

HYDROGENATED CASTOR OIL FROM BRAZIL

**Determination of the Commission
in Investigation No. 731-TA-236
(Final) Under the Tariff Act
of 1930, Together With
the Information Obtained
in the Investigation**



USITC PUBLICATION 1804

JANUARY 1986

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Paula Stern, Chairwoman
Susan W. Liebeler, Vice Chairman.
Alfred E. Eckes
Seeley G. Lodwick
David B. Rohr
Anne E. Brunsdale

This report was prepared by--

Robert Randall, Investigator/Analyst
Holly Glenn, Economist
Chand Mehta, Accountant
Carol McCue Verratti, Attorney
Lynn Featherstone, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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 |
| Previous investigation----- | A-2 |
| The product: | |
| Description and uses----- | A-3 |
| Substitutability with other chemical products----- | A-3 |
| Manufacturing processes----- | A-4 |
| Castor beans and castor oil: The internationally traded precursor commodities----- | A-6 |
| U.S. tariff treatment----- | A-10 |
| The U.S. market: | |
| Apparent consumption----- | A-12 |
| U.S. producers----- | A-12 |
| U.S. importers----- | A-13 |
| Consideration of material injury to a U.S. industry: | |
| Production, capacity, and utilization of capacity----- | A-14 |
| U.S. producers' shipments and inventories----- | A-15 |
| Employment and productivity----- | A-15 |
| Financial experience of U.S. producers----- | A-16 |
| HCO operations----- | A-16 |
| Overall establishment operations----- | A-19 |
| Investment in productive facilities----- | A-19 |
| Capital expenditures, research and development expenses----- | A-22 |
| Effects of imports from Brazil on growth, investment, and ability to raise capital----- | A-22 |
| Consideration of threat of material injury to a U.S. industry----- | A-22 |
| Brazilian producers and their export capabilities----- | A-23 |
| Efficiency as a threat to the U.S. industry----- | A-24 |
| U.S. inventories of HCO imported from Brazil----- | A-26 |
| The potential for product-shifting----- | A-26 |
| Consideration of the causal relationship between imports of the subject merchandise and the alleged injury: | |
| U.S. imports----- | A-26 |
| U.S. market penetration----- | A-27 |
| Prices----- | A-27 |
| Castor oil prices----- | A-28 |
| Trends in producer and importer prices----- | A-29 |
| Margins of underselling in producer and importer prices----- | A-30 |
| Trends in purchaser prices----- | A-30 |
| Margins of underselling in purchaser prices----- | A-31 |
| Lost sales----- | A-31 |
| Lost revenues----- | A-32 |
| Transportation costs----- | A-33 |
| Exchange rates----- | A-34 |

CONTENTS

Page

Appendixes

| | |
|---|------|
| Appendix A.-- <u>Federal Register</u> notices----- | A-35 |
| Appendix B.--Calendar of witnesses appearing at the Commission's hearing----- | A-57 |
| Appendix C.--Union Camp's statement of the effects of imports from Brazil on its growth, investment, and ability to raise capital----- | A-61 |
| Appendix D.--CasChem's letter to the Commission----- | A-65 |

Figures

| | |
|--|------|
| 1. Castor oil products and major processing steps----- | A-8 |
| 2. Castor bean production, Brazil and the world, 1975-84----- | A-9 |
| 3. Castor oil: World prices, monthly, 1978-85----- | A-11 |
| 4. HCO: Apparent U.S. consumption, 1982-84----- | A-12 |
| 5. Castor oil prices: World market vs. Union Camp purchases, monthly January 1982-June 1985----- | A-19 |
| 6. HCO: Union Camp's gross profit, with and without normalization, by quarters, January 1982-June 1985----- | A-19 |
| 7. Castor oil: Brazilian production and usage, 1980-84----- | A-25 |
| 8. World market price of castor oil and U.S. purchase price of Brazilian castor oil, by quarters, January 1983-June 1985----- | A-28 |
| 9. U.S. purchase price of Brazilian castor oil and U.S. and Brazilian selling prices of HCO, by quarters, January 1983-June 1985----- | A-29 |

Tables

| | |
|--|------|
| 1. HCO: U.S. production, U.S. imports, and apparent U.S. consumption, 1982-84, January-June 1984, and January-June 1985----- | A-12 |
| 2. HCO: U.S. production, by firms, 1982-84, January-June 1984, and January-June 1985----- | A-14 |
| 3. HCO: U.S. producers' shipments, by firms, 1982-84, January-June 1984, and January-June 1985----- | A-15 |
| 4. HCO: U.S. producers' end-of-period inventories, by firms, 1982-84, January-June 1984, and January-June 1985----- | A-15 |
| 5. Average employment in establishments in which HCO is produced, by firms, 1982-84, January-June 1984, and January-June 1985----- | A-15 |
| 6. Income-and-loss experience of Union Camp Corp. on its operations producing HCO, 1982-84, January-June 1984, and January-June 1985----- | A-17 |
| 7. Selected quarterly financial information of Union Camp Corp. on its operations producing HCO, 1983-85----- | A-18 |
| 8. Union Camp's reported income-and-loss experience on its HCO operations and pro forma statements based on constructing the value of castor oil used in those operations using world market prices, by quarters, January 1982-June 1985----- | A-20 |
| 9. Income-and-loss experience of Union Camp Corp. on the overall operations of its establishments within which HCO is produced, 1982-84, January-June 1984, and January-June 1985----- | A-21 |

CONTENTS

Page

Tables--continued

| | | |
|-----|--|------|
| 10. | Investment in productive facilities of Union Camp Corp. on specified operations, at yearend 1982-84, and as of June 30, 1984, and as of June 30, 1985----- | A-22 |
| 11. | Importer's inventories of HCO, at yearend, 1981-84, and June 30, 1984, and June 30, 1985----- | A-26 |
| 12. | HCO: U.S. imports for consumption from Brazil and all other sources, 1982-84, January-June 1984, and January-June 1985----- | A-26 |
| 13. | HCO: U.S. market shares of imports from Brazil and all sources, 1982-84, January-June 1984, and January-June 1985----- | A-27 |
| 14. | HCO: F.o.b. weighted-average prices received by U.S. producer Union Camp and importers of Brazilian product, by quarters, January 1983-June 1985----- | A-29 |
| 15. | HCO: Weighted-average delivered prices paid by purchasers, by sources and by quarters, January 1984-August 1985----- | A-30 |
| 16. | U.S.-Brazilian exchange rates: Nominal-exchange-rate equivalents of the Brazilian New cruzeiro in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Brazil, indexed by quarters, January 1983-September 1985----- | A-34 |

Note: Information that would disclose the confidential operations of individual companies cannot be published and has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-236 (Final)

HYDROGENATED CASTOR OIL FROM BRAZIL

Determination 1/

On the basis of the record 2/ developed in the subject investigation, the Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Brazil of hydrogenated castor oil (HCO), provided for in item 178.20 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 July 30, 1985, following a preliminary determination by the Department of Commerce that imports of HCO from Brazil 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 August 21, 1985 (50 F.R. 33858). Commerce subsequently extended the investigation (50 F.R. 35110,

1/ Commissioner Brunsdale was sworn in on Jan. 3, 1986, and, therefore, did not participate in this determination.

2/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).

Aug. 29, 1985) and, accordingly, the Commission rescheduled its hearing (50 F.R. 40241, Oct. 2, 1985). The hearing was held in Washington, DC, on December 18, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

The Commission unanimously 1/ determines that an industry in the United States is not materially injured or threatened with material injury nor is the establishment of an industry materially retarded 2/ by reason of imports of hydrogenated castor oil (HCO) from Brazil which the Department of Commerce has determined are sold at less than fair value (LTFV).

Based on the data available in this final investigation, the Commission concludes that the domestic industry was experiencing material injury during the period of investigation. 3/ However, we are unable to find that LTFV imports of HCO from Brazil were a cause of that material injury.

Like product/domestic industry

The statutory framework under which the Commission conducts antidumping investigations first requires the Commission to determine the domestic industry against which to assess the impact of unfairly traded imports. 4/ The imported product in this investigation is hydrogenated castor oil (HCO). HCO is a hard, amorphous, waxy solid and is primarily used in the manufacture of multipurpose greases. 5/ It is also used in the formulation of waxes, polishes, cosmetics, and paper coatings. 6/

1/ Commissioner Brunsdale joined the Commission after the date of the hearing and therefore did not participate in this determination.

2/ Since there is an established domestic industry, "material retardation" was not an issue in this investigation and will not be discussed further.

3/ See footnotes 19 and 20, infra.

4/ 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 constitutes a major proportion of the total domestic production of that product." 19 U.S.C. § 1677(4)(A). "Like product" is 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" 19 U.S.C. § 1677(10).

5/ Report of the Commission (Report) at A-3.

6/ Id.

HCO is produced domestically by Union Camp Corp., of Wayne, New Jersey, and CasChem, Inc., of Bayonne, New Jersey. There is no reported difference between the domestic and the imported product as to composition, specifications, or uses, and the imported and domestic product are fully interchangeable. 7/

Based on this information we determine that the product like the imported product in this investigation is domestically produced HCO. Therefore, the domestic industry consists of those portions of Union Camp and CasChem devoted to the manufacture and sale of HCO. 8/

Condition of the domestic industry 9/

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, changes in domestic consumption, in U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 10/ 11/

7/ Id.

8/ A question has been raised in this investigation as to whether the Commission should consider CasChem as part of the domestic industry, since CasChem internally consumes a substantial portion of its production of HCO. Id. at A-14, Table 2. There is no provision in the statute that permits an exception to this definition based on captive use versus merchant sales. Therefore, our industry definition includes all production of HCO by both domestic producers. See, Melamine from Brazil, Inv. No. 731-TA-107 (Preliminary), USITC Pub. 1303 (1982).

9/ Most of the data concerning the condition of the domestic industry are confidential because there are only two domestic producers of HCO. Accordingly, our discussion of the condition of the domestic industry must be presented in general terms.

10/ In assessing the injury question, we considered the impact of the LTFV imports on both the overall market and the merchant market, where possible. See, Melamine from Brazil, Inv. No. 731-TA-107 (Preliminary), USITC Pub. 1303 (1982).

11/ In view of the multi-functional/multi-product nature of the U.S. producers' operations, capacity measures and capacity utilization ratios are not meaningful. Report at A-15.

Domestic consumption in the merchant market rose moderately from 1982-84. In the total market, domestic consumption remained fairly stable. However, during the first half of 1985, domestic consumption declined in both markets. 12/ From 1982-84 there was a steady decline in domestic production. Production during the first half of 1985 was relatively unchanged from production during the first half of 1984. 13/ U.S. producers' domestic shipments of HCO declined from 1982 to 1984 and throughout the first half of 1985. 14/ Data available on inventories of domestically produced HCO indicate that inventories fluctuated over the period with no marked trend. 15/ Employment remained fairly steady during the period of investigation. 16/

While the Commission received financial data from only one domestic producer, 17/ the information available does indicate trends in the commercial market. 18/ This information shows that the industry operated at a loss throughout most of the period of investigation, with the only profitable performance occurring during the first half of 1984. Financial indicators turned sharply negative in the last half of 1984 and the first half of 1985.

12/ Id. at A-12, Table 1, Figure 4.

13/ Id. at A-14, Table 2.

14/ Id. at A-15, Table 3.

15/ Id. at A-15, Table 4. Production is normally based on orders at hand, so that inventories are not a significant factor.

16/ Id. at A-15, Table 5. Because of the large number of products produced by CasChem and Union Camp, using the same work crews, changes in employment are not directly related to production of HCO.

17/ The financial data available were limited as CasChem did not provide the Commission with financial data. We thus are relying on data concerning Union Camp which is the best information available to us. 19 U.S.C. § 1677e(b). We note that because HCO is a small part of CasChem's total production and a substantial portion of CasChem's HCO production is consumed internally, any financial information developed for this investigation by CasChem would have been of limited value. See Memorandum to the Record from Lynn Featherstone, Supervisory Investigator, dated January 14, 1986.

18/ Union Camp is the major domestic producer selling HCO commercially. Report at A-15, Table 3.

Based on this data collected in this final investigation, we conclude that the domestic industry is suffering material injury. 19/ 20/

No material injury by reason of LTFV imports from Brazil 21/

Based on our analysis of the data concerning the volume of imports and the impact of these imports on prices of HCO and the domestic industry, we

19/ Chairwoman Stern believes that the causal context is critical to a reliable material injury determination. For instance, in a case where a new industry is showing losses, it may well be ahead of expectations and hence "healthy." Or an industry which may warrant above normal returns as a return to innovation could be judged materially injured because LTFV imports had eroded its financial position (though profits might still be "normal" by other standards). The appropriate context for the material injury finding is in conjunction with the causal analysis.

Therefore, 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. For a fuller discussion of this issue, see Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 18 (Dec. 1985). Chairwoman Stern reads *American Spring Wire Corp. v. United States*, 590 F. Supp. 1273, 1276 (CIT 1984), aff'd sub nom., *Armco, Inc. v. United States*, 760 F.2d 249 (Fed. Cir. 1985), as holding that the approach of the Commission majority is permissible but not required under the statute.

20/ 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 circumstance, 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 (CIT 1984) (emphasis supplied), aff'd sub nom., *Armco, Inc. v. United States*, 760 F.2d 249 (Fed. Cir. 1985).

21/ Vice Chairman Liebeler finds five factors to be particularly helpful on the issue of causation. An affirmative vote is more likely when the following
(Footnote continued)

have been unable to find any link between the injury experienced by the domestic industry and the LTFV imports from Brazil.

HCO has been an unprofitable product for the domestic industry since 1980. 22/ Similarly, imports of HCO have been a significant factor in the marketplace throughout this period. However, to find that imports have been a cause of the industry's difficulties, there must be more to indicate a causal relationship than the simultaneous existence of injury and imports. An analysis of the recent trends regarding imports and injury occurring in the industry do not suggest any causal relationship.

Data indicate that imports of HCO from Brazil increased steadily from 1982-84. 23/ In 1984 there was a significant increase in both the volume and market penetration of Brazilian imports, yet during the first half of that year the domestic industry showed improvement and operated profitably. 24/ In

(Footnote continued)

conditions are present: (1) a large and increasing market share; (2) a high margin of dumping or subsidization; (3) homogeneous products; (4) declining domestic prices; and (5) barriers to entry. Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler). For HCO, Brazilian imports have an increasing market share. Report at A-27, Table 13. The final antidumping margins as determined by Commerce are very small, less than 3 percent. Id. at A-2. HCO is a homogeneous product. Id. at A-3. Purchase prices paid for Brazilian and domestic HCO have risen and fallen in conjunction with changes in the price of castor oil from which it is made. Id. at A-29-A-30, Figure 9. Although almost all imports of HCO into the United States are from Brazil, there are other major producers and exporters of castor beans and oil. Id. at A-6-A-10. Therefore, there are no barriers to entry. In summation, there is a large and increasing market share, a homogeneous product, and declining domestic prices. There are, however, very small margins of dumping and no barriers to entry. Therefore, I conclude that the domestic industry producing HCO is not materially injured or threatened with material injury by reason of dumped imports of HCO. I join in the majority's discussion in this section to the extent that it is consistent with these views.

22/ Certain Castor Oil Products from Brazil, Inv. No. 104-TAA-20, USITC Pub. 1483 at A-19 (Jan. 1984).

23/ Report at A-26, Table 12.

24/ Id. at A-26-A-27, Tables 12 and 13, and A-16-A-19, Tables 6 and 7.

the second half of 1984, the domestic industry began to experience some renewed difficulties. There were significant losses in early 1985. 25/ In contrast, imports from Brazil decreased in volume and market penetration during the first half of 1985 when compared to the same period of 1984. 26/

Further, the pricing data do not provide us with a causal link between underselling by the imports and injury to the domestic industry. 27/ 28/ When the domestic industry was showing profits in early 1984, there was a regular pattern of underselling by the imports. In the first part of 1985 when the domestic industry's financial performance declined, the pricing information provided by producers indicates that there was overselling by the imports. 29/

The pricing pattern of the domestic industry did not reflect the relative strength of the competition from Brazil in the marketplace during the investigative period. For example, domestic prices were relatively high in the first half of 1984 when import volume and penetration were at their peak; and domestic prices fell during the first half of 1985 when import volume and penetration also fell.

On the other hand, domestic prices did reflect the world price for the major cost factor in HCO production, castor oil. Castor oil was comparatively

25/ Id.

26/ Id. at A-26-A-27, Tables 12 and 13.

27/ Although CasChem did not provide producer prices, we did obtain purchaser's prices for both of the domestic producers as well as the importers.

28/ Vice Chairman Liebeler does not find evidence of underselling or lost sales to be persuasive on the question of causation. See Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. Nos. 701-TA-258-60 and 731-TA-283-85 (Preliminary), USITC Pub. 1771 at 34-36 (1985) (Additional Views of Vice Chairman Liebeler).

29/ Report at A-29, Table 14. Although lost sales and lost revenue data may be used to establish a link between LTFV imports and injury, the discrepancies between alleged and actual transaction prices make the data obtained in this investigation unreliable.

expensive in 1983 through the first quarter of 1984, while subsequent good harvests depressed world prices through 1985. 30/

The domestic industry's financial performance in recent years also is related to the world price for castor oil because of Union Camp's practice of entering into long-term contracts for oil purchases. In 1983 and early 1984, advance purchasing proved advantageous, as Union Camp paid below world prices for its oil and yet charged high prices for HCO. However, after mid-1984, Union Camp was paying above the world price for oil and nevertheless priced HCO competitively. A sharp drop in profitability was the result. 31/

Another factor affecting domestic prices and the success of HCO producers in the United States is transportation costs. The Gulf Coast is a major market for consumption of HCO. The imported HCO has a cost advantage in that market because it is shipped from the ports of entry located in that area, whereas most of the domestic HCO is shipped from Ohio. 32/

We cannot make an affirmative finding in this investigation because we are not satisfied that "in light of all the information presented, there is a

30/ H.R. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979).

The law does not contemplate that injury from such imports be weighted against other factors . . . , in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the dumped imports is attributable to such other factors.

H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

31/ Report at A-16-A-19.

32/ Id. at A-27 and A-33. The exact figures concerning this cost advantage are confidential. For the importers, the transportation cost comparison includes the cost of transporting HCO from Brazil to the port of entry and from the port of entry to the purchasers. For the domestic HCO the costs include shipment of castor oil from Brazil to Ohio and then shipment of HCO to the purchasers. Certain Castor Oil Products from Brazil, Inv. No. 104-TAA-20, USITC Pub. 1483 at A-33-A-36 (1984).

causal link between the less-than-fair-value imports and the requisite injury." 33/

No threat of material injury by reason of imports from Brazil

In determining whether an industry in the United States is threatened with material injury by reason of imports of any merchandise, the Commission considers, among other economic factors, increases in production capacity or existing unused capacity in the exporting country, rapid increases in U.S. market penetration, import prices that could suppress or depress domestic prices, increases in inventories of the merchandise in the United States and underutilized capacity for producing the merchandise in the exporting country. 34/ After considering these factors, we conclude that there is an absence of any real and imminent threat of material injury to the domestic industry producing HCO from Brazilian imports. 35/

A comparison of the data for the January-June period of 1984 and 1985 indicate that the volume of imports have declined in 1985. 36/ The market

33/ Chairwoman Stern notes that in this investigation, as in the previous 104 investigation where she also made a negative determination, it is clear that the extent of the unfair nature of the Brazilian imports does not account for the ability of Brazilian HCO imports to compete successfully in the domestic market. The weighted average final antidumping margin for imports from Brazil was 1.21 percent. In contrast throughout 1984 and 1985 Brazilian HCO producers were able to undersell the domestic product by an average of 8.8 percent. While it has been argued that price is particularly significant in this market, a comparison of the LTFV margin and Brazilian margins of underselling shows that the "unfairness" of the imports has not contributed in any perceptible fashion to the imports' sizeable price advantage. Thus, the record in this investigation substantiates my finding in January, 1984 (See Views of Commissioner Paula Stern, Certain Castor Oil Products from Brazil, Inv. No. 104-TA-20, USITC Pub. No. 1483 (Jan. 1984)) that any unfair trade practices on the part of Brazilian producers has had no appreciable effect on the competitiveness of Brazilian castor oil products in the U.S. market.

34/ 19 U.S.C. § 1677(7)(F).

35/ *Alberta Gas Chemicals v. United States*, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

36/ Report at A-26, Table 12.

penetration ratio of Brazilian imports declined significantly for the first six months of 1985 compared to the corresponding period of 1984. 37/ We have no information indicating that exports of HCO from Brazil are about to expand rapidly. 38/

Information on importers' inventories of HCO was quite limited. 39/ HCO inventories declined from 1982 to 1984, but returned to historical levels in the first half of 1985. 40/

Price data do not indicate that imports will enter the U.S. market at prices that will have a suppressing or depressing effect on domestic prices. The record in this investigation indicates that prices of domestic HCO follow the price of castor oil.

Therefore, we determine that the domestic industry is not threatened with material injury by reason of the subject imports from Brazil.

37/ Id. at A-27, Table 13.

38/ No data were available on foreign production capacity and capacity utilization. This lack of data is partly due to the multi-product nature of the foreign operations. We note also that the vast majority of Brazil's production is exported, and nothing in the record indicates that sales by Brazil to third markets will decline. Further, limited data indicate that the United States represents less than half of Brazil's export market. Id. at A-23-A-25.

39/ Information was available from one importer.

40/ Report at A-26, Table 11.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On December 27, 1984, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the American Manufacturers of Castor Oil Products (AMCOP), Wayne, NJ, 1/ alleging that imports of hydrogenated castor oil (HCO) and 12-hydroxystearic acid (HSA) from Brazil are being sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured and threatened with material injury by reason of such imports.

Accordingly, effective December 27, 1984, the Commission instituted anti-dumping investigations Nos. 731-TA-236 and 237 (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the alleged LTFV imports from Brazil, classified in items 178.20 and 490.26, respectively, of the Tariff Schedules of the United States (TSUS).

On February 11, 1985, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports from Brazil of HCO and HSA. 2/ Commerce, therefore, continued its investigations into the question of alleged LTFV imports and published its preliminary determination in the Federal Register of August 1, 1985 (50 F.R. 31214 and 50 F.R. 31211). 3/ Commerce preliminarily determined that HCO and HSA are being sold in the United States at LTFV. On the basis of Commerce's preliminary determination, the Commission instituted final antidumping investigations effective July 30, 1985.

Notice of the institution of the Commission's investigations 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 August 21, 1985 (50 F.R. 33858). On August 29, 1985, Commerce published a notice in the Federal Register (50 F.R. 35110) postponing its final anti-dumping determination. Accordingly, the Commission published a notice in the Federal Register of October 2, 1985 (50 F.R. 40241), revising its schedule for the conduct of the investigations. On December 19, 1985, Commerce published in the Federal Register a negative final LTFV determination with

1/ On Jan. 24, 1985, Counsel of AMCOP amended the petition to substitute Union Camp Corp. as the petitioner. Union Camp is the only remaining active member of AMCOP. CasChem later joined the petition as a result of proceedings at the U.S. Department of Commerce.

2/ Chairwoman Stern determined that there was a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports.

3/ Copies of the Commission's and Commerce's Federal Register notices relating to these investigations are presented in app. A.

respect to HSA (50 F.R. 51729), terminating investigation No. 731-TA-237, and an affirmative final LTFV determination with respect to HCO (50 F.R. 51725). The Commission's public hearing was held on December 18, 1985, 1/ and the vote was held January 22, 1986.

Investigations on HCO and HSA were conducted together because both products were the subject of a single petition and the same firms produce and import both products. 2/ However, in view of Commerce's negative finding with respect to HSA and the termination of investigation No. 731-TA-237, reference to HSA in this report has been curtailed, except when it provides perspective on HCO.

Nature and Extent of Sales at LTFV

The final antidumping margins as determined by Commerce in the case of HCO are as follows (in percent):

| | <u>Margins</u> |
|-----------------|----------------|
| Sanbra----- | 0.75 |
| Braswey----- | 2.38 |
| All others----- | 1.51 |

Previous Investigation

HCO and HSA were both subjects of a previous investigation by the Commission. In investigation No. 104-TAA-20, the Commission determined, pursuant to section 104(b) of the Trade Agreements Act of 1979 (19 U.S.C. 1671), that an industry in the United States would be materially injured by reason of imports of HCO and HSA from Brazil if the outstanding countervailing duty orders on those products were to be revoked. 3/

The countervailing duty orders that were the subject of the aforementioned 104(b) investigation evolved from a letter dated September 9, 1974, to the Commission from Union Camp Corp. alleging that the Government of Brazil subsidized manufacturers and/or exporters of HCO and HSA. The Union Camp complaint was forwarded to the Department of the Treasury. After receipt of a formal petition from Union Camp on April 30, 1975 (40 F.R. 18814), Treasury instituted a countervailing duty investigation under section 303 of the Tariff Act of 1930. On September 11, 1975, Treasury "tentatively determined" that benefits have been received by the Brazilian manufacturers/exporters of HCO and HSA that may constitute bounties or grants. Subsequently, on March 16, 1976, Treasury determined that exports of HCO and HSA from Brazil did receive bounties or grants within the meaning of section 303 of the Tariff Act of 1930 (41 F.R. 11018). The net amount of the

1/ A list of witnesses appearing at the hearing is provided in app. B.

2/ As noted in the section of this report on the product, there is overlap in applications and uses of the two products also.

3/ Commissioner Stern determined that industries in the United States would not be materially injured if the outstanding countervailing duty orders on HCO and HSA were revoked.

subsidy was 11.3 percent of the f.o.b. or ex-works price to the United States of HCO and HSA from Brazil. There have been periodic reassessments of the amount of subsidy on castor oil products from Brazil. The most recent (calendar year 1984) provisional rate of countervailing duty on castor oil products from Brazil is 0.4 percent. Under de minimis provisions, the current deposit rate is zero.

The Product

Description and uses

HCO is a hard, amorphous, waxy solid, melting at 86° to 88°C, composed principally of glyceryl tris-12-hydroxystearate. The ordinary commercial product may have a lower melting point because of impurities or because of deliberate incomplete hydrogenation to modify properties. The largest use for HCO is the manufacture of multipurpose greases. Other uses are in the formulation of waxes, polishes, cosmetics, and paper coatings. HCO may be only a minor constituent of the final product.

HCO is typically packaged in 50-pound bags and transported by motor carrier. Shipments range from a single 50-pound bag to a 40,000-pound truckload in a single order. 1/

HCO is a chemical produced to generally accepted industry standards. There is no reported difference between the domestic and the imported product as to composition, specifications, or uses, and both are fully interchangeable. Though acknowledging interchangeability, some users prefer one source or supplier. No systematic preference was expressed. 2/

Substitutability with other chemical products

Functional alternatives to HCO include other natural and synthetic fatty acids, esters, amides, and waxes. Inasmuch as HCO is used primarily as an ingredient in formulated mixtures, its replacement by something else might require a change in the composition of the mixture, including a change in the identity and proportions of other components to achieve the desired overall properties of the mixture. With formulated end products, it is difficult to say exactly how substitutable the components are, as it depends upon the availability and cost of other possible components and how much compromise in performance can be accepted. Generally, HCO and HSA are not first-choice substitutes for each other; the substitute for each would be some other substance, depending on the end product being made and the availability of ingredients for alternative formulations.

HCO is used primarily for the manufacture of heavy-duty lubricants. Except for the presence of a hydroxyl group on most of the 18-carbon chains, castor oil derivatives are chemically similar to corresponding chain-length

1/ CasChem shipments data.

2/ Responses to Commission questionnaires.

compounds made from more ordinary fats and oils. The hydroxyl group imparts superior lubricating properties and raises the melting point of the castor oil derivatives by more than 20°C compared with derivatives of ordinary fats and oils, making castor oil derivatives especially suitable for certain heavy-duty lubricants. Lubricants for certain types of machinery operated at high speeds or under high pressure must have high melting points as well as the required lubricating properties. Both HCO and HSA are suitable and often preferred for such heavy-duty lubricants. The melting point/cost tradeoff is summarized in the following tabulation (price in cents per pound):

| | <u>Price 1/</u> | <u>Melting point 2/</u> |
|--------------------------|-----------------|-------------------------|
| HCO----- | 68 | 87°C |
| HSA----- | 78 | 85°C |
| Hydrogenated tallow----- | 34 | 67°C |
| Stearic acid----- | 36 | 62°C |

1/ Chemical Marketing Reporter, Nov. 7, 1983, and Commission staff report on investigation No. 104-TAA-20; partially estimated.

2/ Data from Union Camp Corp., June and December 1983.

The disparity in prices ensures that the cheaper tallow/stearic acid derivatives will be used when they are adequate for the service requirements. Castor oil derivatives, at approximately double the cost, will be used only when heavy-duty, high-temperature lubrication performance is required. Less expensive lubricants such as those based on animal tallow and its derivative, stearic acid, can be used alone for light-duty applications or blended with castor oil derivatives for intermediate requirements. (By contrast, ordinary automobile engine oil is usually made entirely of petroleum fractions.)

HCO and HSA are used in lubricants both "as is" and in the form of lithium or other metallic soaps (salts). The as-is uses (e.g., for HCO, a hard wax) are predominantly in the metalworking and textile industries. 1/ HCO is also used as a binder in tablets and other forms of pharmaceuticals and in a host of minor miscellaneous uses.

Manufacturing processes

HCO is derived from castor oil, more or less by definition. Castor oil is approximately 97 percent triglycerides, an unusually high proportion, with a fatty acid composition comprising 85 to 90 percent of a single fatty acid, cis-12-hydroxyoctadecen-9-oic acid, more commonly known as ricinoleic acid. Castor oil is the starting point in making a number of organic chemicals by processes of hydrogenation, hydrolysis, dehydration, sulfonation, alkali fusion, oxidation, and so forth. Besides use as a starting material for synthesis, castor oil is used directly in coatings and finishes and other products; small amounts are used for medicinal cathartics.

1/ Chemical Purchasing, May 1983, p. 16.

The manufacture of HCO is a minor use of castor oil and relatively minor among the chemical derivatives of castor oil. More important is dehydration (catalytic removal of the hydroxyl group and a nearby hydrogen atom) to form a doubly unsaturated carbon chain. Dehydrated castor oil is an excellent, though expensive, nonyellowing drying oil in coatings, with good film-forming properties and possessing high flexibility and adhesion. Besides direct use in protective coatings, dehydrated castor oil is hydrolyzed to mixed fatty acids, which are also made by dehydration of ricinoleic acid derived by hydrolysis from castor oil. Such dehydrated castor oil fatty acids have a much higher content of conjugated fatty acids, a desirable attribute in many applications. 1/ Sulfonation of castor oil produces Turkey red oil, long used as a textile dyeing assist. 2/ The processing of castor oil through a number of steps, including alkali fusion, produces sebacic acid, which is, among other things, a precursor of nylon-6,10, a superior molding plastic to the more common nylon-6,6 derived from adipic acid. 3/ Nylon-11, superior for some engineering and industrial textile applications, is made from castor oil by a transesterification reaction. 4/ Proper care must certainly be taken with all of these processes, but none is regarded as "high-tech" by chemical industry standards.

HCO has been subjected to hydrogenation. Hydrogenation and hydrolysis are employed in making other castor oil products not subject to the present investigation. Hydrogenation and hydrolysis are applied on a very large scale worldwide in the processing of fats and oils generally into common end products. For example, in the United States alone, in the 12 months from October 1983 to September 1984, at least 6.6 billion pounds of oils were hardened by hydrogenation to make margarine and shortenings, and at least 2.85 billion pounds of fats and oils were hydrolyzed to fatty acids and soap. 5/ The basic technology for both unit processes is well established and available anywhere in the world from alternative sources. Adaptations are incorporated to optimize results in different situations.

Hydrogenation may be done in a continuous or batch process. In either case, the oil is heated to reduce viscosity and reaction time and is reacted with hydrogen gas in a closed pressure vessel at several hundred pounds per square inch pressure in the presence of a nickel or other metallic catalyst. 6/

Hydrolysis (also known as fat splitting or saponification) is done by heating oil and water in the presence of either an acidic or basic catalyst.

1/ Kirk-Othmer, Encyclopedia of Chemical Technology, (ECT), third edition, John Wiley & Sons, New York, 1978, vol. 5 "Castor Oil," p. 5f.

2/ Ibid.

3/ Ibid.

4/ Ibid.

5/ U.S. Department of Commerce, Census Bureau, Current Industrial Reports, Series M20K. The actual amounts treated by hydrogenation or hydrolysis must be greater than shown above as some of the other products would have been so treated also. The world totals would be much higher than the U.S. figures cited here.

6/ ECT, vol. 5, "Castor Oil," p. 7.

The tendency to form emulsions is controlled in various ways and glycerine is separated from the fatty acids or their salts (soaps). The fatty acids may be purified by distillation and/or separated by crystallization. The value of the recovered glycerine is often more than sufficient to pay the cost of the splitting operation, so the fatty acid may cost less per pound than the original oil. ^{1/}

In making HSA, the hydrogenation and hydrolysis can be done in either order, as may suit the manufacturer. Alternatively, HSA can be made in a single step from castor oil by incorporating water in the hydrogenation vessel. Lithium hydroxystearate and other soaps used as greases could be made in a single hydrolysis step, though it is not known if this is being done commercially.

Like many chemical operations, the unit processes used in making castor oil products, including HCO and HSA, can be combined in different ways to make a number of quite different chemicals. Figure 1 summarizes the most important castor oil products and manufacturing processes. Because the major unit processes and equipment are common to more than one product, capacity for any one or two products is often a very arbitrary figure. Also, because direct costs other than raw materials (castor oil in this case) are typically low and because the allocated costs (plant and equipment amortization and maintenance) are typically quite substantial, unit costing and profit attributions to products can also be somewhat arbitrary and highly dependent upon product mix and capacity utilization factors. Neither of these factors may be closely related either to plant design or to the producer's market planning.

Castor beans and castor oil: The internationally traded precursor commodities

Castor oil is obtained by mechanical pressing and/or solvent extraction of the seeds of the castor plant, *Ricinus communis*, a subtropical shrub in the euphorbia family. *Ricinus communis* is found widely in the tropics and subtropics, both growing wild and cultivated. It is also grown as an ornamental around the world because of its large attractively shaped leaves. Its cultivation is strongly discouraged in many localities in the United States because of the toxicity of its brightly colored seeds that are responsible for the poisoning of a number of children every year.

The harvesting of castor beans is conducted on a large scale in India, Brazil, and China, and on a more modest scale in the U.S.S.R., Thailand, Pakistan, the Philippines, Paraguay, and a few other countries. The most important producers and consumers of castor beans and castor oil in the crop year October 1983 to September 1984 are summarized from the Oil World "December 1984 Statistics Update," in the following tabulation:

^{1/} ECT, vol. 4, "Carboxylic Acids," p. 838.

| <u>Castor Beans 1/</u> | | | <u>Castor Oil</u> | | |
|------------------------|-------------------|----------------|-------------------|----------------|-----------------------|
| (1,000 metric tons) | | | | | |
| <u>Producers</u> | <u>Production</u> | <u>Exports</u> | <u>Production</u> | <u>Exports</u> | <u>Consumption 2/</u> |
| India----- | 385 | 3/ | 135 | 70 | 69 |
| Brazil----- | 250 | 3/ | 97 | 67 | 27 |
| China----- | 175 | 47 | 50 | 12 | 38 |
| Thailand----- | 33 | 3/ | 13 | 12 | - |
| Other----- | 158 | 57 | 85 | 13 | 4/ |

| <u>Consumers</u> | <u>Imports</u> | <u>Imports</u> | <u>Consumption</u> |
|----------------------|----------------|----------------|--------------------|
| European Community-- | 44 | 68 | 80 |
| United States----- | - | 41 | 40 |
| Japan----- | 48 | 1 | 24 |
| Other----- | 14 | 60 | 226 |

1/ Castor beans contain 35 to 40 percent of recoverable oil.

2/ Includes production of castor oil products for export.

3/ Exports of castor beans embargoed as an economic development measure.

4/ A meaningful number cannot be determined from the available statistics.

As the tabulation indicates, Brazil is a major producer of castor beans, the second largest in the world. As shown in figure 2, Brazilian production of castor beans has been on a downward trend, and its share of world production has declined even more with the upward trend in world output.

Oilseed crushing and processing is a large-scale industry practiced throughout the world. The technology for vegetable oil production is well developed; plant and equipment are available from several sources in the United States and elsewhere. The basic technology is similar for all oilseeds; variants and adaptations optimize results for a particular kind of oilseed, local conditions, or partition of production among several products. The processing plants are not difficult to operate or maintain. However, there are cost, transportation, and production reasons why oilseed processing near the point of production is more economical than overseas. The castor beans and residual castor pomace after extraction of castor oil are both poisonous and allergenic and must be detoxified before disposal. 1/ Warm, moist soils like those where Ricinus grows speed decomposition, and the general absence of domestic cattle industries in those areas reduces the likelihood of accidental poisoning of livestock. Castor pomace can be used as an organic topdressing to lighten heavy clay soils often found in the tropical and subtropical areas in which Ricinus grows well.

As an economic development measure, several of the countries producing castor beans, including Brazil, have embargoed or otherwise strongly discouraged export of castor beans so as to do more processing in the country and add value. The embargoes greatly curtailed castor bean crushing in the

1/ ECT, "Castor Oil," Vol. 5, p. 2.

Figure 1.-Castor oil products and major processing steps.

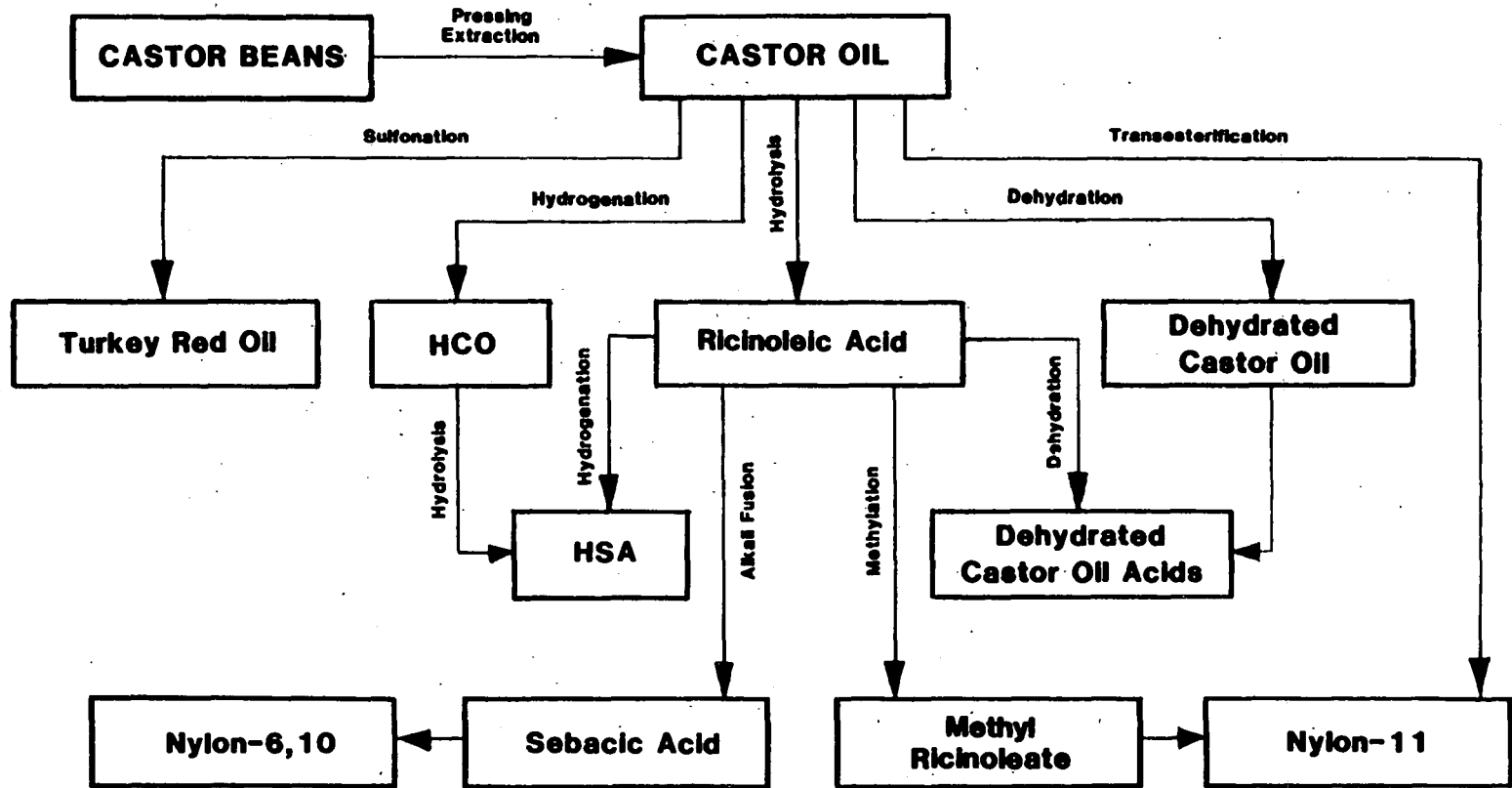
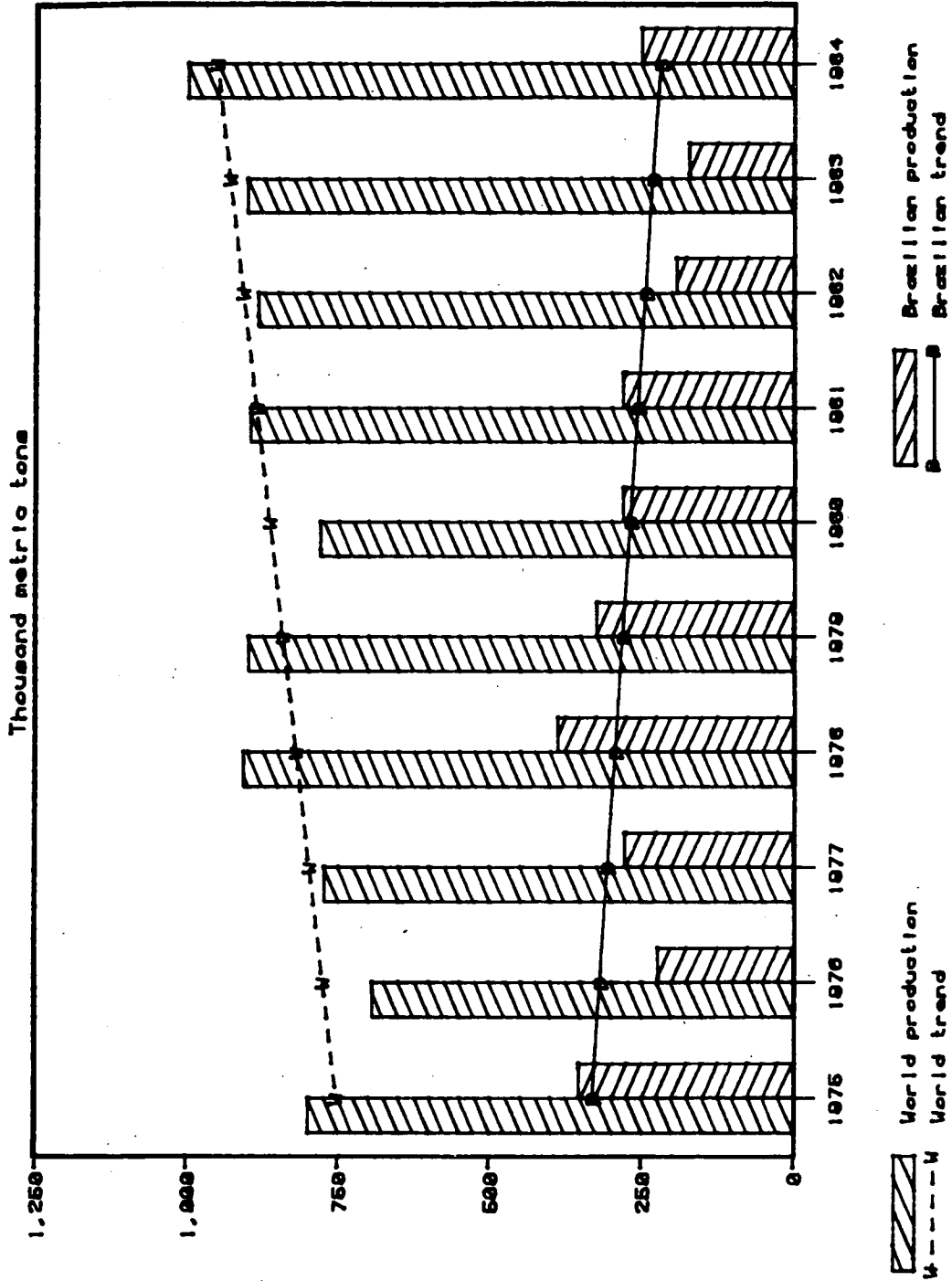


Figure 2.--Castor bean production, Brazil and all world, 1975-84.



Source: Oil World Statistics Update, December 1984.

industrialized countries. Castor oil production in the United States ceased entirely, partly in an interaction with diminution of castor seed production subsidies at about the same time.

Figure 3 shows the history of world market prices for castor oil. There are no statistics available on castor bean prices. Inasmuch as the only use for castor beans is extraction of the oil, normally castor bean prices are closely related to the price of castor oil. As an agricultural product subject to considerable variability in crop yields and total output in the face of relatively static consumption, prices of castor beans tend to fluctuate. Poor weather conditions caused a shortfall in the Brazilian castor bean crop in 1983. Castor oil prices rose as a result of the shortage. Partly in view of the high prices, farmers planted heavily during the next season. Normal crop yields with increased acreage led to a large harvest in 1984, particularly in India, inducing a major decline in the price of castor oil from \$1,725 per metric ton to about \$600 per metric ton at present--a drop of nearly two-thirds from the peak.

U.S. tariff treatment

HCO is classified in item 178.20 of the TSUS (hydrogenated or hardened fats or oils other than rapeseed oil), with a column 1 rate of duty of 5 cents per pound 1/ and a column 2 rate of duty 2/ of 12.5 percent ad valorem. 3/ HCO is not eligible for preferential tariff treatment (duty-free entry) under the Generalized System of Preferences (GSP). 4/ However, imports from Israel and beneficiaries of the Caribbean Basin Economic Recovery Act (CBERA) enter duty free.

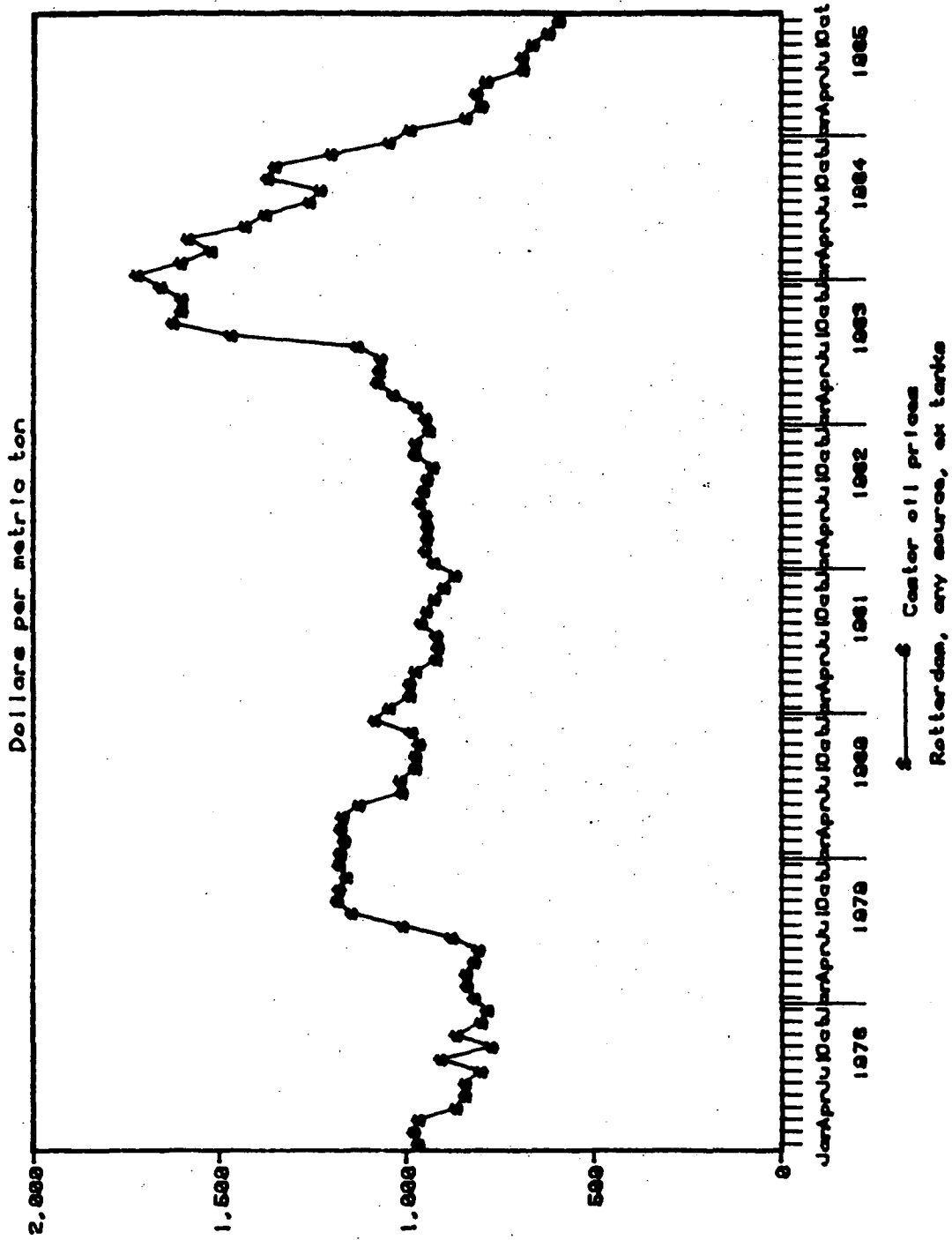
1/ The rates of duty in col. 1 are the most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of least developed developing countries (LDDC's), as provided under the Special rates of duty column.

2/ The rates of duty in col. 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

3/ Note that the col. 2 rates are effectively lower than col. 1 (specific) rates for low-priced hardened oils.

4/ The GSP affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after Jan. 1, 1976, and before July 4, 1993. It provides duty-free entry to eligible articles imported directly from designated beneficiary developing countries.

Figure 3.—Castor oil: world prices, monthly, 1978-85.



Source: Oil World.

Castor oil, the imported product from which HCO and HSA are made in the United States, is classified under TSUS items 176.01, 176.14, and 176.15, depending on its value (more or less than 20 cents per pound) and Lovibond color. ^{1/} Both TSUS items 176.14 and 176.15 have column 1 rates of duty of 1.5 cents per pound and column 2 rates of duty of 3 cents per pound; and both cover products eligible for preferential treatment under the GSP, CBERA, or U.S.-Israel free trade agreements. Imports of castor oil from Brazil are eligible for GSP treatment under TSUS item 176.14, but ineligible under item 176.15. Under TSUS item 176.01, the column 1 rate of duty is 3 percent ad valorem, the column 2 rate of duty is 3 cents per pound, and the special (GSP, CBERA, and Israel) rate is free.

Castor beans, the source of castor oil, are classified in TSUS item 175.06 (castor beans), with duty-free entry under column 1 and a 0.5 cent-per-pound duty under column 2. Only negligible quantities of castor beans have been imported in recent years.

The U.S. Market

Apparent consumption

There is no published or trade association information available on the U.S. market for HCO. Table 1 is an estimate of the U.S. market compiled from questionnaire responses. Inasmuch as there is substantial captive usage of HCO, apparent consumption has been tabulated both on the basis of commercial sales and total consumption, including captive usage. Figure 4 summarizes the information in graphical form.

Table 1.--HCO: U.S. production, U.S. imports, and apparent U.S. consumption, 1982-84, January-June 1984, and January-June 1985

* * * * *

Fig. 4 HCO: Apparent U.S. consumption, 1982-84.

* * * * *

U.S. producers

There are two current producers of HCO in the United States: Union Camp Corp., of Wayne, NJ, and CasChem, Inc., of Bayonne, NJ. A third US. producer, Acme-Hardesty Co., Inc., of Jenkintown, PA, closed its fatty acid plant and ceased production of castor oil products, including HCO and HSA, in October 1980.

^{1/} Very little castor oil is valued at less than 20 cents per pound except possibly when recovered from waste. Entries under TSUS item 176.01 have been negligible.

Union Camp is a U.S. multinational corporation with operations principally in paper products, chemicals, and building products. Union Camp became a producer of castor oil products in 1970 when they purchased a factory in Dover, OH, from Pennwalt, Inc., of Philadelphia, PA. The Dover plant produces HCO, HSA, methyl-12-hydroxystearic acid (the methyl ester of HSA), and sebacic acid from castor oil. * * *

CasChem traces its roots in the production of castor oil and derivatives to the founding of H.J. Baker & Bros. Co. in 1857, which built a castor oil plant in Jersey City, NJ. In 1889, Baker Castor Oil Co. was incorporated and became operator of the Jersey City plant. In 1910, Baker Castor Oil Co. acquired the Bayonne, NJ, plant from Oilseeds Co. In 1949, National Lead Co. acquired a controlling interest in Baker Castor Oil Co., and by 1970 Baker had become a wholly owned subsidiary of National Lead. In December 1973, Baker Castor Oil Co. was consolidated into the Industrial Chemicals Division of NL Industries (National Lead's new name) along with other NL chemical operations. In December 1981, NL Industries divested the castor oil, castor oil derivatives, and urethane product lines to CasChem, Inc., a newly formed company. * * *

* * *. CasChem is the only producer whose HCO meets United States Pharmacopeia (U.S.P.) standards, 1/ so CasChem has a corner on that segment of the market.

U.S. importers

All known imports of HCO and HSA during the period came from Brazil and India. The names and locations of the major importers are as follows:

| <u>Company</u> | <u>Product and origin</u> |
|---|---------------------------|
| Acme-Hardesty Co., Inc. Jenkintown, PA | * * * |
| Alnor Oil Co., Inc. Valley Stream, NY | * * * |
| Bunge Corp. New York, NY | * * * |
| CasChem, Inc. Bayonne, NJ | * * * |

1/ * * * claims their HCO meets U.S.P. standards of purity, but does not certify the material as such. U.S.P. standards usually have a quality and purity aspect and a good manufacturing practice aspect. The latter tends to discriminate against imports because of difficulty and expense of Food and Drug Administration (FDA) inspection of foreign manufacturing plants. (The United States Pharmacopeial Convention is a private voluntary operation, but FDA enforces its standards under provisions of the Food and Drug Act of 1934.)

| <u>Company</u> | <u>Product and origin</u> |
|---|---------------------------|
| Latina Trading Corp. Rockaway Park, NY | * * * |
| York Castor Oil Co. Mountainside, NJ | * * * |
| Union Camp Corp. Dover, OH | * * * |

* * *. Bunge is part of a large privately held trading, agricultural, and manufacturing group that includes Sanbra, the largest Brazilian producer of castor oil products. Bunge trades, acts as broker, and imports and exports grains and other agricultural and manufactured products. For the castor oil products it imports from Brazil, * * *. However, Bunge does maintain a continual inventory of castor oil products at its three regional warehouses in Newark, NJ; New Orleans, LA; and Charleston, SC.

* * *. York was founded in 1973 by L.J. Jubansky, a former vice president of the Baker Castor Oil Co. York imports all its castor oil and HCO, making various specialty castor oil and HCO products from the imported material. * * *.

Latina Trading Co., New York, NY, * * * imported castor oil, HCO, and HSA from Brazil. * * *.

* * * * *

The two U.S. producers of HCO, CasChem and Union Camp, have also imported these products. * * *. Union Camp imported * * * HCO * * *.

Consideration of Material Injury to a U.S. Industry

Production, capacity, and utilization of capacity

U.S. production of HCO is shown in table 2. * * *.

Table 2.--HCO: U.S. production, by firms, 1982-84, January-June 1984, and January-June 1985

* * * * *

Both U.S. producers 1/ manufacture several hundred chemical products in the plants in which they manufacture HCO. 2/ HCO is simply one of many products passing through the processes of hydrogenation and packaging. * * *.

1/ CasChem letter dated Nov. 5, 1985, and report of investigator's visit to Union Camp's plant.

2/ The number of products includes different grades or specifications of material. The number of generically different products is much smaller.

In view of the multifunctional/multiproduct nature of U.S. producers' operations, capacity utilization ratios are not meaningful. As was noted in the section on manufacturing processes, the process of hydrogenation by which HCO is made from castor oil is commonly used to harden many other fats and oils. The producers of castor oil products have less than 0.05 percent of U.S. capacity for hydrogenation of fats and oils. In view of the negligible proportion represented by those producers, data was not collected on the capacity of U.S. industry generally to make HCO. * * *

U.S. producers' shipments and inventories

Table 3 shows U.S. producers' shipments of HCO. Included are exports, commercial sales in the United States, and captive use for further processing.

Table 3.--HCO: U.S. producers' shipments, by firms, 1982-84, January-June 1984, and January-June 1985

* * * * *

U.S. producers' domestic shipments of HCO declined from * * * in 1982 to * * * in 1984, representing a * * * percent reduction. Total usage of domestically produced HCO declined from * * * in 1982 to * * * in 1984, or by * * * percent. The decline * * * divided between declines in commercial sales and captive use.

U.S. producers' inventories of HCO are shown in table 4. Inventories of both products appear to have fluctuated slightly around fairly stable levels. * * *

Table 4.--HCO: U.S. producers' end-of-period inventories, by firms, 1982-84, January-June 1984, and January-June 1985

* * * * *

Employment and productivity

Table 5 shows employment in the plants of the two U.S. manufacturers. * * *. Neither company has decreased employment because of declining sales of these products. 1/ * * *.

Table 5.--Average employment in establishments in which HCO is produced, by firms, 1982-84, January-June 1984, and January-June 1985

* * * * *

Based on data provided by the respondents (i.e., crew size), the gross annual productivity of CasChem is about * * * pounds per employee and Union Camp's is about * * * pounds per employee. In the absence of wage and hour data from CasChem, detailed analysis of U.S. producers' manufacturing productivity is not possible.

1/ Investigator's plant visit and Union Camp's response to the Commission's questionnaire.

Financial experience of U.S. producers

Only Union Camp (accounting for * * * percent of domestic commercial shipments of HCO in 1984) 1/ furnished income-and-loss data relative to its establishment operations and to its HCO operations. CasChem said its records do not permit preparation of reports on a product-line basis. 2/ CasChem also declined to provide financial data 3/ on an overall establishment basis on the ground that HCO is not a material part of CasChem's operations and that establishment data would be meaningless and misleading. 4/ Accordingly, the following discussion refers only to Union Camp's financial experience.

HCO operations.--Union Camp's net sales of HCO increased from * * * in 1982 to * * * in 1983, or by * * * percent, then declined * * * percent to * * * in 1984 (table 6). This fluctuation in net sales is attributable to changes in the volume of domestic and export shipments from 1982 to 1984. The average selling prices increased each year from * * * per short ton in 1982 to * * * per short ton in 1984.

During January-June 1985, net sales dropped by * * * percent to * * *, compared with * * * in the corresponding period of 1984. This decline was due to the steep drop in the average selling prices, as unit sales increased by * * * during the same period.

Cost of goods sold reflects only direct manufacturing costs as per the company's records. The portion of manufacturing overhead that is classified by the company as fixed costs is included in general, selling, and administrative expenses, which are allocated.

Gross profit, which reflects net sales less direct manufacturing costs, declined from * * *, or * * * percent of net sales, 1982 to * * *, or * * * percent of net sales in 1983, despite increasing net sales. The decline in gross profit margins is a result * * *. Despite declining sales * * *, gross profit increased to * * *, or * * * percent of net sales. The company attributes the improved financial performance in 1984 to * * *, as shown in table 7.

Union Camp generated * * * in gross profit, equivalent to * * * percent of net sales of * * * short tons of HCO, during January-March 1984. This gross profit represents * * * percent of the total gross profit of 1984. The company traces this result to the purchasing of castor oil, a raw material that accounts for about * * * percent of the total cost of producing HCO, at lower prices in advance of a substantial cost upsurge, and then selling the finished product, HCO, at prices based on the then higher replacement cost of the castor oil. This advance buying of castor oil at lower prices also helped the company in achieving higher gross profits during * * * and during * * *.

During * * *, the company reported gross losses of * * *, compared with gross profits of * * * in the corresponding period * * *. The company ascribes this loss to the increased cost of castor oil and to the sharp drop in the average selling prices of HCO, which fell from * * * to * * * in the corresponding period * * *.

1/ Although Union Camp accounted for * * * percent of domestic commercial shipments of HCO in 1984, it accounted for only * * * percent of domestic production in that year.

2/ Cover letter from F.C. Naughton, dated Nov. 5, 1985, accompanying questionnaire response.

3/ Ibid.

4/ * * * sales of HCO and HSA combined represent less than * * * percent of CasChem's total annual sales. Economist's plant visit, Dec. 2, 1985.

Table 6.--Income-and-loss experience of Union Camp Corp. on its operations producing HCO, 1982-84, January-June 1984, and January-June 1985

| Item | 1982 | 1983 | 1984 | January-June-- | |
|---|------|------|------|----------------|------|
| | | | | 1984 | 1985 |
| Quantity sold-----short tons--: | *** | *** | *** | *** | *** |
| Average selling price | | | | | |
| per short ton--: | *** | *** | *** | *** | *** |
| Net sales-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Cost of goods sold <u>1/</u> -----do--: | *** | *** | *** | *** | *** |
| Gross profit-----do--: | *** | *** | *** | *** | *** |
| General, selling, and admin | | | | | |
| istrative expenses <u>2/</u> -----do--: | *** | *** | *** | *** | *** |
| Operating income or (loss)--do--: | *** | *** | *** | *** | *** |
| Interest expenses-----do--: | *** | *** | *** | *** | *** |
| Other income or (expense), net | | | | | |
| 1,000 dollars--: | *** | *** | *** | *** | *** |
| Net income or (loss) before income: | | | | | |
| taxes-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Depreciation and amortization | | | | | |
| expense-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Cash flow or (deficit) from | | | | | |
| operations-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Ratio to net sales: | | | | | |
| Gross profit or (loss)-percent--: | *** | *** | *** | *** | *** |
| Operating income or (loss) | | | | | |
| do--: | *** | *** | *** | *** | *** |
| Net income or (loss) before | | | | | |
| income taxes-----do--: | *** | *** | *** | *** | *** |
| Cost of goods sold-----do--: | *** | *** | *** | *** | *** |
| General, selling, and adminis : | | | | | |
| trative expenses-----percent--: | *** | *** | *** | *** | *** |

1/ Reflects only direct manufacturing costs.

2/ Includes the portion of manufacturing overhead which is classified by the company as fixed costs.

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

Table 7.--Selected quarterly financial information of Union Camp Corp.
on its operations producing HCO, 1983-85

| Item | Sub | | | | | Total |
|--|------------------|-------------------|---------------------------|------------------|-------------------|-------|
| | First quarter | Second quarter | total up to June 30 | Third quarter | Fourth quarter | |
| 1983 | | | | | | |
| Quantity sold-----short tons-- | *** | *** | *** | *** | *** | *** |
| Average selling price per short ton-- | *** | *** | *** | *** | *** | *** |
| Net sales-----1,000 dollars-- | *** | *** | *** | *** | *** | *** |
| Cost of goods sold-----do----- | *** | *** | *** | *** | *** | *** |
| Gross profit or (loss)---do----- | *** | *** | *** | *** | *** | *** |
| Ratio of gross profit or (loss) to net sales percent-- | *** | *** | *** | *** | *** | *** |
| 1984 | | | | | | |
| Quantity sold-----short tons-- | *** | *** | *** | *** | *** | *** |
| Average selling price per short ton-- | *** | *** | *** | *** | *** | *** |
| Net sales-----1,000 dollars-- | *** | *** | *** | *** | *** | *** |
| Cost of goods sold-----do----- | *** | *** | *** | *** | *** | *** |
| Gross profit or (loss)---do----- | *** | *** | *** | *** | *** | *** |
| Ratio of gross profit or (loss) to net sales percent-- | *** | *** | *** | *** | *** | *** |
| 1985 | | | | | | |
| Quantity sold-----short tons-- | *** | *** | *** | 1/ | 1/ | 1/ |
| Average selling price per short ton-- | *** | *** | *** | 1/ | 1/ | 1/ |
| Net sales-----1,000 dollars-- | *** | *** | *** | 1/ | 1/ | 1/ |
| Cost of goods sold-----do----- | *** | *** | *** | 1/ | 1/ | 1/ |
| Gross profit or (loss)---do----- | *** | *** | *** | 1/ | 1/ | 1/ |
| Ratio of gross profit or (loss) to net sales percent-- | *** | *** | *** | 1/ | 1/ | 1/ |

1/ Not available.

Source: Compiled from data submitted by Union Camp in response to a request by the staff of the U.S. International Trade Commission.

Union Camp reported operating losses throughout the period under investigation, except during * * *. Operating losses totaled * * *. Such losses * * * increased to * * *, compared with an operating income of * * *. As a share of net sales, general, selling, and administrative expenses dropped * * *, and then increased * * *. Net losses before taxes followed the same trend as the operating losses.

As mentioned, Union Camp's forward purchasing of castor oil has affected its profitability. ^{1/} In figure 5, the prices Union Camp paid for castor oil are shown in comparison with the world market prices. On the whole, the forward purchases of castor oil * * *, and their effect on the trend in Union Camp's gross profits has been substantial. To assess that impact, a pro forma statement of gross profits on HCO was prepared by the Commission staff, using world prices for castor oil and keeping all other costs, quantities, and selling prices as reported by Union Camp (table 8). Figure 6 compares the gross profits earned by Union Camp as reported and the gross profits that would have been earned by the company if castor oil (the major raw material and cost item) were valued at world prices during each quarter of 1982-84 and January-June 1985. This comparison shows that Union Camp would have earned * * * gross profits in 1982, sustained a * * * gross loss in 1983, earned * * * gross profits in 1984, and earned * * * gross profits during * * *.

Figure 5.--Castor oil prices: World market vs. Union Camp purchases, monthly, January 1982-June 1985

* * * * *

Figure 6.--HCO: Union Camp's gross profit, with and without normalization, by quarters, January 1982-June 1985

* * * * *

The company would have earned * * * gross profits in * * *, sustained almost the same gross loss * * *, and * * * exhibited increasing gross profits * * *.

Overall establishment operations.--Union Camp produces * * * different kinds of products, including HCO and HSA, in its Dover, OH, plant. Net sales of HCO accounted for * * * of total establishment sales, and * * * during the period covered by the investigation (table 9). The firm operated * * * during all of the periods under investigation, with * * * being more profitable than * * *. * * *.

Investment in productive facilities.--Union Camp supplied data relative to its investment in productive facilities employed in the overall establishment as well as in the production of HCO and HSA (table 10). Both HCO and HSA are processed through the same equipment in the hydrogenation unit. The firm was not able to break out these facilities between HCO and HSA (they are used to manufacture a number of other products also). Hence, book values of fixed assets for HCO and HSA are the same. Generally, the relationship of operating income to investment in productive facilities showed the same trend as the relationship of such income to net sales.

^{1/} Robert S. Hawkins, corporate purchasing manager, Union Camp Corp., hearing transcript at p. 16f. See also the colloquy between Chairwoman Stern and Mr. Hawkins regarding gross profits, price of castor oil, and Union Camp's long-term contracts, transcript, pp. 49-52.

Table 8.--Union Camp's reported income-and-loss experience on its HCO operations and pro forma statements based on constructing the value of castor oil used in those operations using world market prices, by quarters, January 1982-June 1985.

| Item | 1982 | | | | 1983 | | | | 1984 | | | | 1985 | |
|------------------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June |
| <u>As reported</u> | | | | | | | | | | | | | | |
| Sales: | | | | | | | | | | | | | | |
| Quantity | | | | | | | | | | | | | | |
| 1,000 pounds--: | | | | | | | | | | | | | | |
| Value | | | | | | | | | | | | | | |
| 1,000 dollars--: | | | | | | | | | | | | | | |
| Cost of goods sold: | | | | | | | | | | | | | | |
| Castor oil 1/ | | | | | | | | | | | | | | |
| cents per pound--: | | | | | | | | | | | | | | |
| 1,000 dollars--: | | | | | * | * | * | * | * | * | * | * | * | * |
| Direct labor----do---- | | | | | | | | | | | | | | |
| Other costs----do---- | | | | | | | | | | | | | | |
| Total-----do-----: | | | | | | | | | | | | | | |
| Gross profit or | | | | | | | | | | | | | | |
| (loss)-----do-----: | | | | | | | | | | | | | | |
| Gross profit (loss) | | | | | | | | | | | | | | |
| margin, 2/ percent---- | | | | | | | | | | | | | | |
| <u>Pro forma</u> | | | | | | | | | | | | | | |
| Sales: | | | | | | | | | | | | | | |
| Quantity | | | | | | | | | | | | | | |
| 1,000 pounds--: | | | | | | | | | | | | | | |
| Value | | | | | | | | | | | | | | |
| 1,000 dollars--: | | | | | | | | | | | | | | |
| Cost of goods sold: | | | | | | | | | | | | | | |
| Castor oil 3/ | | | | | | | | | | | | | | |
| cents per pound--: | | | | | | | | | | | | | | |
| 1,000 dollars--: | | | | | * | * | * | * | * | * | * | * | * | * |
| Direct labor----do---- | | | | | | | | | | | | | | |
| Other costs----do---- | | | | | | | | | | | | | | |
| Total-----do-----: | | | | | | | | | | | | | | |
| Gross profit or | | | | | | | | | | | | | | |
| (loss)-----do-----: | | | | | | | | | | | | | | |
| Gross profit (loss) | | | | | | | | | | | | | | |
| margin, 4/ percent---- | | | | | | | | | | | | | | |

A-20

1/ Average price of castor oil entering Union Camp's HCO production operation.
 2/ Gross profit or (loss) margins were * * * percent for full year 1982, * * * percent in 1983, * * * percent in 1984, and * * * percent during January-June 1985.
 3/ Quarterly average of Reuters daily castor oil prices, less \$100 per metric ton to approximate Brazilian crusher's ex-works price, as suggested by Union Camp Corp.
 4/ Gross profit or (loss) margins were * * * percent for full year 1982, * * * percent in 1983, * * * percent in 1984, and * * * percent during January-June 1985.

Source: Compiled from data submitted by Union Camp Corp. and from castor oil price data published by Reuters News Service.

Table 9.--Income and loss experience of Union Camp Corp. on the overall operations of its establishments within which HCO is produced, 1982-84, January-June 1984, and January-June 1985

| Item | 1982 | 1983 | 1984 | January-June | |
|---|------|------|------|--------------|------|
| | | | | 1984 | 1985 |
| Net sales-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Cost of goods sold <u>1</u> /-----do-----: | *** | *** | *** | *** | *** |
| Gross profit-----do-----: | *** | *** | *** | *** | *** |
| General, selling, and admin istrative expenses <u>2</u> /-----do-----: | *** | *** | *** | *** | *** |
| Operating income or (loss)--do-----: | *** | *** | *** | *** | *** |
| Interest expenses-----do-----: | *** | *** | *** | *** | *** |
| Other income or (expense), net 1,000 dollars--: | *** | *** | *** | *** | *** |
| Net income or (loss) before income: taxes-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Depreciation and amortization expense included above 1,000 dollars--: | *** | *** | *** | *** | *** |
| Cash-flow or (deficit) from operations-----1,000 dollars--: | *** | *** | *** | *** | *** |
| Ratio to net sales: | | | | | |
| Gross profit-----percent--: | *** | *** | *** | *** | *** |
| Operating income or (loss) do-----: | *** | *** | *** | *** | *** |
| Net income or (loss) before income taxes-----do-----: | *** | *** | *** | *** | *** |
| Cost of goods sold-----do-----: | *** | *** | *** | *** | *** |
| General, selling, and adminis- trative expenses-----percent--: | *** | *** | *** | *** | *** |
| HCO sales-----do-----: | *** | *** | *** | *** | *** |
| HSA sales-----do-----: | *** | *** | *** | *** | *** |
| Total, HCO and HSA-----do-----: | *** | *** | *** | *** | *** |

1/ Reflects only direct manufacturing costs.

2/ Includes the portion of manufacturing overhead that is classified by the company as fixed costs.

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

Table 10.--Investment in productive facilities of Union Camp Corp. on specified operations, 1982-84, and as of June 30, 1984 and 1985

* * * * *

Capital expenditures and research and development expenses.--Union Camp's capital expenditures for the hydrogenation unit were * * * (applicable to both HCO and HSA) in * * *. In * * *, Union Camp expended * * * for research and development for HCO.

Effects of imports from Brazil on growth, investment, and ability to raise capital

The Commission asked U.S. producers to describe any actual or potential negative effects of imports of HCO and HSA from Brazil on their firm's growth, investment, and ability to raise capital. Union Camp provided the response shown in appendix C. CasChem provided no response to the question in its questionnaire, but submitted the letter shown in appendix D. CasChem has not substantiated its claims of injury and has been uncooperative in providing information to the Commission. As noted previously, CasChem refused to provide any financial or sales data on its HCO operations; it advised that HCO was not a material part of its operation and its records would not permit them to report product line profit and loss data.

Consideration of Threat of Material Injury
to a U.S. Industry

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) 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,

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

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

(IV) 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,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

Item (I) is irrelevant in this investigation since subsidies are not involved. Information on the volume, U.S. market penetration, and pricing of imports of HCO (items (III) and (IV), above) is presented in the section entitled "Consideration of the causal relationship between imports of HCO and the alleged injury." Available information on foreign producers' operations (items (II) and (VI), above), U.S. inventories of HCO (item (V)), and the potential for "product-shifting" (item VIII) follows.

Brazilian producers and their export capabilities

The following are Brazilian producers of HCO and HSA:

- Braswey Ind. e Com., S.A. ("Braswey")
- Cerelit
- Exportadora Coelho ("Coelho")
- Henkel A.G.
- Miraceme Nuodex
- Sociedade Algodocera do Nordeste do Brasil ("Sanbra")

Braswey, Sanbra, and Coelho have substantial export business in castor oil. Braswey and Sanbra are * * * export-oriented with regard to derivative products of castor oil, such as HCO, as shown in the tabulation of data from the U.S. Department of Commerce case files (percent of * * * shipments):

* * * * *

* * *. Their business can be described as production for export, with minor sales in Brazil.

Quantitative information on capacities, production (as distinct from sales), inventories, and so forth is not available. 1/ * * *. Figure 7 summarizes the available information on castor oil production and usage in Brazil.

* * *. The manufacture of HCO is neither capital intensive nor capital extensive, i.e., the plants are relatively small and uncomplicated. * * *.

* * * * *

Efficiency as a threat to the U.S. industry

Braswey reported their cost of manufacture of HCO from castor oil as * * *. 2/ Union Camp's cost of manufacture of HCO from castor oil over the period of investigation was * * *, 3/ nearly * * * times higher.

Braswey reported their cost of manufacture of castor oil from castor beans as * * *. 4/ Although we have insufficient information on which to base a full comparison, it might be reasonable to postulate that this is roughly one-third the markup a castor bean crusher would include in its selling price to a large purchaser, such as a Union Camp. 5/

If Braswey's figures are representative of the Brazilian industry 6/ the Brazilian's cost of manufacture in their more modern, integrated plants is about * * * cents per pound lower than Union Camp's average cost, representing a saving of more than * * * percent. Depending on the price of castor oil, the manufacturing cost savings translate into a * * * percent lower overall cost of making HCO.

When they went out of business, Acme-Hardesty's cost for manufacturing HCO from castor oil was * * * cents per pound, 7/ probably * * * Union Camp's present costs, adjusted for inflation. All the erstwhile U.S. producers of HCO except two--one of which seems to be a special case with substantial captive usage--appear to have made business decisions that their resources would be better employed elsewhere than in the HCO business. 8/

1/ Case files, U.S. Department of Commerce, and attorneys for Sanbra and Braswey.

2/ Confidential submission No. 85-393, dated Dec. 17, 1985.

3/ Union Camp's response to the producer's questionnaire.

4/ Confidential submission No. 85-393, dated Dec. 17, 1985.

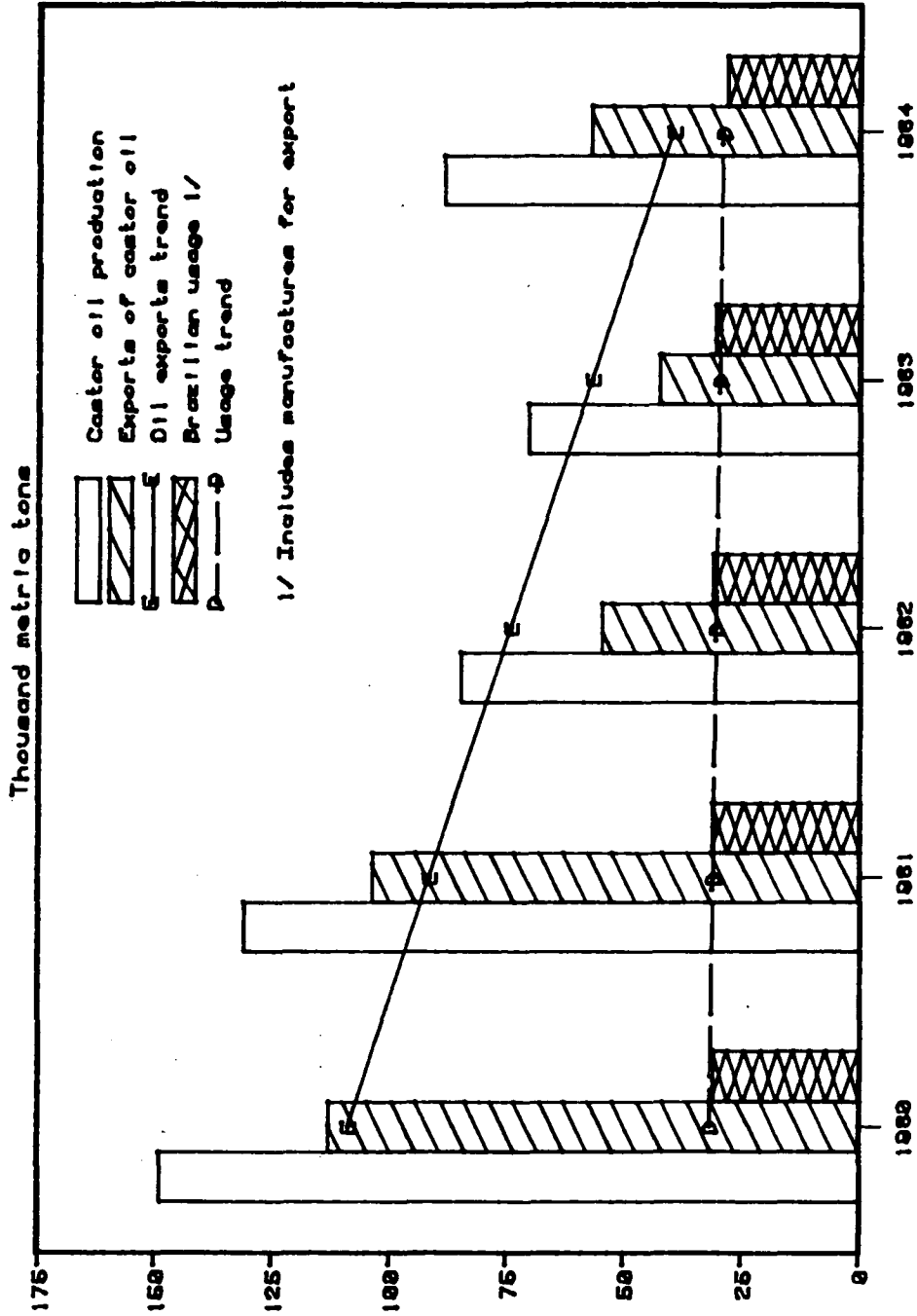
5/ There is no reason why an integrated producer should not seek to cover their general business overhead and make a profit on the crushing operation, as the Brazilians appear to have done. The essential difference is that the crusher's overhead and profit are a cost to the nonintegrated HCO manufacturer.

6/ Braswey itself is * * * the Brazilian HCO manufacturing industry, the rest of which is believed to be modern and efficient also.

7/ Confidential submission 85-393, dated Dec. 17, 1985.

8/ Richard Sheffer, executive vice president of Acme-Hardesty, testified to this effect with respect to his own firm at the Hearing. Transcript, page 74f.

Figure 7.—Caster oil: Brazilian production and usage, 1960-84.



Source: Oil World Statistics Update, December 1984

U.S. inventories of HCO imported from Brazil

Data on U.S. inventories of HCO imported from Brazil are incomplete owing to lack of response from some importers. The available data are shown in table 11.

Table 11.--Importer's inventories of HCO, at yearend, 1981-84, June 30, 1984, and June 30, 1985

* * * * *

The potential for product-shifting

As mentioned throughout this report, HCO and HSA are produced in the same equipment from the same raw material. Accordingly, from a production standpoint, product-shifting from one to the other is easy to accomplish. From a marketing standpoint, however, such a shift would be more difficult, since it would typically require that the users' formulations be changed (see the section of this report entitled "Substitutability with other chemical products").

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Injury

U.S. imports

U.S. imports of HCO, as compiled from responses to U.S. International Trade Commission questionnaires and additional information provided by importers and Brazilian exporters, are shown in table 12. Owing to the potential for confusion and double counting arising from * * * shipments that pass through several agents and brokers, imports were tabulated on the basis of export source. 1/ The staff is confident that all imports arising from Sanbra and Braswey have been included; imports from other Brazilian producers are incomplete. The staff estimates that uncounted imports represent no more than 5 percent of the totals shown.

Table 12.--HCO: U.S. imports for consumption from Brazil and all other sources, 1982-84, January-June 1984, and January-June 1985

* * * * *

The petitioner claims that all imports from Brazil under TSUS item 178.20 are HCO. 2/ For comparison with imports shown in table 12, the official U.S. Department of Commerce statistics on imports from Brazil entered under TSUS item 178.20 during the period under investigation are as follows:

| | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>January-June</u> | |
|----------------------------|-------------|-------------|-------------|---------------------|-------------|
| | | | | <u>1984</u> | <u>1985</u> |
| Quantity (1,000 pounds)--- | 7,999 | 7,879 | 10,629 | 4,637 | 5,270 |
| Value (1,000 dollars)----- | 3,005 | 3,013 | 5,979 | 2,788 | 2,184 |

1/ It is now apparent that this was the source of substantial double counting in the previous investigations.

2/ Petitioner's engineering briefs at p. 10.

As noted previously, TSUS item 178.20 covers products in addition to HCO and is generally larger than the values reported in table 12, by a variable amount. Where the imports reported in table 12 are larger than the TSUS line item imports shown above, as in 1983 and January-June 1984, the excess may be due to a difference in timing of when the imports were recorded * * *.

U.S. market penetration

Percentage penetration of the U.S. market by imports is shown in table 13. Inasmuch as there is a substantial difference between the total market and the commercial market, percentages have been calculated on both bases. Import penetration was shown in graphical form in figure 4.

Table 13.--HCO: U.S. market shares of imports from Brazil and all sources, 1982-84, January-June 1984, and January-June 1985

* * * * *

Prices

Producers, importers, and end users 1/ agree that Brazilian and U.S.-produced HCO are identical for virtually all end uses, and that Brazilian exports compete directly with domestic products for sales in the U.S. market. 2/ Typically, most of the imported product is sold to grease manufacturers, although some Brazilian HCO has begun to enter the cosmetics market. 3/ Price is the primary variable of competition, although transport costs, shipping time, and size of purchase can be important. The Brazilian product may have transport cost advantages vis-a-vis the domestic product for purchasers located in the southern or western portion of the United States, as the Brazilian product is imported through ports on the Gulf of Mexico, whereas, the U.S.-produced HCO is shipped from New Jersey and Ohio. In most cases, domestic and Brazilian producers compete on the basis of price alone. 4/ Because HCO is often bought in 40,000-pound truckloads, a small difference in price per pound can translate into a significant difference in the total purchase cost. For this reason, purchasers often choose one supplier over another based on a price differential of less than one cent per pound.

HCO is purchased on both a contract and spot basis. Typically, the large oil companies and other grease manufacturers purchase about 75 percent of their HCO on a contract basis, whereas, non-grease manufacturers purchase only

1/ Based on telephone conversations with U.S. producers, importers, and purchasers of HCO.

2/ For HCO to be used in pharmaceutical and cosmetic products it must meet U.S.P. standards. U.S.P. HCO normally sells at higher prices befitting the higher standards and extra testing involved in its production and the limited market for U.S.P. material. * * * contends that * * * HCO meets these standards, but is not sold on that basis.

3/ Based on information obtained in an interview with * * *.

4/ Price may be less important to the purchasing decision if the material is required immediately, for instance.

about 25 percent of their HCO on a contract basis. 1/ When purchases are made, it is common for the purchaser to solicit price quotations from several sources, and to make a purchasing decision based on the price quotations received. Some purchasers do negotiate for better prices after quotations have been solicited if, for instance, the purchaser wants to buy from a particular source that did not quote low enough in the initial round. However, not all purchasers negotiate; some simply accept the most attractive first-round quotation. Some purchasers contact the firms that did not get the sale to explain why they did not get the business and by how much they were under bid by the firm which did get the sale.

Castor oil prices.--Prices for castor oil and castor oil products are volatile because castor beans, from which the products are derived, are an agricultural product in which supply is affected by crop conditions. Variability of the castor bean crop causes the resultant supply of castor oil to fluctuate.

Producers and importers indicated that in 1982 and 1983, drought conditions caused the world castor bean crop to decline, driving up prices of castor oil. Figure 8 shows that the world market price of castor oil increased from January-March 1983 to January-March 1984. 2/ As prices rose, castor beans appeared to be a more profitable crop, more acreage was brought into cultivation, and more wild castor beans were harvested. This increase in acreage and harvesting, combined with favorable weather conditions since mid-1984, has resulted in bumper crops of castor beans in 1984 and 1985. The dramatic increase in supply has depressed prices of castor oil since January-March 1984. Also, large inventories and a good crop next year are expected to hold down prices into 1986. 3/ The prices Union Carbide and GasChem paid for their Brazilian castor oil are also shown in the diagram, and generally confirm the world price trend. The prices paid, of course, reflect any forward purchase arrangements, acquisition of distress lots at favorable prices, procurement of emergency supplies, and so forth.

Figure 8.--World market price of castor oil and U.S. purchase price of Brazilian castor oil, by quarters, January 1983-June 1985

* * * * *

Producers, importers, and purchasers agree that for most uses the total demand for castor oil and its products is not highly variable, and is fairly unresponsive to changes in price. 4/ This is primarily due to the lack of ready substitutes and the high research and development costs associated with deriving alternative formulations. 5/ The demand for castor oil and its

1/ Based on information obtained in an interview with * * * cited above.

2/ Compiled from data reported in the publication Oil World and from data submitted in response to questionnaires of the U.S. International Trade Commission. The purchase prices reported are actually the average unit value of purchases of castor oil made * * * over the period surveyed.

3/ Based on telephone conversations * * *.

4/ Based on telephone conversations with U.S. producers, importers, and purchasers of HCO.

5/ Seventeen of the responding purchasers of HCO and/or HSA indicated that they know of no substitute for the castor oil product(s) for their applications. Four other purchasers indicated that substitutes could be developed, but that the performance of the end product might be diminished.

products is derived from the demand for the end products (greases, pharmaceuticals, adhesives, and textile finishes). Since the total demand for these end products has changed very little, and is expected to change very little in the future, the demand for HCO and castor oil is quite stable.

Trends in producer and importer prices.--As noted previously, the major cost of producing HCO is the cost of castor oil. A comparison of the castor oil purchase prices with the f.o.b. weighted-average prices of HCO presented in table 14 shows the close relationship between changes in castor oil prices and changes in HCO prices. ^{1/} In general, prices of castor oil and its derivative product showed a net increase from January-March 1983 to January-March 1984, and then began to decline from April-June 1984 through the same period in 1985. This relationship is shown in figure 9. In every quarter, domestic HCO was priced above the purchase price for the raw material, and this markup was commonly in excess of * * * percent.

Figure 9.--U.S. purchase price of Brazilian castor oil and U.S. and Brazilian selling prices of HCO, by quarters, January 1983-June 1985

* * * * *

Table 14.--HCO: F.o.b. weighted-average prices received by U.S. producer Union Camp and importers of Brazilian product, by quarters, January 1983-June 1985

| Period | U.S. | Brazilian | Margin of |
|-----------------------|-------------------|-----------|-------------------------------|
| | | | underselling (overselling) |
| | Per pound | | Percent |
| 1983: | | | |
| January-March----- | *** | *** | 7.7 |
| April-June----- | *** | *** | 7.7 |
| July-September----- | *** | *** | 17.7 |
| October-December----- | *** | *** | 10.4 |
| 1984: | | | |
| January-March----- | *** | *** | 5.1 |
| April-June----- | ^{1/} *** | *** | 4.1 |
| July-September----- | *** | *** | 8.7 |
| October-December----- | *** | *** | 3.2 |
| 1985: | | | |
| January-March----- | *** | *** | (1.9) |
| April-June----- | *** | *** | (6.4) |

^{1/} Represents only 2 observations.

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

^{1/} Of the two U.S. producers of HCO and HSA receiving questionnaires (CasChem and Union Camp), only Union Camp provided price data. Weighted-average producer prices were calculated from these data. Of the ten importers receiving questionnaires (including CasChem and Union Camp), only four provided price data. Weighted-average import prices were compiled from these data.

Specifically, the average price of U.S.-produced HCO varied in every period. In general, * * *. However, after that period the price began to decline, and fell * * *.

The average price of Brazilian HCO sold in the United States showed a similar trend to that of the U.S. price. The price registered increases in every period from * * * to * * *, rising from * * *, respectively, for a total increase of * * *. In the following period, the price began to decline, and by April-June 1985, it had fallen * * *.

Margins of underselling in producer and importer prices.--For prices of HCO, the margin of underselling by the imported product ranged from about 4 percent to about 10 percent during January-March 1983 to October-December 1984, with the exception of the July-September 1983 period. During 1985, though, the U.S. product undersold the Brazilian product.

Trends in purchaser prices.--Sixty-three purchasers of HCO received questionnaires requesting price information. Twenty-one usable replies were received. Weighted-average delivered prices paid by U.S. purchasers of domestic and imported HCO were calculated from these data, and are presented in table 15. ^{1/} However, many purchasers buying from CasChem did not know the origin of the HCO they bought, since CasChem imports as well as produces these products. In calculating the weighted-average prices, purchases from CasChem were treated as purchases of domestic material and, thus, these prices must be viewed in this context. Purchasers' weighted-average delivered prices generally confirm the downward trend in producer and importer prices during 1984 and 1985. Prices of U.S.-produced HCO showed a net decrease of * * * percent from January-March 1984 to July-August 1985, falling from * * * per pound to \$0.53 per pound, respectively. The price of the Brazilian product declined consistently over the survey period, resulting in an overall decline of 43.2 percent from January-March 1984 to July-August 1985.

Table 15.--HCO: Weighted-average delivered prices paid by purchasers, by sources and by quarters, January 1984-August 1985

| Period | U.S. | Brazilian | Margin of underselling |
|------------------|-------------------|-----------|------------------------|
| | Per pound | | Percent |
| 1984: | | | |
| January-March | ^{1/} *** | \$0.74 | *** |
| April-June | \$0.80 | .71 | 11.3 |
| July-September | .69 | .65 | 5.8 |
| October-December | .65 | .64 | 1.5 |
| 1985: | | | |
| January-March | .57 | .54 | 5.3 |
| April-June | .49 | .45 | 8.2 |
| July-August | .53 | .42 | 20.8 |

^{1/} Represents only 2 observations.

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

^{1/} Tables 14 and 15 are not comparable because the purchases characterized in table 15's prices are not the same transactions as those sales represented in table 14's prices. In addition, the prices in table 15 include transport costs.

Margins of underselling in purchaser prices.---The margins of underselling reported for purchasers' prices of HCO show some variability, although the Brazilian product undersold the U.S. product in every case. The price of U.S. HCO was most competitive from July-September 1984 through January-March 1985, when the margin of underselling was below 6 percent.

Lost sales

Lost sale allegations in this investigation were difficult to examine because purchasers normally seek quotations from several different sources and many sales are "lost" for every sale that is actually consummated. Also, * * * (the only firm alleging specific lost sales) calculated lost sales based on an internal pricing system (i.e., current cost plus a target rate of return). 1/ This means that alleged lost sales values may bear little relation to market prices at the time or to the actual quotations made on transactions of HCO. While this does not negate the fact that some sales actually may have been "lost," the dollar value of the alleged lost sales is likely to be overstated because it is calculated using the internal price. Further, the use of an internal price as a basis for quotations may cause quotations to be out of line with the market, and therefore may be a cause of "lost sales." 2/

The total value of lost sales alleged * * * amounted to * * * and involved * * * different firms. All * * * firms were contacted in this regard. Of the total allegation, * * * of lost sales were acknowledged by * * * firms. One firm, accounting for * * * of the acknowledgments, indicated that it was their policy to take the low quotation, and not to negotiate. 3/ On this basis, if * * * were not the low bidder initially, then * * * would not obtain the sale. The firm qualified its acknowledgment by indicating that the lost sales alleged by * * * were incorrect because the firm does not buy in the quantities alleged. For instance, * * * alleged having lost two * * * sales of HCO in * * *. * * * valued each of these sales at * * *. The firm indicated that the lost sales were actually for * * * and that the quotes submitted by * * *. Thus, the firm valued these lost transactions at * * *. Therefore, even though * * * calculated its value of lost sales on * * *, it overstated the values of these lost sales by * * *.

A second firm acknowledged lost sales of * * *, indicating that it prefers to buy from U.S. sources as long as the U.S. price is no more than one cent per pound higher than the Brazilian price. 4/ This firm indicated that it also selects the lowest first-round quotation, and that the U.S. producer would have lost sales on that basis.

1/ * * *.

2/ * * *.

3/ Based on a telephone conversation with * * * Oct. 25, 1985.

4/ Based on a telephone conversation with * * *.

The third firm acknowledged part of the total allegation against it, and provided information on the losing quotations submitted by * * * for three lost sales. As in the case above, these three quotations were substantially lower than the quotations * * * reported submitting. For instance, on a transaction on * * * the purchaser claims it received a quotation from * * *. The firm indicated that * * * lost the sale to an importer which quoted * * * per pound. However, this information does not agree with the information provided to the Commission by * * *. * * * reported that it quoted * * * cents per pound for the transaction in question. Based on the * * * quotation, the alleged lost sale drops in value from * * * to * * *. This firm documented two other such situations in which * * * had overstated the value of the lost sale in the information it provided to the Commission. Thus, the total lost sales acknowledged by this firm, calculated on the quotations it claimed to receive, amount to * * *, as compared with the * * * alleged by * * *. 1/

* * * firms could neither confirm nor deny the full value of lost sales alleged as they do not have full records of the transactions. 2/ These * * * firms account for * * * of the total allegation.

Lost revenues

Lost revenues were troublesome in this investigation for two reasons: (1) * * * firms contacted stated that their purchases are based only on initial price quotations, not on negotiation for lower prices with any suppliers. 3/ 4/ Hence, * * * would receive business on low initial quotations, and could not lose any revenues, per se. (2) Lost revenues may be overstated when internal prices (as discussed above) are reported as * * * initial price quotations. Lost revenues calculated on the difference between the accepted quotation and the initial quotation will be greater in these instances than in instances in which a near-market price (lower than the internal price) is reported as an initial quotation. One producer pointed out that with the market price falling throughout 1985, * * * would have to lower its quotations to expect to obtain a sale. 5/ However, a majority of the initial quotes reported by * * * remained quite high throughout 1985, even while its cost of producing HCO was dropping with the decline in castor oil prices. 6/ A number of firms contacted suggested that * * * might have calculated lost revenues on the difference between a list price or internal price and the actual transaction price, rather than on the difference between the rejected and accepted bids made for the sale.

1/ Based on a telephone conversation with * * *.

2/ Based on telephone conversations with a representative of * * *.

3/ HCO is a relatively minor purchase item for most users.

4/ * * *.

5/ Based on a telephone conversation with * * *.

6/ In a period of falling castor oil prices like 1984 (see fig. 3), * * * First-In/First-Out (FIFO) inventory valuation tends to "overprice" HCO with an internal pricing system.

* * * alleged * * * of lost revenue to * * * firms since January 1, 1984. All * * * firms were contacted in this regard. Of the total amount alleged by * * *, less than * * * was acknowledged by * * * firms. One firm indicated that on one exceptional occasion it had allowed * * * to meet the low quotation on a sale, and that * * * had obtained the business at the lower price. 1/ This acknowledgment accounts for * * * of the total. The second firm acknowledged the fact of lost revenue on one transaction, but disputed the amount alleged. 2/ The firm stated that * * * allegation understated the final purchase price of the product, thereby overstating the value of lost revenue. This instance accounts for * * * of the total.

* * * firms that denied the alleged lost revenues did so on the basis that they do not allow firms to submit lower quotes to match an import (or other domestic) price. 3/ The * * * firm stated that * * * obtained the firm's business by coming in with the lowest initial price quotation. 4/ These denials amount to * * * of the total.

For various reasons, * * * firms could neither confirm nor deny all or part of the lost revenues alleged against them. 5/ These firms' purchases account for * * * of the total alleged by * * *.

Transportation costs

A survey of purchasers of HCO and HSA yielded 23 responses on questions pertaining to transportation costs. Twenty-one of these purchasers indicated that they receive the products by truck. The two most important factors affecting transport costs cited by purchasers were the size of the order (full truckloads versus partial-truckloads) and the distance the material was to be moved. Most of the purchasers were able to report the delivered prices they paid for the material, and estimated that transport costs comprised 2 to 10 percent of the purchase price. Part of the variability in this percentage was generally attributed to the variability in the product price, rather than to changes in transport costs.

Transport costs within the United States can vary greatly with distance the product must be shipped. Union Camp provided the Commission with representative transportation costs for 40,000-pound truck shipments of HCO from their Dover, OH, plant to various U.S. locations as shown below: 6/

* * * * *

1/ Based on a telephone conversation with a representative * * * cited above.

2/ Based on a telephone conversation with a representative * * * cited above.

3/ * * *.

4/ Based on a conversation * * * Oct. 31, 1985.

5/ * * *.

6/ Telephone conversation with attorney for the petitioners, Jan. 10, 1986.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the period January 1983 - September 1985, the nominal value of the Brazilian New cruzeiro depreciated relative to the U.S. dollar by an overall 95.0 percent (table 16). 1/ In real terms, however, the Brazilian currency depreciated by only 6.2 percent relative to the U.S. dollar.

Table 16.--U.S.-Brazilian exchange rates: 1/ Nominal-exchange-rate equivalents of the Brazilian New cruzeiro in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Brazil, 2/ indexed by quarters, January 1983-September 1985

| (January-March 1983=100) | | | | | |
|--------------------------------|---------------------------|--------------------------------|-----------------------------|--------------------------|----|
| Period | U.S. producer price index | Brazilian producer price index | Nominal-exchange-rate index | Real-exchange-rate index | 3/ |
| | | | US\$ per NCr\$ | | |
| 1983: | | | | | |
| January-March----- | 100.0 | 100.0 | 100.0 | 100.0 | |
| April-June----- | 100.3 | 132.2 | 68.6 | 90.4 | |
| July-September----- | 101.3 | 189.4 | 51.1 | 95.6 | |
| October-December---- | 101.8 | 266.9 | 37.6 | 98.7 | |
| 1984: | | | | | |
| January-March----- | 102.9 | 351.8 | 28.6 | 97.9 | |
| April-June----- | 103.6 | 467.4 | 21.6 | 97.5 | |
| July-September----- | 103.3 | 623.7 | 16.3 | 98.3 | |
| October-December---- | 103.0 | 871.6 | 11.9 | 100.7 | |
| 1985: | | | | | |
| January-March----- | 102.9 | 1,201.2 | 8.7 | 101.6 | |
| April-June----- | 103.0 | 1,536.1 | 6.2 | 92.5 | |
| July-September- <u>4/</u> ---- | 102.5 | 1,905.1 | 5.0 | 92.9 | |

1/ Exchange rates expressed in U.S. dollars per Brazilian New cruzeiro.

2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured here by the Producer Price Index in the United States and in Brazil. Producer prices in the United States increased by 2.5 percent during the period January 1983 through September 1985 compared with an eighteenfold increase in Brazil during the same period.

4/ Preliminary.

Source: International Monetary Fund, International Financial Statistics, October 1985.

1/ International Financial Statistics, October 1985.

APPENDIX A
FEDERAL REGISTER NOTICES

[A-351-410]

**Hydrogenated Castor Oil From Brazil:
Preliminary Determination of Sales at
Less Than Fair Value**

AGENCY: International Trade
Administration, Import Administration,
Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that hydrogenated castor oil from Brazil is being, or is likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to suspend the liquidation of all entries of hydrogenated castor oil from Brazil that are entered, or withdrawn from warehouse for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by October 8, 1985

EFFECTIVE DATE: August 1, 1985.

FOR FURTHER INFORMATION CONTACT: William D. Kane, Office of Investigations, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1766.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that hydrogenated castor oil from Brazil is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1673b(b)) (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 3.88 percent.

If this investigation proceeds normally, we will make a final determination by October 8, 1985.

Case History

On December 28, 1984, we received a petition from Union Camp Corporation on behalf of the U.S. industry producing hydrogenated castor oil. In accordance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that hydrogenated castor oil from Brazil is being, or is likely to be, sold in United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping investigation. We notified the U.S. International Trade Commission (ITC) of our action and initiated such an investigation on January 17, 1985, (50 FR 3372). The ITC subsequently found, on February 11, 1985, that there is a reasonable indication that imports of hydrogenated castor oil from Brazil are materially injuring a United States industry. On March 13, 1985, the petitioner requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition. On April 1, 1985, we granted the request (50 FR 13644).

Scope of Investigation

The product covered by this investigation is hydrogenated castor oil currently provided for under item number 178.2000 of the *Tariff Schedules*

of the United States, Annotated. We investigated sales of this product which were made by two Brazilian producers and sold to the United States during the period of investigation, July 1, 1984, through December 31, 1984. The firms investigated were Sanbra, S.A. and Brasweys, S.A. Sales by these firms accounted for approximately 75 percent of Brazilian hydrogenated castor oil sold to the United States during the period of investigation.

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 for in section 772 of the Act, for Braswey, S.A. we compared United States price based on purchase price, as the product was sold to unrelated purchasers prior to importation into the United States. For Sanbra, S.A. we compared United States price based on exporter's sales price, as the product was sold to unrelated purchasers in the United States after the date of importation. For Braswey, S.A. we calculated the purchase price based on the C.I.F., duty paid, packed price to unrelated purchasers in the United States. We made deductions for foreign inland freight, ocean freight, U.S. Customs duty, marine insurance and brokerage. For Sanbra, S.A. we calculated the exporter's sales price on the C.I.F. duty paid, packed or C.I.F. duty paid, delivered, packed price to unrelated purchasers in the United States. We make deductions, where appropriate, for foreign brokerage, handling and port charges, ocean freight, marine insurance, foreign inland freight, U.S. Customs duty, U.S. brokerage, U.S. inland freight, U.S. insurance, credit expenses and other selling expenses incurred in the United States.

Section 772(d)(1)(C) of the Act requires that indirect taxes imposed upon home market merchandise, but which have not been collected upon exported merchandise by reason of its exportation to the United States, be added to the United States price, "but only to the extent that such taxes are added to or included in the price of such or similar merchandise when sold in the country of exportation". Such a tax, the "ICM" (internal circulation tax), is imposed on home market sales, but varies with the destination of the merchandise in the home market. Therefore, no single tax rate can be applied as an addition to U.S. sales. We have deducted this tax from the home

market prices of both companies. We have also deducted the FINSOCIAL tax and IPI tax from home market prices in which they were included.

Foreign Market Value

Sales of such merchandise in the home market were used to represent foreign market value, as provided for in section 773(a) of the Act. Calculations of foreign market value for Sanbra, S.A. were based on delivered or ex-factory, packed prices to unrelated purchasers in the home market. Deductions were made, where appropriate, for inland freight. We also made deductions for credit expenses. We deducted home market indirect selling expenses to offset U.S. indirect selling expenses. We also adjusted for differences in packing costs.

Calculations of foreign market value for Braswey, S.A. were based on delivered packed prices to unrelated purchasers in the home market. We made deductions for inland freight. We also adjusted for differences in credit terms. For some home market sales used for comparison to U.S. purchase price, sales commissions were paid in one market and not the other. In these cases we made adjustments for the differences between commissions in the applicable market and indirect selling expenses in the other market used as an offset to the commissions, in accordance with § 353.15(c) of the Regulations. We adjusted for differences in packing costs.

Comparisons were made between sales occurring within the same month. Braswey, S.A. claimed an adjustment for technical services expenses incurred on home market sales. This adjustment has not been allowed pending further clarification of the nature of these services and the method of quantification. They also claimed an allowance for warehousing expenses incurred in the home market. As these expenses reflected pre-sale interest cost on warehouse inventory, this adjustment was not allowed. Both Braswey, S.A. and Sanbra, S.A. argue that certain small quantity sales should not be considered in our calculations because such comparisons should be of comparable qualities. We have found no pattern of pricing based on quantities. Accordingly, we have used these sales in our calculations. Sanbra, S.A. alternatively makes the same claim for exclusion of certain sales based on differences in level of trade. We find no sufficient delineation of levels of trade or cost difference quantifications to permit such an allowance. In calculating foreign market value, we made currency

conversions from Brazilian cruzeiros to United States dollars in accordance with § 353.36(a)(1) of our Regulations, using, as appropriate, certified daily or quarterly exchange rates as furnished by the Federal Reserve Bank of New York.

Verification

In accordance with section 776(a) of the Act, we will verify all data used in reaching a final determination in this investigation.

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 administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, 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 affirmative determination.

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 hydrogenated castor oil from Brazil which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The 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 exceeds the United States price.

The weighted-average margins are as follows:

| Manufacturer/seller/exporter | Weighted-average margin percentage |
|------------------------------|------------------------------------|
| Brasway, S.A. | 1.11 |
| Sandra, S.A. | 6.17 |
| All others | 3.88 |

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 these preliminary determinations at 11:00 a.m. on August 30, 1985, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, N.W., 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 3099B, at the above address within ten days of this notice's publication. 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 ten copies must be submitted to the Deputy Assistant Secretary by August 23, 1985. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within thirty days of publication of this notice, at the above address in at least 10 copies.

Dated: July 23, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-18253 Filed 7-31-85; 8:45 am]

BILLING CODE 3510-08-01

International Trade Administration**[A-351-409]****12-Hydroxystearic Acid From Brazil:
Preliminary Determination of Sales at
Less Than Fair Value****AGENCY:** International Trade
Administration, Import Administration,
Department of Commerce.**ACTION:** Notice.

SUMMARY: We have preliminarily determined that 12-hydroxystearic acid from Brazil is being, or is likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to suspend the liquidation of all entries of 12-hydroxystearic acid from Brazil that are entered, or withdrawn from warehouse for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by October 8, 1985.

EFFECTIVE DATE: August 1, 1985.

FOR FURTHER INFORMATION CONTACT: William D. Kane, Office of Investigations, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1788.

SUPPLEMENTARY INFORMATION:**Preliminary Determination**

We have preliminarily determined that 12-hydroxystearic acid from Brazil is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733(b) of the Tariff Act of 1930, as amended (19 U.S.C.

1673b(b)) (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 8.19 percent.

If this investigation proceeds normally, we will make a final determination by October 8, 1985.

Case History

On December 28, 1984, we received a petition from Union Camp Corporation on behalf of the U.S. industry producing 12-hydroxystearic acid. In accordance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that 12-hydroxystearic acid from Brazil is being, or is 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 materially injuring, or are threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping investigation. We notified the U.S. International Trade Commission (ITC) of our action and initiated such an investigation on January 17, 1985 (50 FR 3372). The ITC subsequently found, on February 11, 1985, that there is a reasonable indication that imports of 12-hydroxystearic acid from Brazil are materially injuring a United States industry. On March 13, 1985, the petitioner requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition. On April 1, 1985, we granted the request (50 FR 13644).

Scope of Investigation

The product covered by this investigation is 12-hydroxystearic acid currently provided for under item number 490.2650 and 490.2670 of the *Tariff Schedules of the United States, Annotated*. We investigated sales of this product which were made by two Brazilian producers and sold to the United States during the period of investigation, July 1, 1984, through December 31, 1984. The firms investigated were Sanbra, S.A. and Braswey, S.A. Sales by these firms accounted for approximately 75 percent of Brazilian 12-hydroxystearic acid sold to the United States during the period of investigation.

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 for in section 772 of the Act, for Braswey, S.A. we compared United States price based on purchase price, as the product was sold to unrelated purchasers prior to importation into the United States. For Sanbra, S.A. we compared United States price based on exporter's sales price, as the product was sold to unrelated purchasers in the United States after the date of importation. For Braswey, S.A. we calculated the purchase price based on the C.I.F., duty paid, packed price to unrelated purchasers in the United States. We made deductions for foreign inland freight, ocean freight, U.S. Customs duty, marine insurance and brokerage. For Sanbra, S.A. we calculated the exporter's sales price on the C.I.F., duty paid, packed or C.I.F. duty paid delivered, packed price to unrelated purchasers in the United States. We make deductions, where appropriate, for foreign brokerage, handling and port charges, ocean freight, marine insurance, foreign inland freight, U.S. Customs duty, U.S. brokerage, U.S. inland freight, U.S. insurance, credit expenses and other selling expenses incurred in the United States.

Section 772(d)(1)(C) of the Act requires that indirect taxes imposed upon home market merchandise, but which have not been collected upon exported merchandise by reason of its exportation to the United States, be added to the United States price, "but only to the extent that such taxes are added to or included in the price of such or similar merchandise when sold in the country of exportation". Such a tax, the "ICM" (internal circulation tax), is imposed on home market sales, but varies with the destination of the merchandise in the home market. Therefore, no single tax rate can be applied as an addition to U.S. sales. We have deducted this tax from the home market prices of both companies. We have also deducted the FINSOCIAL tax and IPI tax from home market prices in which they were included.

Foreign Market Value

Sales of such merchandise in the home market were used to represent foreign market value, as provided for in section 773(a) of the Act. Calculations of foreign market value for Sanbra, S.A. were based on delivered or ex-factory, packed prices to unrelated purchasers in the home market. Deductions were made, where appropriate, for inland freight. We also made deductions for credit expenses. We deducted home market indirect selling expenses to offset U.S. indirect selling expenses. We

also adjusted for differences in packing costs.

Calculations of foreign market value for Braswey, S.A. were based on delivered packed prices to unrelated purchasers in the home market. We made deductions for inland freight. We also adjusted for differences in credit terms. For some home market sales used for comparison to U.S. purchase price, sales commissions were paid in one market and not the other. In these cases we made adjustments for the differences between commissions in the applicable market and indirect selling expenses in the other market used an an offset to the commissions, if accordancing with § 353.15(c) of the regulations. We adjusted for differences in packing costs.

Comparisons were made between sales occurring within the same month. Braswey, S.A. claimed and adjustment for technical services expenses incurred on home market sales. This adjustment has not been allowed pending further clarification of the nature of these services and the method of quantification. They also claimed an allowance for warehousing expenses incurred in the home market. As these expenses reflected pre-sale interest costs on warehouse inventory, this adjustment was not allowed. Both Braswey, S.A. and Sanbra, S.A. argue that certain small quantity sales should not be considered in our calculations because such comparisons should be of comparable quantities. We have found no pattern of pricing based on quantities. Accordingly, we have used these sales in our calculations. Sanbra, S.A. alternatively makes the same claim for exclusion of certain sales based in differences in level of trade. We find no sufficient delineation of levels of trade or cost difference quantifications to permit such an allowance. In calculating foreign market value, we made currency conversions from Brazilian cruzeiros to United States dollars in accordance with § 353.36(a)(1) of our regulations, using, as appropriate, certified daily or quarterly exchange rates as furnished by the Federal Reserve Bank of New York.

Verification

In accordance with section 778(a) of the Act, we will verify all data used in reaching a final determination in this investigation.

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 administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, 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 affirmative determination.

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 12-hydroxystearic acid from Brazil which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The 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 exceeds the United States price.

The weighted-average margins are as follows:

| Manufacturer/seller/exporter | Weighted-average margin percentage |
|------------------------------|------------------------------------|
| Braswey, S.A. | 18.09 |
| Sanbra, S.A. | 7.14 |
| All others | 8.19 |

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 these preliminary determinations at 11:00 a.m. on August 30, 1985, at the U.S. Department of Commerce, Room 3708, 14th Street 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 3099B, at the above address within ten days of this notice's publication. 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 ten

copies must be submitted to the Deputy Assistant Secretary by August 23, 1985. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within thirty days of publication of this notice, at the above address in at least 10 copies.

Dated: July 23, 1985.

[FR Doc. 85-18250 Filed 7-31-85; 8:45 am]

CALLING CODE 3610-09-01

in a preliminary determination, 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 October 8, 1985, and the Commission will make its final injury determinations by November 28, 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).

EFFECTIVE DATE: July 30, 1985.

FOR FURTHER INFORMATION CONTACT: Lynn Featherstone (202-523-0242), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background:

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that there is a reasonable basis to believe or suspect that imports of hydrogenated castor oil and 12-hydroxystearic acid from Brazil are being sold in the United States at LTFV within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in petitions filed on December 27, 1984, by Union Camp Corp., Wayne, NJ. 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 industries in the United States were materially injured by reason of imports of the subject products (50 FR 7236, Feb. 21, 1985).

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 (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

(Investigations Nos. 731-TA-236 and 237 (Final))

Certain Castor Oil Products From Brazil

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-236 and 237 (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 Brazil of hydrogenated castor oil (investigation No. 731-TA-236 (Final)) and/or 12-hydroxystearic acid (investigation No. 731-TA-236 (Final)), provided for in items 178.20 and 490.28, respectively, of the Tariff Schedules of the United States, which have been found by the Department of Commerce,

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) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), 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 October 4, 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 October 21, 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 October 1, 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 October 3, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 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))).

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 section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on October 28, 1985. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before October 28, 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).

Authority: These investigations are 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).

Issued: August 16, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-19864 Filed 8-20-85; 8:45 am]

SELLING CODE 7030-03-01

[A-351-409 and A-351-410]

Hydrogenated Castor Oil and 12-Hydroxystearic Acid From Brazil; Postponement of Final Antidumping Determinations

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

ACTION: Notice.

SUMMARY: The final antidumping determinations involving hydrogenated castor oil and 12-hydroxystearic acid from Brazil are being postponed until not later than December 14, 1985.

EFFECTIVE DATE: August 29, 1985.

FOR FURTHER INFORMATION CONTACT: William Kane, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1766.

SUPPLEMENTARY INFORMATION: On January 17, 1985, we announced the initiation of antidumping investigations to determine whether hydrogenated castor oil and 12-hydroxystearic acid from Brazil were being, or were likely to be, sold in the United States at less than fair value.

At the request of the petitioner our preliminary determinations in those cases were postponed from June 5, 1985, until July 25, 1985. On August 1, 1985, we published affirmative preliminary determinations in those cases.

Both respondents in these investigations, Sanbra S.A. and Braswey S.A., who account for a significant volume of the exports of the products to the United States, have requested that final determinations be postponed until 135 days after the preliminary determinations in accordance with section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act). Pursuant to section 735(a)(2)(A) of the Tariff Act of 1930, as amended, if exporters who account for a significant portion of the merchandise which is the subject of the investigation properly request an extension of the final determination following a preliminary affirmative determination, we are required, absent compelling reasons to the contrary, to grant the request.

Accordingly, the Department will issue final determinations in these cases not later than December 14, 1985. The date of the public hearing has also been changed to October 25, 1985, at 10:00 a.m. in room 3708 of the Department of Commerce, 14th and Constitution Avenue, NW., Washington, D.C. 20230. Pre-hearing briefs must be received by October 18, 1985.

This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

August 23, 1985.

[FR Doc. 85-20710 Filed 8-28-85; 8:45 am]

SALING CODE 2610-09-01

(Investigations Nos. 731-TA-236 and 237
(Final))

**Certain Castor Oil Products From
Brazil**

AGENCY: International Trade
Commission.

ACTION: Revised schedule for the subject
investigations.

EFFECTIVE DATE: September 20, 1985.

FOR FURTHER INFORMATION CONTACT:
Lynn Featherstone (202-523-0242),
Office of Investigations, U.S.
International Trade Commission, 701 E.
Street NW., Washington, DC 20436.
Hearing-impaired individuals may
obtain information on this matter by
contacting the Commission's TDD
terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On July
30, 1985, the Commission instituted the
subject investigations and established a
schedule for their conduct (50 FR 33858,
Aug. 21, 1985). Subsequently, the
Department of Commerce extended the
date for its final determinations in the
investigations from October 8, 1985, to
December 14, 1985 (50 FR 35110, Aug. 29,
1985). The Commission, therefore, is
revising its schedule in the
investigations to conform with
Commerce's new schedule.

The Commission's new schedule for
the investigations is as follows: requests
to appear at the hearing must be filed
with the Secretary to the Commission
not later than November 27, 1985; the
prehearing conference will be held at
10:00 a.m. in room 117 of the U.S.
International Trade Commission
Building on December 2, 1985; the public
version of the prehearing staff report
will be placed on the public record on
December 3, 1985; the deadline for filing

prehearing briefs is December 13, 1985; the hearing will be held in room 331 of the U.S. International Trade Commission Building on December 18, 1985; and the deadline for filing all other written submissions, including posthearing briefs, is December 27, 1985.

For further information concerning these investigations see the Commission's notice of investigations cited above and 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 Parts 201).

Authority

These investigations are 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 206.20).

By order of the Commission.

Issued: September 24, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-23562 Filed 10-1-85; 8:45 am]

BILLING CODE 7020-02-M

[A-351-410]

**Hydrogenated Castor Oil From Brazil;
Final Determination of Sales at Less
Than Fair Value**

AGENCY: International Trade
Administration, Import Administration,
Commerce.

ACTION: Notice.

SUMMARY: We have determined that
hydrogenated castor oil from Brazil is
being sold in the United States at less
than fair value. The United States
International Trade Commission (ITC)

will determine within 45 days of publication of this notice whether these imports are materially injuring, or threatening material injury to a United States industry.

EFFECTIVE DATE: December 19, 1985.

FOR FURTHER INFORMATION CONTACT: William D. Kane or Charles E. Wilson, Office of Investigations, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 377-1766 or (202) 377-5288.

SUPPLEMENTARY INFORMATION: Based on our investigation and in accordance with section 735(a) of the Tariff Act of 1930, as amended (the Act), we have reached a final determination that hydrogenated castor oil from Brazil is being sold in the United States at less than fair value within the meaning of section 731 of the Act. The weighted-average margins are indicated in the "Suspension of Liquidation" section of this notice.

Case History

On December 28, 1984, we received a petition from Union Camp Corporation on behalf of the U.S. industry producing hydrogenated castor oil. In accordance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that hydrogenated castor oil from Brazil is being, or is likely to be, sold into the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping duty investigation. We notified the U.S. International Trade Commission (ITC) of our action and initiated such an investigation on January 17, 1985 (50 FR 3372). The ITC subsequently found, on February 11, 1985, that there is a reasonable indication that imports of hydrogenated castor oil from Brazil are materially injuring a U.S. industry.

On March 1, 1985, we presented antidumping duty questionnaires to Sanbra, S.A. (Sanbra) and Braswey, S.A. (Braswey). Responses to the questionnaires were received on April 15, 1985. Further supplemental responses were received on May 22, 1985 and June 5, 1985.

On March 13, 1985, the petitioner requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition. On April 1, 1985, we granted the request (50 FR 13644)

On August 1, 1985, we published our preliminary determination of sales at less than fair value (50 FR 31214).

On August 6, 7, and 15, 1985, we verified the responses of Sanbra. On August 8 and 9, and September 18, 1985, we verified the responses of Braswey.

Pursuant to requests from both respondents, on August 29, 1985, we published a notice of postponement of our final determination.

On October 25, 1985, we held a public hearing.

Scope of Investigation

The product covered by this investigation is hydrogenated castor oil currently provided for under item number 178.2000 of the *Tariff Schedules of the United States, Annotated*. We investigated sales of this product by the Brazil producers, Sanbra and Braswey, to the United States during the period of investigation, July 1, 1984, through December 31, 1984. Sales by these firms accounted for approximately 75 percent of the product sold to the United States during the period of investigation.

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 provide for in section 772 of the Act, for Braswey we compared United States price based on purchase price, as the product was sold to unrelated purchasers prior to importation into the United States. For Sanbra, we compared United States price based on exporter's sales price, as the product was sold to unrelated purchasers in the United States after importation. For Braswey we calculated the purchase price based on the C.I.F., duty paid, packed price to unrelated purchasers in the United States. We made deductions for foreign brokerage, foreign inland freight, ocean freight and marine insurance, U.S. Customs duty, and U.S. brokerage. For Sanbra we calculated the exporter's sales price on the C.I.F., duty paid, packed or C.I.F., duty paid, packed, delivered price to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, foreign brokerage, handling and port charges, ocean freight and marine insurance, U.S. insurance, credit expenses and other selling expenses incurred in the United States.

Section 772(d)(1)(C) of the Act requires that indirect taxes imposed upon home market merchandise, but which have not been collected on

exported merchandise by reason of its exportation to the United States, be added to the United States price to the extent that such taxes are added to or included in the price of such or similar merchandise when sold in the country of exportation. Such a tax, the "ICM" (internal circulation tax), is imposed on home market sales, but the rate of this tax varies with the destination of the merchandise in the home market. Therefore, no single tax rate can be applied as an addition to United States price. For our preliminary determination we deducted this tax as well as the FINSOCIAL and IPI taxes from the home market prices in which they are included. We have continued this methodology for our final calculations.

Sanbra

We have deleted from the U.S. sales listing two sales which were found to have been renegotiated outside the period of investigation and one sale which was found to have been a sale of a product other than hydrogenated castor oil.

In the belief that U.S. inland insurance applied only to merchandise being transported to customer destination in the United States, no insurance charge was deducted from sales out of warehouse for our preliminary determination. However, at verification a review of that insurance policy showed all merchandise to be covered from time of its arrival in the United States until it reached the unrelated purchaser. Thus, an insurance charge was deducted from all sales of the merchandise. Also, a computational error in the calculation of ocean freight charges was corrected which increased that charge slightly.

Braswey

At verification a charge for Foreign brokerage, not previously reported, was found to apply to U.S. sales. This has been included in our final calculations.

Calculations errors in U.S. brokerage, ocean freight and marine insurance were adjusted at verification to reflect correct amounts.

Sales commissions applied to two sales were found not to apply and were deleted.

The cost of U.S. packing was recalculated to correct an averaging error.

Foreign Market Value

Sales of such merchandise in the home market were used to represent foreign market value, as provided for in section 773(a) of the Act. Calculations of foreign market value for Sanbra were

based on the ex-factory or delivered, packed prices to unrelated purchasers in the home market. Deductions were made, where appropriate, for inland freight and selling commissions. We also made deductions for credit expenses. We deducted home market indirect selling expenses to offset U.S. indirect selling expenses. We also adjusted for differences in packing costs. The dates of sale for five shipments under a long-term supply contract were changed to reflect the fact that the prices were renegotiated after the original contract date.

Calculations of foreign market value for Braswey were based on ex-factory or delivered, packed prices to unrelated purchasers in the home market. We made deductions for inland freight. We also adjusted for differences in credit terms. For some home market sales used for comparison to U.S. purchase price, sales commissions were paid in one market and not the other. In these cases we made adjustments for the differences between commissions in the applicable market and indirect selling expenses in the other market used as an offset to the commissions, in accordance with § 353.15(c) of the regulations. We adjusted for differences in packing costs. On certain sales, transportation charges were found to reflect the pre-sale movement of merchandise from the factory to the company warehouse.

These expenses, as well as interest on warehousing inventory, were added to indirect selling expenses and were allowed, where appropriate, up to the amount of the U.S. sales commissions, which were the lesser of the two.

Claims of technical services expenses could not be verified and were not allowed.

Comparisons were made between sales occurring thirty days on either side of the date of U.S. sale. We disregarded sales of quantities of two thousand kilograms or less because they were not comparable to the usual commercial quantities sold in the U.S. market.

In calculating foreign market value, we made currency conversions from Brazilian cruzeiros to United States dollars in accordance with § 353.56(a) of the regulations, using the certified daily exchange rates for comparisons involving purchase price. For comparisons involving exporter's sales price, we used the official exchange rate as certified by the Federal Reserve for the date of purchase since the use of that exchange rate is consistent with section 615 of the Tariff and Trade Act of 1984 (1984 Act). Therefore, for exporter's sales price sales we chose not to follow § 353.56(a) of the regulations which predates the 1984 Act.

Verification

In accordance with section 776(a) of the Act, we verified all the information used in making this determination. We were granted access to the books and records of the companies involved. We used standard verification procedures, including examination of accounting records, financial statements and selected documents containing relevant information.

Petitioner's Comments

Comment 1

The petitioner claims that the Department has understated Sanbra's U.S. credit expenses by applying a short term interest rate lower than that reported in Santra's response.

DOC Position

The rate used by the Department in its final calculations was the average short term interest rate experienced by the company during the period of investigation, as verified from source documents.

Comment 2

Petitioner contends that use of the average warehousing period calculated by Sanbra results in an understatement of their U.S. warehousing expenses.

DOC Position

While individual containers of the product could not be traced into and out of the warehouse, quantities and periods of shipments from the warehouses reviewed at verification were consistent with the claimed average storage period. Therefore, we have used the reported average storage period in our calculation of this expense.

Comment 3

Petitioner claims that quantities shipped under long-term supply contracts, but listed as individual sales, should be combined in the listing as one sale and that sale should be disregarded as not being in the ordinary course of trade by virtue of its high quantity volume.

DOC Position

The Department agrees that such individual shipments are in their totality one sale, but considers the volume of such a sale under a long term supply contract to be in the ordinary course of trade in this industry based on the sales practices of the companies investigated.

Comment 4

Petitioner contends that Braswey's claim for a circumstance of sale

adjustment for technical services expenses is unfounded.

DOC Position

The Department agrees. At the time of verification neither the nature of these expenses nor their relationship to the sales under investigation could be established. This adjustment has not been allowed.

Comment 5

Petitioner claims that Braswey's U.S. credit expenses were improperly calculated in that an expense should be imputed for financial services provided free of charge by a middleman in the United States.

DOC Position

The Department disagrees. The middleman's function proves mutually beneficial to both parties with no financial costs accruing to Braswey. Nor would the absence of this service result in further credit expenses to Braswey regarding these sales.

Comment 6

Petitioner contends that a document submitted by Sanbra indicates a lower ICM tax rate than that claimed in its response, and should be investigated.

DOC Position

The Department verified the ICM tax rates claimed, and further reviewed the document cited by the petitioner without finding any indication of irregularities.

Comment 7

Petitioner contends that the Department should reject Santra's contentions that a sale in the home market which is destined for shipment to a third country should not be considered as a home market sale.

DOC Position

The Department agrees. While it was established at verification that the merchandise was shipped by Sanbra's customer to a third country, there was insufficient indication that Sanbra was aware of the ultimate destination of the merchandise at the time of sale.

Comment 8

Petitioner claims that revisions to Braswey's U.S. brokerage charges should be based on the weighed-average brokerage charge calculated at the time of verification.

DOC Position

The Department agrees, and has deducted that weighted-average brokerage charge calculated at verification.

Comment 9

Petitioner contends that Braswey's claims for corrections to "U.S. Customs charges" are not substantiated by the verification.

DOC Position

No corrections were made to U.S. Customs duty at verification. Changes made to Customs brokerage charges are discussed in petitioner's comment number 8.

Comment 10

Petitioner contends that foreign brokerage charges discovered at verification should be deducted from Braswey's U.S. prices.

DOC Position

The Department agrees, and has deducted this amount from Braswey's U.S. prices.

Comment 11

Petitioner contends that additional costs of Braswey's U.S. export packing do not include the costs of labor associated with that packing.

DOC Position

While not specifically addressed in the example cited in its report of verification, the Department did verify that the costs of both labor and materials were included in packing costs. The total average cost of export packing was found to be understated, and the corrected packing cost was used in the final calculations.

Comment 12

Petitioner contends that Braswey's U.S. credit expenses should be adjusted to reflect expenses engendered by the date of customer payment and the cost of purchasing foreign exchange contracts.

DOC Position

The total financing expenses per individual sale were calculated. Braswey stated that no additional charges accrued for foreign exchange contracts beyond the interest charge reflected in them, and a review of financial documentation revealed no such extra charges.

Comment 13

Petitioner contends that the Department must disregard an adjustment for the ICM tax because the amount of tax paid was not verified.

DOC Position

The Department disagrees. While proof of payments of this tax per individual sale could not be obtained

because of the government's debit/credit accrual system of accounting, the amounts credited to the government on the sales were verified.

Comment 14

Petitioner contends that Braswey's IPI export credit premium should not be considered in the Department's calculation because receipt of the export credit premium was not verified; the export credit premium is not an uncollected or rebated tax, and the export credit premium is in part negated by an offsetting tax which the respondent did not report.

DOC Position

The Department agrees that the export credit premium is not a rebate of taxes which are added to or included in the price of the merchandise when sold in the home market. Therefore, it would not be appropriate to add the export credit premium to United States price.

*Respondents' Comments**Comment 1*

Braswey contends that adjustments made to U.S. Customs brokerage and marine insurance costs at the time of verification should be incorporated in the Department's final calculations.

DOC Position

The Department agrees and has incorporated all verified costs in its final calculations, as outlined in the "U.S. Price" and "Foreign Market Value" sections of this notice.

Comment 2

Braswey contends that the Department should compare sales of comparable quantities or, alternatively, expand the period of investigation to capture more home market sales in large quantities.

DOC Position

The Department agrees and has compared only sales in the most comparable quantities by disregarding home market sales in quantities of two thousand kilograms or less.

Comment 3

Braswey contends that an adjustment should be made in the Department's final calculations to reflect the receipt of IPI export credit premiums.

DOC Position

The Department disagrees. See response to petitioner's comment 14.

Comment 4

Sanbra contends that the Department made computational errors in computing

the net cruzeiro per pound price to two home market sales in its preliminary calculations.

DOC Position

The Department agrees and has corrected these errors for the final calculations.

Comment 5

Sanbra contends that corrections to their submitted data made by Department personnel at the time of verification should be incorporated in the Department's final calculations.

DOC Position

The Department agrees and has used this verified data in its final calculations, as outlined in the "U.S. Price" and "Foreign Market Value" sections of this notice.

Comment 6

Sanbra contends that a sale made to a customer for purposes of filling an order for export to a third country should not be considered as a home market sale because the ultimate destination of the merchandise was known at the time of the sale. Alternatively, they contend that the sale should be disregarded, as it is the only sale to a hydrogenator of castor oil who competes with Sanbra and, therefore, out of the ordinary course of trade.

DOC Position

The Department disagrees. Sanbra has failed to establish it knew the destination of the merchandise at the time of sale. (See petitioner's comment 7) The Department, further, considers the hydrogenator to be at the same level of trade as end-users in the home market and wholesalers in the U.S. market and not to be outside the ordinary course of trade.

Comment 7

Sanbra contends that shipments under a long-term supply contract whose prices were subject to renegotiation at the time of shipment should be considered as sales made at the time of shipment rather than the date of original contract.

DOC Position

The Department agrees and has considered the dates of these shipments as the dates of sale.

Comment 8

Sanbra contends that certain low volume sales should be excluded from the Department's calculations because they were not in the usual commercial quantities, nor at the nearest

commercial level of trade comparable to U.S. sales.

DOC Position

The Department has compared sales of comparable quantities in the two markets. See respondent's comment 2.

Comment 9

Sanbra contends that, because of the extent of inflation in the home market, the Department should convert home market prices to U.S. dollars as of the date of shipment of the home market merchandise rather than at the date of the U.S. sale.

DOC Position

The Department disagrees. In keeping with established practice and section 353.56 of its regulations the Department has converted home market prices to U.S. dollars as of the date of the U.S. sales to which they are being compared.

Suspension of Liquidation

We made fair value comparisons on all reported hydrogenated castor oil sold in the United States by the two Brazilian companies during the investigative period. With regard to Braswey we found its weighted-average margin to be 2.38 percent. The weighted-average margin for Sanbra is .75 percent.

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of hydrogenated castor oil from Brazil, which are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the *Federal Register*. The United States Customs Service will require the posting of a cash deposit, bond, or other security in amounts based on the following weighted-average margins.

| Company | Weighted-Average Margin (Percent) |
|------------|-----------------------------------|
| Braswey | 2.38 |
| Sanbra | 0.75 |
| All Others | 1.51 |

ITC Notification

We are notifying the ITC and making available to it all nonprivileged and nonconfidential information relating to this determination. We will 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. If

the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on hydrogenated castor oil from Brazil entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to the Act (19 U.S.C. 1673d(d)).

Theodore W. Wu,

Acting Assistant Secretary for Trade Administration.

December 13, 1985.

[FR Doc. 85-30069 Filed 12-18-85; 8:45 am]

BILLING CODE 3510-08-M

[A-351-409]

12-Hydroxystearic Acid From Brazil; Final Determination of Sales at Not Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that 12-hydroxystearic acid from Brazil is not, nor is likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination.

EFFECTIVE DATE: December 19, 1985.

FOR FURTHER INFORMATION CONTACT: William D. Kane or Charles E. Wilson, Office of Investigations, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1766 or (202) 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

Based on our investigation and in accordance with section 735(a) of the Tariff Act of 1930, as amended (the Act), we have reached a final determination that 12-hydroxystearic acid from Brazil is not being sold in the United States at less than fair value within the meaning of section 731 of the Act. We made fair value comparisons on approximately 75 percent of all sales of 12-hydroxystearic acid from Brazil to the United States during the period of investigation. We have found that the margins for all companies investigated are zero.

Case History

On December 28, 1984, we received a petition from Union Camp Corporation on behalf of the U.S. industry producing 12-hydroxystearic acid. In accordance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that 12-hydroxystearic acid from Brazil is being, or is likely to be, sold into the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping duty investigation. We notified the U.S. International Trade Commission (ITC) of our action and initiated such an investigation on January 17, 1985 (50 FR 3372). The ITC subsequently found, on February 11, 1985, that there is a reasonable indication that imports of 12-hydroxystearic acid from Brazil are materially injuring a U.S. industry.

On March 1, 1985, we presented antidumping duty questionnaires to Sanbra, S.A. (Sanbra) and Braswey, S.A. (Braswey). Responses to the questionnaires were received on April 15, 1985. Further supplemental responses were received on May 22, 1985 and June 5, 1985.

On March 13, 1985, the petitioner requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition. On April 1, 1985, we granted the request (50 FR 13644).

On August 1, 1985, we published our preliminary determination of sales at less than fair value (50 FR 31214).

On August 6, 7, and 15, 1985, we verified the responses of Sanbra. On August 8 and 9, and September 18, 1985, we verified the responses of Braswey.

Pursuant to requests from both respondents, on August 28, 1985, we published a notice of postponement of our final determination.

On October 25, 1985, we held a public hearing.

Scope of Investigation

The product covered by this investigation is 12-hydroxystearic acid currently provided for under item numbers 490.2650 and 490.2670 of the *Tariff Schedules of the United States, Annotated*. We investigated sales of this product by the Brazilian producers, Sanbra and Braswey, to the United States during the period of investigation, July 1, 1984, through December 31, 1984.

Sales by these firms accounted for approximately 75 percent of the product sold to the United States during the period of investigation.

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 for in section 772 of the Act, for Braswey we compared United States price based on purchase price, as the product was sold to unrelated purchasers prior to importation into the United States. For Sanbra, we compared United States price based on exporter's sales price, as the product was sold to unrelated purchasers in the United States after importation. For Braswey we calculated the purchase price based on the C.I.F., duty paid, packed price to unrelated purchasers in the United States. We made deductions for foreign brokerage, foreign inland freight, ocean freight and marine insurance, U.S. Customs duty, and U.S. brokerage. For Sanbra we calculated the exporter's sales price on the C.I.F., duty paid, packed or C.I.F., duty paid, packed, delivered price to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, foreign brokerage, handling and port charges, ocean freight and marine insurance, U.S. customs duty, U.S. insurance, credit expenses and other selling expenses incurred in the United States.

Section 772(d)(1)(C) of the Act requires that indirect taxes imposed upon home market merchandise, but which have not been collected on exported merchandise by reason of its exportation to the United States, be added to the United States price to the extent that such taxes are added to or included in the price of such or similar merchandise when sold in the country of exportation. Such a tax, the "ICM" (internal circulation tax), is imposed on home market sales, but the rate of this tax varies with the destination of the merchandise in the home market. Therefore, no single tax rate can be applied as an addition to United States price. For our preliminary determination we deducted this tax, as well as the FINSOCIAL and IPI taxes, from the home market prices in which they are included. We have continued this methodology for our final calculations.

Sanbra

We have deleted from the U.S. sales listing two sales which were found to

have been renegotiated outside the period of investigation and one sale which was found to have been subsequently cancelled. One sale erroneously classified as hydrogenated castor oil was found to be a sale of 12-hydroxystearic acid and was added to the U.S. sales listing.

In the belief that U.S. inland insurance applied only to merchandise being transported to customer destination in the United States, no insurance charge was deducted from sales out of warehouse for our preliminary determination. However, at verification a review of that insurance policy showed all merchandise to be covered from the time of its arrival in the United States until it reached the unrelated purchaser. Thus, an insurance charge was deducted from all sales of the merchandise. Also, a computational error in the calculation of ocean freight charges was corrected which increased that charge slightly.

Braswey

At verification a charge for foreign brokerage, not previously reported, was found to apply to U.S. sales. This has been included in our final calculations.

Calculation errors in U.S. brokerage, ocean freight and marine insurance were adjusted at verification to reflect correct amounts.

The cost of U.S. packing was recalculated to correct an averaging error.

Foreign Market Value

Sales of such merchandise in the home market were used to represent foreign market value, as provided for in section 773(a) of the Act. Calculations of foreign market value for Sanbra were based on the ex-factory or delivered, packed prices to unrelated purchasers in the home market. Deductions were made, where appropriate, for inland freight and selling commissions. We also made deductions for credit expenses. We deducted home market indirect selling expenses to offset U.S. indirect selling expenses. We also adjusted for differences in packing costs. One inland freight expense was found to be in error and was corrected.

Calculations of foreign market value for Braswey were based on ex-factory or delivered, packed prices to unrelated purchasers in the home market. We made deductions for inland freight. We also adjusted for differences in credit terms. For some home market sales used for comparison to U.S. purchase price, sales commissions were paid in one market and not the other. In these cases we made adjustments for the differences between commissions in the applicable

market and indirect selling expenses in the other market used as an offset to the commissions, in accordance with § 353.15(c) of the regulations. We adjusted for differences in packing costs. On certain sales, transportation charges were found to reflect the pre-sale movement of merchandise from the factory to the company warehouse. These expenses, as well as interest on warehousing inventory, were added to indirect selling expenses and were allowed, where appropriate, up to the amount of the U.S. sales commissions, which were the lesser of the two.

Claims of technical services expenses could not be verified and were not allowed.

Comparisons were made between sales occurring thirty days on either side of the date of U.S. sale. We disregarded sales of quantities of 2,000 kilograms or less because they were not comparable to the usual commercial quantities sold in the U.S. market.

In calculating foreign market value, we made currency conversions from Brazilian cruzeiros to United States dollars in accordance with § 353.56(a) of the regulations, using the certified daily exchange rates for comparisons involving purchase price. For comparisons involving exporter's sales price, we used the official exchange rate as certified by the Federal Reserve for the date of purchase since the use of that exchange rate is consistent with section 815 of the Tariff and Trade Act of 1984 (1984 Act). Therefore, for exporter's sales price sales we chose not to follow § 353.56(a) of the regulations which predates the 1984 Act.

Verification

In accordance with section 776(a) of the Act, we verified all the information used in making this determination. We were granted access to the books and records of the companies involved. We used standard verification procedures, including examination of accounting records, financial statements and selected documents containing relevant information.

Petitioner's Comments

Comment 1: The petitioner claims that the Department has understated Sanbra's U.S. credit expenses by applying a short term interest rate lower than that reported in Sanbra's response.

DOC Position: The rate used by the Department in its final calculations was the average short term interest rate experienced by the company during the period of investigation, as verified from source documents.

Comment 2: Petitioner contends that use of the average warehousing period calculated by Sanbra results in an understatement of their U.S. warehousing expenses.

DOC Position: While individual containers of the product could not be traced into an out of the warehouse, quantities and periods of shipments from the warehouses reviewed at verification were consistent with the claimed average storage period. Therefore, we have used the reported average storage period in our calculation of this expense.

Comment 3: Petitioner claims that quantities shipped under long-term supply contracts, but listed as individual sales, should be combined in the listing as one sale and that sale should be disregarded as not being in the ordinary course of trade by virtue of its high quantity volume.

DOC Position: The Department agrees that such individual shipments are in their totality one sale, but considers the volume of such a sale under a long term supply contract to be in the ordinary course of trade in this industry based on the sale practices of the companies investigated.

Comment 4: Petitioner contends that Braswey's claim for a circumstance of sale adjustment for technical services expenses is unfounded.

DOC Position: The Department agrees. At the time of verification neither the nature of these expenses nor their relationship to the sales under investigation could be established. This adjustment has not been allowed.

Comment 5: Petitioner claims that Braswey's U.S. credit expenses were improperly calculated in that an expense should be imputed for financial services provided free of charge by a middleman in the United States.

DOC Position: The Department disagrees. The middleman's function proves mutually beneficial to both parties with no financial costs accruing to Braswey. Nor would the absence of this service result in further credit expenses to Braswey regarding these sales.

Comment 6: Petitioner contends that a document submitted by Sanbra indicates a lower ICM tax rate than that claimed in its response, and should be investigated.

DOC Position: The Department verified the ICM tax rates claimed, and further reviewed the document cited by the petitioner without finding any indication of irregularities.

Comment 7: Petitioner claims that revisions to Braswey's U.S. brokerage charges should be based on the

weighted-average brokerage charge calculated at the time of verification.

DOC Position: The Department agrees, and has deducted that weighted-average brokerage charge calculated at verification.

Comment 8: Petitioner contends that Braswey's claims for corrections to "U.S. customs charges" are not substantiated by the verification.

DOC Position: No corrections were made to U.S. customs duty at verification. Changes made to customs brokerage charges are discussed in petitioner's comment number 8.

Comment 9: Petitioner contends that foreign brokerage charges discovered at verification should be deducted from Braswey's U.S. prices.

DOC Position: The Department agrees, and has deducted this amount from Braswey's U.S. prices.

Comment 10: Petitioner contends that additional costs of Braswey's U.S. export packing do not include the costs of labor associated with that packing.

DOC position: While not specifically addressed in the example cited in its report of verification, the Department did verify that the costs of both labor and materials were included in packing costs. The total average cost of export packing was found to be understated, and the corrected packing cost was used in the final calculations.

Comment 11: Petitioner contends that Braswey's U.S. credit expenses should be adjusted to reflect expenses engendered by the date of customer payment and the cost of purchasing foreign exchange contracts.

DOC Position: The total financing expenses per individual sale were calculated. Braswey stated that no additional charges accrued for foreign exchange contracts beyond the interest charge reflected in them, and a review of financial documentation revealed no such extra charges.

Comment 12: Petitioner contends that the Department must disregard an adjustment for the ICM tax because the amount of tax paid was not verified.

DOC Position: The Department disagrees. While proof of payments of this tax per individual sale could not be obtained because of the government's debit/credit accrual system of accounting, the amounts credited to the government on the sales were verified.

Comment 13: Petitioner contends that Braswey's IPI export credit premium should not be considered in the Department's calculation because receipt of the export credit premium is not an uncollected or rebated tax, and the export credit premium is in part negated by an offsetting tax which the respondent did not report.

DOC Position: The Department agrees that the export credit premium is not a rebate of taxes which are added to or included in the price of the merchandise when sold in the home market. Therefore, it would not be appropriate to add the export credit premium to United States price.

Respondent's Comments

Comment 1: Braswey contends that adjustments made to U.S. Customs brokerage and marine insurance costs at the time of verification should be incorporated in the Department's final calculations.

DOC Position: The Department agrees and has incorporated all verified costs in its final calculations, as outlined in the "U.S. Price" and "Foreign Market Value" sections of this notice.

Comment 2: Braswey contends that the Department should compare sales of comparable quantities or, alternatively, expand the period of investigation to capture more home market sales in large quantities.

DOC Position: The Department agrees and has compared only sales in the most comparable quantities by disregarding home market sales in quantities of two thousand kilograms or less.

Comment 3: Braswey contends that an adjustment should be made in the Department's final calculations to reflect the receipt of IPI export credit premiums.

DOC Position: The Department disagrees. See response to petitioner's comment 14.

Comment 4: Sanbra contends that the Department made computational errors in computing the next cruzeiro per pounds price of two home market sales in its preliminary calculations.

DOC Position: The Department agrees and has corrected these errors for the final calculations.

Comment 5: Sanbra contends that corrections to their submitted data made by Department personnel at the time of verification should be incorporated in the Department's final calculations.

DOC Position: The Department agrees and has used these verified data in its final calculations, as outlined in the "U.S. Price" and "Foreign Market Value" sections of this notice.

Comment 6: Sanbra contends that certain low volume sales should be excluded from the Department's calculations because they were not in the usual commercial quantities, nor at the nearest commercial level of trade comparable to U.S. sales.

DOC Position: The Department has compared sales of comparable

quantities in the two markets. See respondents' comment 2.

Comment 7: Sanbra contends that, because of the extent of inflation in the home market, the Department should convert home market prices to U.S. dollars as of the date of shipment of the home market merchandise rather than at the date of the U.S. sales.

DOC Position: The Department disagrees. In keeping with established practice and § 353.56 of its regulations the Department has converted home market prices to U.S. dollars as of the date of the U.S. sales to which they are being compared.

Cancellation of Suspension of Liquidation

We will advise the U.S. Customs Service to discontinue the suspension of liquidation of entries of 12-hydroxystearic acid ordered by our preliminary determination. All estimated duties collected shall be refunded, and any bonds or other securities posted will be released upon liquidation of those entries.

Final Results

The final results of our investigation are as follows:

| Company | Weighted average margin (percent) |
|---------|-----------------------------------|
| Brassey | 0.00 |
| Sanbra | 0.00 |

In accordance with section 735(d) of the Act, we will notify the ITC of our determination.

This determination is being published pursuant to the Act (19 U.S.C. 1673d(d)).

Theodore W. Wu,

Acting Assistant Secretary for Trade Administration.

December 13, 1985

[FR Doc. 85-30070 Filed 12-18-85; 8:45 am]

BILLING CODE 3510-09-M

The MCTL Implementation Technical Advisory Committee; Partially Closed Meeting

A meeting of the MCTL Implementation Technical Advisory Committee will be held January 7, 1986, 9:30 a.m., Herbert C. Hoover Building, Room 6802, 14th Street and Constitution Avenue, NW., Washington, DC. The Committee advises and assists the Office of Technology and Policy Analysis in the implementation of the Militarily Critical Technologies List (MCTL) into the Export Administration

Regulations and provide for continuing review to update the Regulations as needed.

Agenda:

1. Introduction of members and attendees.
2. Presentation of papers or comments by the public.
3. Approval of the minutes of the meeting on November 21.
4. Status of § 379.4—foreign persons employed in the U.S.
5. New proposed changes to § 379.4 dealing with multilaterally controlled technical data.
6. Review of the 1986 work plan for the TAC.
7. Discussion of the report to Congress as required by section 5(d)(7) of the Export Administration Act.

Executive Session:

8. Discussion of matters properly classified under Executive Order 12356, dealing with the U.S. and COCOM control program and strategic criteria related thereto.

The General Session of the meeting will be open to the public and a limited number of seats will be available. To the extent time permits, members of the public may present oral statements to the Committee. Written statements may be submitted at any time before or after the meeting.

The Assistant Secretary for Administration, with the concurrence of the delegate of the General Counsel, formally determined on February 18, 1985, pursuant to section 10(d) of the Federal Advisory Committee Act, as amended by section 5(c) of the Government In The Sunshine Act, Pub. L. 94-409, that the matters to be discussed in the Executive Session should be exempt from the provisions of the Federal Advisory Committee Act relating to open meetings and public participation therein, because the Executive Session will be concerned with matters listed in 5 U.S.C. 552b(c)(1) and are properly classified under Executive Order 12356.

A copy of the Notice of Determination to close meetings or portions thereof is available for public inspection and copying in the Central Reference and Records Inspection Facility, Room 6628, U.S. Department of Commerce, Telephone: (202) 377-4217. For further information or copies of the minutes contact Margaret A. Cornejo 202-377-2583.

Dated: December 16, 1985.

Margaret A. Cornejo,
*Acting Director, Technical Support Staff,
Office of Technology and Policy Analysis.*
[FR Doc. 85-30067 Filed 12-18-85; 8:45 am]

BILLING CODE 3510-07-M

(investigation No. 731-TA-237 (Final)) is terminated.

EFFECTIVE DATE: December 19, 1985.

FOR FURTHER INFORMATION CONTACT:
Lynn Featherstone (202-523-0242),
Office of Investigations, U.S.
International Trade Commission, 701 E
Street NW., Washington, DC 20436.
Hearing-impaired individuals are
advised that information on this matter
can be obtained by contacting the
Commission's TDD terminal on 202-724-
0002.

Authority: This investigation is being terminated under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 201.10 of the Commission's rules (19 CFR 201.10).

Issued: January 10, 1988.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 88-000 Filed 1-14-88; 8:45 am]

SELLING CODE 7020-02-M

(Investigation No. 731-TA-237 (Final))

**12-Hydroxystearic Acid (HSA) From
Brazil**

AGENCY: International Trade
Commission.

ACTION: Termination of investigation.

SUMMARY: On December 19, 1985, the U.S. Department of Commerce published notice in the Federal Register of a negative final determination of sales at less than fair value in connection with the subject investigation. Accordingly, pursuant to § 207.20(b) of the Commission's Rules of Practice and Procedure (19 CFR 207.20(b)), the antidumping investigation concerning 12-hydroxystearic acid from Brazil

APPENDIX B

CALENDAR OF WITNESSES APPEARING AT THE
COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Castor Oil Products from
Brazil

Inv. Nos. : 731-TA-236 and 237 (Final)

Date and time: December 18, 1985

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:

Pillsbury, Madison & Sutro--Counsel
Washington, D.C.
on behalf of

Union Camp Corporation

Robert S. Hawkins, Corporate Purchasing Manager,
Union Camp Corporation

Francis J. Sailer)
Frank J. Schuchat)--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF
ANTIDUMPING DUTIES:

Davis, Graham & Stubbs--Counsel
Washington, D.C.
on behalf of

Sociedade Algodoeira do Nordeste Brasileiro (SANBRA)

Barry E. Cohen)
Thomas G. Sheehan)--OF COUNSEL

Baker & McKenzie--Counsel
Washington, D.C.
on behalf of

Brasway Ind. e Com., S.A. ("Brasway")

Richard L. Sheffer, Executive Vice President,
Acme-Hardesty Co., Inc.

Thomas P. Ondeck)
Kevin O'Brien)--OF COUNSEL

APPENDIX C

UNION CAMP'S STATEMENT OF THE EFFECTS OF IMPORTS FROM
BRAZIL ON ITS GROWTH, INVESTMENT, AND
ABILITY TO RAISE CAPITAL

*

*

*

*

*

*

*

APPENDIX D

CASCHEM'S LETTER TO THE COMMISSION

CasChem

CasChem, Inc.
40 Avenue A
Bayonne, NJ 07002
(201) 858-7900

December 16, 1985

VIA FEDERAL EXPRESS

Mr. Gilbert B. Kaplan, Esq.
International Trade Commission
701 E. Street, N. W.
Room 160
Washington, DC 20436

RE: Certain Castor Oil Products from Brazil
Inv. Nos. 731-TA-236 and 237 (FINAL)

RECEIVED
85 DEC 17 P12: 59
OFFICE OF THE ATTORNEY GENERAL
DOCUMENTS SECTION

Dear Sirs:

Unfortunately, I will be unable to represent CasChem, Inc. at the final hearing to be held on December 18, 1985, regarding the above.

However, the Commission should be informed of CasChem's position regarding the effect of low priced castor oil derivatives being imported into the United States. At one time, The Baker Castor Oil Company, CasChem's predecessor, produced hydrogenated castor oil and hydroxystearic acid which it sold to the major oil companies in the U.S.A. for the manufacture of greases. With the advent of low priced imports and our inability to economically compete, we suffered material injury to our production capacity and operations and incurred lost sales and lost profits. Although we sought new processing techniques and labor savings, the continuing lowering of prices and loss of revenue caused us to move to other castor derivatives through costly research and development programs. We have now been displaced from supplying the grease manufacturers with our products and can only attribute this to the low cost Brazilian imports.


Although we do not currently supply the grease market, this does not mean that CasChem is not concerned with the dumping of castor derivatives in the U.S.A. CasChem continues to manufacture castor oil derivatives and desires to continue with other U.S. manufacturers to have a fair share of the domestic markets. We have experienced injury to our operations because of extremely low priced imports and do not wish to have this continue in the future.

/

International Trade Commission
Dec. 16, 1985
Page Two

Thank you for your attention and extended courtesy.

Yours truly,


F. C. Naughton
Vice President
Technology

FCN/ef

cc: Mr. Francis J. Sailer
Millsbury, Madison & Sutro
Suite 1100
1667 K Street, N. W.
Washington, DC 20006

1A7C74D-87-85

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

Postage And Fees Paid
U.S. International Trade Commission

Permit No. G-253



ADDRESS CHANGE

- Remove from List
 - Change as Shown
- Please detach address label and mail to address shown above.