above the minimum import price specified in the antidumping measures (115 Euros per metric ton). If European prices were to fall again, the antidumping measures could once again be a barrier to Russian exports of urea.[15] However, prices would have to fall substantially to reach the minimum price and to activate this provision.[16] Data reported in foreign producers' questionnaire responses show Russian exports of solid urea to the European Union growing rapidly during 2000-04.

In recent years, Latin America has been a significant alternative market for Russian exports. However, according to domestic interested parties, recent reports indicated that Latin America is limiting its purchases of Black Sea urea in 2004.[17] IFA data seem to confirm this assertion by showing a similar trend of decreasing Russian exports of solid urea to Latin America during 2003-04 (from *** short tons

[13] Firm-by-firm data are unavailable in the IFA data; the only published industry source for such data is the IFDC. However, the most complete source for production, shipment, and export data is the IFA data.

[14] Submission by domestic interested parties, November 22, 2004, pp. 20-21, and foreign producers' questionnaire responses.

[15] Ibid., pp. 21-22, and foreign producers' questionnaire responses.

[16] Russian interested parties' prehearing brief, pp. 63-64.

[17] Submission by domestic interested parties, November 22, 2004, p. 22.

Table IV-4
Solid urea: Quantity data of reporting firms in Russia, based on questionnaire responses, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Quantity (*1,000 short tons*)					
Capacity	2,822	2,822	2,822	2,822	2,998	3,175
Production	2,073	2,327	2,430	2,680	2,688	2,938
End-of-period inventories	74	83	83	65	89	99
Shipments:						
Internal consumption/ transfers	***	***	***	***	***	***
Home market	***	***	***	***	***	***
Exports to--						
United States	0	0	0	0	0	0
European Union	188	292	402	508	749	1,095
Asia	483	338	162	202	129	179
All other export markets	1,092	1,395	1,559	1,655	1,485	1,277
Total exports	1,763	2,025	2,124	2,365	2,363	2,551
Total shipments	2,117	2,320	2,431	2,699	2,666	2,927
	Ratios and shares (*percent*)					
Capacity utilization	73.5	82.5	86.1	95.0	89.6	92.6
Inventories/production	3.6	3.6	3.4	2.4	3.3	3.4
Inventories/total shipments	3.5	3.6	3.4	2.4	3.3	3.4
Share of total shipments:						
Internal consumption/ transfers	***	***	***	***	***	***
Home market	***	***	***	***	***	***
Exports to:						
United States	0.0	0.0	0.0	0.0	0.0	0.0
European Union	8.9	12.6	16.5	18.8	28.1	37.4
Asia	22.8	14.6	6.7	7.5	4.8	6.1
All other export markets	51.6	60.1	64.1	61.3	55.7	43.6
Total exports	83.3	87.3	87.4	87.6	88.6	87.1

Note.--Because of rounding, figures may not add to the totals shown. Capacity utilization is based on firms that provided both numerator and denominator data.

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

Table IV-5
Solid urea: Value data of reporting firms in Russia, based on questionnaire responses, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Value (*$1,000*)[1]					
Shipments:						
Home market (commercial)	10,896	11,207	14,449	17,819	20,862	33,837
Exports to–						
United States	0	0	0	0	0	0
European Union	8,690	19,479	28,925	31,282	82,340	147,253
Asia	33,104	31,674	14,570	18,800	16,014	29,835
All other export markets	55,207	92,438	107,227	112,412	163,008	180,709
Total exports	97,001	143,591	150,722	162,494	261,362	357,797
Total shipments	107,897	154,798	165,172	180,313	282,224	391,634
	Unit value (*per short ton*)[1]					
Shipments:						
Home market (commercial)	$38.27	$47.42	$57.50	$63.21	$86.09	$110.96
Exports to–						
United States	([2])	([2])	([2])	([2])	([2])	([2])
European Union	46.29	66.65	71.91	61.60	109.95	134.53
Asia	68.50	93.76	89.70	92.88	123.91	166.52
All other export markets	50.55	66.27	68.78	67.93	109.77	141.46
Average, all exports	55.02	70.91	70.97	68.71	110.60	140.25
Average, total shipments	52.69	68.46	69.55	68.12	108.32	137.12

[1] The basis of the reported value is net value, f.o.b. point of shipment in Russia.
[2] Not applicable.

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

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

Table IV-6
Solid urea: Salient data on the industry in Russia, based on IFA statistics, 1999-2004

* * * * * * *

in 2003 to *** short tons in 2004, a decline of about *** percent).[18] However, counsel for Russian interested parties argued that demand in Latin America for solid urea is expected to grow in the coming years, citing British Sulphur Consultants and IFA.[19] Counsel also argued that subject countries' exports to Latin America increased by *** percent from the first half of 2004 to the first half of 2005.[20] Moreover, overall exports of solid urea from Russia to world markets greatly increased during 2000-04.

Inventories reported by Russian producers were fairly small. Domestic interested parties have alleged that there is a buildup in export inventory. They have alleged that Russian and Ukrainian production is far outstripping demand and that it is being shipped to the ports in hope of finding a market. The buildup is so serious that at the port of Yuzhnyy, a ban was instituted on additional urea railcars being brought from production points into the port.[21] However, counsel for Russian interested parties has contradicted this assertion in hearing testimony, explaining that such inventory buildups were "isolated at best."[22] Also, according to several Russian producers, rail car bans are common and are caused by a delay in the vessel's arrival, not the buildup of unsold merchandise at the port.[23]

THE INDUSTRY IN UKRAINE

The IFDC study on worldwide capacity in 2004 lists seven producers of solid urea in Ukraine. They are: Fedcominvest ("FCI"); JSC Azot Cherkassy ("Cherkassy"); JSC Concern Stirol ("Concern Stirol"); JSC DneproAzot ("Dnepro"); Joint Venture Ukrvneshtradeinvest Ltd. ("Ukrvneshtradeinvest"); Odessa Port Plant ("OPZ"); and Severodonetsk State Manufacturing Enterprise ("Severodonetsk"). No Ukrainian producer responded to the Commission's foreign producers' questionnaires, although questionnaires were faxed to all Ukrainian producers identified with fax numbers in the November 22, 2004 submission of the domestic interested parties. Table IV-7 lists the Ukraine producers' capacity for 2004, based on IFDC data. All capacities listed are for plants producing prilled urea.[24] Data supplied by domestic interested parties from the FERTECON study in October 2001 seem to confirm the IFC capacities presented in table IV-8, with the exception that the IFDC data list additional producers FCI and Ukrvneshtradeinvest.[25]

---

[18] Urea statistics, IFA, 2003 and 2004.

[19] Russian interested parties' prehearing brief, p. 42.

[20] Ibid., p. 4.

[21] Domestic interested parties' prehearing brief, p. 24 and hearing transcript, p. 51 (Klett).

[22] Hearing transcript, p. 184 (Campbell).

[23] Russian interested parties' posthearing brief, responses to the questions of the Commission, p. 18.

[24] FCI and Severodonetsk are not identified as producing a specific type of solid urea; however, at the hearing, counsel for respondent interested parties testified that there were no subject foreign producers producing granular solid urea currently. Hearing transcript, p. 14 (Morgan). There is an allegation by counsel for domestic interested parties that one Ukrainian producer, JSC Concern Stirol in Gorlovka, has made (or is considering making) the conversion from prilled to granular production. Domestic interested parties' prehearing brief, p. 6, fn. 23 and exh. 3. This allegation seems to be confirmed by counsel for respondent interested parties. Hearing transcript, p. 14 (Morgan), and posthearing brief, answers to questions of the Commission, p. 6.

[25] Submission by domestic interested parties, November, 22, 2004, exh. 8.

Table IV-7
Solid urea: Ukrainian producers, their locations, and their capacity in 2004

Firm	Location	2004 capacity *(1,000 short tons)*
FCI	Donetsk Oblast	***
Cherkassy	Cherkassy	***
Concern Stirol	Donetsk Oblast	***
Dnepro	Dnepropetrovskaya	***
Ukrvneshtradeinvest	Luganskaya	***
OPZ	Yuzhny	***
Severodonetsk	Severodonestk	***
Total		***

Source: *Worldwide Urea Capacity Listing by Plant*, IFDC, October 2004, pp. 10-11, converted to short tons from metric tons urea measured in nitrogen content reported in the publication; and IFA location information by firm transmitted by e-mail to Raymond Cantrell by ***, July 20, 2005.

Until 1998, China was Ukraine's largest export market for solid urea. However, in 1998 China instituted a virtual embargo on its urea imports in order to assist in the development of its industry. Although the Ukrainian industry has diverted exports to other countries, especially to Turkey, Vietnam, and Latin America (especially Brazil and Mexico), according to domestic interested parties, the Chinese embargo did not change the nature of distribution of world trade in urea.[26] However, the Vietnamese market is likely to be less reliant on imports from Ukraine in the future because Vietnam built a 725,000 metric ton plant in Phu My in 2004. In addition, it has plans to construct another plant of that size in Ca Mao by 2008. In addition, Vietnam is sourcing imports increasingly from China rather than from the Black Sea producers. Further, Mexico imposed antidumping duties on urea from Ukraine in March 2003.[27] However, total exports of solid urea from Ukraine to world markets grew during 2001-04. In January 2002, the EU imposed antidumping duties against urea from Ukraine. Exports to the European Union from Ukraine declined after 2002.[28]

Capacity, Production, Capacity Utilization, Domestic Shipments, and Export Shipments in Ukraine

Table IV-8 presents IFA data on the industry in Ukraine during the review period. Similar to data differences for the industry in Russia, the capacity data in table IV-8 differ from the IFDC capacity data presented in table IV-7, possibly due to different firms included in the databases. The IFA capacity in 2004 is *** percent of the IFDC capacity. Capacity utilization increased to very high levels during the period. The home market was extremely small, resulting in an export-driven industry that accounted for *** percent of total shipments in 2004.

[26] Ibid, p. 24.

[27] Ibid.

[28] European Fertilizer Manufacturers Associations ("EFMA") press release, January 22, 2002, and Russian interested parties' prehearing brief, pp. 8-10.

Table IV-8
Solid urea: Salient data on the industry in Ukraine, 1999-2004

* * * * * * *

THE INDUSTRIES IN RUSSIA AND UKRAINE COMBINED

Table IV-9 presents data on the Russian and Ukraine industries combined. The capacity of the combined subject industries is more than twice the capacity of the U.S. industry in 2004. Total shipments of the subject industries are about three times the total shipments of the domestic industry in 2004. Together, the subject countries account for *** percent of total world exports of solid urea.[29]

Table IV-9
Solid urea: Salient data on the industries in Russia and Ukraine combined, 1999-2004

* * * * * * *

THE WORLD INDUSTRY

Table IV-10 presents IFA data on the projected world supply and demand situation for solid urea for 2005-09. The excess capacity situation is expected to increase, as firms build capacity more quickly than demand is expected to increase. ***.[30]

Table IV-10
Solid urea: Projected world data, 2005-09

* * * * * * *

The reported main supply/demand factors during January-June 2005 were ***. New capacity will be commissioned in 2006-07, ***.[31]

---

[29] Fertecon, "Urea International Production and Trade Statistics," domestic interested parties' prehearing brief, exh. 1.

[30] Domestic interested parties' posthearing brief, p. 8, and exh. 8.

[31] E-mail from *** October 7, 2005.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials as a share of cost of goods sold for domestic producers of solid urea fluctuated between 1999 and 2004, increasing overall from 60 percent of the cost of goods sold in 1999 to 77 percent in 2004. Natural gas constitutes a substantial portion of the raw material costs for producing solid urea. Unit values for natural gas increased from $47.58 per short ton of net sales in 1999 to $110.74 per short ton of net sales in 2004. As seen in figure V-1, the price of natural gas increased by 550 percent between January 1999 and September 2005, increasing by 342 percent between January 1999 and January 2001, and then fluctuating between January 2001 and September 2005, increasing by 47 percent during this period. The price of natural gas is forecast to fluctuate between September 2005 and December 2006, falling by 20 percent overall.

Transportation Costs to the U.S. Market

Since there were no imports of solid urea from Russia and Ukraine between 1999 and 2004, transportation costs for solid urea from Russia and Ukraine to the United States could not be calculated from the c.i.f. and customs value of subject imports. Domestic interested parties indicated that industry trade publications do not publish ocean freight from Baltic or Black Sea ports to the U.S. Gulf.[1] Instead, they have relied on freight rates for ammonium nitrate imported from Russia when available, then freight rates for nonsubject imports from Black Sea or Baltic Sea ports when available, and otherwise freight rates for nonsubject imports to the U.S. Gulf.[2] These freight rates ranged from $20 per metric ton to $39 per metric ton during 2004[3] (about 11 to 20 percent of the customs value of nonsubject imports in 2004).[4] Russian respondents indicated that the only reported shipping rates they were aware of that might approximate freight for imports to the United States from Russia and Ukraine were FERTECON data on ocean freight costs for nitrogen fertilizers from the Baltic and Black Sea to Brazil, which ranged from $*** per metric ton to $*** per metric ton (about *** to *** percent of the customs value of nonsubject imports) and $*** per metric ton to $*** per metric ton (about *** to *** percent of the customs value of nonsubject imports) respectively during 2004, and from the Black Sea to the west coast of Mexico, which ranged from $*** per metric ton to $*** per metric ton in 2004 (about *** to *** percent of the customs value of nonsubject imports).[5]

U.S. Inland Transportation Costs

Four of five responding producer/importers and one of seven responding importers indicated that both the firm and the purchaser arrange for transportation to the customers' locations. One of two

[1] Domestic interested parties' posthearing brief, app., p. 33.

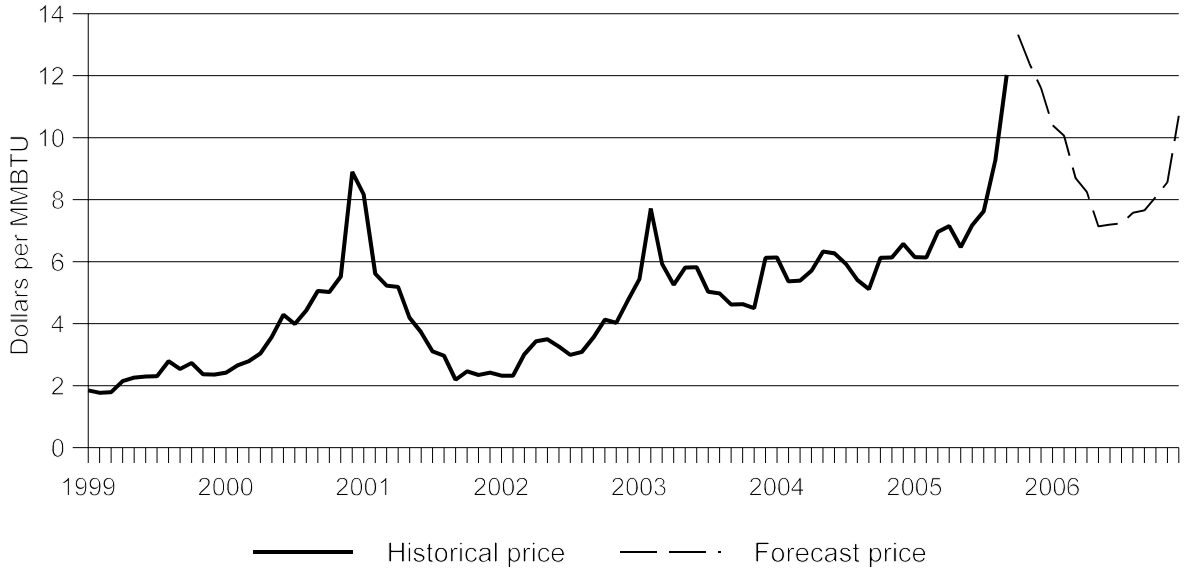
[2] Ibid.

[3] Domestic interested parties' posthearing brief, exh. 16.

[4] Staff calculation using reported customs value of nonsubject imports of $183.86 per metric ton in 2004.

[5] Russian respondents' posthearing brief, Responses to the Questions of the Commission, p. 45 and exh. 16.

Figure V-1
Solid urea: Monthly prices of natural gas, historical prices for January 1999-September 2005, and forecast prices for October 2005-December 2006



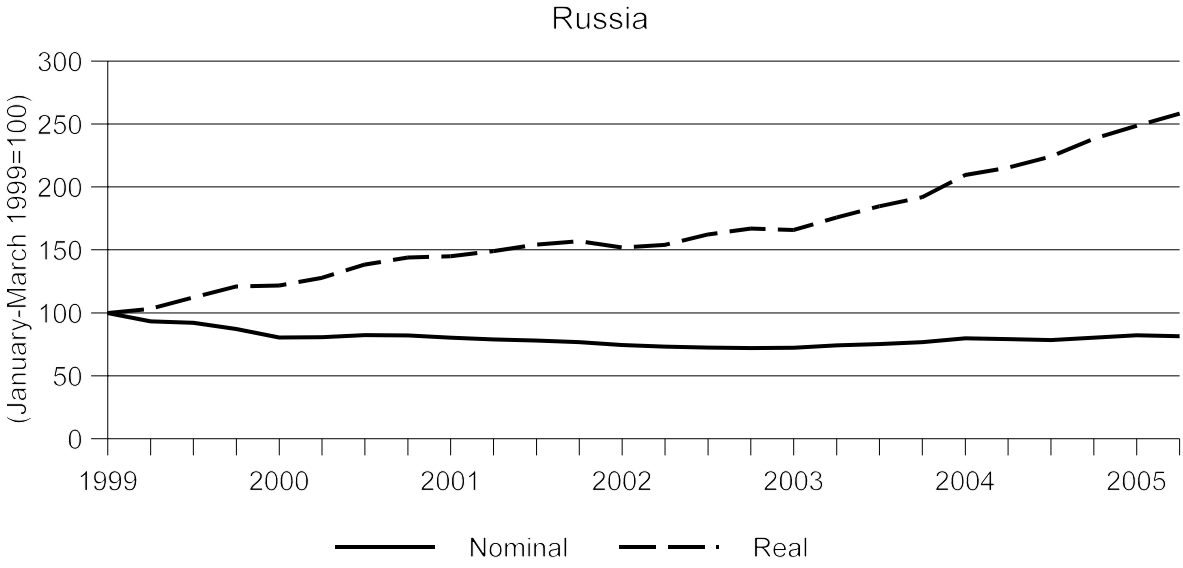
Source: Henry Hub Spot natural gas price, downloaded from http://tonto.eia.doe.gov/steo_query/app/ngresult.asp on October 14, 2005.

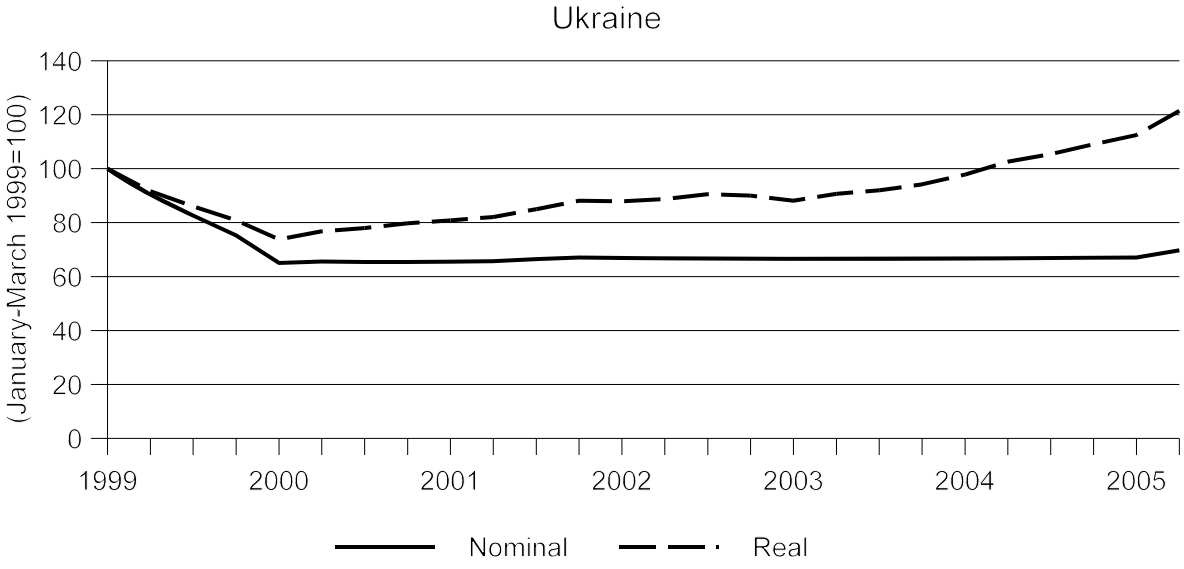
responding U.S. producers, the only remaining responding producer/importer, and three of the remaining responding importers indicated that they arrange for transportation to their customers' locations, while the remaining responding U.S. producer and three importers reported that their customers arrange for transportation. All but one responding importer and all responding producer/importers and producers reported that U.S. transportation costs were between *** and *** percent of the total delivered cost of solid urea. The remaining responding importer (***) reported that U.S. transportation costs range from *** to *** percent and the remaining responding producer/importer (***) reported that U.S. transportation costs range from *** to *** percent. All responding U.S. producers, importers, and producer/importers reported that at least 70 percent of their sales were no more than 1,000 miles from their storage or production facilities.

Exchange Rates

Nominal and real values of the currencies of Russia and Ukraine from January 1999 to June 2005 are presented in figure V-2. Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Russian ruble depreciated by 18 percent relative to the U.S. dollar from the first quarter of 1999 to the second quarter of 2005. The real value of the ruble appreciated by 158 percent relative to the U.S. dollar between the first quarter of 1999 and the second quarter of 2005. The nominal value of the Ukrainian hryvnia depreciated by 30 percent relative to the U.S. dollar between the first quarter of 1999 and the second quarter of 2005, while the real value of the hryvnia appreciated by 21 percent relative to the U.S. dollar between the first quarter of 1999 and the second quarter of 2005.

Figure V-2
Solid urea: Indices of the nominal and real exchange rates of Russia and Ukraine relative to the U.S. dollar, by quarters, January 1999 to June 2005
Source: International Monetary Fund, *International Financial Statistics*, various issues.





PRICING PRACTICES

Pricing Methods

Five of seven responding importers reported making at least 95 percent of their sales on a spot basis, with the two remaining importers making at least 70 percent of their sales through short-term contracts. The only responding producer reported making *** percent of its sales on a spot basis. Two of the five responding producer/importers reported making all their sales on a spot basis, while two remaining producer/importers reported that close to one-half of their sales are made on a spot basis. One of these producer/importers reported using short-term contracts for most of the rest of its sales, while the other producer/importer reported using long-term contracts for most of its remaining sales. The remaining producer/importer made *** and *** percent of its sales using short-term contracts, with the remaining sales made on a spot basis.

Sales Terms and Discounts

All reporting U.S. producers and most importers (six of seven) reported that they have no discount policy.[6] However, three of five responding producer/importers reported offering discounts to at least some customers. Two producer/importers reported offering quantity discounts. Almost all producers, importers, and producer/importers reported selling on an f.o.b. basis at least part of the time. However, ***.[7]

All responding producers, producer/importers, and five of seven responding importers reported making all of their sales out of inventory, and the remaining two importers (***) reported making all of their sales to order.

PRICE DATA

The Commission requested U.S. producers and importers of solid urea to provide quarterly data for the total quantity and f.o.b. value of solid urea that was shipped to unrelated customers in the U.S. market. Data were requested for the period January 1999 to December 2004. The products for which pricing data were requested are as follows:

Product 1.–Prilled urea, dry, 100-percent urea basis
Product 2.–Granular urea, dry, 100-percent urea basis

Seven U.S. producers (***) provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Price data reported by these firms accounted for *** percent of U.S. producers' commercial shipments of solid urea in 2004. No price data were reported for Russia or Ukraine.

[6] One of these six importers reported that it does not offer discounts "most of the time."

[7] See Part II for a more detailed discussion of ***.

Price data are presented in table V-1 and figure V-3.[8] Price data for product 1 by end use are presented in table V-2.[9] Product 1 used for animal feed, pharmaceuticals, and unknown end uses was priced higher than product 2 in all 24 instances. Product 1 was priced higher than product 2 in 15 of 24 instances when used for adhesives, 20 of 24 instances when used for fertilizer, 17 of 24 instances when used for lawn and garden products, and 12 of 20 instances for other industrial uses.

Price Trends

Prices for U.S.-produced solid urea increased between 1999 and 2004, with prices increasing from 1999 to 2001, declining in 2001, and then increasing from 2002 to 2004. Between the first quarter of 1999 and the fourth quarter of 2004, the weighted-average sales price of U.S.-produced products 1 and 2 increased by *** percent and *** percent, respectively.

Figure V-4 shows Green Markets' monthly average Gulf Coast f.o.b. prices for domestic and imported solid urea in prilled form and solid urea in granular form. Figures V-5 and V-6 compare the price data and collected by the Commission with quarterly averages prices of the corresponding Green Markets prices. Figure V-5 compares the price of U.S.-produced product 1 (prilled form) and the quarterly average of Green Markets' prices for domestic and import solid urea in prilled form, and figure V-6 compares prices of U.S.-produced product 2 (granular form) with the quarterly average of Green

Table V-1
Solid urea: Weighted-average f.o.b. prices and quantities of domestic products 1 and 2, by quarters, January 1999-December 2004

* * * * * * *

Table V-2
Solid urea: Weighted-average f.o.b. prices and quantities of domestic product 1 by quarters and end uses, January 1999-December 2004

* * * * * * *

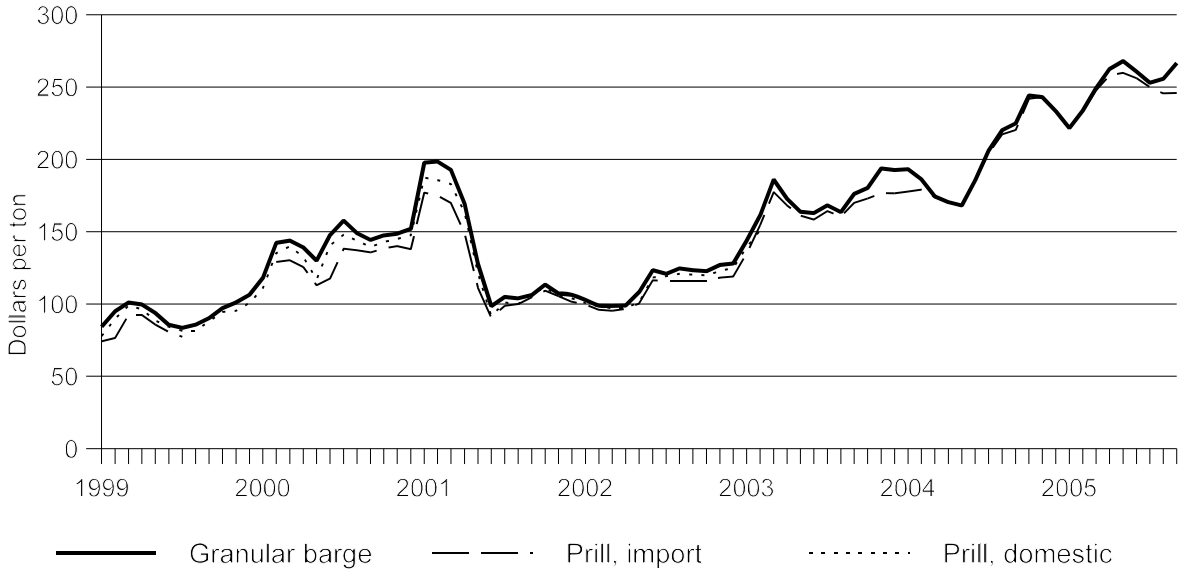
Figure V-3
Solid urea: Weighted-average f.o.b. prices of domestic products 1 and 2, by quarters, January 1999-December 2004

* * * * * * *

[8] Due to differences in aggregate and end use specific price data reported by MCC, the sum of the volume and values of the end-use specific price data in table V-2 is not equal to the volume and values for product 1 in table V-1 for some quarters. MCC indicates that the sum of its reported quarterly volumes and values for product 1 by end use are close, but not identical to the volumes and values for product 1 originally submitted to the Commission. MCC indicates that possible explanations for this discrepancy are post-sale adjustments or end-of-quarter inventory adjustments that were made to the aggregate data, but not made to the end-use specific data, and that end-use specific values for product 1 would have included some U.S.-inland freight if sales were on a delivered price basis. MCC indicates that over the period of the Commission's review, the differences are less than *** percent and that where differences exist, the aggregate data reported in the questionnaire are believed to be more accurate than the sum of the end-use specific data. Submission of MCC's pricing data, October, 12, 2005.

[9] Price data for product 1 by end use were requested from all domestic interested parties at the hearing and include data reported by ***.

Figure V-4
Solid urea: Average Gulf Coast f.o.b. prices, by forms and by months, January 1999-September 2005



Source: Green Markets, various issues.

Figure V-5
Solid urea: Price indices of weighted-average f.o.b. prices of domestic product 1 and of average f.o.b. prices of domestic and imported urea in prill form, by quarters, January 1999-December 2004

* * * * * * *

Figure V-6
Solid urea: Price indices of weighted-average f.o.b. prices of domestic product 2 and of average f.o.b. prices of solid urea in granular barge form, by quarters, January 1999-December 2004

* * * * * * *

Markets' prices for solid urea in granular form. The correlation coefficients between the prices of U.S. product 1 and the quarterly average of Green Market's prilled domestic and import prices are 0.90 and 0.96, respectively.[10] The correlation coefficient between the price of U.S. product 2 and the quarterly

[10] The correlation coefficient between U.S. product 1 and the quarterly average of Green Markets' domestic prill price was based on data between the first quarter of 1999 through the first quarter of 2003, due to data availability. Also, the correlation coefficient between U.S. product 1 and the quarterly average of Green Markets' imported prill price was based on data between the first quarter of 1999 through the third quarter of 1999 and the first quarter of

(continued...)

average of Green Markets' granular barge form is 0.98. Figure V-7 compares the prices of U.S.-produced products 1 and 2 with the price of natural gas, a major raw material for producing solid urea. The correlation coefficients between the prices of U.S. products 1 and 2 and the quarterly average prices of natural gas were 0.84 and 0.88, respectively.

Domestic interested parties claim that the U.S. market is more attractive to subject importers than other export markets, indicating that the Green Markets price for Gulf Coast f.o.b. imported prilled urea net of the estimated importer markup and ocean freight is higher than the price for Black Sea f.o.b. prilled in 60 of 69 monthly comparisons from January 2000 to September 2005.[11] Domestic interested parties also claim that revocation of the antidumping duty orders is likely to result in significant underselling by subject countries, citing lower prices for urea shipped from the Black Sea compared to urea shipped from the Middle East, and that prices of recent U.S. imports of solid urea from Belarus, Estonia, Lithuania, and Romania would be higher than prices of imports from subject countries.[12]

Russian respondents claim that prices for urea shipped from the Black Sea are lower than prices for urea shipped from the Arabian Gulf because urea shipped from the Black Sea has a freight disadvantage to urea shipped from the Arabian Gulf to Asia, which is the primary region where the two compete.[13] Russian respondents also claim that significant adverse price effects are not likely because f.o.b. prices to different markets reflect transportation costs, payment terms, conditions of sale, and lead times in those markets; that pricing from Romania and Estonia is not indicative of likely subject merchandise pricing due to low capacity utilization rates in Romania and Estonia and lower quality of imports from those countries; that there is no actual evidence of underselling in any markets, only lower f.o.b. and c.i.f. values; and that there are differences between granular and prilled urea.[14]

Figure V-7
Solid urea: Price indices of weighted-average f.o.b. prices of domestic products 1-2 and the average price of natural gas, by quarters, January 1999-December 2004

* * * * * * *

---

[10] (...continued)
2000 through the first quarter of 2003, due to data availability. These correlations do not necessarily imply causation and these price trends may track one another for reasons having nothing to do with each other's prices, such as macroeconomic trends or prices of other substitute or downstream goods.

[11] Domestic interested parties' prehearing brief, p. 32 and exh. 12. In their posthearing brief, domestic interested parties provide a revised version of the netback analysis, indicating there were no significant changes in the results. Domestic interested parties' posthearing brief, app., pp. 32-33 and exh. 16.

[12] Domestic interested parties' prehearing brief, pp. 45-50.

[13] Hearing transcript, p. 180 (Morgan). Respondents cite the Yara Fertilizer Handbook, May 31, 2005 as the source of this information, which is in exhibit 17 of their prehearing brief. Russian respondents also claimed that the Green Markets prices were f.o.b. plant instead of f.o.b port. Hearing transcript, p. 181 (Morgan). However, correspondence between domestic interested parties and Steve Seay of Green Markets indicate that the Black Sea and Middle East price series should generally be regarded as "port, not plant." Domestic interested parties' posthearing brief, exhibit 21.

[14] Russian respondents' posthearing brief, pp. 8-12.

APPENDIX A

FEDERAL REGISTER NOTICES AND THE COMMISSION'S STATEMENT ON ADEQUACY

Merchandise from the Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in the Subject Country after 1998, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in the Subject Country, and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

By order of the Commission.

Issued: September 23, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–22132 Filed 9–30–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731–TA–339 and 340–B–I (Second Review)]

Solid Urea From Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan [1]

AGENCY: United States International Trade Commission.

ACTION: Institution of five-year reviews concerning the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

SUMMARY: The Commission hereby gives notice that it has instituted reviews pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission; [2] to be assured of consideration, the deadline for responses is November 22, 2004. Comments on the adequacy of responses may be filed with the Commission by December 14, 2004. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: October 1, 2004.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION:

Background.—The Department of Commerce published antidumping duty orders on solid urea from the Union of Soviet Socialist Republics (U.S.S.R.) and Romania on July 14, 1987 (52 FR 26367). In December 1991, the U.S.S.R. divided into 15 independent states. To conform to these changes, the Department of Commerce changed the name and case number of the original U.S.S.R. antidumping duty order into 15 orders applicable to each independent state of the former U.S.S.R. (57 FR 28828, (June 29, 1992)). Following five-year reviews by Commerce and the Commission, effective November 17, 1999, Commerce issued a continuation of the antidumping duty orders on imports of solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan (64 FR 62653). The Commission is now conducting second reviews to determine whether revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

Definitions.—The following definitions apply to these reviews:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year reviews, as defined by the Department of Commerce.

(2) The *Subject Countries* in these reviews are Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the Subject Merchandise. In its original determinations and its expedited five-year review determinations, the Commission defined the Domestic Like Product as solid urea consistent with Commerce's scope of subject merchandise.

(4) The *Domestic Industry* is the U.S. producers as a whole of the Domestic Like Product, or those producers whose collective output of the Domestic Like Product constitutes a major proportion of the total domestic production of the product. In its original determinations and its expedited five-year review

[1] The investigation numbers are as follows: Romania is 731–TA–339 (Second Review) and Belarus, Estonia, Lithuania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan are, respectively, 731–TA–340–B through 340–I (Second Review).

[2] No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117–0016/USITC No. 04–5–101, expiration date June 30, 2005. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

determinations, the Commission defined the Domestic Industry as all domestic producers of solid urea.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the Subject Merchandise into the United States from a foreign manufacturer or through its selling agent.

Participation in the reviews and public service list.—Persons, including industrial users of the Subject Merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission is seeking guidance as to whether a second transition five-year review is the ''same particular matter'' as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was ''personal and substantial.'' However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at 202–205–3088.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Certification.—Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written submissions.—Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is November 22, 2004. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. The deadline for filing such comments is December 14, 2004. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

Inability to provide requested information.—Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

Information To Be Provided in Response To This Notice of Institution: If you are a domestic producer, union/worker group, or trade/business association; import/export Subject Merchandise from more than one Subject Country; or produce Subject Merchandise in more than one Subject Country, you may file a single response. If you do so, please ensure that your response to each question includes the information requested for each pertinent Subject Country. As used below, the term ''firm'' includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the Domestic Like Product, a U.S. union or worker group, a U.S. importer of the Subject Merchandise, a foreign producer or exporter of the Subject Merchandise, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty orders on the Domestic Industry in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of Subject Merchandise on the Domestic Industry.

(5) A list of all known and currently operating U.S. producers of the Domestic Like Product. Identify any known related parties and the nature of the relationship as defined in section

771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in each Subject Country that currently export or have exported Subject Merchandise to the United States or other countries after 1998.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production;

(b) The quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s); and

(c) The quantity and value of U.S. internal consumption/company transfers of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from any Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from each Subject Country accounted for by your firm's(s') imports;

(b) The quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. commercial shipments of Subject Merchandise imported from each Subject Country; and

(c) The quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. internal consumption/company transfers of Subject Merchandise imported from each Subject Country.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in any Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in each Subject Country accounted for by your firm's(s') production; and

(b) The quantity and value of your firm's(s') exports to the United States of Subject Merchandise and, if known, an estimate of the percentage of total exports to the United States of Subject Merchandise from each Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in each Subject Country after 1998, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in each Subject Country, and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

By order of the Commission.

Issued: September 23, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–22130 Filed 9–30–04; 8:45 am]

BILLING CODE 7020–02–P

JUDICIAL CONFERENCE OF THE UNITED STATES

Meeting of the Judicial Conference Advisory Committee on Rules of Evidence

AGENCY: Judicial Conference of the United States, Advisory Committee on Rules of Evidence.

ACTION: Notice of open meeting.

SUMMARY: The Advisory Committee on Rules of Evidence will hold a one-day meeting. The meeting will be open to public observation but not participation.

DATES: January 15, 2005.

TIME: 8:30 a.m. to 5 p.m.

ADDRESSES: Clift Hotel, 495 Geary Street, San Francisco, California.

FOR FURTHER INFORMATION CONTACT: John K. Rabiej, Chief, Rules Committee Support Office, Administrative Office of the United States Courts, Washington, DC 20544, telephone (202) 502–1820.

Dated: September 23, 2004.

John K. Rabiej,

Chief, Rules Committee Support Office.

[FR Doc. 04–22095 Filed 9–30–04; 8:45 am]

BILLING CODE 2210–55–M

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

[Docket No. 04–9]

Gabriel Sagun Orzame, M.D. Revocation of Registration

On October 7, 2003, the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration (DEA), issued an Order to Show Cause to Gabriel Sagun Orzame, M.D. (Respondent) notifying him of an opportunity to show cause as to why DEA should not revoke his DEA Certificate of Registration, AO1690367, under 21 U.S.C. 824(a)(3) and (a)(4), and deny any pending applications for renewal or modification of that registration. Specifically, the Order to Show Cause alleged in relevant part, the following:

1. Effective November 17, 2002, the State of Michigan, Department of Consumer and Industry Services, Board of Medicine Disciplinary Subcommittee (Board), revoked the Respondent's

notice, and to authorize the administrative law judge and the Commission, without further notice to the respondent, to find the facts to be as alleged in the complaint and this notice and to enter a final determination containing such findings, and may result in the issuance of a limited exclusion order or cease and desist order or both directed against the respondent.

By order of the Commission.

Issued: January 11, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–905 Filed 1–14–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–340E and H (Second Review)]

Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Notice of Commission determinations to conduct full five-year reviews concerning the antidumping duty orders on solid urea from Russia and Ukraine.

SUMMARY: The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: January 4, 2005.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202) 205–3193, Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION: On January 4, 2005, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act. The Commission found that both the domestic and Russian respondent interested party group responses to its notice of institution (69 FR 58957, October 1, 2004) were adequate but it found that the Ukrainian respondent interested party group response was inadequate. However, the Commission determined to conduct a full review concerning subject imports from Ukraine to promote administrative efficiency in light of its decision to conduct a full review with respect to solid urea from Russia. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: January 12, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–904 Filed 1–14–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[USITC SE–05–001]

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: International Trade Commission.

TIME AND DATE: January 26, 2005, at 2 p.m.

PLACE: Room 101, 500 E Street, SW., Washington, DC 20436, telephone: (202) 205–2000.

STATUS: Open to the public.

MATTERS TO BE CONSIDERED:

1. Agenda for future meetings: None.
2. Minutes.
3. Ratification List.
4. Inv. No. 731–TA–653 (Second Review)(Sebacic Acid from China)—briefing and vote. (The Commission is currently scheduled to transmit its determination and Commissioners' opinions to the Secretary of Commerce on or before February 8, 2005.)
5. Outstanding action jackets:

(1) Document No. GC–04–152: Concerning administrative matters.

(2) Document No. GC–04–173: Concerning Inv. No. 337–TA–406 (Certain Lens-Fitted Film Packages)(Enforcement Proceedings II).

(3) Document No. GC–04–178: Concerning administrative matters.

In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

Issued: January 12, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–1019 Filed 1–13–05; 12:10 pm]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Bureau of Alcohol, Tobacco, Firearms and Explosives

Agency Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 60-day notice of information collection under review: certification on agency letterhead authorizing purchase of firearm for official duties of law enforcement officer.

The Department of Justice (DOJ), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), has submitted the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. Comments are encouraged and will be accepted for ''sixty days'' until March 21, 2005. This process is conducted in accordance with 5 CFR 1320.10.

If you have comments especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact David Chipman, Chief, Firearms Enforcement Branch, Room 7400, 650 Massachusetts Avenue, NW., Washington, DC 20226.

Written comments and suggestions from the public and affected agencies concerning the proposed collection of information are encouraged. Your

Federal Register and posted on our Internet site at *http://www.mms.gov/mmab/RoyaltyPolicyCommittee/rpc_homepage.htm.* Meetings will be open to the public without registration in advance on a space-available basis. The public may make statements during the meetings, to the extent time permits, and file written statements with the RPC for its consideration. Copies of these written statements should be submitted to Mr. Fields. Within 2 weeks following the conclusion of each meeting, the minutes will be posted on our Internet site, and will be available for public inspection and copying at our offices located in Building 85, Room A–614, Denver Federal Center, Denver, Colorado 80225.

These meetings are conducted under the authority of the Federal Advisory Committee Act (Pub. L. 92–463, 5 U.S.C., Appendix 1) and the Office of Management and Budget (Circular No. A–63, revised).

Dated: April 7, 2005.

Cathy J. Hamilton,

Acting Associate Director, Minerals Revenue Management.

[FR Doc. 05–7401 Filed 4–12–05; 8:45 am]

BILLING CODE 4310–MR–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–340–E and H (Second Review)]

Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping duty orders on solid urea from Russia and Ukraine.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: Effective April 7, 2005.

FOR FURTHER INFORMATION CONTACT: Olympia DeRosa Hand (202–205–3182), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background. On January 4, 2005, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (70 FR 2882, January 18, 2005). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews and public service list. Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report. The prehearing staff report in the reviews will be placed in the nonpublic record on July 13, 2005, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing. The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on August 2, 2005, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before July 20, 2005. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on July 25, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions. Each party to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is July 22, 2005. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is August 11, 2005; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before August 11, 2005. On September 1, 2005, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before September 6, 2005, but such final comments must not contain new factual information and must otherwise comply

with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

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

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: April 8, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–7452 Filed 4–12–05; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Federal Bureau of Investigation

Bureau Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 60-day notice of information collection under review: communications assistance for Law Enforcement Act readiness survey.

The Department of Justice, Federal Bureau of Investigation (FBI), has submitted the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. Comments are encouraged and will be accepted for ''sixty days'' until June 13, 2005. This process is conducted in accordance with 5 CFR 1320.10.

If you have comments especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact Norm Wright, CIU–FBI, 14800 Conference Center Drive, Suite 300, Chantilly, VA 20151 or *nwright@askcalea.net.*

Written comments and suggestions from the public and affected TSPs concerning the proposed collection of information are encouraged. Your comments should address one or more of the following four points:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological techniques or other forms of information technology.

Overview of this information collection:

(1) *Type of Information Collection:* New collection.

(2) *Title of the Form/Collection:* Communications Assistance for Law Enforcement Act (CALEA) Readiness Survey.

(3) *Agency form number, if any, and the applicable component of the Department of Justice sponsoring the collection: Form Number:* None. Bureau of Federal Investigation.

(4) The information collected in the survey will be stored in a database and be used to evaluate the effectiveness of CIU programs for implementing CALEA solutions in the Public Switched Telephone Network (PSTN). Affected Telecommunications Service Providers (TSP) will be asked to identify the platforms within their networks that have CALEA responsibility. For each identified platform the TSP must specify if it is CALEA ready (Law Enforcement can obtain a CALEA surveillance). If the platform is not CALEA ready, the TSP is asked to identify the software release that provides CALEA functionality and the date when the platform anticipate installing that software release.

(5) *An estimate of the total number of respondents and the amount of time estimated for an average respondent to respond:* It is estimated that 3483 TSPs will provide 21,323 responses. Each response is estimated to take 15 minutes to complete.

(6) *An estimate of the public burden (in hours) associated with the collection:* There are an estimated 5,330.75 total annual burden hours associated with this collection.

FOR FURTHER INFORMATION CONTACT: Brenda E. Dyer, Department Clearance Officer, United States Department of Justice, Justice Management Division, Policy and Planning Staff, Patrick Henry Building, Suite 1600, 601 D Street, NW., Washington, DC 20530.

Dated: April 8, 2005.

Brenda E. Dyer,

Department Clearance Officer, Department of Justice.

[FR Doc. 05–7393 Filed 4–12–05; 8:45 am]

BILLING CODE 4410–02–P

DEPARTMENT OF JUSTICE

Office of Justice Programs

Agency Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 60-day notice of information collection under review: Civil Justice Survey of State Courts 2005.

The Department of Justice (DOJ), Office of Justice Programs (OJP), has submitted the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. Comments are encouraged and will be accepted for ''sixty days'' until June 13, 2005. This process is conducted in accordance with 5 CFR 1320.10.

If you have comments, especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact: Thomas H. Cohen, (202) 514–8344, Bureau of Justice Statistics, Office of Justice Programs, Department of Justice, 810 Seventh Street, NW., Washington, DC 20531 of *Thomas.H.Cohen@usdoj.gov.*

We did not receive a notice of intent to participate from domestic interested parties in any of these sunset reviews by the deadline dates. *See* 19 CFR 351.218(d)(1)(iii)(A). As a result, the Department determined that no domestic interested party intends to participate in the sunset reviews, and on October 21, 2004, we notified the International Trade Commission, in writing, that we intended to issue a final determination revoking these antidumping duty orders. See 19 CFR 351.218(d)(1)(iii)(B)(2).

Scope of the Orders:

The merchandise covered by these orders includes all grades of sodium thiosulfate, in dry or liquid from, used primarily to dechlorinate industrial waste water, from the People's Republic of China, Germany, and the United Kingdom. The chemical composition of sodium thiosulfate is Na2S203. Currently, subject merchandise is classified under item number 2832.30.1000 of the Harmonized Tariff Schedule of the United States (''HTS''). The above HTSUS subheading is provided for convenience and customs purposes. The written description remains dispositive.

Determination to Revoke

Pursuant to section 751(c)(3)(A) of the Act and 19 CFR 351.218(d)(1)(iii)(B)(3), if no domestic interested party files a notice of intent to participate, the Department shall issue a final determination revoking the order within 90 days after the initiation of the review. Because the domestic interested parties did not file a notice of intent to participate in these sunset reviews, the Department finds that no domestic interested party is participating in these sunset reviews. Therefore, consistent with 19 CFR 351.222(i)(2)(i) and section 751(c)(6)(A)(iii) of the Act, we are revoking these antidumping duty orders effective March 7, 2005, the fifth anniversary of the date the Department published the continuation of the antidumping duty orders.

Effective Date of Revocation

Pursuant to sections 751(c)(3)(A) and 751(c)(6)(A)(iii) of the Act and 19 CFR 351.222(i)(2)(i), the Department will instruct U.S. Customs and Border Protection to terminate the suspension of liquidation of the merchandise subject to these orders entered, or withdrawn from warehouse, on or after March 7, 2005. Entries of subject merchandise prior to the effective date of revocation will continue to be subject to suspension of liquidation and antidumping duty deposit requirements. The Department will complete any pending administrative reviews of these orders and will conduct administrative reviews of subject merchandise entered prior to the effective date of revocation in response to appropriately filed requests for review.

These five-year (sunset) reviews and notice are in accordance with sections 751(c) and 777(i)(1) of the Act.

Dated: May 2, 2005.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. E5–2231 Filed 5–6–05; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

(A–823–801)

Solid Urea from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order

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

SUMMARY: On October 1, 2004, the Department of Commerce (''the Department'') initiated a sunset review of the antidumping duty (''AD'') order on solid urea from Ukraine pursuant to section 751(c) of the Tariff Act of 1930, as amended (''the Act''). *See Initiation of Five-year (Sunset) Reviews*, 69 FR 58890 (October 1, 2004). On the basis of a notice of intent to participate, an adequate substantive response filed on behalf of the domestic interested parties, and inadequate response from respondent interested parties (in this case, no response), the Department conducted an expedited sunset review of this order pursuant to section 751(c)(3)(B) of the Act and section 351.218(e)(1)(ii)(B) of the Department's regulations. As a result of this sunset review, the Department finds that revocation of the AD order would likely lead to continuation or recurrence of dumping at the levels indicated in the ''Final Results of Review'' section of this notice.

EFFECTIVE DATE: May 9, 2005.

FOR FURTHER INFORMATION CONTACT: Hilary Sadler, Esq., Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–4340.

SUPPLEMENTARY INFORMATION:

Background:

On October 1, 2004, the Department initiated a sunset review of the AD order on solid urea from Ukraine pursuant to section 751(c) of the Act. *See Initiation of Five-year (Sunset) Reviews*, 69 FR 58890 (October 1, 2004). The Department received a Notice of Intent to Participate from the following domestic interested parties: the Ad Hoc Committee of Domestic Nitrogen Producers, (consisting of CF Industries, Inc. and PCS Nitrogen Fertilizer, LP (collectively ''the Ad Hoc Committee'')), and Agrium U.S., Inc. (collectively ''the domestic interested parties'') within the deadline specified in 19 CFR 351.218(d)(1)(I) of the Department's regulations. The domestic interested parties claimed interested party status under sections 771(9)(C) and (D) of the Act, as domestic manufacturers of urea or coalition whose members are engaged in the production of urea in the United States. The Department received a complete substantive response collectively from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). However, the Department did not receive any responses from the respondent interested parties to this proceeding. As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted an expedited sunset review of this antidumping duty order.

Scope of the Order:

The merchandise covered by this order is solid urea, a high–nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the Harmonized Tariff Schedules of the United States Annotated (''HTS'') item 3102.10.00.00. During previous reviews such merchandise was classified under item number 480.3000 of the Tariff Schedules of the United States. The HTS item number is provided for convenience and customs purposes. The written description remains dispositive as the scope of the product coverage.

Analysis of Comments Received:

All issues raised in this review are addressed in the Issues and Decision Memorandum (''Decision Memorandum'') from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to Joseph A. Spetrini, Acting Assistant Secretary for Import Administration, dated May 2, 2005, which is hereby adopted by this notice. The issues discussed in the accompanying Decision Memorandum include the likelihood of continuation or recurrence of dumping were the order revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public

memorandum which is on file in the Central Records Unit, room B–099, of the main Commerce building. In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at http://ia.ita.doc.gov/frn, under the heading ''May 2005.'' The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Review:

The Department determines that revocation of the antidumping duty order on solid urea from Ukraine would be likely to lead to continuation or recurrence of dumping at the rates listed below:

Producers/Exporters	Margin (percent)
Phillip Brothers, Ltd./ Phillip Brothers, Inc. ..	53.23 percent
Country–wide rate	68.26 percent

Notification regarding Administrative Protective Order:

This notice also serves as the only reminder to parties subject to administrative protective order (''APO'') of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: May 2, 2005.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. E5–2232 Filed 5–6–05; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

Office of Oceanic and Atmospheric Research; External Review of NOAA's Hurricane Intensity Research and Development Enterprise

AGENCY: Office of Oceanic and Atmospheric Research (OAR), National Oceanic and Atmospheric Administration (NOAA), Department of Commerce (DOC).

ACTION: Notice of solicitation for members of a NOAA hurricane intensity research and development enterprise review panel.

SUMMARY: The Under Secretary of Commerce for Oceans and Atmosphere has requested the NOAA Science Advisory Board (SAB) to conduct an external review of NOAA's hurricane intensity research and development enterprise. The SAB is chartered under the Federal Advisory Committee Act and is the only Federal Advisory Committee with the responsibility to advise the Under Secretary on long- and short-range strategies for research, education, and application of science to resource management and environmental assessment and prediction. The SAB is forming an external panel to conduct a review and draft recommendations that will lead to future generations of numerical hurricane model forecasts as well as improvements in operational forecasting. Nominations to the panel are being solicited. The intent is to select from the nominees; however, the SAB retains the prerogative to name people to the review team that were not nominated if it deems it necessary to achieve the desired balance. Once selected, the SAB will post the review panel members' names at *http://www.sab.noaa.gov.*

DATES: Nominations must be received by twenty-one days from publication of this notice.

ADDRESSES: Nominations should be submitted electronically to *noaa.sab.hurricane@noaa.gov.*

FOR FURTHER INFORMATION CONTACT: Dr. Michael Uhart: 301–713–9121, ext. 159.

SUPPLEMENTARY INFORMATION: The external review team will consist of no less than eight members whose expertise as a group covers tropical cyclone instrumentation; observations and modeling; atmospheric and ocean dynamics, data assimilation, and modeling; vortex dynamics; fluid mechanics; operational numerical environmental modeling; and forecast operations. The reviewers should have the following qualifications:

1. National and international professional recognition;
2. Knowledge of and experience with the science which supports NOAA's tropical cyclone research and operations;
3. Knowledge of and experience with the organization and management of complex mission-oriented research and development programs;
4. No perceived or actual vested interest or conflict of interest that might undermine the credibility of the review.

It is of note here that except for qualification criteria 4, the criteria are not absolute requirements. The qualifications of some individuals are expected to be outstanding with respect to one or more of the criteria, so that being unqualified with respect to other criteria would not make them ineligible. The Terms of Reference for the review is posted at: *http://www.sab.noaa.gov/doc/documents.html.* The working group will prepare a preliminary report of its analysis and findings for the March 2006 SAB meeting and a final report, including recommendations, for the July 2006 SAB meeting. The working group will be dissolved after completing any follow-on requests by the SAB following the July 2006 meeting.

Nominations: Anyone is eligible to nominate and self-nominations will be accepted. Nominations should provide: (1) The nominee's full name, title, institutional affiliation, and contact information; (2) the nominee's area(s) of expertise; and (3) a short description of their qualifications relative to the kinds of advice being solicited. Inclusion of a resume is desirable.

Louisa Koch,

Deputy Assistant Administrator, Office of Oceanic and Atmospheric Research, National Oceanic and Atmospheric Administration.

[FR Doc. 05–9227 Filed 5–6–05; 8:45 am]

BILLING CODE 3510–KD–P 1

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[I.D. 021805D]

Fisheries of the Caribbean, Gulf of Mexico, and South Atlantic, Southeastern Data Assessment and Review (SEDAR) 8 Review Workshop

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice; location change.

SUMMARY: The SEDAR process consists of a series of three workshops: a data workshop, an assessment workshop, and a review workshop. This is notification that the location for the Review workshop has changed. See **SUPPLEMENTARY INFORMATION**.

DATES: The review workshop will be held May 16–20, 2005.

ADDRESSES: The Review Workshop will be held at the Caribe Hilton, Los Rosales Street, San Geronimo Grounds, San Juan, Puerto Rico 00901.

on which such an analysis could be based.

Accordingly, because the data available do not provide an appropriate basis for making a LOT adjustment, but the LOT in the home market is at a more advanced stage of distribution than the LOT of the CEP transactions, we preliminarily determine that a CEP offset adjustment is appropriate, in accordance with section 773(a)(7)(B) of the Act.

Currency Conversion

We made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank.

Preliminary Results of Review

As a result of our review, we preliminarily determine the weighted–average dumping margin for the period August 1, 2003, through July 31, 2004, to be as follows:

Manufacturer / Exporter	Margin (percent)
V&M do Brasil, S.A.	18.68

The Department will disclose calculations performed in connection with these preliminary results of review within five days of the date of publication of this notice in accordance with 19 CFR 351.224(b). Interested parties may submit case briefs and/or written comments no later than 30 days after the date of publication of these preliminary results of review. Rebuttal briefs and rebuttals to written comments, limited to issues raised in the case briefs and comments, may be filed no later than 35 days after the date of publication of this notice. Parties who submit argument in these proceedings are requested to submit with the argument: (1) a statement of the issue, (2) a brief summary of the argument, and (3) a table of authorities. An interested party may request a hearing within 30 days of publication. *See* section 351.310(c) of the Department's regulations. Any hearing, if requested, will be held 37 days after the date of publication, or the first business day thereafter, unless the Department alters the date. The Department will issue the final results of these preliminary results, including the results of our analysis of the issues raised in any such written comments or at a hearing, within 120 days of publication of these preliminary results.

Assessment Rates

The Department shall determine, and CBP shall assess, antidumping duties on all appropriate entries. Pursuant to section 351.212(b) of the Department's regulations, the Department calculates an assessment rate for each importer of the subject merchandise for each respondent. The Department will issue appropriate assessment instructions directly to CBP within 15 days of publication of the final results of review.

Cash Deposit Requirements

The following deposit requirements will be effective upon completion of the final results of this administrative review for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results of this administrative review, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate will be the rate established in the final results of this review; (2) for previously reviewed or investigated companies not listed above, the cash deposit rate will be the company–specific rate established for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the LTFV investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the subject merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this review, any previous reviews, or the LTFV investigation, the cash deposit rate will be 124.94 percent, the ''all others'' rate established in the LTFV investigation. *See Antidumping Duty Order and Amended Final Determination: Certain Small Diameter Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Brazil*, 60 FR 39707 (August 3, 1995). These deposit rates, when imposed, shall remain in effect until publication of the final results of the next administrative review.

Notification to Importers

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

We are issuing and publishing this notice in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: May 3, 2005.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. E5–2297 Filed 5–9–05; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

(A–821–801)

Solid Urea from the Russian Federation; Final Results of the Expedited Sunset Review of the Antidumping Duty Order

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

SUMMARY: On October 1, 2004, the Department of Commerce (''the Department'') initiated a sunset review of the antidumping duty (''AD'') order on solid urea from the Russian Federation pursuant to section 751(c) of the Tariff Act of 1930, as amended (''the Act''). See Initiation of Five-year (Sunset) Reviews, 69 FR 58890 (October 1, 2004). On the basis of a notice of intent to participate and an adequate substantive response filed on behalf of the domestic interested parties and inadequate responses filed on behalf of respondent interested parties, the Department conducted an expedited sunset review. As a result of this review, the Department finds that revocation of the AD order would likely lead to continuation or recurrence of dumping at the levels indicated in the ''Final Results of Review'' section of this notice.

EFFECTIVE DATE: May 10, 2005.

FOR FURTHER INFORMATION CONTACT: Kelly Parkhill, Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–3791.

SUPPLEMENTARY INFORMATION:

Background

On October 1, 2004, the Department initiated a sunset review of the AD order on solid urea from the Russian Federation pursuant to section 751(c) of the Act. *See Initiation of Five-year (Sunset) Reviews*, 69 FR 58890 (October 1, 2004). The Department received a Notice of Intent to Participate from the following domestic interested parties: the Ad Hoc Committee of Domestic Nitrogen Producers, (consisting of CF Industries, Inc. and PCS Nitrogen Fertilizer, LP), and Agrium U.S., Inc.

(collectively ''the domestic interested parties'') within the deadline specified in section 351.218(d)(1)(i) of the Department's Regulations (''Sunset Regulations''). The domestic interested parties claimed interested party status under sections 771(9)(C) and (D) of the Act, as domestic manufacturers of urea or a coalition whose members are engaged in the production of urea in the United States. The Department received a complete substantive response collectively from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). The Department received inadequate substantive responses from the respondent parties.[1] As a result, pursuant to section 751(c)(5)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted an expedited sunset review of this order.

Scope of the Order

Merchandise covered by this order is solid urea, a high–nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classifiable under the Harmonized Tariff Schedules of the United States Annotated (''HTS'') item 3102.10.00.00. During previous reviews such merchandise was classified under item number 480.3000 of the Tariff Schedules of the United States. The HTS item number is provided for convenience and customs purposes. The written description remains dispositive as the scope of the product coverage.

Analysis of Comments Received

All issues raised in this review are addressed in the Decision Memorandum accompanying this notice. The issues discussed in the Decision Memorandum include the likelihood of continuation or recurrence of dumping and the margins likely to prevail were the order revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum which is on file in the Central Records Unit, room B–099, of the main Commerce building. In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at *http://ia.ita.doc.gov/frn*, under the heading ''May 2005.'' The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Review

We determine that revocation of the antidumping duty order on solid urea from the Russian Federation would be likely to lead to continuation or recurrence of dumping at the rate listed below:

Producers/Exporters	Margin (percent)
Phillip Brothers, Ltd./ Phillip Brothers, Inc. ..	53.23
All Others	68.26

Notification regarding Administrative Protective Order:

This notice also serves as the only reminder to parties subject to administrative protective order (''APO'') of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are publishing this notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: May 2, 2005.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. E5–2289 Filed 5–9–05; 8:45 am]

BILLING CODE 3510–DS–S

[1] On December 10, 2004, both respondent and domestic interested parties filed comments on the Department's adequacy determination in this sunset review. The Department's consideration of these comments are addressed in the Issues and Decision Memorandum (''Decision Memorandum'') from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to Joseph A. Spetrini, Acting Assistant Secretary for Import Administration, dated May 2, 2005, which is hereby adopted by this notice.

DEPARTMENT OF COMMERCE

International Trade Administration

(C–351–504)

Certain Iron Construction Castings from Brazil; Five-year (''Sunset'') Review of Countervailing Duty Order; Final Results

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

SUMMARY: Summary: On October 1, 2004, the Department of Commerce (''the Department'') initiated a sunset review of the countervailing duty order on certain iron construction castings (''iron castings'') from Brazil. On the basis of the notice of intent to participate, and no substantive response filed on behalf of the domestic interested parties and no response from respondent interested parties, the Department conduced an expedited sunset review. As a result of this review, the Department finds that revocation of the countervailing duty order would likely lead to continuation or recurrence of countervailable subsidies at the levels listed below in the section entitled ''Final Results of Review''.

EFFECTIVE DATE: May 10, 2005.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Office of Policy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC, 20230; telephone: (202) 482–5050.

SUPPLEMENTARY INFORMATION:

Background

On October 1, 2004, the Department initiated a sunset review of the countervailing duty order on iron castings from Brazil pursuant to section 751(c) of the Tariff Act of 1930, as amended (''the Act'').[1] The Department received a Notice of Intent to Participate on behalf of Deeter Foundry, Inc., East Jordan Iron Works, Inc., LeBaron Foundry, Inc., Leed Foundry, Inc., Municipal Castings, Inc., Neenah Foundry Company, Tyler Pipe Company, and U.S. Foundry & Manufacturing Co. (collectively, ''domestic interested parties''), within the deadline specified in section 351.218(d)(1)(i) of the Department's regulations. Domestic interested parties claimed interested party status under section 771(9)(C) of the Act as U.S. producers of the subject merchandise.

We received a complete response from the domestic interested parties within the deadline specified in the Department's regulations under section 351.218(d)(3)(i). However, we did not receive responses from any respondent interested parties as required in section 351.218(d)(3)(i) of the Departments regulations. As a result of receiving no responses from respondent interested parties, the Department conducted an expedited sunset review pursuant to section 751(c)(3)(B) of the Act and section 351.218(e)(1)(ii)(C)(2) of the Department's regulations.

Scope of the Order

The merchandise covered by the countervailing duty order consists of certain heavy iron construction castings from Brazil, limited to manhole covers, rings, and frames, catch basin grates and frames, cleanout covers and frames used for drainage or access purposes for public utility, water and sanitary

[1] *See Initiation of Five-Year (''Sunset'') Reviews*, 69 FR 58890 (October 1, 2004.)

section 337 investigation on March 30, 2005, based on a complaint filed by Ciena Corporation, of Linthicum, Maryland (''Ciena ''). 70 FR 16304. The respondents named in the notice of investigation are Nortel Networks Corporation and Nortel Networks Limited, of Brampton, Ontario, Canada; Nortel Networks, Inc., of Richardson, Texas; and Flextronics International Ltd., and Flextronic Telecom Systems Ltd., of Port Louis, Mauritius. The complaint alleged that respondents violated section 337 by importing into the United States, selling for importation, and/or selling within the United States after importation certain network communications systems for optical networks and components thereof by reason of infringement of certain claims of U.S. Patent Nos. 5,978,115 and 6,618,176.

On June 7, 2005, the presiding ALJ issued the subject ID, Order No. 6, granting a motion filed by Ciena pursuant to rule Commission rule 210.21(a) to terminate the investigation on the basis of withdrawal of the complaint. No party filed a petition for review of the subject ID.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in section 210.42 of the Commission's Rules of Practice and Procedure (19 CFR 210.42).

By order of the Commission.

Issued: June 23, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–12847 Filed 6–28–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 340–E and H (Second Review)]

Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject reviews.

DATES: Effective July 23, 2005.

FOR FURTHER INFORMATION CONTACT: Olympia DeRosa Hand (202–205–3182), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION: On April 7. 2005, the Commission established a schedule for the conduct of the second reviews of the subject investigations (70 FR 19502, April 13, 2005). The Commission has determined to exercise its authority to extend the review period by up to 90 days pursuant to 19 U.S.C. 1675(c)(5)(B). The Commission, therefore, is revising its schedule to conform with its extension.

The Commission's new schedule for the reviews is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than September 12, 2005; the prehearing conference will be held at the U.S. International Trade Commission Building at 9:30 a.m. on September 14, 2005; the prehearing staff report will be placed in the nonpublic record on September 1, 2005; the deadline for filing prehearing briefs is September 13, 2005; the hearing will be held at the U.S. International Trade Commission Building at 9:30 a.m. on September 22, 2005; the deadline for filing posthearing briefs is October 3, 2005; the Commission will make its final release of information on November 7, 2005; and final party comments are due on November 9, 2005.

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

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: June 24, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–12848 Filed 6–28–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[USITC SE–05–025]

Government in the Sunshine Act Meeting Notice

AGENCY HOLDING THE MEETING: United States International Trade Commission.

TIME AND DATE: July 12, 2005, at 11 a.m.

PLACE: Room 101, 500 E Street, SW., Washington, DC 20436, Telephone: (202) 205–2000.

STATUS: Open to the public.

MATTERS TO BE CONSIDERED:

1. Agenda for future meetings: none.
2. Minutes.
3. Ratification List.
4. Inv. No. 731–TA–282 (Second Review) (Petroleum Wax Candles From China)—briefing and vote. (The Commission is currently scheduled to transmit its determination and Commissioners' opinions to the Secretary of Commerce on or before July 28, 2005.)
5. Outstanding action jackets: none.

In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

By order of the Commission.

Issued: June 24, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–12896 Filed 6–27–05; 10:36 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Parole Commission

[6P04091]

Public Announcement; Sunshine Act

Pursuant to the Government in the Sunshine Act, (Public Law 94–409) (5 U.S.C. Section 552b).

AGENCY HOLDING MEETING: Department of Justice, United States Parole Commission.

TIME AND DATE: 2 p.m., Tuesday, July 5, 2005.

PLACE: 5550 Friendship Blvd., Fourth Floor, Chevy Chase, MD 20815.

STATUS: Open.

MATTER TO BE CONSIDERED: The following matter has been placed on the agenda for the open Parole Commission meeting:

Consideration of rule and procedures to be followed for reviewing a decision pursuant to 28 CFR 2.27, upon request of the Attorney General as provided in 18 U.S.C. 4215(c).

EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY
in
Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Inv. Nos. 731-TA-339 (Review), 731-TA-340-A through 340-I (Review)

On June 3, 1999, the Commission determined that it should proceed to expedited reviews in the subject five-year reviews pursuant to section 751(c)(3)(B) of the Act, 19 U.S.C. § 1675(c)(3)(B).[1] The Commission, in consultation with the Department of Commerce, grouped these reviews because they involve the same domestic like product.[2]

With regard to each of the reviews, the Commission determined that the domestic interested party group response was adequate. In this regard, the Commission received an individual response from an association a majority of whose members are producers of the domestic like product. That response contained company specific data from five participating domestic producers who collectively account for the majority of domestic solid urea production. The Commission also received an individual response from a sixth domestic producer of the domestic like product.

The Commission determined that the respondent interested party group response in each review was inadequate. In the review regarding Romania, the Commission received an interested party response from the Government of Romania. The Commission found this response to be individually adequate. However, the Commission did not receive any responses from Romanian producers or exporters or U.S. importers, and nothing in the Government's response indicated that the Government would be able to provide the Commission with the type of information that would be gathered in a full review. Accordingly the Commission determined that the respondent interested party group response was inadequate in the review concerning Romania. The Commission did not receive a response from any respondent producers, importers or exporters of the subject merchandise, nor from any other respondent interested party, in any of the remaining reviews.

The Commission did not find any circumstances that would warrant conducting full reviews.[3] The Commission therefore determined to conduct expedited reviews.

---

[1]Commissioner Hillman dissenting.

[2]*See* 19 U.S.C. § 1675(c)(5)(D); 63 Fed. Reg. 29372, 29374 (May 29, 1998).

[3]Commissioner Hillman found that a full review was warranted in the investigation concerning Romania in view of the response of the Government of Romania. She credits the Government's statement that the recently privatized Romanian industry is in a state of transition that has left the Government as the only entity currently in a position to represent Romanian interests in this proceeding. She believes the Government's active participation in the adequacy phase of the review, including through the submission of some (albeit limited) industry data, and its expressed intention to participate in any full review, presents a sufficient basis to proceed to a full review. In light of her decision in the review concerning Romania, she further determined that the remaining urea investigations in this grouped set of reviews should be full reviews in order to promote administrative efficiency.

APPENDIX B

LIST OF WITNESSES WHO APPEARED AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject: Solid Urea from Russia and Ukraine

Inv. Nos.: 731-TA-340-E and H (Second Review)

Date and Time: September 22, 2005 - 9:30 a.m.

Sessions were held in connection with these second five-year review investigations in the Main Hearing Room, 500 E Street (room 101), SW, Washington, DC.

OPENING REMARKS:

In Support of the Continuation of Orders (**Valerie A. Slater**, Akin Gump Strauss Hauer & Feld LLP)
In Support of the Revocation of Orders (**Frank H. Morgan**, White & Case LLP)

In Support of the Continuation of the Antidumping Duty Orders:

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

The Ad Hoc Committee of Nitrogen Producers ("Ad Hoc Committee")

James F. Dietz, President, PCS Nitrogen, Inc., and Chief Operating Officer, Potash Corp.
Glen Buckley, Chief Economist and Director, Agribusiness Analysis, CF Industries, Inc.
Therian LaFleur, Owner and Manager, Chastant Brothers, Inc.
Daniel W. Klett, Economist, Capital Trade, Inc.

Valerie A. Slater – OF COUNSEL

Joel R. Junker & Associates
Seattle, WA
on behalf of

Agrium US Inc.

Greg McGlone, Director, Strategic Development, Agrium

Joel R. Junker – OF COUNSEL

In Opposition of the Continuation of the Antidumping Duty Orders:

White & Case LLP
Washington, DC
on behalf of

Nevinnomysskiy Azot
Novomoskovsk Azot JSC
JSC MCC EuroChem
Kuybyshevazot JSC
JSC "Azot" Berezniki
JSC "Azot" Kemerovo
Fertilizer Producers' Association of Russia

Andrew Parsons, Precision Economics, LLC

Frank H. Morgan–OF COUNSEL
Jay C. Campbell
Scott S. Lincicome

REBUTTAL/CLOSING REMARKS:

In Support of the Continuation of Orders (**Valerie A. Slater**, Akin Gump Strauss Hauer & Feld LLP)
In Support of the Revocation of Orders (**Frank H. Morgan**, White & Case LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Solid urea: Summary data concerning the U.S. market, 1999-2004

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

	Reported data						Period changes					
Item	1999	2000	2001	2002	2003	2004	1999-2004	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
U.S. consumption quantity:												
Amount	7,372	7,810	8,136	8,315	8,842	8,472	14.9	5.9	4.2	2.2	6.3	-4.2
Producers' share (1)	51.5	45.3	35.1	49.1	38.0	36.0	-15.6	-6.3	-10.2	14.0	-11.1	-2.1
Importers' share (1):												
Russia and Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sources	48.5	54.7	64.9	50.9	62.0	64.0	15.6	6.3	10.2	-14.0	11.1	2.1
Total imports	48.5	54.7	64.9	50.9	62.0	64.0	15.6	6.3	10.2	-14.0	11.1	2.1
U.S. consumption value:												
Amount	852,875	1,094,814	1,185,002	1,049,827	1,454,089	1,655,684	94.1	28.4	8.2	-11.4	38.5	13.9
Producers' share (1)	43.2	43.4	34.8	47.0	40.4	38.3	-4.9	0.2	-8.6	12.2	-6.6	-2.1
Importers' share (1):												
Russia and Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sources	56.8	56.6	65.2	53.0	59.6	61.7	4.9	-0.2	8.6	-12.2	6.6	2.1
Total imports	56.8	56.6	65.2	53.0	59.6	61.7	4.9	-0.2	8.6	-12.2	6.6	2.1
U.S. imports from:												
Russia and Ukraine:												
Quantity	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)
Value	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)
Unit value	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
Other sources:												
Quantity	3,573	4,275	5,279	4,229	5,480	5,425	51.8	19.7	23.5	-19.9	29.6	-1.0
Value	484,494	619,255	772,216	555,913	866,102	1,021,567	110.9	27.8	24.7	-28.0	55.8	17.9
Unit value	$135.60	$144.85	$146.28	$131.45	$158.04	$188.30	38.9	6.8	1.0	-10.1	20.2	19.2
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
All sources:												
Quantity	3,573	4,275	5,279	4,229	5,480	5,425	51.8	19.7	23.5	-19.9	29.6	-1.0
Value	484,494	619,255	772,216	555,913	866,102	1,021,567	110.9	27.8	24.7	-28.0	55.8	17.9
Unit value	$135.60	$144.85	$146.28	$131.45	$158.04	$188.30	38.9	6.8	1.0	-10.1	20.2	19.2
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***
U.S. producers':												
Average capacity quantity	4,242	4,242	5,444	5,444	5,417	4,810	13.4	0.0	28.3	0.0	-0.5	-11.2
Production quantity	3,909	3,582	3,903	4,911	4,112	3,790	-3.1	-8.4	9.0	25.8	-16.3	-7.8
Capacity utilization (1)	92.2	84.4	71.7	90.2	75.9	78.8	-13.4	-7.7	-12.8	18.5	-14.3	2.9
U.S. shipments:												
Quantity	3,799	3,535	2,857	4,086	3,362	3,047	-19.8	-7.0	-19.2	43.0	-17.7	-9.4
Value	368,381	475,559	412,786	493,914	587,987	634,117	72.1	29.1	-13.2	19.7	19.0	7.8
Unit value	$96.96	$134.53	$144.50	$120.88	$174.90	$208.11	114.6	38.7	7.4	-16.3	44.7	19.0
Export shipments:												
Quantity	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	271	250	467	317	219	202	-25.5	-8.1	87.1	-32.2	-30.9	-7.6
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***	***
Production workers	790	772	776	778	669	560	-29.2	-2.3	0.5	0.3	-14.0	-16.4
Hours worked (1,000s)	1,629	1,583	1,627	1,605	1,374	1,132	-30.5	-2.8	2.8	-1.3	-14.4	-17.6
Wages paid ($1,000s)	48,176	48,926	53,301	53,644	47,441	41,773	-13.3	1.6	8.9	0.6	-11.6	-11.9
Hourly wages	$29.57	$30.90	$32.76	$33.42	$34.53	$36.89	24.8	4.5	6.0	2.0	3.3	6.9
Productivity (short tons per hour)	2.4	2.3	2.4	3.1	3.0	3.3	39.5	-5.7	6.0	27.5	-2.2	11.8
Unit labor costs	$12.32	$13.66	$13.66	$10.92	$11.54	$11.02	-10.5	10.8	-0.0	-20.0	5.6	-4.4
Net sales:												
Quantity	3,873	3,627	3,645	5,043	4,386	3,822	-1.3	-6.4	0.5	38.3	-13.0	-12.9
Value	377,594	478,279	501,925	600,126	736,262	788,987	109.0	26.7	4.9	19.6	22.7	7.2
Unit value	$97.50	$131.87	$137.69	$119.01	$167.88	$206.46	111.8	35.3	4.4	-13.6	41.1	23.0
Cost of goods sold (COGS)	406,761	441,722	540,167	591,012	667,014	646,416	58.9	8.6	22.3	9.4	12.9	-3.1
Gross profit or (loss)	(29,167)	36,558	(38,242)	9,114	69,248	142,572	(3)	(3)	(3)	(3)	659.8	105.9
SG&A expenses	16,053	17,643	18,045	21,010	22,506	22,693	41.4	9.9	2.3	16.4	7.1	0.8
Operating income or (loss)	(45,220)	18,915	(56,287)	(11,896)	46,741	119,879	(3)	(3)	(3)	78.9	(3)	156.5
Capital expenditures	14,969	5,047	7,822	7,900	5,165	9,932	-33.6	-66.3	55.0	1.0	-34.6	92.3
Unit COGS	$105.03	$121.79	$148.18	$117.21	$152.09	$169.15	61.1	16.0	21.7	-20.9	29.8	11.2
Unit SG&A expenses	$4.14	$4.86	$4.95	$4.17	$5.13	$5.94	43.3	17.4	1.8	-15.8	23.2	15.7
Unit operating income or (loss)	($11.68)	$5.22	($15.44)	($2.36)	$10.66	$31.37	(3)	(3)	(3)	84.7	(3)	194.3
COGS/sales (1)	107.7	92.4	107.6	98.5	90.6	81.9	-25.8	-15.4	15.3	-9.1	-7.9	-8.7
Operating income or (loss)/ sales (1)	(12.0)	4.0	(11.2)	(2.0)	6.3	15.2	27.2	15.9	-15.2	9.2	8.3	8.8

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

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

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

Table C-2
Solid urea: U.S. imports, by sources, 1999-2004, January-August 2004, and January-August 2005

Source	Calendar year						January-August	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 short tons*)							
Argentina	0	0	74,991	21,984	25,514	0	0	0
Australia	26	0	0	0	0	0	0	851
Bahamas	51	0	0	0	0	0	0	0
Bahrain	127,075	239,049	401,820	238,500	193,492	124,884	88,510	116,480
Bangladesh	0	114,038	0	0	26,183	52,894	52,894	75,467
Belarus	15,653	0	0	0	0	0	0	0
Belgium	142	235	398	2,803	8,277	495	495	11,962
Bosnia-Herzegovina	0	36,346	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	25,970
Bulgaria	26	24,249	59,373	0	0	0	0	0
Canada	2,049,353	1,980,483	1,661,886	2,215,223	1,639,797	2,036,343	1,382,120	1,467,528
China	471	27,563	182,938	4,045	395,342	269,980	157,723	26,574
Croatia	79,190	16,770	66,621	22,153	18,160	70,062	70,062	0
Denmark	97	25	0	11,023	0	0	0	0
Egypt	82,731	190,789	433,537	117,594	380,718	87,483	7,819	36,454
Estonia	0	0	0	0	0	0	0	36,390
Finland	312	0	0	0	0	0	0	0
France	20,487	22,855	431	0	1,270	0	0	0
Georgia	0	75	0	0	0	0	0	0
Germany	61,625	81,925	103,057	41,161	84,134	52,715	39,286	22,625
India	10,665	66	10	33	49	214	212	21
Indonesia	17,309	23,147	105,660	4	81,920	36,376	36,376	0
Italy	155	22	22,786	1,292	2,908	5,960	2,734	1,179
Jamaica	0	197	0	0	0	0	0	0
Japan	1,693	1,192	1,240	534	1,705	1,132	654	236
Korea	2	0	0	9	0	22	0	22
Kuwait	84,766	44,616	118,182	34,489	514,239	724,865	397,088	223,190
Libya	0	0	0	0	0	44,163	0	52,683
Liechtenstein	0	0	0	0	0	0	0	26
Lithuania	0	10,484	0	0	0	0	0	3,772
Malaysia	0	94,064	276,031	52,905	84,394	29,159	29,159	0
Mexico	27,575	11	24	33	50	229	224	780
Namibia								

Table C-2--*Continued*
Solid urea: U.S. imports, by sources, 1999-2004, January-August 2004, and January-August 2005

Source	Calendar year						January-August	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 short tons*)							
Namibia	0	201	0	0	0	0	0	0
Netherlands	44,703	18,467	77,804	19,594	42,883	38,428	38,066	10,797
Norway	48,265	90,981	3,858	20,733	0	17,341	17,341	0
Philippines	0	0	0	0	132	244	244	0
Poland	0	0	36,033	17,023	33,776	457	457	299
Qatar	225,735	335,981	432,630	307,596	412,588	554,691	312,125	367,659
Romania	0	0	0	0	0	0	0	99,021
Saudi Arabia	259,712	508,968	627,181	434,067	546,745	461,360	229,231	211,553
Singapore	0	0	0	0	24,804	0	0	0
Spain	0	23,168	0	0	0	0	0	0
Switzerland	2	0	0	36	0	44	0	0
Thailand	0	14	0	0	0	0	0	0
Trinidad & Tobago	344,107	298,030	378,428	469,525	445,125	415,423	315,705	299,085
Turkey	0	0	0	0	0	23,148	0	0
United Arab Em.	0	23,455	80,834	0	167,291	24,561	24,561	0
United Kingdom	243	220	21	244	200	0	0	0
Venezuela	70,781	67,381	133,299	196,542	348,633	352,406	281,749	373,407
Total	3,572,953	4,275,069	5,279,072	4,229,146	5,480,328	5,425,080	3,484,834	3,464,034

[1] Landed, duty-paid.

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

Source: Compiled from official Commerce statistics.

APPENDIX D

RESPONSES OF U.S. PRODUCERS, U.S. IMPORTERS, FOREIGN PRODUCERS, AND U.S. PURCHASERS CONCERNING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION

U.S. PRODUCERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION

The Commission requested U.S. producers to describe any anticipated changes to the character of their operations or organization relating to the production of solid urea in the future if the antidumping duty orders covering imports of solid urea from Russia and Ukraine were revoked. (Question II-4.) The following are quotations from the responses of producers.

***

No.

***

Yes. If these duties were to be revoked, it is possible additional volumes of Ukraine and/or Russian urea could be imported to the U.S. If this occurs, the competition position of our *** production facility may be at risk.

***

Yes. Revoking the antidumping duties would have a greater impact on our *** as any prilled urea imported from Russia and Ukraine could be used as a substitute product in the same U.S. markets.

***

No. ***.

***

Yes. There would be increased downward pressure on selling prices if additional product from countries with artificially low natural gas prices (Russia and/or Ukraine) were to be brought into the U.S. (with the possible ***).

***

No. ***.

The Commission requested U.S. producers to describe the significance of the existing antidumping orders covering imports of solid urea from Russia and Ukraine in terms of their effect on their firms' production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. (Question II-15.) The following are quotations from the responses of producers.

***

No response.

***

*** did not produce urea prior to ***.

***

The duties do provide levels of protection for *** urea product, which could be exposed to more competition from Russian/Ukrainian prilled product.

***

The orders were beneficial to ***. The orders prevented unfairly traded urea from entering the U.S. market in large volumes at dumped prices, and enabled us to ***.

***

The existing orders have had a beneficial impact on *** operations for many years. Without these orders, our production levels and margins would have been lower. If we had faced large volumes of unfairly traded urea from Russia and Ukraine over the years, such imports would have jeopardized the continued operation of our *** plant and would have reduced output and margins from our other plants as well.

***

The orders were beneficial to ***. The orders prevented unfairly traded urea from entering the U.S. market in large volumes at dumped prices, and helped our margins and production levels from suffering.

***

The antidumping duties have had a significant and positive impact on ***. Prior to the orders, Russian and Ukrainian imports were undercutting the market and severely impacting *** margins and displacing *** production. As with other commodity industries, the U.S. urea industry since 1987 has gone through a number of cyclical downturns as well as short-term fluctuations. There is no doubt that the orders helped *** weather the downturns in these business cycles. This is particularly apparent when considering the following:

Russian and Ukrainian producers have continued to undercut world markets. Since 1998, a number of countries have taken trade actions against Russian nitrogen products including the EU, Australia, Brazil, Hungary, India, Lithuania, Poland, Bulgaria, and the Czech Republic.

Prior to 1987, Russian and Ukrainian imports totaled almost a million tons. Considering the total U.S. solid urea market is approximately 8.0 million tons, a continuation of imports at this level would have certainly undermined sales volumes of domestic producers.

The Commission requested U.S. producers to describe any anticipated changes in their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values relating to the production of solid urea in the future if the existing antidumping duty orders were revoked. (Question II-16.) The following are quotations from the responses of producers.

***

Lifting the orders would have direct and negative impact on *** as well as the rest of the industry. Urea is a classic commodity product where price is determined almost exclusively on supply and demand. As with other commodity products, small incremental changes in supply can have a significant impact on

market prices. Given that *** sells approximately *** million tons of urea per year, even a $*** per ton impact would result in a $*** million dollar decline in *** revenue and profitability.

In addition to lower revenues, large volumes of imported urea from Russia and the Ukraine would also have a significant impact on production costs. Nitrogen manufacturing complexes are designed and built to run at full capacity. If a plant is forced to run at less than full capacity, there is an increase in per unit production costs. For example, a plant running at 95% of capacity has a significantly more efficient rate of converting natural gas to ammonia than a plant running at, say, 75%, a factor that is especially important given current natural gas costs. In addition, of course, lower operating rates will also increase per-ton fixed costs since there are fewer tons for allocation.

Lifting the dumping orders on Russia and the Ukraine would have a negative impact on sales, revenues and the overall financial condition of the U.S. industry considering the following:

Russia and the Ukraine are the world's largest exporters of solid urea and, combined, account for more than one-fourth of total world trade.

* * * * * * *

Russia, in particular, has significant excess capacity which can and would no doubt be brought into production with the lifting of the duties. This is evidenced by 2004 when a number of temporary factors including an unprecedented number of plant outages around the world resulted in Russian and Ukrainian producers responding by sharply increasing their production and exports of solid urea. The data below are in metric tons.

* * * * * * *

The U.S. market would be a prime target for Russian and Ukrainian solid urea exports. Of particular concern is the potential volume of urea that would likely be diverted from Latin America to the U.S. market. Over the last three years, Latin America has accounted for approximately 50% of Russian/Ukrainian urea exports. This translates into an average volume of approximately 3.7 million tons per year. The urea supply/demand situation can differ between the U.S. and other markets, leading to regional price differences. During some recent periods, these supply/demand differences have resulted in U.S. price levels (on a net-back basis to foreign exporters) being somewhat less attractive to some foreign suppliers than alternative export markets. However, these price relationships can (and do) change with shifts in supply/demand conditions in the United States and in other urea markets. With respect to Russia and Ukraine, the attractiveness of the U.S. market cannot be evaluated on the same basis as would apply to most other exporters. Certain factors make the U.S. market particularly attractive to urea producers in Russia and the Ukraine, including the large size and openness of the U.S. market, the fact that many alternative markets (e.g., the EU) are closed to exports from Russia and Ukraine, and the likelihood that as capacity in the Middle East and Latin America comes on stream (or back on stream) in the near future, that capacity will be directed to markets to which Russia and Ukraine have exported in recent periods.

The U.S. is the world's largest import market for solid urea, accounting for approximately 20% of total world imports of solid urea.

Payment in the U.S. is in hard currency.

Shorter shipping distances to the U.S. compared to Latin America and Asia.

Unloading delays and port congestion, which are frequent in Latin American and Asian ports, can result in significant demurrage charges ($10,000 per day), making U.S. ports preferable.

While the EU would be the logical market for Russian/Ukrainian exports, dumping duties imposed against Russian and Ukrainian solid urea has limited the volume shipped into the EU market. Russia and the Ukraine have a history of dumping nitrogen fertilizer products as evidenced by (1) the large number of cases that have been brought against Russian and Ukrainian producers in the U.S., the EU, Brazil, India, et. al. and (2) the Department of Commerce's recent decision that dumping by Russia and the Ukraine of solid urea would again occur if the duties were lifted.

***

Yes. There is potential for changes to operations at our *** facility since any imported prilled urea from Russia/Ukraine would provide competition for feed end use markets.

***

Yes. Anticipate downward pressure on revenues and profits due to potential low cost imports into ***.

***

No. ***.

***

Yes. Possible shutdown of urea production at remaining *** U.S. plants if margins deteriorate with imported Russian/Ukraine urea. The highest risk plant being *** competing with imports moved into the Midwest via the river system, but all urea production would suffer.

***

Yes, if these duties were to be revoked, it is possible additional volumes of Ukraine and/or Russian urea would be imported. If this occurs, *** urea market prices may fall below the *** facility's production costs. If this were to occur, we would consider a shutdown of the *** production facility.

***

No. ***.

U.S. IMPORTERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission requested importers to describe any anticipated changes to the character of their operations or organization relating to the importation of solid urea in the future if the antidumping duty orders covering imports of solid urea from Russia and Ukraine were revoked. (Question II-4.) The following are quotations from the responses of nonsubject importers.

***

Yes. If the antidumping duties were revoked, *** may consider importing from Russia/Ukraine depending on demand and pricing at the time.

***

No.

***

Yes. Hopefully this would allow free trade, and we could buy at the lowest prices in the world instead of the highest.

***

Yes. The impact that the revocation of the orders would have on ***'s operations would depend on the volume of product that Russia and the Ukraine exported to the U.S. market and the impact this volume would have on product prices. Given that Russia and Ukraine are among the world's largest exporters of urea and that both countries have the ability to increase production, revocation of the orders would be expected to result in significant quantities being shipped to the United States and in displaced U.S. production.

***

No.

***

No.

***

Yes. If these duties were to be revoked, it is possible additional volumes of Ukraine and/or Russian urea could be imported to the U.S. If this occurs, the competition position of our *** production facility may be at risk.

***

Yes. There would be increased downward pressure on selling prices if additional product from a very low cost natural gas region (Russia/Ukraine) were to be brought into the U.S.

***

Yes. Russia and Ukraine produce mostly prilled urea, which is used for direct application, industrial, or feed uses. We likely would import some of this product for these uses.

***

No.

***

No. ***.

***

No.

***

No.

***

No.

The Commission requested importers to describe the significance of the existing antidumping duty orders covering imports of solid urea from Russia and Ukraine in terms of their effect on their imports, U.S. shipments of imports, and inventories. (Question II-8.) The following are quotations from the responses of importers.

***

N/A.

***

N/A.

***

Again, FSU urea has historically been the cheapest in the world. It would be great to pay the lowest price, rather than the highest in the world.

***

No effect on past or present operations as material is procured from alternative sources.

***

Minimal impact, ***'s focus is primarily on granular urea.

***

*** imports solid urea from ***. Virtually all of the U.S. urea from this facility is shipped to the U.S. upper Midwest and the Pacific northwest regions where Russian and Ukrainian imports were not a major factor prior to the orders. Consequently, there has been virtually no change in *** import volumes as a result of the orders.

***

We commenced importing solid urea into the U.S. several years after the initial antidumping duties were imposed. Therefore, we have not experienced any significant changes with respect to our firm's imports as a result of the existing orders.

***

Antidumping duties have closed the U.S. to imports from these two origins.

***

*** did not import urea prior to the imposition of the duty. Also, *** imports only granular urea so there is little if any impact on ***'s business from the duty.

***

Not significant.

***

*** purchased the *** facility in ***. Since then, the orders have prevented unfairly traded urea from entering the U.S. market in large volumes at dumped prices, and helped our margins and import levels from suffering.

***

*** is ***'s lowest-cost producer of urea. However, if the AD orders had not been in place, it is our belief that imports from Russia and Ukraine would have displaced a portion of our imports from ***, which would have instead been sold into ***, if at all.

***

N/A.

***

Should import restrictions placed on Russian & Ukrainian urea be lifted, we could ship that product as an option into the USA (as the importer of record) but selling prices or value would not be expected to change significantly.

The Commission requested importers to describe any anticipated changes in their imports, U.S. shipments of imports, or inventories of solid urea in the future if the existing antidumping duty orders were revoked. (Question II-9.) The following are quotations from the responses of importers.

***

Yes. Depending on demand and pricing at the time, *** may consider purchasing imported urea from Russia/Ukraine.

***

No.

***

Yes. This is the same question, over and over again.

***

No.

***

No.

***

*** would consider developing Russian and Ukrainian supply chains into the U.S. market. *** would expect total volumes to increase and at the same time would anticipate a percentage of granular imports to be replaced by prill imports if the price difference between the two products made such a replacement economically feasible.

***

Assuming subject import volumes returned to pre-1987 levels, *** could be forced (depending on the volume of Russian and Ukrainian imports) to either curtail production and/or permanently close urea capacity at its *** facility. Under this scenario, *** would either have to lose urea business and/or increase import volumes. Lifting of the orders would not likely change ***'s current import volumes, unless, as discussed above, *** were forced to curtail or close production due to subject imports. As stated in II-8, *** currently imports urea from its *** and ships the product into *** where Russian and/or Ukrainian urea imports would have the least impact.

***

Yes. *** likely would import directly or buy from importers of record prilled urea from these origins to service some industrial users or animal feed consumers. It would most likely replace current imports.

***

No.

***

No.

***

Yes. It would provide us with extra supply options. It would not likely increase volume of imports into the U.S.

***

No.

***

Yes. We might, out of convenience, ship Russian/Ukrainian urea to customers in the USA. It would provide us with extra supply options. Not likely (or planned) to increase total volume of imports–could at times replace current imports.

***

Yes. Difficult to speculate but would likely lose sales of our domestically produced urea. We would neither anticipate increasing the total volume of imports nor replacing current imports with imports from Russia and/or Ukraine.

FOREIGN PRODUCERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission requested foreign producers to describe any anticipated changes to the character of their operations or organization relating to the production of solid urea in the future if the antidumping orders covering imports of solid urea from Russia and Ukraine were revoked. (Question II-3.) Most firms replied in the negative. The following summarizes only the answers of firms either replying in the affirmative or supplying explanations for their negative responses.

***

No. We do not expect any changes in our operations in response to abolition of duty, because all plants are producing solid urea at a high level of capacity utilization. If the antidumping duty is revoked, the U.S. market will become an alternative market for ***. However, *** would not supply solid urea to the U.S. market unless solid urea could be sold in the U.S.A. at a premium price, after accounting for freight costs. Due to considerable freightage towards the U.S.A., we do not believe that U.S. market prices will be high enough in the near future to justify substantial shipments by *** to U.S.A. Sales opportunities in the U.S. market for *** may also be limited due to U.S. market preference for granular urea for fertilizer use; *** and *** only produce prilled urea.

The Commission requested foreign producers to identify export markets other than the United States that have been developed as a result of the antidumping duty orders from Russia and Ukraine. (Question II-13.) The following are quotations from the responses of foreign producers indicating either that they did develop other export markets or that there was an explanation for the lack of development.

***

***.

***

***.

***

Increased urea exports to other countries are not connected with antidumping duties as introduced in the U.S.

***

***.

***

***.

The Commission requested foreign producers to describe the significance of the existing antidumping duty orders covering imports of solid urea from Russia and Ukraine in terms of their effect on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories. (Question II-14.) The following are quotations from the responses of foreign producers indicating either that they did acknowledge a significance or that there was an explanation for no significance acknowledged.

***

The antidumping duty is very high and therefore makes ***'s urea unattractive to U.S. customers.

***

*** has made no shipments to the United States since the imposition of the antidumping duty order. The order has no effect on shipments, inventories, or production capacity.

***

Cancellation of antidumping duties will not essentially affect the volume of production, productivity, and shipments to the home market, stocks, because of a high degree of development of other commodity markets. The volume of exports to the United States may be increased.

The Commission requested foreign producers to describe any anticipated changes in their production capacity, production, home market shipments, exports to the United States and other markets, or inventories relating to the production of solid urea in the future if the existing antidumping duty orders were revoked. (Question II-15.) The following are quotations from the responses of foreign producers indicating either that they did anticipate changes or that there was an explanation for no changes anticipated.

***

*** may export solid urea to the United States.

***

Yes. *** is already producing solid urea at a high level of capacity utilization, and therefore will not increase production significantly if the duty is terminated. *** has no plans to increase capacity to produce solid urea.

Abolition of the duty will not result in any changes in deliveries to the home market. Over the past few years, ***'s shipments to the Russian market have averaged about *** percent of our total solid urea production. In addition, we plan to develop a distribution network in Russia and to increase the supply of mineral fertilizer products to the Russian market, including shipments of solid urea.

With the abolition of the duty, the U.S. market will be an alternative market for ***. *** could then make some shipments to the United States, but the quantity will depend on the market trends prevailing on the global market on the whole, relative profitability of deliveries to the United States and to other countries, freight costs, and our commitments with reference to solid urea shipments to current customers. Sales opportunities in U.S. markets for *** may also be limited due to the U.S. market preference for granular urea for fertilizer use; *** and *** only produce prilled urea.

***

*** might export to the U.S. However, the only way to export to the U.S. is through decreasing the exports to other markets. We could start the exports of urea to the U.S. only if different factors are favorable to us (prices, transport expenses, and etc.). We won't automatically start the export to the U.S.

***

*** has received inquiries from big trading companies (***) for urea supplies into the United States, so if the antidumping duties were revoked, we may be able to make some sales to the U.S. market. Whether we makes sales to the U.S. market and the sale quantity, however, would depend on market factors, including U.S. relative prices, transportation costs, etc. Because of our limited production resources and our traditional sales markets, *** does not expect to ship any significant urea supplies into the U.S. market.

U.S. PURCHASERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

Effects of Revocation on Future Activities of the Firms and the U.S. Market as a Whole (Question III-38). The Commission requested U.S. purchasers to comment on the likely effects of revocation of the antidumping duty order on imports of solid urea from Russia and Ukraine on (1) the future activities of their firms, (2) the U.S. market as a whole, and (3) total U.S. supply and prices of solid urea. Their responses follow.

***

(1) "No change."
(2) "No change."
(3) "U.S. market could see some price deterioration due to available supply."

***

(1) "Would not change our buying habits since we buy from international and traders, not direct from former Soviet Union."
(2) "Based on current world production it would not change much in the U.S. market if our demand increases."
(3) "It would increase supply availability to the U.S. market; but price would not change much in the U.S., only world supply would dictate price and due to the domestic cost (of) production, the imports will stay close to that price."

***

No response.

***

(1) "Would buy for specific industrial and feed uses."
(2) "Would import to meet specific uses."
(3) "Little, if any, impact on the global urea market but would create a more efficient trade flow."

***

No response.

***

(1) “Would be able to source from alternative suppliers.”
(2) “Would generally lower the price stimulated economic activity.”
(3) No response.

***

No response.

The Commission requested U.S. purchasers to explain whether, and if so how, revocation of the order on Russia and/or Ukraine would affect their firm’s purchasing pattern (Question IV-9). Their responses follow.

***

No response.

***

(Reported purchasing both imported and U.S. produced urea.)

“It would not impact our purchasing pattern because we handle only granular urea.”

***

(Reported purchasing both imported and U.S. produced urea.)

“Would not change it much. We still need quality and availability along with price. We buy domestic and offshore now and wouldn’t change our pattern.”

***

(Reported purchasing only U.S. produced urea.)

“We would be able to source from additional suppliers which would have the effect of lowering this critical raw material price; thereby enhancing the business’ economic viability.”

***

No response.

***

No response.

***

(Reported purchasing both imported and U.S.-produced urea.)

“US pricing follows pricing throughout the world, I see no change in our purchasing other than we have more supply options.”