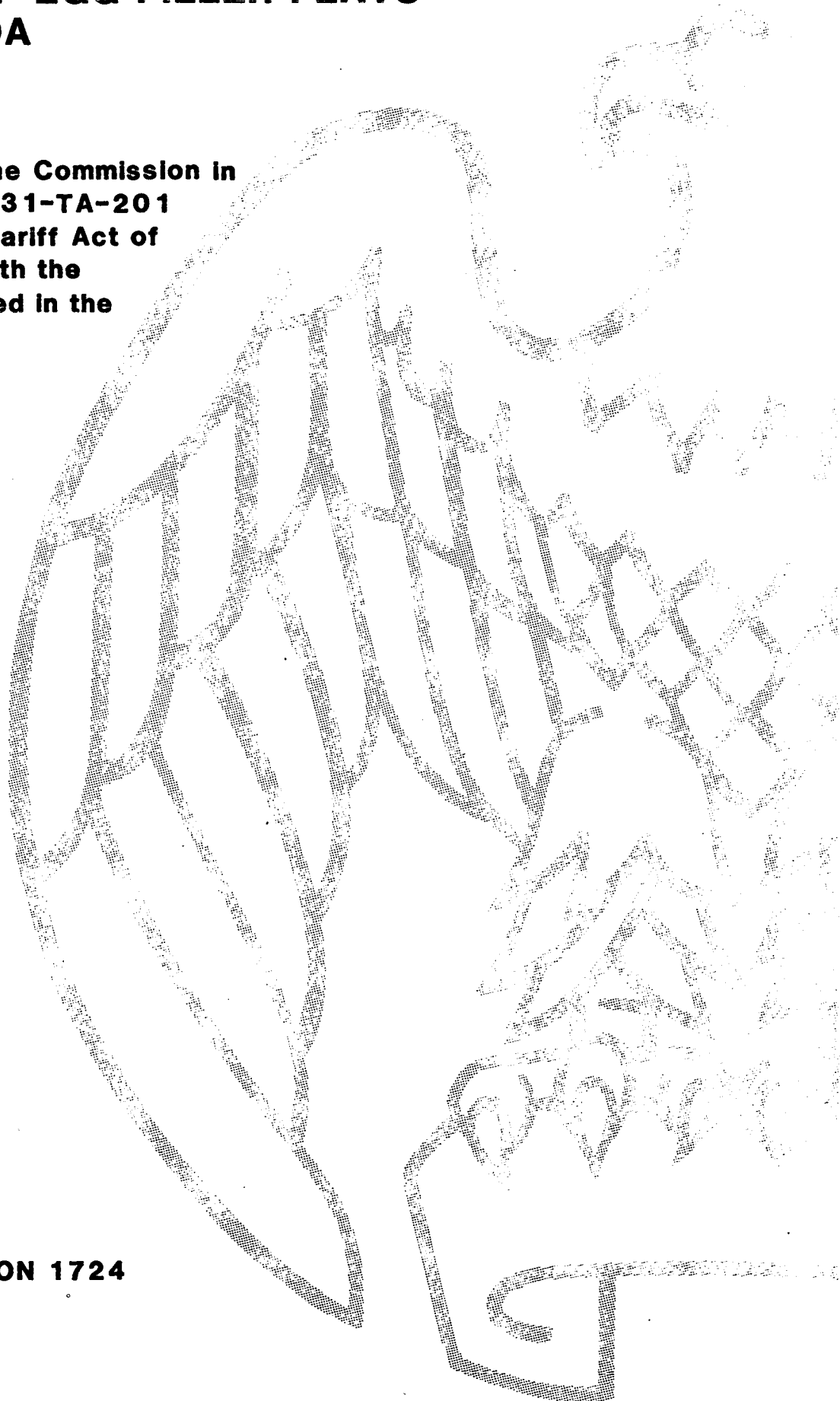


# **MOLDED PULP EGG FILLER FLATS FROM CANADA**

**Determination of the Commission in  
Investigation No. 731-TA-201  
(Final) Under the Tariff Act of  
1930, Together With the  
Information Obtained in the  
Investigation**



**USITC PUBLICATION 1724**

**JULY 1985**

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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## C O N T E N T S

|  | <u>Page</u> |
|--|-------------|
| Determination-----   | 1           |
| Views of the Commission-----   | 3           |
| Information obtained in the investigation:   |             |
| Introduction-----  | A-1         |
| Nature and extent of sales at LTFV-----  | A-2         |
| The product:   |             |
| Description and uses-----  | A-2         |
| U.S. tariff treatment-----   | A-4         |
| U.S. channels of distribution and sales practices-----   | A-4         |
| U.S. producers-----  | A-5         |
| Canadian producers-----  | A-6         |
| U.S. importers-----  | A-6         |
| The question of material injury:   |             |
| U.S. production, capacity, and capacity utilization-----   | A-6         |
| U.S. producers' domestic shipments and exports-----  | A-8         |
| Inventories-----   | A-9         |
| Employment-----  | A-10        |
| Financial experience of U.S. producers:  |             |
| Egg filler flat operations-----  | A-11        |
| Overall establishment operations-----  | A-13        |
| Capital expenditures and research and development expenses-----  | A-13        |
| Impact of imports on U.S. producers' growth, investment, and<br>ability to raise capital-----                          | A-15        |
| The question of threat of material injury-----   | A-15        |
| The question of the causal relationship between the LTFV imports and<br>the alleged material injury or threat thereof: |             |
| U.S. imports, consumption, and import penetration-----   | A-17        |
| Prices:  |             |
| Distributor and cooperative pricing practices-----   | A-20        |
| Trends of prices to distributors/cooperatives-----   | A-22        |
| U.S. producers' prices-----  | A-26        |
| Canadian producers' prices-----  | A-26        |
| Comparisons of prices to distributors/cooperatives-----  | A-26        |
| Prices to end users-----   | A-28        |
| Transportation costs-----  | A-28        |
| Exchange-rate changes-----   | A-29        |
| Lost sales-----  | A-30        |
| Appendix A. Commerce's and Commission's <u>Federal Register</u> notices-----   | A-31        |
| Appendix B. List of witnesses at the public hearing-----   | A-43        |
| Appendix C. Statistical tables-----  | A-47        |

### Tables

|  |     |
|--|-----|
| 1. Molded pulp egg filler flats: U.S. production, average practical capacity, and capacity utilization, by firms, 1982-84, January-March 1984, and January-March 1985----- | A-7 |
| 2. Molded pulp egg filler flats: U.S. producers' domestic shipments by size of flat, 1982-84, January-March 1984 and January-March 1985-----                               | A-8 |
| 3. Molded pulp egg filler flats: U.S. producers' end-of-period inventories, by size of flat, 1982-84, January-March 1984, and January-March 1985-----                      | A-9 |

## CONTENTS

|  | <u>Page</u> |
|--|-------------|
| 3. Molded pulp egg filler flats: U.S. producers' end-of-period inventories, by size of flat, 1982-84, January-March 1984, and January-March 1985-----  | A-9         |
| 4. Average number of production and related workers producing molded pulp egg filler flats in U.S. establishments, hours worked by, and total compensation and average hourly compensation paid to such workers, by firms, 1982-84 January-March 1984, and January-March 1985----- | A-10        |
| 5. Income-and-loss experience of 2 U.S. producers on their egg filler flat operations, by firms, 1982-84, January-March 1984, and January-March 1985-----  | A-12        |
| 6. Income-and-loss experience of 2 U.S. producers on the overall operations of the establishments in which egg filler flats are produced, by firms, 1982-84, January-March 1984, and January-March 1985-----   | A-14        |
| 7. Molded pulp egg filler flats: Cascades' and Fripp Fibre's capacity, production, and exports, 1982-84, January-March 1984, and January-March 1985-----   | A-16        |
| 8. Molded pulp egg filler flats: Fripp Fibre's capacity, production, and exports, 1982-84, January-March 1984, and January-March 1985----  | A-17        |
| 9. Molded pulp egg filler flats: U.S. imports, by size of flat and by principal sources, 1982-84, January-March 1984, and January-March 1985-----  | A-18        |
| 10. Molded pulp egg filler flats: U.S. imports from Fripp Fibre, 1982-84, January-March 1984, and January-March 1985-----  | A-19        |
| 11. Molded pulp egg filler flats: U.S. producers' domestic shipments, imports, and apparent consumption, by size of flat, 1982-84, January-March 1984, and January-March 1985-----   | A-21        |
| 12. Molded pulp egg filler flats: U.S. imports from Fripp Fibre as a share of U.S. consumption, by size of flat, 1982-84, January-March 1984, and January-March 1985-----  | A-22        |
| 13. Regular 5x6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1000 flats, sold to distributors in the Midwest, and Fripp's delivered prices to cooperatives in that region, by quarters January-March 1982 through January-March 1985-----       | A-23        |
| 14. Regular 5x6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1000 flats, sold to distributors in the South, and Fripp's delivered prices to cooperatives in that region, by quarters, January-March 1982 through January-March 1985-----        | A-24        |
| 15. Regular 5x6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1,000 flats, sold to distributors in the West, and Fripp's delivered prices to cooperatives in that region, by quarters, January-March 1982 through January-March 1985-----        | A-25        |

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| 16. Regular 5x6 molded pulp egg filler flats: Average margins of under-<br>selling (overselling) between the domestic and imported product<br>sold to distributors, by regions and by quarters, January-March<br>1982 through January-March 1985----- | A-27        |
| 17. Indexes of U.S. and Canadian producers' prices and indexes of<br>nominal and real exchange rates between the U.S. dollar and<br>the Canadian dollar, by quarters, January-March 1982<br>to January-March 1985-----                                | A-29        |

Note. Information which would reveal the 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  
Washington, DC

Investigation No. 731-TA-201 (Final)

MOLDED PULP EGG FILLER FLATS FROM CANADA

Determination

On the basis of the record <sup>1/</sup> developed in the subject investigation, the Commission determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is not materially injured, nor threatened with material injury, nor is the establishment of an industry in the United States materially retarded, by reason of imports from Canada of molded pulp egg filler flats, classified under item 256.70 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective January 16, 1985, following a preliminary determination by the Department of Commerce that imports of molded pulp egg filler flats from Canada were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation 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 of February 21, 1985 (50 FR 7238). A notice revising the Commission's schedule for the conduct of the investigation was published in the Federal Register of March 6, 1985 (50 FR 4135). The hearing was held in Washington, DC, on June 13, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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<sup>1/</sup> The "record" is defined in section 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).





## VIEWS OF THE COMMISSION

Summary

We determine that an industry in the United States is not materially injured or threatened with material injury, nor is the establishment of an industry in the United States materially retarded, 1/ by reason of imports of molded pulp egg filler flats from Canada which the Department of Commerce (Commerce) has determined are sold at less than fair value (LTFV). Our negative determination is based upon the lack of a causal nexus between the condition of the industry and LTFV imports from Canada.

Like product and the domestic industry

The statutory framework under which the Commission conducts antidumping investigations requires the Commission first to determine the domestic industry against which to assess the impact of unfairly traded imports. Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "[t]he domestic producers as a whole of a like product, or those producers whose collective output of the like product constitute a major proportion of the total domestic production of that product." 2/ "Like product" is, in turn, defined in section 771(10) 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 . . . ." 3/

The article which is the subject of this investigation is molded pulp egg filler flats. Molded pulp egg filler flats are disposable trays which are

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1/ Material retardation is not an issue in this investigation and will not be discussed further.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

used to hold and protect eggs during storage and transit to egg distributors and large volume consumers. 4/ The industry designates molded pulp egg filler flats based on the number and size of eggs that the flats accommodate. 5/ The vast majority of egg filler flats consumed in the United States are 5 x 6 flats that accommodate 30 eggs. These flats are designated as "regular" for smaller and medium size eggs and "modified" for larger size eggs. In this final investigation, all of the imports are regular 5 x 6 flats. 6/ Currently, Fripp Fibre Forms, Ltd. (Fripp), the Canadian producer of LTFV egg filler flats, manufactures only regular 5 x 6 flats.

Molded pulp egg filler flats are also manufactured in several sizes other than 5 x 6, e.g., 4 x 5 turkey egg filler flats and 6 x 8 egg filler flats. 7/ These other size flats have different uses, and are not interchangeable with 5 x 6 flats. 8/ These products differ not only in use, but also in the molds needed to manufacture them. These molds are quite expensive and a change in product mix usually requires new molds and retooling of the drum and other equipment to accommodate the molds. Because of the

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4/ Report of the Commission (Report) at A-2.

5/ Id.

6/ Fripp Fibre Forms, Ltd., is the sole Canadian producer remaining in this investigation. Commerce excluded imports produced by Cascades, Inc., when it found de minimis LTFV margins on those imports. 50 Fed. Reg. 24,011 (1985).

7/ In addition, egg filler flats are also manufactured using polyethylene and polypropylene plastic by producers distinct from those producing molded pulp flats and using a completely different type of process. The two types of flats are manufactured by different processes, differ substantially in cost, and recycling of plastic flats (a major advantage of the plastic flat) requires the purchase of cleaning equipment and supplies. Report at A-3-4. The parties agree that plastic and pulp flats serve different purposes and are directed to different end users. Transcript of the hearing (Tr.) at 8.

8/ Tr. at 7.

cost, in terms of cash outlay and idled production facilities, and time involved, changes in product mix are kept to a minimum. 9/

Changing production from modified to regular 5 x 6 egg filler flats is comparatively easier than changing production to different sizes of egg filler flats. 10/ Molds for regular and modified 5 x 6 flats are the same size and can be used on the same drum or in the same row on the drum. Hence, no retooling—with the accompanying time and expense—of the drum is required. 11/

The legislative history states that the like product "[s]hould not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other . . . ." 12/ The manufacturing process for the regular and modified 5 x 6 flats is identical except for the specific mold; however, the molds can be positioned on the same drum without retooling. Further, some degree of interchangeability occurs for end uses of the regular and modified flats. 13/

Based on the record in this investigation, we determine that the like product includes both regular and modified molded pulp 5 x 6 egg filler flats. We further find that the domestic industry is composed of the U.S. producers of these regular and modified flats. In assessing the impact of imports on the domestic industry, we have examined data on the like product,

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9/ Report at A-3. The conversion between production of egg filler flats and other pulp products requires a lengthy shut down time. There has only been one exception to the general statement that no production line has been converted to or from manufacture of egg filler flats. One domestic plant underwent considerable retooling and began producing egg filler flats in January 1985. See *id.* at A-6.

10/ *Id.* at A-3.

11/ *Id.*

12/ S. Rep. No. 249, 96th Cong., 1st Sess. 90 (1979).

13/ Report at A-3 n.1.

and where such data were unavailable, we have looked at data on the narrowest possible range of products including the like product, pursuant to section 771(4)(D). 14/

Condition of the domestic industry 15/

The Commission considers when assessing the condition of the industry such factors as changes in U.S. production, market share, capacity utilization, investment, employment, wages, domestic prices, and profitability.

The economic indicators of the domestic egg filler flat industry are mixed. During the period of investigation, one plant closed and another plant reopened. 16/ In conjunction with these capacity fluctuations, U.S. production and capacity utilization both fell in 1983, rose in 1984, and declined again in 1985. 17/

Employment has shown similar fluctuations. After a substantial decline from 1982 to 1983, the number of workers and hours worked increased in 1984, and the number of workers increased further from first quarter 1984 to first quarter 1985, although not to 1982 levels. 18/ Hourly compensation for these workers increased, but irregularly. 19/

Prices have risen steadily, and other financial data indicate that the situation regarding profitability is improving. 20/ Despite these encouraging

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14/ 19 U.S.C. § 1677(4)(D).

15/ Most of the data concerning the condition of the domestic industry are confidential because there are very few egg filler flat producers. Accordingly, our discussion of the condition of the domestic industry must focus on general trends and is presented in general terms.

16/ Report at A-7. That plant reopening involved considerable retooling, which reflected significant new investment.

17/ Id. at A-8.

18/ Id. at A-11.

19/ Id.

20/ Id. at A-26.

signs, available data show that the industry remains weak. Therefore, we determine that the domestic molded pulp egg filler flat industry is experiencing material injury. 21/ 22/

No material injury by reason of LTFV imports from Canada

In examining the causal nexus between the condition of the U.S. industry and LTFV imports from Canada, 23/ the Commission has considered, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 24/ We have concluded that there is no causal

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21/ Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industry is experiencing economic problems.

22/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is 'by reason of' the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstances, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984) (emphasis supplied), aff'd sub nom., Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

23/ 19 U.S.C. § 1673(b).

24/ 19 U.S.C. § 1677(7).

connection between any material injury to the industry and the LTFV imports from Canada. 25/

LTFV imports from Canada have increased since 1982, as has the Canadian share of U.S. consumption. 26/ U.S. end users have generally had to pay less for Canadian egg filler flats than U.S.-produced flats. 27/ These facts alone might indicate that imports are causing the material injury suffered by the domestic industry. However, the different ways in which the LTFV imports and the domestic product are distributed indicate that imports are not causing that material injury.

Two distinct channels of distribution, each with two levels of sale, have evolved in the sale of egg filler flats. Flats are sold to end users through both cooperatives and distributors.

Cooperatives' purchases of egg filler flats predate the entry of significant sales by Fripp into the market in 1980. 28/ Cooperatives were formed beginning in the late 1960s, originally to act as egg brokers,

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25/ In making this determination, Vice Chairman Liebeler has relied on the five factor analysis set forth in Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. 1707 (June 1985) (Additional Views of Vice Chairman Liebeler): "The stronger the evidence of the following, . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices, and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports)." Id. at 16. In the instant case, Fripp's market share was not large, but was rising. Its dumping margin was a weighted average 14.93 percent, and the product in question is relatively homogeneous. 50 Fed. Reg. 24,011 (1985). Prices have been rising rather than falling, and Fripp is not the price leader in the market. Further, there is another Canadian exporter to the United States who has an almost equal share of the U.S. market. Tr. at 37-38. The lack of declining prices and barriers to entry by other foreign firms will not support an affirmative determination.

26/ Report at A-19-A-20.

27/ Id. at A-28.

28/ As the record indicates, cooperatives are independent entities, separate from domestic and Canadian egg filler flat producers. Tr. at 25.

arranging egg transfers between egg producers as regional supply and demand conditions changed. Some cooperatives began purchasing egg filler flats in the 1970s for their members while continuing their egg brokering role. The cooperatives' members hoped to obtain volume discounts from flat suppliers by pooling their buying needs. 29/

Unlike cooperatives, distributors offer a wide range of services such as a wider selection of products and small-lot purchasing, which affect end user prices. 30/ These distributors purchase flats only from domestic producers and resell to end users. Distributors' profits come from the difference between the price charged by producers and that charged to end users.

Domestic producers have not sold flats directly to cooperatives, primarily to avoid the risk of antagonizing and losing the business of distributors, which have traditionally supplied cooperatives' members. 31/

Egg filler flats go through two levels of sale in each distribution channel; the distributor-cooperative level and the end user level. No significant underselling by the Canadian producer has occurred at the distributor-cooperative level. Indeed, imports have frequently been priced higher than domestic flats. 32/ At the end user level, sales of Canadian flats by cooperatives have occurred at net prices significantly below sales of domestic flats by distributors. 33/ The data show that cooperatives, which in

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29/ Report at A-20, A-22. Cooperatives offer less service than distributors, e.g., they do not sell less than truck-load quantities nor deliver within a day's notice; they offer a relatively limited line of packaging materials; and they do not employ the larger amounts of labor and capital, such as sales personnel and warehousing facilities, that distributors' greater service and full-line operation require. Id. at A-4.

30/ Id. at A-4.

31/ As the record indicates, distributors of egg filler flats are independent entities, separate from domestic producers. Id.; Tr. at 63.

32/ Report at A-4.

33/ Some end users have also indicated that Canadian flats are of higher quality than U.S. flats. Id. at A-30.

many instances paid higher prices for imported flats than distributors paid for domestic flats, have been able to charge end users a lower price than distributors. 34/ Such pricing policies are consistent with cooperatives' objective to provide their members with flats at low prices. 35/ Thus, the lower end user prices are caused by the characteristics of a cooperative versus a distributor, not by the LTFV imports. The only lost sales documented in the record were at the end user level, and therefore, not caused by the LTFV imports. 36/ 37/ Further, we can see no harmful effect of imports on U.S. prices, which, as was stated above, have been rising at the distributor-cooperative level. Based on available data, we have determined that LTFV imports from Canada of egg filler flats are not a cause of material injury to the domestic industry.

No threat of material injury by reason of LTFV imports from Canada

In making our determination as to whether there is a threat of material injury, the Commission has considered, among other factors:

- (1) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

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34/ Id.

35/ Id. at A-2.

36/ Id. at A-30.

37/ Vice Chairman Liebeler does not consider the presence or absence of confirmed lost sales determinative or persuasive on the question of a causal link between LTFV imports and material injury to the domestic industry. Typically, an import that is sold at less-than-fair value affects the domestic industry the same way regardless of whether it is a confirmed lost sale. Although it might be appropriate to inquire whether a sale by a respondent has been in lieu of sales by the domestic industry or, alternatively, at the expense of imports from other countries, Commission information on lost sales is not capable of providing an answer to such a question because the data is based on a very small and biased sample.



- (2) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
- (3) any substantial increase in inventories of the merchandise in the United States,
- (4) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
- (5) the presence of underutilized capacity for producing the merchandise in the exporting country. 38/

A finding of a threat of material injury, however, must be based upon a showing that the likelihood of harm is real and imminent, and may not be based on mere supposition or conjecture. 39/

The available data confirm the absence of any real and imminent threat of material injury to the domestic molded pulp egg filler flats industry.

Imports have increased over the period of investigation, but the increase has been gradual. Although the United States is the only export market for Fripp, the Canadian producer selling at LTFV, 40/ the record does not indicate any further shift from domestic sales to exports by Fripp. 41/

As stated previously, imports have not significantly undersold, and have frequently oversold, U.S. products at the distributor-cooperative level. The record shows no significant price suppressive or depressive effects from the subject imports. Moreover, neither distributors nor cooperatives purchase for inventory. Flats are transferred through to end users quickly, and inventories have remained low over time with no significant increase reported. 42/

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38/ 19 U.S.C. § 1677(7)(F).

39/ *Id.* Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (CIT 1981).

40/ Tr. at 27.

41/ Although Fripp has made samples on a prototype 4 x 5 turkey egg filler flat mold, it will not be in a position to produce such flats for months. *Id.* at 74-75.

42/ Report at A-15.

Finally, the Canadian producer selling at LTFV is operating at an extremely high level of capacity utilization. 43/ There is no evidence of any plans to increase capacity.

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43/ Tr. at 92.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On August 3, 1984, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Keyes Fibre Co. (Keyes), Stamford, Connecticut, and Packing Corporation of America (PCA), Evanston, Illinois, alleging that imports of molded pulp egg filler flats from Canada are being sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured or threatened with material injury by reason of such imports.

Accordingly, effective August 3, 1984, the Commission instituted antidumping investigation No. 731-TA-201 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there was a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of the alleged LTFV merchandise, classified under item 256.70 of the Tariff Schedules of the United States (TSUS).

On September 12, 1984, the Commission determined that there was a reasonable indication that an industry in the United States is materially injured by reason of alleged LTFV imports of molded pulp egg filler flats from Canada. Commerce, therefore, continued its investigation into the question of alleged LTFV imports and published its preliminary determination in the Federal Register of January 16, 1985 (50 F.R. 2320). Commerce preliminarily determined that molded pulp egg filler flats from Canada are being sold, or are likely to be sold, in the United States at LTFV. 1/ On the basis of Commerce's preliminary determination, the Commission instituted a final antidumping investigation on January 16, 1985.

Notice of the institution of the Commission's investigation and of a 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 of February 21, 1985 (50 F.R. 7238). On February 21, 1985, Commerce published a notice in the Federal Register (50 F.R. 7206) postponing its final antidumping determination. Accordingly, the Commission published a notice in the Federal Register of March 6, 1985 (50 F.R. 4135) revising its schedule for the conduct of the investigation. 2/ Commerce published an affirmative final LTFV determination in the Federal Register of June 7, 1985 (50 F.R. 24009). 3/ The Commission's public hearing was held on June 13, 1985, 4/ and the briefing and vote were held on July 10, 1985. The Commission is scheduled to notify Commerce of its final determination by July 15, 1985.

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1/ A copy of Commerce's notice of its preliminary determination is shown in app. A.

2/ Copies of the Commission's notices of institution of final investigation and revision of schedule are shown in app. A.

3/ A copy of Commerce's notice of its final determination is shown in app. A.

4/ A list of witnesses appearing at the hearing is presented in app. B.

Molded pulp egg filler flats have not been the subject of any other investigation conducted by the Commission.

#### Nature and Extent of Sales at LTFV

The Department of Commerce's final LTFV determination was based on an examination of molded pulp egg filler flats exported to the United States by two firms--Cascades, Inc., Kingsey Falls, Quebec, and Fripp Fibre Forms, Ltd., Tisdale, Saskatchewan--during March 1-August 31, 1984. For the purpose of determining whether these exports were, or were likely to be, sold at LTFV, Commerce compared the purchase price to U.S. customers with a fair market value based on home-market sales. The purchase price was used since the U.S. customers are unrelated to the Canadian manufacturers, and the home-market price was used since molded pulp egg filler flats are sold in Canada in sufficient quantities to provide a basis of comparison. Using the above criteria, Commerce found final dumping margins which ranged from 0 to 44.16 percent on 88 percent of the sales compared. The weighted-average margins were de minimis for Cascades (which was accordingly excluded from the final affirmative determination) and 14.93 percent for Fripp Fibre.

#### The Product

##### Description and uses

The product which is the subject of the petitioners' complaint is molded pulp egg filler flats, disposable trays of molded pulp specially configured to hold and protect eggs during storage and transit from egg producers to distributors and bulk consumers. Pulp consists of cellulose fibers which have been chemically and mechanically separated from wood and/or wood products, mixed with water, and congealed under pressure by means of molds or rollers. Molds are used to form irregular-surfaced products such as egg filler flats, whereas rollers are used to form flat-surfaced products such as paper and paperboard.

Molded pulp egg filler flats are primarily distinguished by the number and size of eggs they are made to accommodate. Virtually all of those sold in the United States fall into one of the following four categories:

- 1) 4 X 5 flats.--flats made to seat and separate 20 turkey eggs or 20 jumbo-sized chicken eggs, 4 rows of 5 eggs each;
- 2) 5 X 6 flats (regular).--flats made to seat and separate 30 chicken eggs, 5 rows of 6 eggs each;
- 3) 5 X 6 flats (modified).--flats made to seat and separate 30 large chicken eggs, 5 rows of 6 eggs each; and
- 4) 6 X 8 flats.--flats made to seat and separate 48 chicken eggs, 6 rows of 8 eggs each.

The 5 X 6 variety, both regular and modified, accounted for more than 95 percent of U.S. consumption in 1982-84 and constituted the bulk of both U.S.

and Canadian producers' shipments. Fripp Fibre, the Canadian firm which Commerce found to be selling at LTFV, manufactures regular 5 X 6 flats only. 1/

To produce egg filler flats, waste cardboard and/or paper is converted into pulp slurry, fortified with small quantities of chemicals and waxes, and pumped into a vat into which an upright drum, circumscribed by 4 to 5 rows of egg filler flat molds (20 molds per row), is partially immersed and rotated. A vacuum in the drum draws the slurry into the submerged molds. As the molds rotate out of the slurry toward the top of the drum, the water-saturated flats are further shaped by stamping molds, removed by transfer molds, and then sent by conveyer through drying ovens, which remove about 90 percent of the moisture in the product. Once dried, the flats are inspected, stacked, and packaged, usually in bundles of 140 flats.

By changing the molds, the equipment used to produce egg filler flats may also be used to produce other molded pulp products, such as egg cartons, food and beverage trays, meat and vegetable trays, and fruit flats. U.S. producers, however, do not have large inventories of unused molds. If a decision is made to produce more of one molded pulp product relative to another, new molds must be manufactured at \* \* \* (fruit flats) to \* \* \* (egg cartons) each, for a total of \* \* \* to over \* \* \* per drum. The process of retooling the drums and other equipment to accommodate different molds, moreover, is expensive and time consuming, requiring from \* \* \* months. In the interim the entire production line, including vat, drum, transfer machinery and drying ovens, remains idle. Production lines, therefore, are not ordinarily converted from the production of one product to another. The equipment cannot be adapted to handle raw materials other than pulp. Unlike the equipment, the workers are relatively flexible, often shifting from one production line to another and from product to product in the same plant.

Changing the equipment to produce a different mix of flat sizes is comparatively less expensive and time consuming, as long as the change is not so radical as to require the manufacture of new molds. In general, molds for 5 X 6 flats and 4 X 5 and 6 X 8 flats are fitted to separate drums. This is because the molds differ in size and thus fit the perimeter of the drum differently. (Molds for regular and modified 5 X 6 flats are the same size). Different sized molds are never incorporated into the same row. With proper tooling, however, a single drum may carry different sized molds on separate rows.

Egg filler flats are also made in the United States of polyethylene and polypropylene plastic, although by producers distinct from those producing the molded pulp variety and by a completely different type of production technology. More costly to produce, the price for the plastic flats is 4 to 6 times that for pulp flats. Plastic egg filler flats are similar in configuration to the pulp variety and function identically; but, because of the additional expense, they are used only in situations where they can be recycled. Typically, an egg producer will operate in close enough proximity

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1/ Regular and modified 5 X 6 flats have a limited degree of interchangeability. In theory, most eggs will be better protected by one or the other. In practice, egg size is not consistent and some will be packaged arbitrarily, particularly in early summer, when hens begin to lay smaller eggs, and in early fall, when the process reverses.

to a bulk egg consumer or distributor to retrieve the flats and reuse them dozens of times. (In similar situations molded pulp flats may be reused 2 or 3 times at most). Plastic flats must be washed before reuse, so the decision to purchase them in lieu of the pulp variety also entails the purchase of cleaning equipment and sanitizing agents. In the last 4 years, shipments of plastic flats have remained at less than 1 percent of total egg filler flat consumption in the United States 1/ and have not increased relative to shipments of pulp flats.

#### U.S. tariff treatment

Molded pulp egg filler flats are classified under item 256.70 of the TSUS, a residual classification for articles of pulp, not including articles of paper or paperboard, not specially provided for. The column 1 (most-favored-nation) rate of duty for TSUS item 256.70, which applies to imports from Canada, is currently 1.3 percent ad valorem. As a result of a concession granted in the Tokyo round of Multilateral Trade Negotiations (MTN), this rate will be reduced to 0.6 percent ad valorem on January 1, 1986. On January 1, 1987, articles imported under this item will become duty-free. Imports under TSUS item 256.70 from designated beneficiary developing countries are already eligible for duty-free treatment under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA). Mexico, a designated GSP beneficiary country, is the only country other than Canada known to have exported molded pulp egg filler flats to the United States.

#### U.S. Channels of Distribution and Sales Practices

Most egg filler flats sold in the United States by U.S. and Canadian producers are sold to packaging distributors and, more recently, to egg-producers' cooperatives, which in turn sell to end users, i.e., egg producers and packers. Cooperatives, supplied by Fripp Fibre only, are similar to distributors in that they place orders, advertise, and invoice buyers, and they may sell flats to non-members as well as members. They are dissimilar to distributors in that they are organized by and for the mutual benefit of egg producers/packers, i.e., their membership; the membership is subject to dues (generally assessed on the basis of the number of eggs produced); they offer less service, e.g., they do not sell less than truck-load quantities nor deliver within a day's notice; they offer a relatively limited line of packaging materials; and they do not employ the larger amounts of labor and capital, such as sales personnel and warehousing facilities, that distributors' greater service and full-line operation require. U.S. producers have not sold flats directly to cooperatives, primarily to avoid the risk of antagonizing and losing the business of distributors which have traditionally

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1/ The actual distribution of plastic egg filler flat consumption in the United States is unknown; however, because three of the four known producers of this product are located east of the Mississippi River (two in New Jersey and one in Kentucky), it is likely that the eastern half of the United States accounts for a disproportionately greater share of consumption. In any case, because of their relative durability, the actual number of plastic flats in use will always be greater than the number consumed (i.e., put into use) each year.

supplied cooperatives' members. 1/ U.S.-produced flats purchased by cooperatives or by cooperatives' members are purchased from distributors. Some egg filler flats are sold to egg producers and packers directly, although not where they have usually been supplied by a distributor. Egg packing refers to the packaging of eggs for transit and storage. In most cases egg growing and egg packing are undertaken by a single operator. Egg producing and packing establishments use the flats to ship eggs to bulk egg consumers, such as hotels and restaurants, to egg-product producers, or to egg distributors, which repackage the eggs into cartons for shipment to grocery stores, retail chains, and other outlets serving private households.

Many of the egg filler flats that producers sell to distributors are shipped directly to or picked up by end users, and delivered end user prices are those used in virtually all transactions. Regardless of whether the flats are shipped to the distributor or directly to the end-user, the producer normally bills the distributor on the basis of the end-user price. U.S. producers bill the distributor for the end user price, less a certain discount. The distributor's discount is less if the flats are shipped directly to the end user. Freight charges for shipments direct to end users are absorbed by the producer; freight charges for shipments to distributors are absorbed by both producer and distributor, although the latter is usually charged at a fixed rate regardless of the ultimate destination. The producer assumes the remaining charges, if any. Unlike U.S. producers, Canadian producers normally bill the distributor for the full end-user price. The distributor adds a premium to the end user. The producer absorbs all freight charges.

#### U.S. Producers

Three firms currently produce molded pulp egg filler flats in the United States: Keyes, at Hammond, Indiana, and Sacramento, California; PCA, at Griffith, Indiana, Macon, Georgia, and Red Bluff, California; and Middleton Packaging, Inc. (Middleton), at City of Industries, California. A fourth firm, Diamond International Corp., New York, New York, manufactured molded pulp egg filler flats at Red Bluff, California, until 1981 and at Natchez, Mississippi, until September 1983, when it closed the Natchez plant and sold the Red Bluff plant to PCA. PCA did not use the plant to manufacture egg filler flats until January 1985. Keyes, which accounted for \* \* \* percent of U.S. production in 1984, and PCA, which accounted for \* \* \* percent of U.S. production in the same year, manufacture several different types of molded pulp products in many plants, both in the United States and abroad. Neither imports egg filler flats into the United States. Middleton's operations, which accounted for \* \* \* percent of U.S. production in 1984, are confined to its small plant in California.

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1/ On one occasion, in April 1983, Keyes offered to sell directly to a cooperative (Midwest Egg Producers, Eldridge, Iowa) exclusive of distributors, but at a higher price than that being offered by Fripp Fibre.

### Canadian Producers

In addition to Fripp Fibre and Cascades, two other firms manufacture molded pulp egg filler flats in Canada: Canadian Keyes-Fibre at Hantsport, Nova Scotia; and Reid Dominion Packaging, Ltd., at Bradford, Ontario. Canadian Keyes-Fibre is a licensee of the petitioner. Under the terms of this arrangement, it may not export egg filler flats to the United States. Similar terms were agreed upon by Diamond International and Reid Dominion when the latter acquired Diamond's Canadian molded pulp plants in 1983. Neither firm has exported egg filler flats to the United States. The method used to produce molded pulp egg filler flats in Canada is the same as that used domestically.

### U.S. Importers

There are eight known importers of molded pulp egg filler flats from Canada. Three are egg-producers' cooperatives; the remainder are packaging-products distributors and end users. Lionel Industries, Harris, New York, a large distributor, \* \* \*. The others, \* \* \* include Mid-West Egg Producers, Eldridge, Iowa, U.S. Egg Marketers, Atlanta, Georgia, and National Egg Producers, Atlanta, Georgia, all cooperatives; and \* \* \* both distributors. Most shipments of Canadian-produced egg filler flats are made directly to end users. In general, importers order egg filler flats from Canadian producers upon receipt of orders from egg producers and packers.

### The Question of Material Injury

#### U.S. production, capacity, and capacity utilization

Keyes operates a total of \* \* \* production lines for molded pulp products at its Hammond and Sacramento plants, \* \* \* of which produce egg filler flats (\* \* \* at Hammond and \* \* \* at Sacramento). \* \* \*. PCA operates a total of \* \* \* production lines for molded pulp products at its Griffith, Macon, and Red Bluff plants, \* \* \* of which produce egg filler flats (\* \* \* at Griffith, \* \* \* at Macon, and \* \* \* at Red Bluff). \* \* \*. Middleton operates \* \* \* devoted exclusively to molded pulp egg filler flats.

Because of the expense and downtime required to convert a line to the production of another molded pulp product, U.S. producers, in the estimates of their production capacity, took into account only those lines that are tooled to produce egg filler flats. During the period for which data were collected (January 1982-March 1985) no egg filler flat line has been converted to produce another product, and, with one exception, no other line has been converted to produce egg filler flats. <sup>1/</sup> U.S. producers, however, have modified their egg filler flat lines to produce relatively more or less of a particular size.

Because the various sizes of egg filler flats are often produced with the same labor and equipment, resource allocation decisions affecting one size

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<sup>1/</sup> PCA's plant at Red Bluff, previously owned and operated by Reid Dominion, underwent considerable retooling before it began producing egg filler flats in January 1985.



frequently affect the others. Their relative shares of production are adjusted from time to time in response to the market so that the total income of the firm is maximized. Thusly interdependent, they are not treated as separate profit centers; and, except for production, shipments, and inventories, 1/ U.S. producers do not maintain separate data by size. In any case, 5 X 6 flats account for all but about 6 percent of U.S. production.

From 1982 to 1984, U.S. practical capacity to produce molded pulp egg filler flats, \* \* \*, declined from \* \* \* units annually to \* \* \* units annually, as a result of Diamond closing its Natchez plant (table 1). The \*\*\*-percent increase in capacity from January-March 1984 to January-March 1985 reflects PCA's reopening of the Red Bluff plant in January 1985.

Table 1.--Molded pulp egg filler flats: U.S. production, average practical capacity, and capacity utilization, by firms, 1982-84, January-March 1984, and January-March 1985

| Item and firm                       | 1982 | 1983 | 1984 | January-March-- |      |
|-------------------------------------|------|------|------|-----------------|------|
|                                     |      |      |      | 1984            | 1985 |
| <b>Capacity:</b>                    |      |      |      |                 |      |
| Keyes <u>1/</u> -----1,000 units--: | ***  | ***  | ***  | ***             | ***  |
| PCA <u>2/</u> -----do-----:         | ***  | ***  | ***  | ***             | ***  |
| Middleton <u>3/</u> -----do-----:   | ***  | ***  | ***  | ***             | ***  |
| Diamond <u>1/</u> -----do-----:     | ***  | ***  | ***  | ***             | ***  |
| Total-----do-----:                  | ***  | ***  | ***  | ***             | ***  |
| <b>Production:</b>                  |      |      |      |                 |      |
| Keyes <u>1/</u> -----do-----:       | ***  | ***  | ***  | ***             | ***  |
| PCA <u>2/</u> -----do-----:         | ***  | ***  | ***  | ***             | ***  |
| Middleton <u>3/</u> -----do-----:   | ***  | ***  | ***  | ***             | ***  |
| Diamond <u>1/</u> -----do-----:     | ***  | ***  | ***  | ***             | ***  |
| Total-----do-----:                  | ***  | ***  | ***  | ***             | ***  |
| <b>Capacity utilization:</b>        |      |      |      |                 |      |
| Keyes <u>1/</u> -----percent--:     | ***  | ***  | ***  | ***             | ***  |
| PCA <u>2/</u> -----do-----:         | ***  | ***  | ***  | ***             | ***  |
| Middleton <u>3/</u> -----do-----:   | ***  | ***  | ***  | ***             | ***  |
| Diamond <u>1/</u> -----do-----:     | ***  | ***  | ***  | ***             | ***  |
| Total-----do-----:                  | ***  | ***  | ***  | ***             | ***  |

1/ Capacity based on operating facilities 168 hours per week, 50 weeks per year.

2/ Capacity based on operating facilities 161 hours per week, 49 weeks per year.

3/ Capacity based on operating facilities 160 hours per week, 50 weeks per year.

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

1/ Keyes does not separate these data for regular and modified 5 X 6 flats.

The trend in U.S. production of molded pulp egg filler flats has not been consistent in recent periods. From \*\*\* units in 1982, U.S. production fell to \*\*\* units in 1983 and then increased to \*\*\* units, or 3.5 percent over 1982 levels, in 1984. From January-March 1984 to January-March 1985, production declined by 13.7 percent, despite the introduction of additional capacity. U.S. producers reported no unusual circumstances, such as employment-related problems, temporary equipment-related problems, sourcing problems, power shortages, or transitions, which resulted in a loss of production. None of the U.S. producer's declines reflects a reallocation of resources to any foreign subsidiaries.

In keeping with the trend in production, capacity utilization declined from \*\*\* percent in 1982 to \*\*\* percent in 1983 before increasing to \*\*\* percent in 1984. From January-March 1984 to January-March 1985, capacity utilization declined from \*\*\* percent to \*\*\* percent.

#### U.S. producers' domestic shipments and exports

The trend in U.S. producers' domestic shipments parallels that for production (table 2). From \*\*\* units in 1982, U.S. producers' shipments

Table 2.--Molded pulp egg filler flats: U.S. producers' domestic shipments, by size of flat, 1982-84, January-March 1984, and January-March 1985

| Size                   | 1982 | 1983 | 1984 | January-March-- |      |
|------------------------|------|------|------|-----------------|------|
|                        |      |      |      | 1984            | 1985 |
| Quantity (1,000 units) |      |      |      |                 |      |
| 5 X 6-----             | ***  | ***  | ***  | ***             | ***  |
| All other-----         | ***  | ***  | ***  | ***             | ***  |
| Total-----             | ***  | ***  | ***  | ***             | ***  |
| Value (1,000 dollars)  |      |      |      |                 |      |
| 5 X 6-----             | ***  | ***  | ***  | ***             | ***  |
| All other-----         | ***  | ***  | ***  | ***             | ***  |
| Total-----             | ***  | ***  | ***  | ***             | ***  |
| Unit value (per 1,000) |      |      |      |                 |      |
| 5 X 6-----             | ***  | ***  | ***  | ***             | ***  |
| All other-----         | ***  | ***  | ***  | ***             | ***  |
| Average-----           | ***  | ***  | ***  | ***             | ***  |

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

declined to \* \* \* units in 1983 and then increased to \* \* \* units, or to 5.0 percent over 1982 levels, in 1984. Total shipments declined by 6.9 percent from January-March 1984 to January-March 1985. Contrary to the trend in total shipments, shipments of sizes other than 5 X 6 increased by 2.0 percent in this period. Sizes other than 5 X 6 account for about 7 percent of the value of U.S. producers' shipments. There were no exports of molded pulp egg filler flats during the period for which data were gathered. U.S. producers' domestic shipments by firm are shown in appendix C.

### Inventories

After increasing by 7.1 percent, from \* \* \* units in 1982 to \* \* \* units in 1983, U.S. producers' end-of-period inventories declined by 6.8 percent to \* \* \* units in 1984 (table 3). From January-March 1984 to January-March 1985,

Table 3.--Molded pulp egg filler flats: U.S. producers' end-of-period inventories, by size of flat, 1982-84, January-March 1984, and January-March 1985

| Item and size            | 1982 | 1983 | 1984 | January-March-- |        |
|--------------------------|------|------|------|-----------------|--------|
|                          |      |      |      | 1984            | 1985   |
| Inventories:             |      |      |      |                 |        |
| 5 X 6-----1,000 units--: | ***  | ***  | ***  | ***             | ***    |
| All other-----do-----:   | ***  | ***  | ***  | ***             | ***    |
| Total-----do-----:       | ***  | ***  | ***  | ***             | ***    |
| Ratio of inventories to  |      |      |      |                 |        |
| total shipments during   |      |      |      |                 |        |
| preceding period:        |      |      |      |                 |        |
| 5 X 6-----percent--:     | ***  | ***  | ***  | 1/ ***          | 1/ *** |
| All other-----do-----:   | ***  | ***  | ***  | 1/ ***          | 1/ *** |
| Average-----do-----:     | ***  | ***  | ***  | 1/ ***          | 1/ *** |

1/ Annualized.

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

end-of-period inventories declined by 10.8 percent. As a share of total shipments during the preceding period, inventories increased from \* \* \* percent in 1982 to \* \* \* percent in 1983, and then declined to \* \* \* percent in 1984. A decline in the ratio of inventories to shipments is also evident from January-March 1984 to January-March 1985. Individual producer's inventories are shown in appendix C.

Employment

Egg filler flat producers frequently shift workers from the production of one product to another in the same plant, so that few workers, if any, work full time on the production of any one product. The average number of production and related workers producing molded pulp egg filler flats, shown in table 4, is the equivalent number of workers producing egg filler flats

Table 4.--Average number of production and related workers producing molded pulp egg filler flats in U.S. establishments, hours worked by and total compensation and average hourly compensation paid to such workers, by firms, 1982-84, January-March 1984, and January-March 1985

| Item and firm  | 1982 <u>1/</u> | 1983 <u>1/</u> | 1984 | January-March-- |      |
|--|----------------|----------------|------|-----------------|------|
|  |                |                |      | 1984            | 1985 |
| Average number of production and related workers producing molded pulp egg filler flats: |                |                |      |                 |      |
| Keyes-----   | ***            | ***            | ***  | ***             | ***  |
| PCA-----   | ***            | ***            | ***  | ***             | ***  |
| Middleton-----   | ***            | ***            | ***  | ***             | ***  |
| Total-----   | ***            | ***            | ***  | ***             | ***  |
| Hours worked by production and related workers producing molded pulp egg filler flats:   |                |                |      |                 |      |
| Keyes-----1,000 hours--  | ***            | ***            | ***  | ***             | ***  |
| PCA-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Middleton-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Total-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Total compensation paid to production and related workers:                               |                |                |      |                 |      |
| Keyes-----1,000 dollars--  | ***            | ***            | ***  | ***             | ***  |
| PCA-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Middleton-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Total-----do-----  | ***            | ***            | ***  | ***             | ***  |
| Hourly compensation paid to production and related workers:                              |                |                |      |                 |      |
| Keyes-----   | ***            | ***            | ***  | ***             | ***  |
| PCA-----   | ***            | ***            | ***  | ***             | ***  |
| Middleton-----   | ***            | ***            | ***  | ***             | ***  |
| Average-----   | ***            | ***            | ***  | ***             | ***  |

1/ Data for Diamond are not available.

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

full time, calculated by multiplying the total number of workers at the plants by an estimate of the average percentage of time they devote to these items. Workers in Keyes' and PCA's plants devote about \* \* \* percent and \* \* \* percent of their time, respectively, to producing egg filler flats. The hours worked by such workers and total compensation paid to them, also shown in table 4, are specific to egg filler flat production.

The average number of production and related workers producing molded pulp egg filler flats in the United States declined by at least 13.4 percent <sup>1/</sup> from 1982 to 1984, but increased by 2.4 percent from January-March 1984 to January-March 1985 with the reopening of the Red Bluff plant. The trend for hours worked by these workers and the total compensation paid to them is similar, except that declines are evident from January-March 1984 to January-March 1985. Hourly compensation increased, albeit irregularly, throughout the period.

Financial experience of U.S. producers

Egg filler flat operations.--Keyes and PCA provided income-and-loss data for the plants in which egg filler flats are produced and separately for their egg filler flat operations. The data for each firm's egg filler flat operations are presented in table 5.

\* \* \*. If each firm used its respective allocation base consistently from year to year (and there is no evidence to the contrary), the data presented in table 5 should reflect a reasonable income-and-loss trend on egg filler flat operations.

Aggregate net sales of egg filler flats remained almost steady at about \* \* \* in 1982 and 1983, and then increased by \* \* \* percent to \* \* \* in 1984. During January-March 1985, total net sales declined by \* \* \* percent to \* \* \* compared with \* \* \* in the corresponding period of 1984.

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |

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<sup>1/</sup> Employment data for Diamond, which discontinued egg filler flat production in 1983, are not available.

Table 5.--Income-and-loss experience of 2 U.S. producers on their egg filler flat operations, by firms, 1982-84, January-March 1984, and January-March 1985

| Period and firm       | Net sales                                | Cost of goods sold                    | Gross profit or (loss)              | General, selling, and administrative expense | Operating income or (loss)                       | Interest expense   | Other income or (expense), net |
|-----------------------|--|---------------------------------------|-------------------------------------|--|--|--|--------------------------------|
| <u>1,000 dollars</u>  |  |                                       |                                     |  |  |  |                                |
| 1982:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1983:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1984:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1984:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1985:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
|                       | Net income or (loss) before income taxes | Depreciation and amortization expense | Cash flow (deficit) from operations | Ratio of gross profit or (loss) to net sales | Ratio of operating income or (loss) to net sales | Ratio of net income or (loss) before income taxes to net sales |                                |
| <u>1,000 dollars</u>  |  |                                       |                                     | <u>percent</u>                               |  |  |                                |
| 1982:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1983:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1984:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1984:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1985:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |

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

\* \* \* \* \*

\* \* \* \* \*

\* \* \* \* \*

\* \* \* \* \*

Overall establishment operations.--The income-and-loss data for U.S. producers' establishments in which egg filler flats are produced are shown in table 6. Egg filler flat sales accounted for about \* \* \* percent of establishment sales during 1982-84. The trend for overall establishment net sales is similar to that for egg filler flats during 1982 through 1984. However, the trends for operating profit or loss are not the same. Operating income for overall establishment operations declined from \* \* \*, or \* \* \* percent of net sales, in 1982 to \* \* \*, or \* \* \* percent of net sales in 1984. Operating income of \* \* \*, or \* \* \* percent of net sales, was reported in January-March 1985, compared with an operating loss of \* \* \*, or \* \* \* percent of net sales, in the corresponding period of 1984.

Capital expenditures and research and development expenses.--Keyes and PCA furnished data relative to their capital expenditures for buildings and machinery and equipment used in the manufacture of egg filler flats and also provided research and development expenses relating to their egg filler flats operations. These data are presented in the following tabulation (in thousands of dollars):

| Item                         | 1982 | 1983 | 1984 | January-March-- |      |
|------------------------------|------|------|------|-----------------|------|
|                              |      |      |      | 1984            | 1985 |
| <b>Capital expenditures:</b> |      |      |      |                 |      |
| Keyes-----                   | ***  | ***  | ***  | ***             | ***  |
| PCA-----                     | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| <b>Research and develop-</b> |      |      |      |                 |      |
| <b>ment expenses:</b>        |      |      |      |                 |      |
| Keyes-----                   | ***  | ***  | ***  | ***             | ***  |
| PCA-----                     | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |

Table 6.--Income-and-loss experience of 2 U.S. producers on the overall operations of the establishments in which egg filler flats are produced, by firms, 1982-84, January-March 1984, and January-March 1985

| Period and firm       | Net sales                                | Cost of goods sold                    | Gross profit or (loss)              | General, selling, and administrative expense | Operating income or (loss)                       | Interest expense   | Other income or (expense), net |
|-----------------------|--|---------------------------------------|-------------------------------------|--|--|--|--------------------------------|
| 1,000 dollars         |  |                                       |                                     |  |  |  |                                |
| 1982:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1983:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1984:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1984:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1985:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
|                       | Net income or (loss) before income taxes | Depreciation and amortization expense | Cash flow (deficit) from operations | Ratio of gross profit or (loss) to net sales | Ratio of operating income or (loss) to net sales | Ratio of net income or (loss) before income taxes to net sales |                                |
| 1,000 dollars         |  |                                       |                                     | percent                                      |  |  |                                |
| 1982:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1983:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| 1984:                 |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1984:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| January-March 1985:   |  |                                       |                                     |  |  |  |                                |
| Keyes-----            | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| PCA-----              | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |
| Total or average----- | ***                                      | ***                                   | ***                                 | ***  | ***  | ***  | ***                            |

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



\* \* \* \* \*

\* \* \* \* \*

Impact of imports on U.S. producers' growth, investment, and ability to raise capital.--The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of egg filler flats from Canada on their firm's growth, investment, and ability to raise capital. Excerpts from their responses are provided below.

Keyes.--

\* \* \* \* \*

\* \* \* \* \*

\* \* \* \* \*

PCA.--

\* \* \* \* \*

\* \* \* \* \*

The Question of Threat of Material Injury

In the examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of imports, the capacity of producers in the exporting country to generate exports, the availability of export markets other than the United States, and U.S. importers' inventories. Import trends for molded pulp egg filler flats are discussed in the following section. A discussion of importers' inventories and Canadian capacity and exports is presented below.

For the most part, importers, i.e., distributors and cooperatives, do not purchase egg filler flats for inventory. Material they receive has usually been ordered by end users and is transferred to end users in a relatively short period of time. Data received from U.S. importers which account for about 75 percent of all imports from Canada show that end-of-period inventories of Canadian-produced molded pulp egg filler flats remained at less than 1 percent of total imports in 1982-84 and in January-March 1985.

All of the molded pulp egg filler flats exported to the United States from Canada are produced by Cascades and Fripp Fibre. The capacity, production, and exports of these firms are shown in table 7. Together,

Table 7.--Molded pulp egg filler flats: Cascades' and Fripp Fibre's capacity, production, and exports, 1982-84, January-March 1984, and January-March 1985

| Item                          | 1982  | 1983  | 1984  | January-March-- |       |
|-------------------------------|-------|-------|-------|-----------------|-------|
|                               |       |       |       | 1984            | 1985  |
| Capacity-----1,000 units--:   | ***   | ***   | ***   | ***             | ***   |
| Production-----do-----:       | ***   | ***   | ***   | ***             | ***   |
| Capacity utilization          |       |       |       |                 |       |
| percent--:                    | ***   | ***   | ***   | ***             | ***   |
| Exports to--                  |       |       |       |                 |       |
| United States--1,000 units--: | ***   | ***   | ***   | ***             | ***   |
| All other-----do-----:        | ***   | ***   | ***   | ***             | ***   |
| Total-----do-----:            | ***   | ***   | ***   | ***             | ***   |
| Share of production           |       |       |       |                 |       |
| that is exported---percent--: | ***   | ***   | ***   | ***             | ***   |
| Share of total exports to--   |       |       |       |                 |       |
| United States-----percent--:  | ***   | ***   | ***   | ***             | ***   |
| All other-----do-----:        | ***   | ***   | ***   | ***             | ***   |
| Total-----do-----:            | 100.0 | 100.0 | 100.0 | 100.0           | 100.0 |

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

Cascades' and Fripp Fibre's capacity to produce egg filler flats declined slightly from \* \* \* units in 1982 to \* \* \* units in 1983, but then increased to \* \* \* in 1984. The decline reflects \* \* \*. Production increased from \* \* \* units, or \* \* \* percent of capacity, 1/ in 1982 to \* \* \* units, or \* \* \* percent of capacity, in 1984. In January-March 1985 production was \* \* \* percent higher than in January-March 1984. As a share of production, Cascades' and Fripp Fibre's exports increased from \* \* \* percent in 1982 to \* \* \* percent in 1984, but declined from \* \* \* percent in January-March 1984 to \* \* \* percent in January-March 1985. \* \* \*. Similar data for Fripp Fibre alone, the firm Commerce found to be selling at LTFV, are presented in table 8. \* \* \*.

1/ Capacity based on operating Cascades' facilities 168 hours per week, 49 weeks per year, and Fripp Fibre's facilities 150 hours per week, 48 weeks per year.

Table 8.--Molded pulp egg filler flats: Fripp Fibre's capacity, production, and exports, 1982-84, January-March 1984, and January-March 1985

| Item                          | 1982  | 1983  | 1984  | January-March-- |       |
|-------------------------------|-------|-------|-------|-----------------|-------|
|                               |       |       |       | 1984            | 1985  |
| Capacity-----1,000 units--:   | ***   | ***   | ***   | ***             | ***   |
| Production-----do-----:       | ***   | ***   | ***   | ***             | ***   |
| Capacity utilization          |       |       |       |                 |       |
| percent--:                    | ***   | ***   | ***   | ***             | ***   |
| Exports to--                  |       |       |       |                 |       |
| United States--1,000 units--: | ***   | ***   | ***   | ***             | ***   |
| All other-----do-----:        | ***   | ***   | ***   | ***             | ***   |
| Total-----do-----:            | ***   | ***   | ***   | ***             | ***   |
| Share of production           |       |       |       |                 |       |
| that is exported---percent--: | ***   | ***   | ***   | ***             | ***   |
| Share of total exports to--   |       |       |       |                 |       |
| United States-----percent--:  | ***   | ***   | ***   | ***             | ***   |
| All other-----do-----:        | ***   | ***   | ***   | ***             | ***   |
| Total-----do-----:            | 100.0 | 100.0 | 100.0 | 100.0           | 100.0 |

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

The Question of the Causal Relationship Between the LTFV Imports and the the Alleged Material Injury or Threat Thereof

U.S. imports, consumption, and import penetration

From 1982 through January-March 1985, Canada accounted for all but about 5 percent of imports of molded pulp egg filler flats into the United States (table 9). Imports from Canada increased by 66.2 percent from \* \* \* units, valued at \* \* \*, in 1982 to \* \* \* units, valued at \* \* \*, in 1984. The trend continued from January-March 1984 to January-March 1985, when imports increased by 4.6 percent. The 5 X 6 variety, both regular and modified, accounted for more than 99 percent of imports from Canada. The 4 X 5 variety accounted for the remainder. The only other country to have exported molded pulp egg filler flats to the United States in recent periods is Mexico. Imports from Fripp Fibre, shown in table 10, account for about \* \* \* of all imports of egg filler flats from Canada and follow the same trend as the aggregate. All of the flats imported from Fripp Fibre were the regular 5 x 6 variety. From 1982 through January-March 1985, more than \* \* \* of Fripp's exports to the United States were imported by cooperatives and sold to buyers in the \* \* \* region of the United States. The \* \* \* region accounted for most of the remainder.

From 667.2 million units in 1982, U.S. consumption of molded pulp egg filler flats declined to 650.6 million units in 1983, but then increased to

Table 9.--Molded pulp egg filler flats: U.S. imports, by size of flat and by principal sources, 1982-84, January-March 1984, and January-March 1985

| Size and source              | 1982 | 1983 | 1984 | January-March-- |      |
|------------------------------|------|------|------|-----------------|------|
|                              |      |      |      | 1984            | 1985 |
| Quantity (1,000 units)       |      |      |      |                 |      |
| 5 X 6:                       |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| All others:                  |      |      |      |                 |      |
| Canada 1/-----               | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| Total:                       |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| Value (1,000 dollars)        |      |      |      |                 |      |
| 5 X 6:                       |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| All others:                  |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| Total:                       |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Total-----                   | ***  | ***  | ***  | ***             | ***  |
| Unit value (per 1,000 flats) |      |      |      |                 |      |
| 5 X 6:                       |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Average-----                 | ***  | ***  | ***  | ***             | ***  |
| All others:                  |      |      |      |                 |      |
| Canada-----                  | ***  | ***  | ***  | ***             | ***  |
| Mexico-----                  | ***  | ***  | ***  | ***             | ***  |
| Average-----                 | ***  | ***  | ***  | ***             | ***  |

See footnotes on next page.

Table 9.--Molded pulp egg filler flats: U.S. imports, by size of flat and by principal sources, 1982-84, January-March 1984, and January-March 1985--Continued

| Size and source       | 1982 | 1983 | 1984 | January-March-- |      |
|-----------------------|------|------|------|-----------------|------|
|                       |      |      |      | 1984            | 1985 |
| Unit value (per flat) |      |      |      |                 |      |
| Total:                |      |      |      |                 |      |
| Canada-----           | ***  | ***  | ***  | ***             | ***  |
| Mexico-----           | ***  | ***  | ***  | ***             | ***  |
| Average-----          | ***  | ***  | ***  | ***             | ***  |

1/ 4 x 5 flats only.

2/ \* \* \*.

3/ \* \* \*.

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

Table 10.--Molded pulp egg filler flats: U.S. imports from Fripp Fibre, 1982-84, January-March 1984, and January-March 1985

| Item                     | 1982 | 1983 | 1984 | January-March-- |      |
|--------------------------|------|------|------|-----------------|------|
|                          |      |      |      | 1984            | 1985 |
| Quantity--1,000 units--: | ***  | ***  | ***  | ***             | ***  |
| -of which imported by :  |      |      |      |                 |      |
| cooperatives-----:       | ***  | ***  | ***  | ***             | ***  |
| Value---1,000 dollars--: | ***  | ***  | ***  | ***             | ***  |
| Unit value per :         |      |      |      |                 |      |
| 1,000 flats--:           | ***  | ***  | ***  | ***             | ***  |

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

747.8 million units in 1984 (table 11). Part of the increase is attributable to an outbreak of Avian flu in Pennsylvania, Maryland, and New Jersey in the first half of 1984, which required that all molded pulp egg filler flats be destroyed after a single use. (Many egg producers are located close enough to egg packers or distributors to reuse such flats 2 to 3 times before disposal). Consumption declined by 4.9 percent from January-March 1984 to January-March 1985. As a share of consumption, imports from Canada increased from \* \* \* percent in 1982 to \* \* \* percent in 1984, and from \* \* \* percent in January-March 1984 to \* \* \* percent in January-March 1985. Correspondingly, U.S. producers' share declined from \* \* \* percent to \* \* \* percent, and from \* \* \* percent to \* \* \* percent in the same periods, respectively. Imports from Fripp Fibre as a share of consumption increased from \* \* \* percent in 1982 to \* \* \* percent in 1984, and from \* \* \* percent in January-March 1984 to \* \* \* percent in January-March 1985 (table 12).

### Prices

Distributor and cooperative pricing practices.--U.S. and Canadian producers of egg filler flats generally quote their prices on a delivered basis and publish price lists showing "end-user" prices. Regardless of whether the flats are shipped to the distributor's/cooperative's warehouse or directly to the end user, the producers normally bill the distributor/-cooperative. U.S. producers bill their distributors for the list price, less a discount. The discount is less if the flats are shipped directly to the end user. Freight charges for shipments direct to end users are absorbed by the producer; freight charges for shipments to distributors are absorbed by both producers and distributors, although the latter is usually charged at a fixed rate regardless of the ultimate destination. The producer assumes the remaining charges, if any. These distributors then bill their customers at the producers' list price, but may add a freight charge or a premium for small purchases. Canadian producers normally bill the distributor or cooperative at the full list price. Distributors then bill their customers at a premium above the list price. Cooperatives in the United States also appear to charge their members at a premium above the published list price.

Egg producers' cooperatives were formed as early as the late 1960's. Initially, they acted primarily as egg brokers, arranging for the transfer of eggs from one producer to another as regional supply and demand conditions changed. In the mid-1970's, two of the major cooperatives began purchasing egg filler flats for their members, while they continued to provide egg brokerage services. By pooling their buying needs, cooperative members constitute a larger, more stable customer for egg filler flat producers than would an individual end user and therefore expect to receive better transaction terms from producers.

Cooperatives report, however, that domestic producers are willing to sell egg filler flats only through their established distributors. Fripp sells Canadian filler flats directly to the cooperatives. As discussed below, the data collected by the Commission suggest that the prices charged to distributors for the U.S.-produced flats are not substantially different from those charged cooperatives for Canadian flats; however, information gathered in connection with lost sales suggest that cooperatives' prices to end users are less than distributors' prices to end users. Comparisons of distributors'

Table 11.--Molded pulp egg filler flats: U.S. producers' domestic shipments, imports and apparent consumption, by size of flat, 1982-84, January-March 1984, and January-March 1985

| Size and period | U.S. pro-                 | Imports--   |                |       | Apparent consumption | Ratio of imports to consumption-- |             |       |
|-----------------|---------------------------|-------------|----------------|-------|----------------------|-----------------------------------|-------------|-------|
|                 | ducers domestic shipments | From Canada | From Mexico 1/ | Total |                      | From Canada                       | From Mexico | Total |
|                 | 1,000 units               |             |                |       |                      | percent                           |             |       |
| 5 X 6 flats:    |                           |             |                |       |                      |                                   |             |       |
| 1982-----       | ***                       | ***         | ***            | ***   | 630,886              | ***                               | ***         | ***   |
| 1983-----       | ***                       | ***         | ***            | ***   | 615,696              | ***                               | ***         | ***   |
| 1984-----       | ***                       | ***         | ***            | ***   | 711,998              | ***                               | ***         | ***   |
| January-March-- |                           |             |                |       |                      |                                   |             |       |
| 1984-----       | ***                       | ***         | ***            | ***   | 168,685              | ***                               | ***         | ***   |
| 1985-----       | ***                       | ***         | ***            | ***   | 159,779              | ***                               | ***         | ***   |
| All other:      |                           |             |                |       |                      |                                   |             |       |
| 1982-----       | ***                       | ***         | ***            | ***   | 36,357               | ***                               | -           | ***   |
| 1983-----       | ***                       | ***         | ***            | ***   | 34,873               | ***                               | -           | ***   |
| 1984-----       | ***                       | ***         | ***            | ***   | 35,754               | ***                               | -           | ***   |
| January-March-- |                           |             |                |       |                      |                                   |             |       |
| 1984-----       | ***                       | ***         | ***            | ***   | 10,409               | ***                               | -           | ***   |
| 1985-----       | ***                       | ***         | ***            | ***   | 10,534               | ***                               | -           | ***   |
| Total:          |                           |             |                |       |                      |                                   |             |       |
| 1982-----       | ***                       | ***         | ***            | ***   | 667,243              | ***                               | ***         | ***   |
| 1983-----       | ***                       | ***         | ***            | ***   | 650,569              | ***                               | ***         | ***   |
| 1984-----       | ***                       | ***         | ***            | ***   | 747,752              | ***                               | ***         | ***   |
| January-March-- |                           |             |                |       |                      |                                   |             |       |
| 1984-----       | ***                       | ***         | ***            | ***   | 179,094              | ***                               | ***         | ***   |
| 1985-----       | ***                       | ***         | ***            | ***   | 170,313              | ***                               | ***         | ***   |

1/ Mexico is the only country other than Canada to have exported molded pulp egg filler flats to the United States.

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

Table 12.--Molded pulp egg filler flats: U.S. imports from Fripp Fibre as a share of U.S. consumption, by size of flat, 1982-84, January-March 1984, January-March 1985

| (percent)  |      |      |      |                 |      |  |
|------------|------|------|------|-----------------|------|--|
|            | 1982 | 1983 | 1984 | January-March-- |      |  |
|            |      |      |      | 1984            | 1985 |  |
| 5x6-----   | ***  | ***  | ***  | ***             | ***  |  |
| Total----- | ***  | ***  | ***  | ***             | ***  |  |

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

and cooperatives' prices to end users are complicated by the additional service generally offered by distributors, such as quick delivery and less-than-truck load sales and membership and capitalization fees paid by cooperatives' members.

There are three known cooperatives in the United States, Egg Marketers, National Egg, and Midwest Egg. National Egg and Midwest Egg, which were formed in the 1960's, operate similarly. They each have more than 200 members located within large geographic regions and will also sell to nonmembers. <sup>1/</sup> In addition to egg filler flats, these two cooperatives purchase only one or two other products for their members. One of these cooperatives also reports handling governmental relations for its members. For their services, the cooperatives mark up the filler flat price by approximately 4 percent of the price charged by the producers. Unlike the practice of some agricultural cooperatives, this markup is not rebated to their members. Members also must pay membership fees based on an assessment of members' share of production relative to the rest of the cooperative. Currently, one cooperative charges \* \* \* per bird owned on an annual basis, while the other charges \* \* \* per month for each case of eggs produced.

The newest cooperative, Egg Marketers, which began purchasing egg filler flats for its members in early 1983, provides more services to its 23 or 24 members scattered from Texas to Maine, and will not sell to non-members. Like distributors, it purchases many of the products needed by egg producers and packers, including cases, liners, foam egg cartons, tape, and staples. The cooperative is owned by the members, who paid a capitalization fee of approximately \* \* \* to \* \* \* and a monthly membership fee of \* \* \* per case of eggs produced. Although the cooperative charges a standard markup of \* \* \* per thousand flats, much of this premium is rebated to the members on a quarterly basis.

Trend of prices to distributors/cooperatives.--The Commission requested U.S. and Canadian producers of egg filler flats to provide prices to distributors/cooperatives on an f.o.b. basis and on a delivered basis from

<sup>1/</sup> Midwest Egg charges higher prices to nonmembers, with the result that very few such sales are actually made by this cooperative.



January-March 1982 to January-March 1985 for three types of egg filler flats: (1) regular 5 X 6, (2) modified 5 X 6, and (3) 4 X 5. Keyes and PCA reported data as requested for all three sizes. Fripp Fibre, which manufactures neither modified 5 X 6 flats nor 4 X 5 flats, reported data for regular 5 X 6 flats only. Also, costs of transporting egg filler flats from the producers to the end user are significant and vary substantially according to the destination. Therefore, prices of 5 X 6 regular egg filler flats sold to distributors are presented here by three regions on a delivered basis (tables 13 through 15). 1/ For sales to cooperatives, Fripp's delivered prices, by region, are also presented where data are available.

Table 13.--Regular 5 X 6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1000 flats, sold to distributors in the Midwest, and Fripp's delivered prices to cooperatives in that region, by quarters, January-March 1982 through January-March 1985

| Period               | (Per 1,000 flats) |       |                          |              |              |     |
|----------------------|-------------------|-------|--------------------------|--------------|--------------|-----|
|                      | U.S. producers    |       |                          | Fripp        |              |     |
|                      | PCA               | Keyes | Average prices <u>1/</u> | Distributors | Cooperatives |     |
| 1982:                |                   |       |                          |              |              |     |
| January-March-----:  | ***               | ***   | ***                      | ***          | ***          | *** |
| April-June-----:     | ***               | ***   | ***                      | ***          | ***          | *** |
| July-September-----: | ***               | ***   | ***                      | ***          | ***          | *** |
| October-December--:  | ***               | ***   | ***                      | ***          | ***          | *** |
| 1983:                |                   |       |                          |              |              |     |
| January-March-----:  | ***               | ***   | ***                      | ***          | ***          | *** |
| April-June-----:     | ***               | ***   | ***                      | ***          | ***          | *** |
| July-September-----: | ***               | ***   | ***                      | ***          | ***          | *** |
| October-December--:  | ***               | ***   | ***                      | ***          | ***          | *** |
| 1984:                |                   |       |                          |              |              |     |
| January-March-----:  | ***               | ***   | ***                      | ***          | ***          | *** |
| April-June-----:     | ***               | ***   | ***                      | ***          | ***          | *** |
| July-September-----: | ***               | ***   | ***                      | ***          | ***          | *** |
| October-December--:  | ***               | ***   | ***                      | ***          | ***          | *** |
| 1985:                |                   |       |                          |              |              |     |
| January-March-----:  | ***               | ***   | ***                      | ***          | ***          | *** |

1/ Simple average.

2/ No available.

Source: Compiled from information submitted in responses to questionnaires from the U.S. International Trade Commission.

1/ In the prehearing report, quarterly f.o.b prices for all three types of flats were presented on a national rather than regional basis. Those data represented the net return to the respective producers and were significantly influenced by the destination to which a shipment was made. Delivered prices, presented here, more accurately reflect competition between U.S. and Canadian filler flats in the more narrowly defined regions.

Table 14.--Regular 5 X 6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1000 flats, sold to distributors in the South, and Fripp's delivered prices to cooperatives in that region, by quarters, January-March 1982 through January-March 1985

| (per 1,000 flats)    |                |       |                          |              |              |  |
|----------------------|----------------|-------|--------------------------|--------------|--------------|--|
| Period               | U.S. producers |       |                          | Fripp        |              |  |
|                      | PCA <u>1/</u>  | Keyes | Average prices <u>2/</u> | Distributors | Cooperatives |  |
| 1982:                |                |       |                          |              |              |  |
| January-March-----:  | ***            | ***   | ***                      | ***          | ***          |  |
| April-June-----:     | ***            | ***   | ***                      | ***          | ***          |  |
| July-September-----: | ***            | ***   | ***                      | ***          | ***          |  |
| October-December--:  | ***            | ***   | ***                      | ***          | ***          |  |
| 1983:                |                |       |                          |              |              |  |
| January-March-----:  | ***            | ***   | ***                      | ***          | ***          |  |
| April-June-----:     | ***            | ***   | ***                      | ***          | ***          |  |
| July-September-----: | ***            | ***   | ***                      | ***          | ***          |  |
| October-December--:  | ***            | ***   | ***                      | ***          | ***          |  |
| 1984:                |                |       |                          |              |              |  |
| January-March-----:  | ***            | ***   | ***                      | ***          | ***          |  |
| April-June-----:     | ***            | ***   | ***                      | ***          | ***          |  |
| July-September-----: | ***            | ***   | ***                      | ***          | ***          |  |
| October-December--:  | ***            | ***   | ***                      | ***          | ***          |  |
| 1985:                |                |       |                          |              |              |  |
| January-March-----:  | ***            | ***   | ***                      | ***          | ***          |  |

1/ In certain quarters, one of PCA's distributors picked up egg filler flats at PCA's plant. For these quarters, delivered prices are derived using the distributor's estimate of his freight costs.

2/ Simple average.

3/ No available.

Source: Compiled from information submitted in responses to questionnaires from the U.S. International Trade Commission.

Table 15.--Regular 5 X 6 molded pulp egg filler flats: U.S. and Canadian producers' delivered prices per 1000 flats, sold to distributors in the West, and Fripp's delivered prices to cooperatives in that region, by quarters, January-March 1982 through January-March 1985

| (Per 1,000 flats)      |       |                           |              |     |
|------------------------|-------|---------------------------|--------------|-----|
| Period                 | Keyes | Fripp                     |              |     |
|                        |       | Distributors              | Cooperatives |     |
|                        |       | -----Per 1,000 flats----- |              |     |
| 1982:                  |       |                           |              |     |
| January-March-----:    | ***   | ***                       | ***          | *** |
| April-June-----:       | ***   | ***                       | ***          | *** |
| July-September-----:   | ***   | ***                       | ***          | *** |
| October-December-----: | ***   | ***                       | ***          | *** |
| 1983:                  |       |                           |              |     |
| January-March-----:    | ***   | ***                       | ***          | *** |
| April-June-----:       | ***   | ***                       | ***          | *** |
| July-September-----:   | ***   | ***                       | ***          | *** |
| October-December-----: | ***   | ***                       | ***          | *** |
| 1984:                  |       |                           |              |     |
| January-March-----:    | ***   | ***                       | ***          | *** |
| April-June-----:       | ***   | ***                       | ***          | *** |
| July-September-----:   | ***   | ***                       | ***          | *** |
| October-December-----: | ***   | ***                       | ***          | *** |
| 1985:                  |       |                           |              |     |
| January-March-----:    | ***   | ***                       | ***          | *** |

1/ No available.

Source: Compiled from information submitted in responses to questionnaires from the U.S. International Trade Commission.

U.S. producers' prices.--Delivered prices for 5 X 6 regular flats sold to distributors were generally lower in the Midwest than in the South or West during the entire period under investigation. Domestic producers' prices in all three regions rose overall during this period by about 19 percent in the Midwest, 9 percent in the South, and 13 percent in the West. \* \* \*

In the Midwest, U.S. producers' average prices for 5 X 6 egg filler flats typically fell during 1982, with a decline in their average prices of about 2 percent for the year. Prices of the two producers followed similar patterns in this region. In 1983, prices for this product fluctuated between \* \* \* and \* \* \* per 1,000 flats for PCA and between \* \* \* and \* \* \* for Keyes. Beginning in January-March 1984, prices began an upward trend, rising by around 17 percent from an average of \* \* \* in that quarter to \* \* \* in January-March 1985.

PCA's and Keyes' prices followed significantly different trends in the South. PCA's prices of 5 X 6 regular flats fluctuated downward from \* \* \* in January-March 1982 to \* \* \* in April-June 1983, or by approximately \* \* \* percent. In July-September 1983, PCA's prices rose \* \* \* percent to \* \* \* per 1,000 flats and remained at that level until April-June 1984, when they began increasing again. In January-March 1985, PCA's price per \* \* \* flats was \* \* \*, reflecting an increase of about \* \* \* percent since the second quarter of 1984. Keyes' prices for this product fell by \* \* \* percent in 1982, from \* \* \* in January-March 1982 to \* \* \* in January-March 1983. Keyes' prices then generally increased in 1983-85, rising to \* \* \* in January-March 1985, or by \* \* \* percent.

In the West, Keyes' prices of 5 X 6 regular egg filler flats declined by \* \* \* percent during 1982 from \* \* \* in January-March to \* \* \* in October-December. Beginning in January-March 1983, prices fluctuated upward to \* \* \* in January-March 1985, an increase of over \* \* \* percent.

Canadian producers' prices.--Virtually no sales have been made by Fripp to distributors in the midwestern and southern regions. Fripp's prices of 5 X 6 flats sold to distributors in the West increased from \* \* \* in April-June 1982 to \* \* \* in January-March 1985, or by almost \* \* \* percent. Fripp's prices to cooperatives in the Midwest ranged between \* \* \* and \* \* \* in 1982. In January-March 1983 Fripp's prices fell to \* \* \* per thousand flats and remained at that level until October-December 1983, when they increased to \* \* \*. Fripp's prices then continued increasing and rose to \* \* \* in January-March 1985, or \* \* \* percent above 1982 third quarter levels. Fripp's prices to cooperatives in the South generally increased from \* \* \* in January-March 1983 to \* \* \* in October-December 1984, or by \* \* \* percent overall.

Comparisons of prices to distributors/cooperatives.--For sales to distributors, pricing data resulted in 17 quarterly regional price comparisons between the domestically produced 5 X 6 regular flats and those produced in Canada (table 16). Eight of these comparisons showed underselling by Fripp. In the Midwest, price comparisons showed overselling in three quarters of 1982, which averaged \* \* \* per 1,000 flats or \* \* \* percent of domestic producers' prices. In 1983, all four midwestern quarterly comparisons showed underselling. Margins of underselling in 1983 averaged \* \* \* or \* \* \* percent of domestic producers' prices. Of the four comparisons in the Southern

Table 16.--Regular 5 X 6 molded pulp egg filler flats: Average margins of underselling (overselling) between the domestic and imported product sold to distributors, by regions and by quarters, January-March 1983 through January-March 1985

| (Per 1,000 flats)         |         |         |        |         |        |         |
|---------------------------|---------|---------|--------|---------|--------|---------|
| Period                    | Midwest |         | South  |         | West   |         |
|                           | Amount  | Percent | Amount | Percent | Amount | Percent |
| -----Per 1,000 flats----- |         |         |        |         |        |         |
| 1982:                     | :       | :       | :      | :       | :      | :       |
| Jan.-Mar-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| Apr.-June-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| July-Sept-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| Oct.-Dec-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| 1983:                     | :       | :       | :      | :       | :      | :       |
| Jan.-Mar-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| Apr.-June-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| July-Sept-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| Oct.-Dec-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| 1984:                     | :       | :       | :      | :       | :      | :       |
| Jan.-Mar-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| Apr.-June-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| July-Sept-----:           | ***     | ***     | ***    | ***     | ***    | ***     |
| Oct.-Dec-----:            | ***     | ***     | ***    | ***     | ***    | ***     |
| 1985:                     | :       | :       | :      | :       | :      | :       |
| Jan.-Mar-----:            | ***     | ***     | ***    | ***     | ***    | ***     |

1/ Comparison not available.

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

region, Fripp's products undersold those of the domestic producers in the first, second and fourth quarters of 1982 by \* \* \*, \* \* \* and \* \* \*, respectively. Percentage margins of underselling in those quarters ranged from \* \* \* to \* \* \* percent of domestic producers' prices. During July-September 1982, however, Fripp's prices to distributors in the South were \* \* \* or \* \* \* percent higher than average domestic prices in that region. Only one of the 6 price comparisons in the West showed underselling, which amounted to less than \* \* \* percent of domestic producers prices in April-June 1982. From January-March 1983 to January-March 1985, Fripp's prices were above domestic producers' prices by an average of \* \* \* per 1,000 flats, with percentage margins of overselling averaging \* \* \* percent.

Fripps prices to cooperatives in the midwestern and southern regions generally fell within the range reported by U.S. producers for sales to distributors in these regions. 1/ Of the 11 possible comparisons in the Midwest, Fripp's prices to cooperatives were between those of the two domestic producers to distributors in seven quarters and higher in four quarters. Of the eight possible comparisons in the South, Fripp's prices to cooperatives were between those of the two domestic producers to distributors in four quarters, higher in two quarters, and lower in two quarters.

Prices to end users.--PCA and Fripp have sold small quantities of flats directly to end users, but primarily in the West. (Fripp has also sold directly to end users in the Midwest). A comparison of these prices shows that while PCA's average prices rose erratically from \* \* \* in 1982 to \* \* \* in January-March 1985, or by \* \* \* percent, Fripp's average prices rose from \* \* \* to \* \* \*, or by \* \* \* percent, in the same period. 2/ Fripp's average end-user prices were lower than PCA's in 1982 and January-March 1985 but higher than PCA's average prices in 1983 and 1984.

In an effort to obtain end-user pricing information in connection with lost sales, the Commission contacted 18 members of cooperatives, six belonging to Egg Marketers, nine belonging to Midwest Egg, and three belonging to National Egg. All are located in the Midwest or South. These egg producers reported, without exception, that their respective cooperatives's prices for the Canadian flat had been consistently lower than distributors' prices for the U.S.-produced flat until March of this year. (Commerce instructed Customs to suspend liquidation on these items from Canada on January 16, 1985). None, however, could quantify the margin of difference during any specific time period.

Transportation costs.--Importers and domestic and Canadian producers were asked to report transportation costs on their reported sales of egg filler flats. Importers reported delivered price only, with no breakout of shipping costs. The domestic and Canadian producers reported such costs.

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1/ In the West, only Keyes reported price data, and Fripp's prices to cooperatives were below Keyes' prices to distributors in 1 out of 3 quarters where comparisons are available. The absolute price differences were less than \* \* \* per 1,000 flats in all three quarters.

2/ PCA reported average delivered prices on an annual basis from 1982 to 1984 and average delivered prices in January-April 1985. PCA's end-user sales locations in the West were in \* \* \*. Fripp reported quarterly delivered prices on sales to \* \* \* from April-June 1982 to January-March 1985.

\* \* \* \* \*

\* \* \* \* \*

\* \* \* \* \*

Exchange-rate changes.--Table 17 presents indexes of producer prices in the United States and Canada and indexes of the nominal and real exchange rates between the U.S. and the Canadian dollar, by quarters, from

Table 17.--Indexes of U.S. and Canadian producers' prices, and indexes of nominal and real exchange rates between the U.S. dollar and the Canadian dollar, 1/ by quarters, January-March 1982 through January-March 1985

| (January-March 1982=100) |  |                                       |                                   |                                |  |
|--------------------------|--|---------------------------------------|-----------------------------------|--------------------------------|--|
| Period                   | United States<br>producers'<br>price index | Canadian<br>producers'<br>price index | Nominal<br>exchange rate<br>index | Real<br>exchange rate<br>index |  |
| 1982:                    |  |                                       |                                   |                                |  |
| January-March----        | 100.0                                      | 100.0                                 | 100.0                             | 100.0                          |  |
| April-June-----          | 100.1                                      | 101.9                                 | 97.1                              | 98.9                           |  |
| July-September---        | 100.5                                      | 102.7                                 | 96.7                              | 98.8                           |  |
| October-December-        | 100.6                                      | 103.1                                 | 98.2                              | 100.5                          |  |
| 1983:                    |  |                                       |                                   |                                |  |
| January-March----        | 100.7                                      | 103.8                                 | 98.5                              | 101.5                          |  |
| April-June-----          | 101.0                                      | 105.3                                 | 98.2                              | 102.4                          |  |
| July-September---        | 102.0                                      | 106.2                                 | 98.1                              | 102.1                          |  |
| October-December-        | 102.5                                      | 106.6                                 | 97.6                              | 101.5                          |  |
| 1984:                    |  |                                       |                                   |                                |  |
| January-March----        | 103.6                                      | 108.4                                 | 96.3                              | 100.7                          |  |
| April-June-----          | 104.3                                      | 109.7                                 | 93.5                              | 98.3                           |  |
| July-September---        | 104.1                                      | 110.4                                 | 92.0                              | 97.6                           |  |
| October-December-        | 103.9                                      | 110.7                                 | 91.7                              | 97.7                           |  |
| 1985:                    |  |                                       |                                   |                                |  |
| January-March----        | 103.6                                      | <u>2/</u>                             | 89.3                              | <u>2/</u>                      |  |

1/ Based on exchange rates expressed in U.S. dollars per Canadian dollars.

2/ Not available.

Source: International Monetary Fund, International Financial Statistics.

January-March 1982 through January-March 1985. The Canadian dollar depreciated by almost 11 percent against the dollar since the base period. However, because the rate of inflation in Canada was higher than that in the United States, the real value of the Canadian dollar actually increased relative to the dollar from the third quarter of 1982 through the second quarter of 1983, and fell relative to the dollar by only 2.3 percent in real terms since the base period.

#### Lost sales

U.S. producers identified 3 distributors and 24 end users to which sales of regular 5x6 flats were lost to imports from Canada between January 1983 and March 1985.

A total of \* \* \* flats, valued at \* \* \*, were allegedly lost to the distributors. The Commission contacted all three. None of these, according to their respective purchasing agents, have imported or purchased egg filler flats from Canada, although one, \* \* \*, has been offered flats by Fripp Fibre at a price much lower than that for U.S.-produced flats. All of these distributors claimed to have lost sales to end users as a result of imports of egg filler flats produced by Fripp Fibre, and have reduced their purchases of U.S.-produced flats accordingly. They could not, however, provide details on the amounts and dates involved. Most of the end users to whom they allegedly lost sales are now members of cooperatives.

A total of \* \* \* flats, valued at \* \* \*, were allegedly lost to the end users. The Commission contacted all but four. All but one of those contacted, \* \* \*, are members of cooperatives 1/ and purchased Canadian filler flats produced by Fripp Fibre. All of their Canadian flats were purchased through their respective cooperatives. \* \* \*, a non-cooperative member to which PCA allegedly lost sales of \* \* \* flats in March 1985, has also purchased Canadian filler flats, but only those manufactured by Cascades.

None of the end users were able to verify specific amounts, but 18 of the 20 contacted had reduced their purchases of the U.S.-produced product in favor of the Canadian-produced product and primarily because of price. The two remaining end users have ceased purchasing U.S.-produced flats altogether in favor of the Canadian product, but cited quality as the primary factor in their decision. \* \* \*, to which PCA allegedly lost sales totaling \* \* \* both claimed that, because of difficulties their stacking machines periodically have in handling the flats, they would be reluctant, if not unwilling, to purchase U.S.-produced flats "at any price" as long as the Canadian flats were available. Similar difficulties with U.S.-produced flats were mentioned by five other end users. \* \* \*, each stated that, although price was the primary factor in their purchasing decision, the Canadian flats were generally more rigid, uniform, and less tightly packaged, all of which facilitated their handling by automatic stacking and destacking machinery. According to all of the end users, cooperatives' prices for Canadian flats were less than distributors' prices for U.S. flats until March 1985. Since that time, prices have been approximately equivalent.

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1/ Mid-West Egg Producers, U.S. Egg Marketers, or National Egg Producers.



APPENDIX A

COMMERCE'S AND COMMISSION'S FEDERAL REGISTER NOTICES

Title VII of the Act applies to these investigations, and the ITC is required to determine whether imports of the subject merchandise from Sweden materially injure, or threaten material injury to, a U.S. industry.

#### Initiation of Investigations

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain carbon steel products from Sweden, and we have found that the petition meets these requirements. Therefore, we are initiating countervailing duty investigations to determine whether the manufacturers, producers, or exporters in Sweden of certain carbon steel products, as described in the "Scope of the Investigations" section of this notice, receive subsidies.

#### Scope of the Investigations

The products covered by this investigation are certain carbon steel products, which comprise:

- Carbon steel plate,
- Hot-rolled carbon steel sheet, and
- Cold-rolled carbon steel sheet.

These products are more fully described in the Appendix to this notice.

#### Allegations of Subsidies

The petition alleges that manufacturers, producers, or exporters in Sweden of certain carbon steel products receive benefits under the following programs which constitute subsidies:

- Government Equity Infusions
- Government Grants
- Preferential Government Loans
- Government Loan Guarantees
- Regional Development Subsidies
- Research and Development Subsidies
- Inputs at Preferential Prices

Petitioner alleges that the state-owned Svenska Staal AB (SSAB) steel company has an arrangement with Luossavaara-Kiirunavaara AB (LKAB), a state-owned mining company in Sweden, whereby it obtains iron ore at preferential rates.

Petitioner alleges further that LKAB has received large amounts of subsidies from the Swedish government, and that these subsidies to LKAB have been passed-through to SSAB, both companies being under common government ownership. However, the petition does not allege, nor does it provide any evidence, that the bounties

or grants received by LKAB have a significant effect on the cost of manufacturing the subject steel products as required by section 613 of the Trade and Tariff Act of 1984. Therefore, we are not initiating an investigation of upstream subsidies at this time. We will promptly reconsider this question on the basis of any additional information provided during the investigation.

The petition does, however, adequately allege, for the purposes of section 701(b) of the Act, that LKAB is providing iron ore inputs to SSAB at preferential rates, and we are initiating our investigation with regard to this issue.

#### Notification of ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission (ITC) of these actions, and to provide it with the information we used to arrive at these determinations. We will notify the ITC and make available to it all nonprivileged and nonconfidential information in our files. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. Alan F. Holmer, Deputy Assistant Secretary for Import Administration. January 8, 1985.

#### Appendix—Description of Products, Sweden

1. The term "carbon steel plate" covers hot-rolled carbon steel products, whether or not corrugated, or crimped; not pickled; not cold-rolled; not in coils, not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal and not clad; 0.1875 inch or more in thickness and over 8 inches in width; as currently provided for in item 607.6620, and 607.6625 of the TSUSA. Semifinished products of solid rectangular cross-section with a width at least four times the thickness and processed only through primary mill hot-rolling are not included.

2. The term "hot-rolled carbon steel flat-rolled products" covers hot-rolled carbon steel products, whether or not corrugated, or crimped; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal and not clad; 0.1875 inch or more in thickness and over 8 inches in width; pickled, and as currently provided for in item 607.8320 of the TSUSA; and not pickled and in coils; as currently provided for in item

607.8610 or under 0.1875 inch in thickness and over 12 inches in width, whether or not pickled, whether or not in coils, as currently provided for in items 607.6716, 607.6720, 607.6730, 607.6740, or 607.8342 of the TSUSA.

3. The term "cold-rolled carbon steel flat-rolled products" covers cold-rolled carbon steel products, whether or not corrugated or crimped; whether or not painted or varnished and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal and not clad; over 12 inches in width, and 0.1875 inch or more in thickness, as currently provided for in item 607.8320 of the TSUSA; or over 12 inches in width and under 0.1875 inch in thickness, whether or not in coils; as currently provided for in item 607.8350, 607.8355, or 607.8360 of the TSUSA.

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[A-122-403]

#### Egg Filler Flats From Canada; Preliminary Determination of Sales at Less Than Fair Value

**AGENCY:** International Trade Administration, Import Administration, Commerce.

**ACTION:** Notice of preliminary determination of sales at less than fair value.

**SUMMARY:** We preliminarily determine that egg filler flats from Canada are being, or are likely to be, sold in the United States at less than fair value. We have notified the United States International Trade Commission (ITC) of our determination. We have directed the U.S. Customs Service to suspend liquidation on all entries of the subject merchandise as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by March 26, 1985.

**EFFECTIVE DATE:** January 16, 1985.

**FOR FURTHER INFORMATION CONTACT:** Paul Aceto, Office of Investigations, Import Administration, International Trade Administration, Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230; telephone: (202) 377-3534.

#### SUPPLEMENTARY INFORMATION:

##### Preliminary Determination

We preliminarily determine that egg filler flats from Canada are being, or are likely to be, sold in the United States at less than fair value, pursuant to section

733(b) of the Tariff Act of 1930, as amended (the Act).

We found that the foreign market value of egg filler flats exceeded the United States price on 53 percent of the sales compared. These margins ranged from 0 percent to 42.56 percent. The overall weighted-average margin on all sales compared is 7.59 percent. The weighted-average margins for individual companies investigated are listed in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by March 26, 1985.

#### Case History

On August 3, 1984, we received a petition from Keyes Fibre Company and the Packaging Corporation of America on behalf of the U.S. industry producing egg filler flats.

In compliance with the filing requirements of § 353.36 of our regulations (19 CFR 353.36), the petition alleged that imports of egg filler flats from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on August 23, 1984 (49 FR 34381). On September 12, 1984, the ITC determined that there is a reasonable indication that imports of egg filler flats are materially injuring a United States industry.

On September 12, 1984, questionnaires were sent to Cascades, Inc. and Fripp Fibre forms, Ltd., two producers of egg filler flats. We received their responses on October 26, 1984 and October 29, 1984.

#### Scope of Investigation

The merchandise covered by this investigation is molded pulp egg filler flats, measuring 4" x5" and 5" x6" as currently provided for under item number 256.7000 of the *Tariff Schedules of the United States, Annotated (TSUSA)*.

#### Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

#### United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price based on the c.i.f. duty-paid price to United States purchasers. We made deductions, where appropriate, for inland freight, insurance, U.S. customs duties and brokerage charges.

#### Foreign Market Value

In accordance with section 773(a)(1) of the act, we used home market prices to determine foreign market value. The home market prices were based on ex-factory or delivered prices to unrelated home market purchasers. In calculating foreign market value, we made currency conversions from Canadian dollars to United States dollars in accordance with § 353.56(a)(1) of the Commerce Regulations, using the certified quarterly exchange rates. We made deductions where appropriate, for inland freight, insurance and discounts. In accordance with § 353.15 of the Commerce Regulations, we made a circumstance of sale adjustment for differences in credit expenses. We also made deductions for commissions paid to unrelated commissionaires in the home market. We will be seeking additional information concerning indirect selling expenses in the U.S. market.

The following claims for adjustment were disallowed. Cascades claimed an adjustment for commissions paid in the home market. The claim was disallowed because the commission is paid to sales personnel as part of the company's compensation plan.

Cascades also claimed a level of trade adjustment, as provided for in § 353.19 of the Commerce Regulations. This claim was disallowed because Cascades was not able to quantify that the differences in price are due to differences in the level of trade. Fripp claimed an adjustment to foreign market value to account for a loyalty discount offered to U.S. purchasers. This claim was disallowed because we do not consider a loyalty discount to be a proper circumstance of sale adjustment. Shortly before this preliminary determination, Fripp requested a level of trade adjustment. We did not have sufficient time to analyze this submission, and thus did not consider it for the purposes of this determination. We will, however, consider this claim in the final determination.

If additional verifiable information regarding the disallowed adjustments is provided, it will be considered for the purposes of the final determination.

#### Verification

We will verify all data used in reaching the final determination in this investigation.

#### Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of egg filler flats from Canada. This suspension of liquidation applies to all merchandise entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the *Federal Register*. The U.S. Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeded the United States price.

This suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

| Manufacturers                               | Weighted-average margin percentage |
|---|------------------------------------|
| Cascades, Inc.                              | 0.63                               |
| Fripp Fibre Forms, Ltd.                     | 14.57                              |
| All other manufacturers/producers/exporters | 7.59                               |

#### ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring, or threatening to materially injure, a U.S. industry before the later of 120 days after we make our preliminary affirmative determination, or 45 days after we make our final determination.

#### Public Comment

In accordance with § 353.47 of the Commerce Regulations, if requested, we

will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 2:00 p.m. on February 12, 1985, at the U.S. Department of Commerce, Room 3708, 14th and Constitution Avenue NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B-099, at the above address within 10 days of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by February 5, 1985. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.48, within 30 days of publication of this notice, at the above address and in at least 10 copies.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

January 10, 1985.

[FR Doc. 85-1256 Filed 1-15-85; 8:45 am]

BILLING CODE 3510-06-M

(C-351-408)

### Initiation of Countervailing Duty Investigation; Iron Ore Pellets From Brazil

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether the manufacturers, producers, or exporters in Brazil of iron ore pellets, as described in the "Scope of Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) so that it may determine whether imports of the subject merchandise materially injure or threaten material injury to a U.S. industry. The petition also alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act. If our investigation proceeds normally, we will make our preliminary determination on or before March 15, 1985.

**EFFECTIVE DATE:** January 16, 1985.

**FOR FURTHER INFORMATION CONTACT:** Laurel LaCivita or Vincent Kane, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue NW, Washington, D.C. 20230. Telephone (202) 377-3530 or 377-5414.

#### SUPPLEMENTARY INFORMATION:

##### Petition

On December 20, 1984, we received a petition from the Cleveland-Cliffs Iron Company, Oglebay Norton Company, Picklands Mather & Company, merchant producers of iron ore pellets, and the United Steelworkers of America, the union which represents the production and maintenance workers of the merchant producers at their iron ore producing facilities, filed on behalf of the iron ore pellets producers who comprise the U.S. industry. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters of iron ore pellets in Brazil directly or indirectly receive benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure or threaten material injury to a U.S. industry. In addition, the petition alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act. Brazil is a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore Title VII of the Act applies to this investigation and an injury determination is required.

##### Initiation of Investigation

Under section 702(c) of the Act, within 20 days after a petition is filed, we must determine whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on iron ore pellets from Brazil and we have found that the petition meets those requirements. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of iron ore pellets, as described in the "Scope of the Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination by March 15, 1985.

##### Scope of the Investigation

The merchandise covered by this investigation is iron ore pellets, which are defined for purposes of this proceeding as: fine particles of iron oxide, hardened by heating and formed into balls of ½" and ¾" for use in blast furnaces to obtain pig iron, as currently provided for in items 601.2430 and 601.2450 of the *Tariff Schedules of the United States, Annotated* (TSUSA).

##### Allegations of Subsidies

The petition alleges that Brazilian manufacturers, producers, or exporters of iron ore pellets receive benefits which constitute subsidies. We are initiating an investigation on the following allegations:

- Working Capital Financing for Export—Resolutions 674 and 882/950.
  - Export Financing Under CIC—CREGE 14-11 Circular.
  - Guarantees for Long-Term Foreign-Currency Loans.
  - FINEX Export-Financing Program—Resolution 68.
  - Financing for Storage of Export Merchandise Program—Resolution 330.
  - PROEX—Export Promotion Credit.
  - Income Tax Exemption for Export Earnings—Decree-Laws 1158 and 1721.
  - Accelerated Depreciation of Equipment—Decree-Law 1137.
  - IPI Export-Credit Premium.
  - Industrial Development Council (CDI) Program—Exemption of IPI Tax and Customs Duties on Imported Equipment—Decree-Laws 1428 and 1728.
  - Tax Reductions on Export-Production Equipment—Decree-Law 1428
  - BEFEX—Decree-Laws 77065 and 1219
  - Mineral Tax Reductions on Iron Ore Exports
  - Mineral Tax Basis Calculation Incentives
  - Mining Industry Incentives
  - Government Long-Term Loans (BNDES and FINAME)
  - Regional Incentives under the Grande Carajas Program
  - Carajas Infrastructure Subsidies
- We have determined not to initiate on the following allegations:
1. *Government Assistance in Repaying Foreign Loans (Aviso GB-588)*. Aviso GB-588 is an internal government communication which provides that under certain circumstances, the government of Brazil will assume obligations on the direct dollar debt of companies unable to meet such overseas debt as it comes due. Under the program, the Banco do Brasil assumes payments due overseas lenders

Issued: February 15, 1985.  
 Kenneth R. Mason,  
 Secretary.  
 [FR Doc. 85-4290 Filed 2-20-85; 9:45 am]  
 DILLON CASE 7233-02-0

[332-201]

**Conditions of Competition Affecting  
 the U.S. Gulf and South Atlantic  
 Shrimp Industry; Hearing**

**AGENCY:** United States International  
 Trade Commission.

**ACTION:** Time and place of public  
 hearing.

**SUMMARY:** Notice is hereby given that the public hearing in this matter will be held beginning on Thursday, March 21, 1985, in New Orleans, Louisiana, in the Queen Ann room of the Montz Leone Hotel, 214 Royal Street, at 10:00 a.m. Notice of the investigation and hearing was published in the Federal Register of November 21, 1984 (49 FR 45836).

By order of the Commission.

Issued: February 15, 1985.

Kenneth R. Mason,  
 Secretary.  
 [FR Doc. 85-4282 Filed 2-20-85; 9:45 am]  
 DILLON CASE 7233-02-0

[Investigation No. 731-TA-201 (Final)]

**Egg Filler Flats From Canada**

**AGENCY:** United States International  
 Trade Commission.

**ACTION:** Institution of a final  
 antidumping investigation and  
 scheduling of a hearing to be held in  
 connection with the investigation.

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-201 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of egg filler flats, provided for in item 258.70 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before March 26, 1985, and the Commission will make its final injury determination by May 15, 1985 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673(a) and 1673d(b))).

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** January 18, 1985.

**FOR FURTHER INFORMATION CONTACT:**  
 Larry Reavis (202-523-0225), Office of  
 Investigations, U.S. International Trade  
 Commission, 701 E Street NW.,  
 Washington, DC 20436.

**SUPPLEMENTARY INFORMATION:**

**Background**

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of egg filler flats from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on August 3, 1985, by Keyes Fiber Co., Stamford, CT, and the Packaging Corporation of America, Evanston, IL. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (49 FR 37857, September 28, 1985).

**Participation in the Investigation**

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service List**

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) of the rules (19 CFR 201.16(c)), each document filed

by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

**Staff Report**

A public version of the prehearing staff report in this investigation will be placed in the public record on April 5, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing**

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on April 19, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on April 3, 1985. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on April 10, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 15, 1985.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2), as amended by 49 FR 32569 August 15, 1984)).

**Written Submissions**

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on April 26, 1985. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information

pertinent to the subject of the investigation on or before April 26, 1985.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6, as amended by 49 FR 32569, August 15, 1984).

**Authority:** This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: February 12, 1985.

**Kenneth R. Mason,**  
Secretary.

[FR Doc. 85-4283 Filed 2-20-85; 8:45 am]  
BILLING CODE 7020-02-M

(Investigations Nos. 731-TA-191, 192, 194, and 195 (Final))

### Oil Country Tubular Goods From Argentina, Brazil, Mexico, and Spain

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of final antidumping investigations and scheduling of a hearing to be held in connection with the investigations.

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-191, 192, 194, and 195 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Argentina, Brazil, Mexico, and Spain, of oil country tubular goods,<sup>1</sup> provided for in items

610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before March 25, 1985, and the Commission will make its final determinations by May 13, 1985 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR part 207), and Part 201, Subparts A through E (19 CFR part 201, as amended by 49 FR 32569, Aug. 15, 1984).

**EFFECTIVE DATE:** January 16, 1985.

**FOR FURTHER INFORMATION CONTACT:** Valerie Newkirk (202-523-0339), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436.

#### SUPPLEMENTARY INFORMATION

##### Background

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of oil country tubular goods from Argentina, Brazil, Mexico, and Spain are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in petitions filed on June 13, 1984, by Lone Star Steel Company and CF & I Steel Corporation. In response to those petitions the Commission conducted preliminary antidumping investigations, and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (49 FR 31782, August 8, 1984).

##### Participation in the Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than twenty-one (21) days after

the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

##### Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) of the rules (19 CFR 201.16(c), as amended by 49 FR 32569, Aug. 15, 1984), each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

##### Staff Report

A public version of the prehearing staff report in these investigations will be placed in the public record on March 22, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

##### Hearing

The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on April 4, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 22, 1985. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on March 27, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 1, 1985.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the

<sup>1</sup> For purposes of these investigations, "oil country tubular goods" includes drill pipe, casing, and tubing for drilling oil or gas wells, of carbon or alloy steel, whether such articles are welded or

seamless, whether finished or unfinished, and whether or not meeting American Petroleum Institute (API) specifications.

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**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 781-TA-801 (Final)]

**Egg Filler Flats From Canada;  
Rescheduled Hearing**

**AGENCY:** International Trade  
Commission.

**ACTION:** Rescheduling of the hearing to  
be held in connection with the subject  
investigation.

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**SUMMARY:** The Commission hereby  
announces the rescheduling of the  
hearing to be held in connection with  
the subject investigation from 10:00 a.m.  
on April 19, 1985 to 10:00 a.m. on June 23,  
1985.

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's rule of practice and procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 49 FR 32566, August 15, 1984).

**EFFECTIVE DATE:** February 28, 1985.

**FOR FURTHER INFORMATION CONTACT:** Larry Reavis (202-623-0296), Office of Investigations, U.S. International Trade Commission, 701 E Street NW, Washington, DC 20436.

#### SUPPLEMENTARY INFORMATION

##### Background

On January 16, 1985 the Commission instituted the subject investigation and scheduled a hearing to be held in connection therewith for April 19, 1985 (50 FR 3215 February 21, 1985). Subsequently, the Department of Commerce extended the date for its final determination in the investigation from March 28, 1985 to May 31, 1985. The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule. As provided in section 735(b)(2)(B) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(2)(B)), the Commission must make its final determination in antidumping investigations within 45 days of Commerce's final determination, or in this case by July 15, 1985.

##### Staff report

A public version of the prehearing staff report in this investigation will be placed in the public record on May 20, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

##### Hearing

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on June 13, 1985 at the U.S. International Trade Commission Building, 701 E Street NW, Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on May 28, 1985. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on May 31, 1985 in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is June 7, 1985.

Testimony at the public hearing is governed by § 207.23 of the

Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.8(b)(2) of the Commission's rules (19 CFR 201.8(b)(2), as amended by 49 FR 32566, August 15, 1984)).

##### Written submissions

All legal arguments economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on June 21, 1985. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before June 21, 1985.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8, as amended by 49 FR 32566, August 15, 1984). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.8 of the Commission's rules (19 CFR 201.8, as amended by 49 FR 32566, August 15, 1984).

##### Authority

This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: February 28, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-3380 Filed 3-4-85; 8:45 am]

501500 CODE 7000-00-0



[A-122-403]

**Egg Filler Flats From Canada; Final Determination of Sales at Less Than Fair Value**

**AGENCY:** International Trade Administration, Import Administration, Commerce.

**ACTION:** Notice of final determination of sales at less than fair value.

**SUMMARY:** We determine that egg filler flats from Canada as described in the "Scope of the Investigation" section of this notice are being sold in the United States at less than fair value. We have notified the United States International Trade Commission (ITC) of our determination. We have directed the U.S. Customs Service to suspend liquidation on all entries of the subject merchandise as described in the "Suspension of Liquidation" section of this notice.

**EFFECTIVE DATE:** June 7, 1985.

**FOR FURTHER INFORMATION CONTACT:** Charles E. Wilson, Office of Investigations, Import Administration, International Trade Administration, Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230; telephone: (202) 377-5288.

**SUPPLEMENTARY INFORMATION:****Final Determination**

We have determined that egg filler flats from Canada are being sold in the United States at less than fair value, pursuant to section 735(c) of the Tariff Act of 1930, as amended (19 U.S.C. 1673(a))(the Act). One exporter, Cascades, Inc. (Cascades), is excluded from this determination because we found *de minimis* margins on the sales at less than fair value.

We have found that the foreign market value of egg filler flats exceeded the United States price on 88 percent of the sales compared. These margins ranged from 0 percent to 44.16 percent. The overall weighted-average margin on all sales compared is 14.93 percent. The weighted-average margins for individual companies investigated are listed in the "Suspension of Liquidation" section of this notice.

**Case History**

On August 3, 1984, we received a petition filed by Keyes Fibre Company and Packaging Corporation of America, on behalf of the United States industry producing egg filler flats. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of egg filler flats from Canada are being

or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury or threaten material injury to a United States industry.

After reviewing the petition, we determined it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on August 23, 1984 (49 FR 34381). On September 17, 1984, the ITC determined that there is a reasonable indication that imports of egg filler flats are threatening material injury to a United States industry (49 FR 37857).

On September 12, 1984, we presented questionnaires to Cascades and to Fripp Fibre Forms, Ltd. (Fripp), two producers of egg filler flats who account for virtually all of the Canadian exports to the United States of the merchandise under investigation. Cascades submitted its response to our questionnaire on October 26, 1984; Fripp submitted its response on October 29, 1984.

On January 10, 1985, we preliminarily determined that egg filler flats from Canada were being sold at less than fair value (50 FR 2320). Our notice of preliminary determination provided interested parties an opportunity to submit views orally and in writing. Since no interested party requested a public hearing, no such hearing was held.

On February 14, 1985, we extended the period for making the final determination until not later than May 31, 1985, at the request of an exporter who accounted for a significant proportion of the exports of this merchandise, in accordance with section 735(a)(2)(A) of the Act (50 F.R. 7206).

We verified Cascades' response during the week of March 4, 1985, and Fripp's response during the week of April 1, 1985. During both verifications, we requested and subsequently received supplemental verification documents.

**Scope of Investigation**

The merchandise covered by this investigation is molded pulp egg filler flats, as currently provided for in item number 258.7000 in the *Tariff Schedules of the United States, Annotated (TSUSA)*. Since Cascades and Fripp produced and exported virtually all of the egg filler flats shipped from Canada to the United States during the period of investigation, we limited our investigation to these two companies.

We investigated sales of egg filler flats by these respondents during the period from March 1, 1984 to August 31, 1984.

**Fair Value Comparison**

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

**United States Price**

As provided in section 772(b) of the Act, we used the purchase price of egg filler flats to represent the United States price for sales by the Canadian producers because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price based on the c.i.f., or c.i.f. duty paid, packed price. We made deductions, where appropriate, for inland freight, insurance, discounts, United States customs duties and brokerage charges.

**Foreign Market Value**

In accordance with section 773(a)(1) of the Act, we used home market prices to determine foreign market value. The home market prices were based on ex-factory or delivered, packed prices to unrelated home market purchasers. In calculating foreign market value, we made currency conversions from Canadian dollars to United States dollars using the certified quarterly exchange rates, in accordance with § 353.56(a)(1) of the Commerce Regulations. We made deductions, where appropriate, for inland freight, insurance, and discounts. In accordance with § 353.15 of the Commerce Regulations, we made a circumstance of sale adjustment for differences in credit expenses in the two markets. We also made an adjustment, where appropriate, for commissions paid by Cascades in the home market; this adjustment was offset by indirect selling expenses in the United States, in accordance with section 353.15(c) of the Commerce Regulations.

The following claims for adjustment were disallowed. Cascades claimed an adjustment for differences in level of trade, as provided for in § 353.19 of the Commerce Regulations. This claim was disallowed because Cascades was unable to quantify that the differences in the price of the merchandise in the United States and Canadian markets were due to differences in the level of trade. Fripp also claimed a level of trade adjustment. This adjustment was disallowed because the documentation provided by Fripp to support the claim was not sufficient to prove that the differences in prices in the two markets were due to differences in the level of trade. Fripp claimed an adjustment for differences in quantity, as provided for

in § 353.14 of the Commerce Regulations. This claim was disallowed because Fripp was unable to show that differences in price between the United States and Canadian markets were due to savings specifically attributable to production of different quantities.

#### Verification

In accordance with section 776(a) of the Act, we verified all data used in reaching this determination by using standard verification procedures, including on-site examination of accounting records and selected documents containing relevant information.

#### Petitioners' Comments

*Comment 1:* Petitioners claim that the Department should reject Cascades' level of trade adjustment, since Cascades sells to distributors in the United States market and cooperatives in the home market and these two classes of customers operate at the same level of trade. Additionally, petitioners claim that the Department should reject Cascades' claimed adjustment because it is based on an estimate of price differentials caused by differences in the level of trade, and is therefore insufficiently documented.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

*Comment 2:* Petitioners claim that the Department should use certified exchange rates in making conversions from Canadian to United States dollars.

*Response:* In making our conversions from Canadian to United States currency, we used the certified quarterly exchange rates.

*Comment 3:* Petitioners claim that the Department should reject Fripp's level of trade adjustment because Fripp has failed to demonstrate that an insufficient number of sales were made at comparable levels of trade to permit a fair comparison, because Fripp has not proven that the two classes of purchasers in its claim do in fact constitute different levels of trade, because Fripp has not shown that differences in level of trade correlate directly with differences in price, and because Fripp has not demonstrated that additional costs were actually incurred in selling to one level of trade as compared to another.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

*Comment 4:* Petitioners claim that the amount of the adjustment for differences in credit expense employed by the Department in its preliminary determination is inconsistent with the

data contained in Fripp's response, and urge the Department to investigate closely Fripp's credit costs at verification.

*Response:* The basis for Fripp's adjustment for differences in credit expense was its December 14, 1984, submission. We reviewed this submission and determined that the methodology contained within was a reasonable and accurate method of determining such costs. At the verification, the data upon which the December 14, 1984, submission was based were verified by Department personnel. Therefore, we used Fripp's claimed adjustment for differences in credit expense for the final determination. The only change from the preliminary determination is our use of official, certified exchange rates instead of those provided by Fripp to convert credit costs in the United States market into Canadian dollars.

*Comment 5:* Petitioners believe that Cascades may have understated its transportation costs by not fully allocating all applicable expenses related to the delivery of its merchandise by company trucks to the molded pulp division of the company. Petitioners therefore urge the Department to confirm at verification that all relevant costs are included in Cascades' calculation of its transportation costs.

*Response:* Department personnel verified that all expenses related to Cascades' use of its own trucks in the delivery of merchandise were included in the company's calculation of its transportation costs.

*Comment 6:* Petitioners claim that certain of Cascades' discounts in the home market do not meet the regulatory criteria for a quantity discount, and thus should not be allowed.

*Response:* We agree that the discounts in question do not meet the regulatory requirements for a quantity discount as outlined in § 353.14(b) (1) and (2) of the Commerce Regulations. However, in accordance with § 353.14(b)(3) of our regulations, we used the discounted price of the sales in question in calculating a weighted-average foreign market value. Thus, the discounts were deducted from the price of the merchandise.

*Comment 7:* Petitioners claim that the Department should disallow a circumstance of sale adjustment for Cascades' home market sales commissions since these commissions were paid to a related party and the Department has consistently interpreted the statute and regulations to preclude adjustments for intracompany transfers such as payments to related parties.

*Response:* We recognize that, in general, the Department has not permitted circumstance of sale adjustments for commission payments to related parties. The principle behind denying a circumstance of sale adjustment for payments to related parties is that such payments are merely intracompany transfers of funds; these payments are considered to be part of the general expenses of the company, not costs directly related to particular sales.

However, in this case, although the salesman was an employee of the company, he received no salary; all payments to the salesman were directly related to particular sales, in the form of a percentage of the revenue accruing from those sales. The percentage to be paid was detailed in a contract between the salesman and the company. Additionally, the salesman paid for all of his sales-related expenses, with the exception of certain medical and other non-salary benefits. The cost of these benefits to the company was not included in the claim for the commission adjustment. Thus, the claimed adjustment for the commissions paid to the salesman cannot be considered to be part of the general costs to Cascades, since it is directly related to specific sales, and included no expenses which could not be tied to those sales.

While we continue to hold that circumstance of sale adjustments for commission payments to related parties are not generally allowable, we determined in this case that the salesman in question operated as an unrelated party, and an adjustment for commission payments to him was allowed.

*Comment 8:* Petitioners claim that Fripp's transportation costs for certain sales appear to be abnormally high, and urge the Department to review carefully the data supporting these claimed costs.

*Response:* We reviewed Fripp's methodology of calculating the transportation costs involved, and determined that this methodology was a reasonable and accurate way to arrive at these costs. We also determined, however, that those elements involved in the calculation of these costs which were not sufficiently documented by Fripp should not be allowed. We therefore excluded such unsubstantiated expenses from the calculation of transportation costs.

*Comment 9:* Petitioners claim that a certain deduction from Fripp's foreign market value should be treated as a commission, and not a customer category discount, and that this deduction should therefore be offset by

indirect selling expenses in the United States in accordance with § 353.15(c) of the Commerce Regulations.

*Response:* Though the deduction involved was in fact listed as a commission in Fripp's questionnaire response, we found at verification that it had been erroneously labeled so. From the documents presented to us, we were able to determine that his was in fact a discount to a distributor. We therefore allowed the deduction as a discount on the price of the sale, and did not offset the adjustment with United States indirect selling expenses.

*Comment 10:* Petitioners state that the Department should reject Fripp's claim for an adjustment for differences in quantity because Fripp has not demonstrated that differences in costs are specifically attributable to the production of different quantities of egg filler flats.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

#### Cascades' Comments

*Comment 1:* Cascades claims that the Department should allow an adjustment for a commission paid on some of its home market sales as the commission is a directly-related selling expense and therefore meets the criteria for a circumstance of sale adjustment set out by the statute and regulations. Since the salesman in question received no salary from the company and was paid solely on the basis of his sales, any commissions paid to him were directly related to specific sales and cannot be considered to have been general expenses to the company.

*Response:* For our response to this comment, see our response to Petitioners' Comment 7.

*Comment 2:* Cascades claims that the Department should allow a level of trade adjustment, since it is improper to compare prices to end-users with prices to distributors. The amount of the adjustment should be the estimate provided by the petitioners in their petition. If this adjustment is rejected, then the Department should alternatively consider the additional cost incurred by Cascades to pay commissions in the home market as the basis for a level of trade adjustment.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

*Comment 3:* Cascades claims that the transportation costs on its United States sales should be adjusted downward,

since in the questionnaire response the company had allocated these costs based upon an arbitrary historical formula that overstated the actual expenses incurred.

*Response:* We reviewed Cascades' accounting and transportation records during our verification, and found that the transportation costs on United States sales listed in Cascades' response were overstated. We therefore adjusted these costs so as to reflect Cascades' actual experience.

#### Fripp's Comments

*Comment 1:* Fripp claims that the Department should allow a level of trade adjustment to account for the fact that the company sold to a level of trade in the United States which it did not sell to in the home market. Fripp claims that an adequate comparison between United States and Canadian sales cannot be made without adjusting foreign market value to reflect the effects that the difference in level of trade had on prices in the two markets. Fripp further states that it has demonstrated the actual differences in costs of production and sales between the different levels of trade, and that these costs differences should form the basis of the Department's adjustment.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

*Comment 2:* Fripp claims that the Department should allow a quantity adjustment to account for the lower per-unit costs for Fripp's sales to certain United States customers as compared to Canadian customers. Fripp claims that the lower costs were due to the greater quantities purchased by these United States customers.

*Response:* For our response to this comment, see the Foreign Market Value section of this notice.

#### Final Determination

Based on our investigation and in accordance with section 735(a) of the Act, we have reached a final determination that egg filler flats from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the Act.

#### Continuation of Suspension of Liquidation

Liquidation will continue to be suspended on all entries of egg filler flats from Canada that are entered into the United States, or withdrawn from warehouse, for consumption. The United States Customs Service will continue to require the posting of a cash deposit,

bond or other security in amounts based on the following weighted-average margins. Imports of egg filler flats sold by Cascades are excluded from this suspension of liquidation, since the weighted-average margin is 0.08 percent, which is *de minimis*. The security amounts established in our preliminary determination published in the Federal Register on January 16, 1985 will no longer be in effect.

| Manufacturers                               | Weighted average margins (percent) |
|---|------------------------------------|
| Cascades, Inc.                              | 0.08                               |
| Fripp Fibre Forms, Ltd.                     | 14.93                              |
| All Other Manufacturers/Producers/Exporters | 14.93                              |

*Do Notation, Continued*

#### ITC Notification

In accordance with section 734(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury does not exist, this proceeding will be terminated and all cash deposits, securities or bonds posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order, directing Customs officers to assess an antidumping duty on egg filler flats entered, for consumption, on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the U.S. price. This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

William T. Archery,

Assistant Secretary for Trade Administration.  
(FR Doc. 85-13806 Filed 6-6-85; 8:45 am)

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APPENDIX B  
LIST OF WITNESSES AT THE PUBLIC HEARING

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

Subject : Egg Filler Flats from Canada

Inv. No. : 731-TA-201 (Final)

Date and time : June 13, 1985 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the imposition of antidumping duties:

Patton, Boggs & Blow--Counsel  
Washington, D.C.  
on behalf of

Keyes-Fibre Co.

William A. Largent, Senior Vice President of Sales  
and Marketing, Keyes Fibre Company

Frank Macarthy, General Manager of the Egg Packaging  
Division, Keyes Fibre Company

Packaging Corporation of America

Donald C. Hutchings, Vice President of Sales and  
Marketing, Molded Fibre Division, Packaging  
Corporation of America

Robert W. Rees, Director of Sales, Molded Pulp  
Products, Packaging Corporation of America

Barbara Walters, Sales Manager, Packaging Corporation  
of America

Lynn Taylor, Attorney, Packaging Corporation of America

Terry Mabus, Sales Manager, Packaging Corporation of  
America

John Pisarkiewicz, President, Pisarkiewicz Economic  
Consulting Services, Inc.

Frank R. Samolis )  
Michael D. Esch )--OF COUNSEL  
Jennifer A. Hillman)

In opposition to the imposition of antidumping duties:

Busby, Rehm and Leonard, P.C.--Counsel  
Washington, D.C.  
on behalf of

Fripp Fibre Forms, Inc. & Mid-West Egg Producers  
Cooperative Association

Brian Fripp, President, Fripp Fibre Forms, Inc.

Jerald L. Weber, President and General Manager,  
Mid-West Egg Producers Cooperative Association

Bruce Aitken            )  
Edward R. Easton) --OF COUNSEL





APPENDIX C  
STATISTICAL TABLES

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INTERNATIONAL TRADE COMMISSION  
WASHINGTON, D C 20436

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