UREA FROM THE GERMAN DEMOCRATIC REPUBLIC, ROMANIA, AND THE UNION OF SOVIET SOCIALIST REPUBLICS

Determinations of the Commission in Investigations Nos. 731-TA-338 through 340 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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Note.--Information which would disclose the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 731-TA-338 through 340 (Final)

UREA FROM THE GERMAN DEMOCRATIC REPUBLIC, ROMANIA, AND THE UNION OF SOVIET SOCIALIST REPUBLICS

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ 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 materially injured by reason of imports from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics of solid urea, provided for in item 480.30 of the Tariff Schedules of the United States, that 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 these investigations effective January 2, 1987, following preliminary determinations by the Department of Commerce that imports of urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics 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 investigations 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 January 23, 1987 (52 F.R. 2623). On February 20, 1987,

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1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).
2/ Vice Chairman Brunsdale and Commissioner Lodwick did not participate in these determinations.

Commerce published a notice in the Federal Register (52 F.R. 5322) postponing its final determinations. Accordingly, the Commission published a notice in the Federal Register of March 11, 1987 (52 F.R. 7497) revising its schedule for the conduct of the investigations. The hearing was held in Washington, DC, on May 28, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that an industry in the United States is materially injured by reason of imports of urea from the German Democratic Republic (GDR), Romania, and the Union of Soviet Socialist Republics (USSR), which the Department of Commerce has determined are being, or are likely to be, sold at less than fair value (LTFV).

These determinations are based on the diminished performance of the domestic industry, the significant and increasing market penetration of the subject imports, and the adverse effect of those imports on the price of the domestic product during the period under investigation.

Like product/domestic industry

As a prerequisite to its material injury analysis, the Commission must first define the relevant domestic industry against which to assess the impact of unfairly traded imports. The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 as "the 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 . . . ." 1/ In turn, "like product" is defined 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. . . ." 2/

The article which is subject to these investigations is solid urea, currently provided for under TSUS item 480.30. Urea is a high-nitrogen content fertilizer, which is produced by reacting ammonia with carbon

1/ 19 U.S.C. § 1677(4)(A)
2/ 19 U.S.C. § 1677(10).

dioxide. The general urea production process yields 70 to 87 percent urea in an aqueous solution, which may be purified and dried to solid urea or used directly to make urea-ammonium nitrate solutions.

Solid urea is produced and sold in the United States in two forms, prills and granules. The subject imports of urea are virtually all in prilled form. Prilled and granular urea are chemically identical, though there are some physical differences between them, e.g., unit size, crushing strength and abrasion resistance. Generally, the prilled product has a lower crushing strength and is smaller in size than the granular product. 3/ Both, however, are suitable for use alone or for blending with other solid fertilizers for field applications. Moreover, when used in aqueous solution, the prilled and granular forms of urea are fungible. 4/

In the preliminary investigations, we determined that there is one like product, consisting of solid urea as provided for in TSUS item 480.30 in any form, i.e., whether granular or prilled, and that the domestic industry consists of the producers of this like product. There were no arguments raised by parties nor is there anything in the record of these final investigations which would indicate that this definition should be changed. We therefore adopt our earlier determination.

Condition of the domestic industry

In examining the condition of the domestic industry, the Commission considers, among other factors, consumption, production, capacity, capacity

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3/ Report of the Commission (Report) at A-2.
4/ Id. at A-59.

utilization, sales, employment, and profitability of the domestic industry. 5/ No single factor is determinative of material injury and, in each investigation, the Commission must take into account the particular nature of the industry it is examining.

Apparent consumption of solid urea was 5.8 million tons in 1984 falling about eight percent to 5.3 million tons in 1984, and then rising about 26 percent from 1985 to 1986 to 6.7 million tons. 6/

Domestic production of solid urea fell from 5.0 million tons in 1984 to 4.5 million tons in 1985, and fell again to 3.9 million tons in 1986. 7/

We have considered domestic production in conjunction with apparent consumption. From 1984 to 1985, apparent consumption and domestic production declined moderately; however, there is a decided break in this trend from 1985 to 1986. Whereas apparent consumption rose about 26 percent, domestic production declined about 14 percent.

Capacity to produce solid urea (prills and granules) was 6.2 million tons in 1984; capacity utilization was 80.9 percent. In 1985, capacity remained unchanged, but capacity utilization fell to 72.3 percent. In 1986, capacity declined to 6.1 million tons, and capacity utilization declined further to 63.5 percent. 8/

U.S. producers' domestic shipments exclusive of intracompany transfers were 3.2 million tons in 1984, falling to 3.1 million tons in 1985, and

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5/ See 19 U.S.C. § 1677(7)(C)(iii).
6/ Report at A-45.
7/ Id. at A-21 and A-45. We also note that U.S. exports of urea also declined throughout the period of investigation, falling from 1.3 million tons in 1984, to 1.2 million tons in 1985, and then dropping sharply to .5 million tons in 1986. Id. at A-19, A-23, and A-45.
8/ Id. at A-21.

increasing to 3.3 million tons in 1986. 9/ However, the unit value per ton of U.S. producers' domestic shipments declined throughout the period going from $147 per ton in 1984, to $137 per ton in 1985, and to $103 per ton in 1986. 10/ U.S. producers' inventories increased by 28 percent from 593,000 tons in 1984 to 760,000 tons in 1985, and then declined by 18 percent to 624,000 tons in 1986. 11/

The number of employees producing urea increased from 924 employees in 1984 to 931 employees in 1985. However, the number of hours worked by these employees decreased by 2 percent. From 1985 to 1986, the number of employees producing urea declined about 8 percent to 855, and the number of hours they worked declined over nine percent. 12/

The Commission gathered financial data on urea operations from 14 domestic producers which represent about 91 percent of solid urea production. 13/ Aggregate net sales decreased from $686.6 million in 1984 to $585.4 million in 1985. In 1986, net sales decreased 24.0 percent from 1985 to $444.8 million. 14/ Operating income was $123.5 million in 1984, $68.1 million in 1985, and $6.3 million in 1986. 15/ Operating income, as a percent of sales, was 18.0 percent in 1984, 11.6 percent in 1985, and 1.4 percent in 1986. 16/ Five firms reported net losses in 1984, seven firms reported losses in 1985, and ten firms reported losses in 1986. 17/

9/ Id. at A-22.
10/ Id.
11/ Id. at A-23-24.
12/ Id. at A-26-27.
13/ Id. at A-27.
14/ Id. at A-29-32.
15/ Id.
16/ Id.
17/ Id. The Commission also collected data on interim periods ending December 31, 1985 and December 31, 1986. Although most of the interim data are confidential, the financial condition of the domestic industry deteriorated from interim 1985 through interim 1986. Id. at A-30, Table 10.

In light of the information gathered by the Commission, we determine that the domestic industry producing the like product is suffering material injury.

Cumulation

Under the Trade and Tariff Act of 1984, the Commission "shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market." 18/ Thus, the imports must: (1) compete with both the other imports and the domestic like product; (2) be marketed within a reasonably coincidental period; 19/ and (3) be subject to investigation. 20/ 21/

In these final investigations, as we did in the preliminary investigations, we cumulate imports from all three countries subject to investigation. First, we determine that domestic urea and imports from the

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18/ 19 U.S.C. § 1677(7)(C)(iv).

19/ See H.R. Rep. No. 1156, 98th Cong., 2nd Sess. 173 (1984) (this requirement is expressed in the Conference agreement on the House and Senate version of the bill).

20/ Among the factors which the Commission has considered to reach a determination on cumulation are:

> -The degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
> -The presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
> -The existence of common or similar channels of distribution for imports from different countries and the domestic like product;
> -Whether the imports are simultaneously present in the market.

The Commission has often noted that no single factor is determinative.

21/ H.R Rep. No. 725, 98th Cong., 2nd Sess. 37 (1984).

three countries subject to investigation compete with each other. In making this determination, we find that the domestic and foreign products are substantially fungible, 22/ and are directed to the same customers. 23/

Second, we determine that imports from the three countries were marketed within a reasonably coincident period. The record shows that domestic shipments and imports were simultaneously present in the market during the period under investigation. Further, the record indicates the presence of numerous sales of the imported urea from the GDR, Romania, and the USSR, indicating that the imports are being sold concurrently in the market place. 24/

Finally, imports from the three countries are subject to current antidumping investigations.

Material injury by reason of imports sold at LTFV from the GDR, Romania, and the USSR 25/

In determining whether the domestic industry is materially injured "by reason of" LTFV imports from GDR, Romania, and the USSR, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 26/

For the following reasons, we conclude that the domestic industry is being materially injured by reason of imports sold at LTFV from the GDR,

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22/ Report at A-47. We note that domestic and imported urea are frequently commingled in wholesalers' warehouses. Id.

23/ Id. at A-16-18.

24/ Report at A-52-69.

25/ Chairman Liebeler does not join this section of the opinion. For her additional views on causation, see Additional Views of Chairman Liebeler, infra.

26/ 19 U.S.C. § 1677(7)(B).

Romania, and the USSR.

The combined volume of imports of solid urea from the GDR, Romania, and the U.S.S.R. increased over the period of investigation. While during the period 1984 to 1985 aggregate imports from these three countries decreased from 720 thousand tons to 647 thousand tons, they increased sharply from 1985 to 1986 to 1.2 million tons. 27/ The cumulated market penetration of the imports under investigation was 12.4 percent in 1984, and declined slightly to 12.2 percent in 1985, and then increased to 17.8 percent in 1986. 28/

The decline in the condition of the domestic industry parallels the rise in imports, especially in 1985-86, when the condition of the domestic industry declined markedly in the face of sharply increasing LTFV import penetration. This, as well as other factors discussed, indicates that imports were a cause of the decline.

A salient feature of the decline of the condition of the domestic industry is the decline in profitability, again a decline which was particularly marked in 1985-1986. This is manifest from the fact that net sales in dollars declined much more than the cost of goods sold, resulting in a marked decline in gross profit and operating income. This in turn is traceable to the decline in prices, as reflected in the decline in unit values, again a decline which was most marked in 1985-86. During this latter period, monthly net f.o.b. prices of domestic prilled urea fell by 41-56 percent, depending on the mode of transportation. Prices of granular urea fell similarly. This price decline coincides with significant underselling by the LTFV imports. 29/ For example, during the period from January 1986 to

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27/ Report at A-39.
28/ Id. at A-45.
29/ Id. at A-60-62.

December 1986, the net delivered price of the imported prilled urea was frequently less than that of the domestic prilled product and often by substantial margins. 30/ There was at least some underselling in every geographic market and frequent underselling in the principal urea market, the Gulf, where most of the imports arrive and where transportation cost differentials do not account for such underselling. Since urea is a commodity for which the most important purchase factor is price, such underselling would also be expected to result in lost sales. There is evidence in these investigations that such lost sales have occurred. 31/ Virtually all of the imported product is prilled urea, while about half the domestic product consists of granular urea and the other half prilled urea. Granular urea is reported to command a somewhat higher delivered price than prilled urea. However, as the comparison between domestic and imported prilled urea shows, there are disparities which cannot be accounted for by the price of granular urea. As discussed, the price of granular urea fell by about as much as the price of prilled urea. As to quality differences between domestic and imported prilled urea, the information is mixed and does not account for all of the price difference between the domestic and imported urea. 32/

Respondents argue that declines in acreage planted and crop prices have decreased demand for and hence prices for urea. While it is true that demand for all nitrogenous fertilizer fell in 1986, consumption of urea rose as the price for urea fell. 33/ Rising urea consumption accompanied by falling

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30/ Id. at A-58-62.
31/ Id. at 62-68.
32/ Id. at A-63-71.
33/ The price of urea fell relative to prices of other major nitrogenous fertilizers, suggesting that some substitution from these other fertilizers to urea probably occurred in 1986.

urea prices indicates that the supply of urea increased. Based on questionnaire data, a significant portion of this increase would have to be attributed to the subject imports. The frequent and substantial underselling by LTFV imports, taken with the correspondence of the marked increase in imports in 1985-86 and pronounced decline in the condition of the domestic industry during that period, indicate that the LTFV imports are a cause of the material injury we have found to exist.

ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Urea
from The German Democratic Republic, Romania
and the Union of Soviet Socialist Republics
Invs. No. 731-TA-338-340 (Final)

July 1, 1987

I determine that an industry in the United States is materially injured by reason of imports of urea from the German Democratic Republic (GDR), Romania, and the Union of Soviet Socialist Republics (USSR) which is allegedly being sold at less than fair value. 1/

I concur with the majority in their definitions of the like product and the domestic industry, and their discussions of the condition of the industry and cumulation. Because my views on causation differ from those of the majority, I offer these additional views.

1/ Since there is an established domestic industry producing urea, material retardation was not an issue in these investigations and will not be discussed further.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. Only if the Commission finds both injury and causation, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the import relief law. In general, the accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2/]

The statutory language on causation, "by reason of," lends itself to no easy interpretation, and has been the

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2/ C. Sands, Sutherland Statutory Construction § 45.02 (4th ed., 1985.).

subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation section of Title VII. Therefore, the legislative history becomes helpful in interpreting Title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, <u>ceteris paribus</u>, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [T]he ITC will consider information which indicates that harm is caused by factors other

than the less-than-fair-value imports.[3/]

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[4/]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the ITC."[5/] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

3/ Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

4/ Id.

5/ Id.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry. 6/

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price. 7/

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt

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6/ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

7/ Id.

to maximize profits.[8/] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[9/]

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell

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8/ *See*, *e.g.*, P. Samuelson & W. Nordhaus, *Economics* 42-45 (12th ed. 1985); W. Nicholson, *Intermediate Microeconomics and Its Application* 7 (3d ed. 1983).

9/ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry." 10/

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the legislative history discussed above. 11/

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low

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10/ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

11/ Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

elasticity of supply of other imports).[12/]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[13/] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

Causation analysis

Examining import penetration is important because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The market penetration of cumulated imports subject to investigation decreased slightly from 12.4 percent in 1984 to 12.2 percent in 1985, but rose to 17.8 percent in 1986.[14/]

12/ *Id*. at 16.

13/ 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

14/ Report at A-45. The penetration figures
(Footnote continued on next page)

Thus, imports represent a large and increasing market share. This factor is consistent with an affirmative determination.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[15/] and the more likely it is that the domestic producers will be adversely affected. In these investigations, the Department of Commerce has found dumping margins ranging from 44.89 percent to 90.71 percent.[16/] These margins are moderate to large and are consistent with an affirmative determination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the

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(Footnote continued from previous page) presented here are measured on a quantity basis. I note that the trend in import penetration is the same when measured on a value basis.

15/ See text accompanying note 8, supra.

16/ The weighted-average margins are 44.89 percent for the GDR, 90.71 percent for the Romania and 53.23 to 66.26 percent for the USSR. Report at B-13, B-17 and B-25.

effect of any allegedly unfair practice on domestic producers. Evidence presented in the staff report indicates that purchasers find the quality of the domestic and imported products to be similar.[17/] Although there are certain quality variations, such as the uniformity of particle size and the proportion of fines contained in the urea and consequent tendency of the product to cake and form lumps, for most uses the domestic and imported product are very substitutable, and when used in aqueous solution, the imported and domestic products are fungible.[18/] I find that the domestic and imported products products are substitutable. This factor is consistent with an affirmative determination.

As to the fourth factor, evidence of declining domestic prices, _ceteris paribus_, might indicate that domestic producers were lowering their prices to maintain market share. Prices for the domestic product have declined during the period of investigation. Indexes of the weekly weighted average net f.o.b. prices of the domestic prilled and granular urea sold from U.S. plants

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17/ Report at A-59.

18/ Report at A-59.

generally fell during January 1985 to December 1986, with declines of 41 to 56 percent depending on the mode of transportation used.[19/] This factor is consistent with an affirmative determination.

The fifth factor is foreign supply elasticity (barriers to entry). If there is low foreign elasticity of supply (or barriers to entry) it is more likely that a producer can gain market power. Urea from countries not subject to investigation accounted for 65 percent of U.S. imports in 1984, 67 percent in 1985 and 64 percent in 1986.[20/] Such imports accounted for 31 percent of apparent U.S. consumption in 1986.[21/] I conclude that barriers to entry are low. Therefore, this factor is not consistent with an affirmative determination.

These factors must be considered in each case to reach a sound determination. Barriers to entry are low. However, domestic prices declined over the period of investigation, market share is large and has been increasing. Moreover, the domestic and imported products

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19/ Report at A-57 and Tables 20 and F-1.

20/ Report at A-40 Table 17.

21/ Report at A-45 Table 19 and A-40 Table 17.

are substitutable and the dumping margins are high. These factors favor an affirmative determination. The large import supply elasticity does not outweigh the declining domestic prices and increasing market share.

Conclusion

Therefore, I determine that an industry in the United States is materially injured by reason of imports of certain urea from The GDR, Romania and the USSR which Commerce has determined are being sold at less than fair value.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 16, 1986, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of the Ad Hoc Committee of Domestic Nitrogen Producers. 1/ The petition alleges that an industry in the United States is materially injured and is threatened with material injury by reason of imports from the German Democratic Republic (East Germany), Romania, and the Union of Soviet Socialist Republics (U.S.S.R.) of solid urea, provided for in item 480.30 of the Tariff Schedules of the United States (TSUS), which are being sold in the United States at less than fair value (LTFV).

Accordingly, effective July 16, 1986, the Commission instituted preliminary antidumping investigations Nos. 731-TA-338 (Preliminary) (East Germany), 731-TA-339 (Preliminary) (Romania), and 731-TA-340 (Preliminary) (U.S.S.R.) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

On the basis of information developed during the course of those investigations, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of urea from East Germany, Romania, and the U.S.S.R. (51 F.R. 32259, Sept. 10, 1986).

On January 2, 1987, Commerce notified the Commission of its preliminary determinations that urea from East Germany, Romania, and the U.S.S.R. is being, or is likely to be, sold in the United States at LTFV, as provided for in section 733 of the Tariff Act of 1930. Commerce preliminarily determined that critical circumstances do not exist with respect to imports of urea from the countries subject to the investigations. Further, Commerce scheduled its final determinations for March 9, 1987 (52 F.R. 121, Jan. 2, 1987). As a result of Commerce's affirmative preliminary determinations, the Commission instituted final antidumping investigations Nos. 731-TA-338 through 340 (Final).

1/ The Ad Hoc Committee of Domestic Nitrogen Producers is composed of the following firms: Agrico Chemical Co., Tulsa, OK; American Cyanamid Co., Wayne, NJ; CF Industries, Long Grove, IL; First Mississippi Corp., Jackson, MS; Mississippi Chemical Corp., Yazoo City, MS; Terra International, Inc., Sioux City, IA; and W.R. Grace & Co., New York, NY. In a letter dated Sept. 5, 1986, the Commission was informed that Farmland Industries, Inc., Kansas City, MO, is no longer a member of the Ad Hoc Committee of Domestic Nitrogen Producers.

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 January 23, 1987 (52 F.R. 2623). 1/

On February 20, 1987, Commerce published a notice in the Federal Register (52 F.R. 5322) postponing its final determinations until May 18, 1987. Accordingly, the Commission published a notice in the Federal Register of March 11, 1987 (52 F.R. 7497) revising its schedule for the conduct of the investigations. The Commission's hearing was held in Washington, DC, on May 28, 1987. 2/

Effective May 26, 1987, Commerce issued its final determinations that urea from East Germany, Romania, and the U.S.S.R. is being, or is likely to be, sold in the United States at LTFV (52 F.R. 19549).

The Product

Description

Pure urea, at usual ambient temperatures, is a white, solid chemical compound with the chemical formula $CO(NH_2)_2$, a molecular weight of 60.06, and a nitrogen content of 46.6 percent. 3/ Urea melts into a liquid at 132.7° Celsius; however, molten urea is not an article of commerce but occurs during the urea production process described in a following section of this report.

Most commercial urea is marketed in the form of small spherical pellets called prills or as larger pellets called granules, and a very small amount of urea is sold in aqueous solution to be used in animal feed. Prills have lower crushing strength and abrasion resistance than granules and, consequently, prilled urea has a higher percentage of small particles (broken prills and urea dust), called "fines," than granular urea. Excessive fines can increase caking (caused by water absorption) during storage. Urea is soluble in water, and the amount of urea that can be dissolved in water increases with increasing temperature.

1/ Copies of the Commission's and Commerce's notices are shown in app. A.
2/ A list of witnesses appearing at the Commission's hearing in support of and in opposition to the petition is shown in app. B.
3/ United Nations, "Development and Transfer of Technology Series No. 13," Fertilizer Manual, 1980, pp. 109-121.

A hardener and anticaking additive (usually about 0.2 to 0.5 percent by weight) is added to molten urea during the prilling or granulation process to reduce caking during storage and shipment, 1/ and urea is transported in standard bulk handling vessels such as ships, barges, railcars, and trucks. Urea is a stable, nontoxic solid and can be stored in simple warehouses or storage buildings. However, urea is hygroscopic (absorbs moisture from the air) and requires protection from water during storage and shipment. Urea prills and granules have a tendency to stick together and form lumps or cakes in humid climates; therefore, some distributors pass the urea through conditioning equipment prior to shipment to break up any caked material and provide the customer with a "free flowing" product.

Modern urea plants produce one grade of urea, which is suitable for all end uses. There are, however, some differences in finished urea depending on end use. Granular urea has an advantage over prilled urea for use in the production of dry mixed-chemical fertilizers, because the granule size closely matches the particle size of granular phosphatic fertilizers and coarse-grade potassium chloride (potash) with which urea is often mixed. Uniform particle size is important in dry mixed fertilizers to minimize separation or segregation of the components during transportation and application. Granular urea may also be preferred to prilled urea because it is less susceptible to crushing, resulting in fewer fines and less caking.

Some producers sell urea for the animal feed market with a smaller prill size than that used for fertilizer; however, the animal feed market is small compared with the fertilizer market, and frequently the same size prill is used in both markets.

Biuret ($NH_2CONHCONH_2$), a minor impurity in most urea, is formed during the product's synthesis. Biuret formation can be limited by minimizing the retention time of the hot urea solution or melt during the evaporation and prilling or granulation steps. For most fertilizer uses, biuret content of up to 2 percent is of no consequence. However, biuret is toxic to citrus plants and some other crops when applied as a foliar spray; consequently, purchasers of urea usually specify acceptable biuret content. 2/

Production process

The first synthesis of urea occurred in 1828, when Wohler prepared urea from ammonia and cyanuric acid as shown in the following equation:

$$NH_3 + HCNO = CO(NH_2)_2$$

Wohler's synthesis became a milestone in science, as urea became the first organic compound to be synthesized from inorganic materials.

1/ United Nations, "Development and Transfer of Technology Series No. 13," Fertilizer Manual, 1980, p. 301.
2/ Ibid, p. 110.

The currently used method of urea synthesis has been understood in principle since 1868, yet commercial production started much later. Germany, in 1922, was the first country to institute commercial urea production; the United States followed in 1932, and England in 1935.

In modern plants throughout the world, urea is produced from ammonia (NH_3) and carbon dioxide (CO_2) at high temperature and pressure. Both ammonia and carbon dioxide are obtained from the ammonia-production process, as carbon dioxide is a byproduct of ammonia synthesis. These two feed components are delivered to a high-pressure reactor, where, simultaneously, ammonium carbamate is formed (reaction (1)) and about one-half of the carbamate is converted to urea and water (reaction (2)).

(1)	$2NH_3$ ammonia	+	CO_2 carbon dioxide	=	$NH_2CO_2NH_4$ ammonium carbamate	
(2)	$NH_2CO_2NH_4$ ammonium carbamate	=	$CO(NH_2)_2$ urea	+	H_2O water	

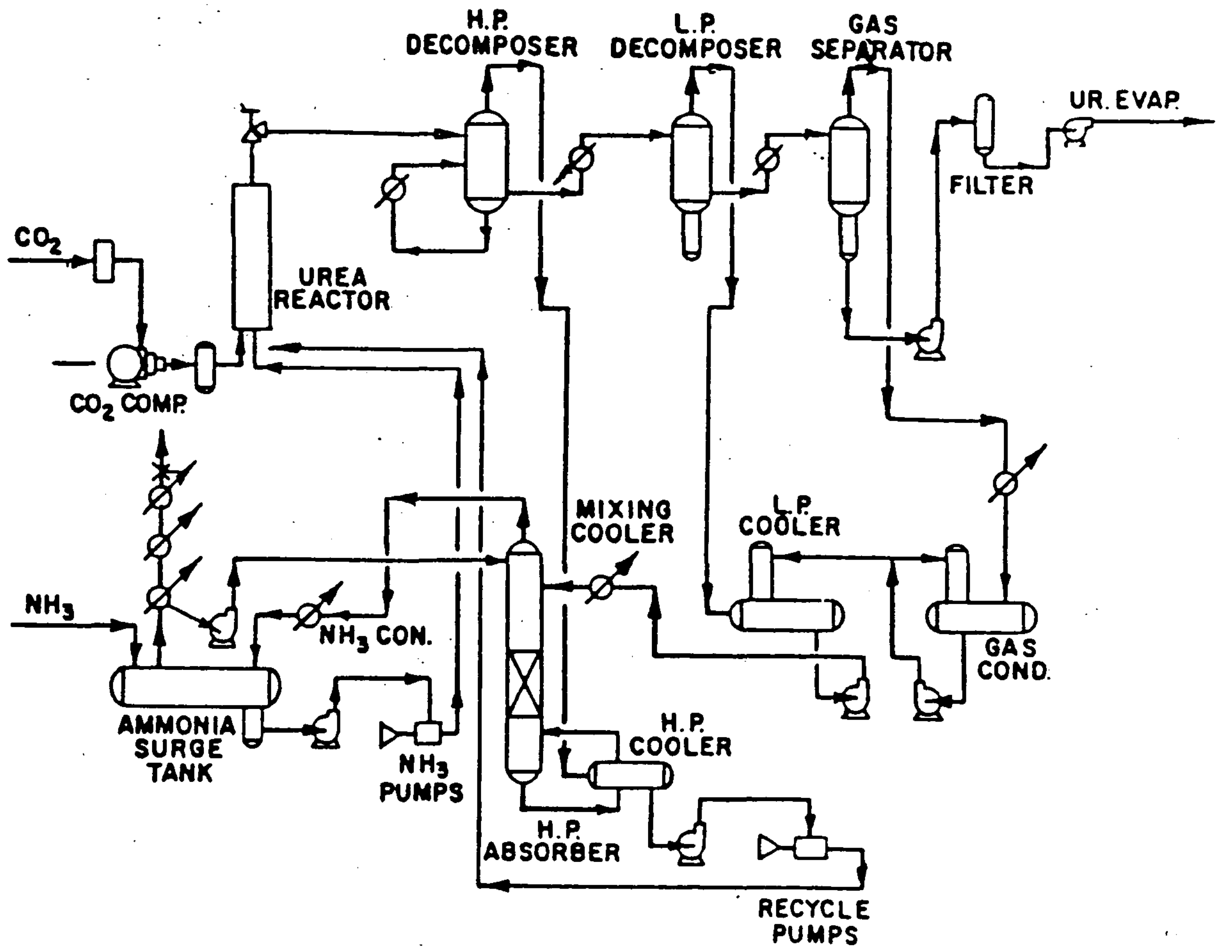
The unconverted carbamate is then decomposed to ammonia and carbon dioxide by high-pressure stripping, and recycled to the reactor along with fresh ammonia and carbon dioxide. This general urea-production process yields 70- to 87-percent urea in an aqueous solution. The urea reactor solution is purified by removal of excess ammonia and carbon dioxide, which makes it then suitable for direct use in the production of certain nitrogen solutions, which are aqueous mixtures of urea and ammonium nitrate (UAN). However, most of the purified urea reactor solution is concentrated to urea melt by further water evaporation and heating. The molten urea is solidified and finished in essentially pure form as either prills or granules.

The prilling process involves spraying molten urea droplets from the top of a high cylindrical tower downward through a countercurrent airstream. As the droplets fall and cool they form into spherical or tear-shape particles called prills.

In the granulation process, molten urea is sprayed onto a cascading bed of urea granules and recycled fines in a rotating cylindrical granulation drum. Molten urea solidifies as a coating on the granules and fines, building them up layer by layer to give a hard urea granule. Prilled or granular urea is screened and the "overs" and "unders" are recycled into the urea production process.

The general urea production process may incorporate process variations, modifications, or improvements that affect yield, energy utilization, and environmental concerns. Urea-production technology is available throughout the world from firms that will provide various levels of engineering, planning, construction, and training support, which may include site selection and all phases of plant construction to the delivery of an operating urea plant. Also, such firms will provide improved process technology for existing plants. A flowchart of a urea production plant is shown in figure 1.

Figure 1.--Flow chart of the urea production process



Source: Agrico Chemical Co.

Uses

According to Commerce data, approximately 94 percent of the urea produced in the United States is used as fertilizer; the rest is used in making plastics and adhesives, as a protein supplement in animal feeds, and for several other miscellaneous applications (table 1). As shown in table 1, 60.3 percent of the urea produced in 1986 was in the form of solid (prills and granules) urea fertilizer and 33.8 percent was used captively to produce fertilizer nitrogen solutions that are, for the most part, UAN solutions. The remaining 5.9 percent was produced as solid or in aqueous solution for the miscellaneous end uses noted above. Figure 2 shows 1986 monthly production statistics for urea by end use. The monthly data do not indicate significant shifts in product mix during the year. Maximum production occurs during the spring and fall, when farmers apply urea prior to planting the next crop.

When applied to the soil as fertilizer, urea undergoes two transformations before it can be utilized by most crops. The first transformation is hydrolysis in the soil back to ammonia and carbon dioxide as follows:

$$CO(NH_2)_2 + H_2O = 2NH_3 + CO_2$$

Table 1.--Urea: Percentage distribution of U.S. production, by end uses, 1986

End use	Percent
Fertilizer:	
Solutions	33.8
Solid	60.3
Other:	
Feed 1/	1.7
All other 2/	4.2
Total	100.0

1/ Principally cattle feed.
2/ Principally adhesives and plastics.

Source: Compiled from Current Industrial Reports, Inorganic Fertilizer Materials and Related Products, Report M28B, U.S. Department of Commerce, Bureau of the Census (January 1986-December 1986).

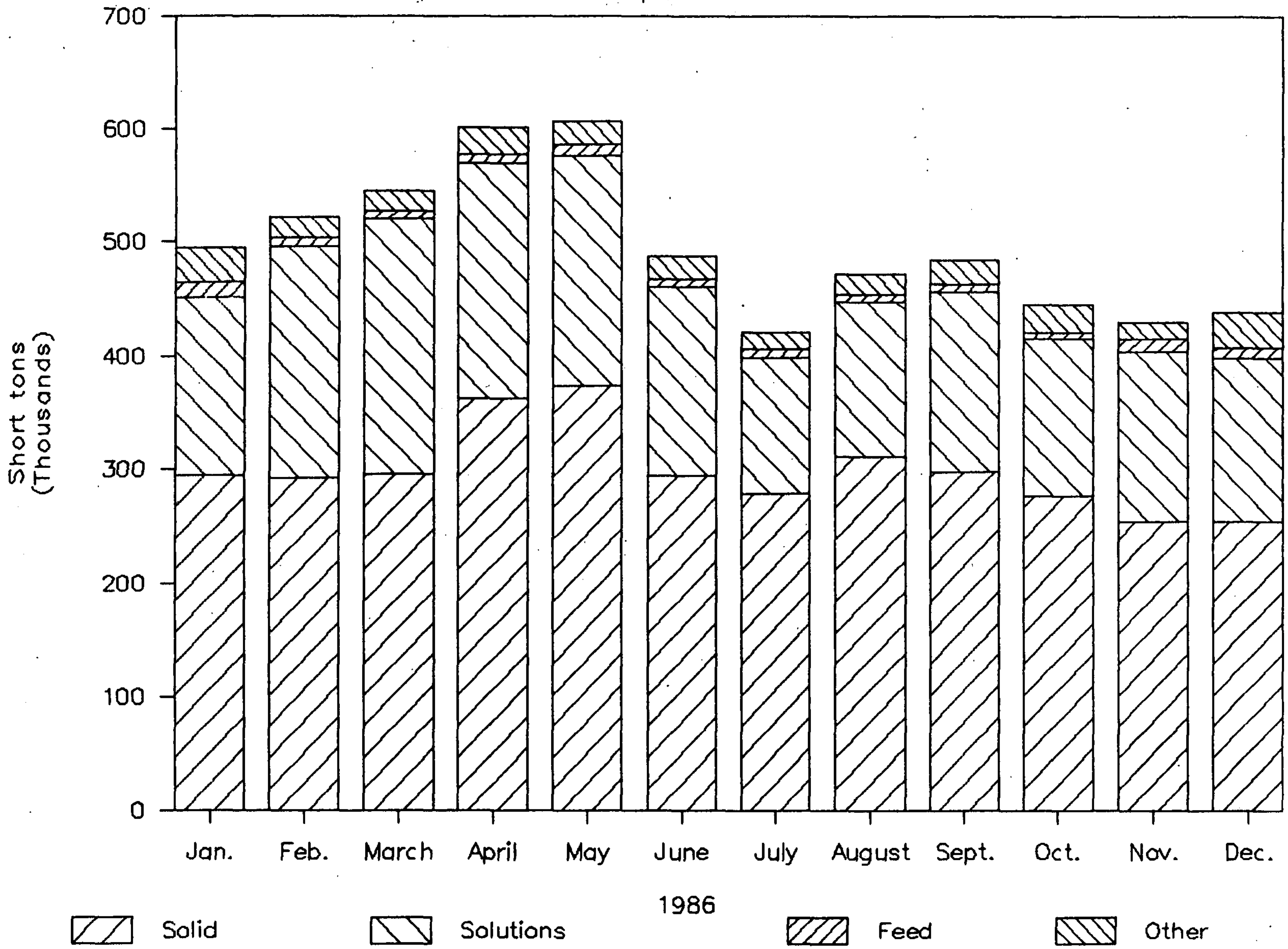
When applied to the soil as fertilizer, urea undergoes two transformations before it can be utilized by most crops. The first transformation is hydrolysis in the soil back to ammonia and carbon dioxide as follows:

$$CO(NH_2)_2 + H_2O = 2NH_3 + CO_2$$

The second transformation is nitrification of the ammonia (NH_3) by microbiological reactions to nitrites and then nitrates that can be used by crops for plant growth. These transformations proceed rapidly in warm, moist soils, but are quite slow in cool soils such as those in northern Europe.

Figure 2.--Urea production, 1986

Source: U.S. Department of Commerce



In the United States, the general conclusion of agronomists is that urea is as good as any other nitrogen fertilizer if properly used. 1/

U.S. tariff treatment

Imports of urea are classified in TSUS item 480.30, irrespective of whether the urea is in solid form or is alone in an aqueous solution. 2/ Imports under TSUS item 480.30 have been free of duty since 1930, regardless of country of origin.

Nitrogen fertilizers

Some understanding of nitrogen fertilizer usage, in general, and of the characteristics of the principal nitrogen fertilizers is useful in considering the urea industry and historical data for that industry.

Of the three primary crop nutrients (nitrogen, phosphorus, and potassium) nitrogen is the leading plant nutrient applied by farmers in the United States. Historical data on nitrogen-fertilizer usage are readily available and some of these data are presented and discussed in the following pages. 3/ 4/

Total nitrogen-fertilizer usage increased from 4.6 million tons in crop-year 1965 (July 1964-June 1965) to a record 11.9 million tons in crop-year 1981, dropped to 9.1 million tons in crop-year 1983, reportedly because of large reductions in crops planted under the Payment-In-Kind (PIK) program, and then recovered to 11.5 million tons in crop-year 1985 before dropping to 10.4 million tons in crop-year 1986 (figure 3).

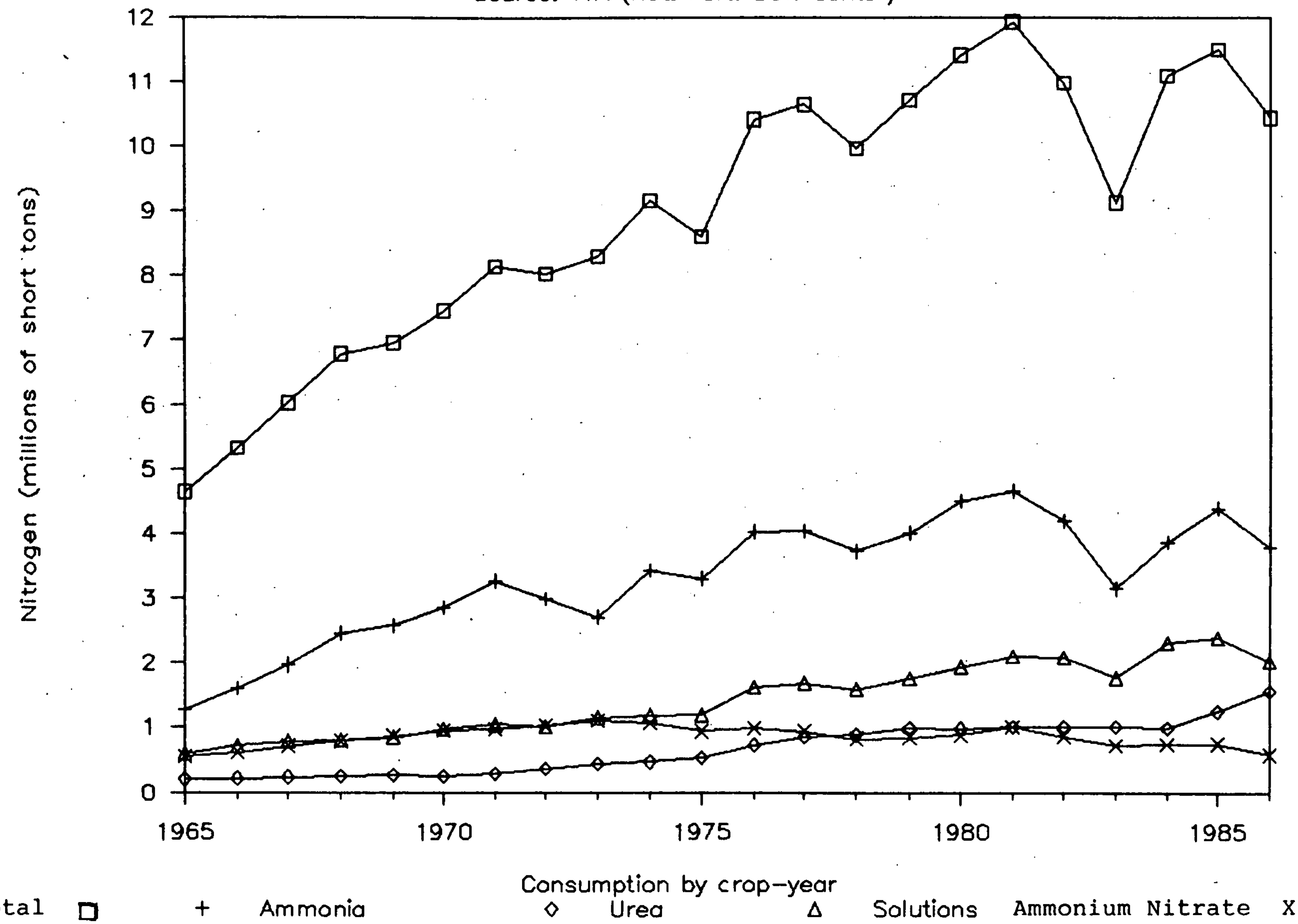
Anhydrous ammonia

Anhydrous ammonia is used as a direct application fertilizer and is the base chemical used to produce almost all other nitrogen fertilizers. The use of anhydrous ammonia as a direct application fertilizer (figure 3) followed the same general trend as total nitrogen-fertilizer usage. Direct application ammonia has accounted for 36 to 39 percent of total nitrogen usage during each of the past ten crop-years.

1/ United Nations, "Development and Transfer of Technology Series No. 13," Fertilizer Manual, 1980, p. 109.
2/ TSUS schedule 4, headnote 2(b) states that the term "compounds," as used in that schedule, includes a solution of a single compound in water. Urea is a compound as defined in TSUS schedule 4 headnote 2(a).
3/ Fertilizer Trends, National Fertilizer Development Center, Muscle Shoals, Alabama, October 1986.
4/ Commercial Fertilizers, National Fertilizer Development Center, Muscle Shoals, Alabama, December 1986.

Figure 3.--U.S. nitrogen consumption

Source: TVA (Nat. Fert. Dev. Center)



Pure ammonia contains 82.2 percent nitrogen and has the highest nitrogen content of all the nitrogen fertilizers. Per unit of nitrogen, ammonia is the lowest cost nitrogen fertilizer. However, its physical characteristics preclude its use by many end users. For example, ammonia at usual temperature and atmospheric pressure is a toxic gas. Storage and distribution of ammonia are expensive because ammonia must either be cooled to a liquid by refrigeration or stored and transported in high-pressure containers.

Ammonia is also expensive to apply at the farm level because special plows are required that inject the ammonia, as a gas, under the soil. Furthermore, soil conditions must be such that the soil will retain the ammonia until it is nitrified by soil microorganisms.

Urea

Urea, the subject of the instant investigations, was discussed in a previous section of this report and, as noted, urea has the highest nitrogen content (46.6 percent) of the solid nitrogen fertilizers. As shown in figure 3, urea usage as a direct-application fertilizer increased from about 6 percent of total nitrogen usage in crop-year 1975 to about 15 percent of total nitrogen usage in crop-year 1986.

Along with its high nitrogen content and safety, urea has a transportation advantage over some other nitrogen fertilizers in that it can be shipped in the same vessels used to transport bulk cargos such as grain. It is generally true that favorable transportation costs are realized by those firms that ship a commodity (corn for example) to a destination and then back haul another product, such as urea, from that location.

Nitrogen solutions

Nitrogen solutions are aqueous mixtures, usually of urea and ammonium nitrate. The nitrogen content of the solutions usually ranges from 28 to 32 percent, but is very sensitive to temperature. At low temperatures, less urea and ammonium nitrate can be dissolved in water and, consequently, the nitrogen content of the solution decreases. A 30-percent-nitrogen UAN solution can be produced with a mixture of 42.2 percent, by weight, ammonium nitrate and 32.7 percent urea dissolved in 25.1 percent water. As shown in figure 3, nitrogen-solution usage increased from about 14 percent of total nitrogen usage in crop-year 1975 to about 21 percent in crop-year 1985 before declining to 19 percent in crop-year 1986.

Some of the advantages of UAN solutions are that they are easy to handle, simply by pumping, and can be more uniformly applied to the soil than solid fertilizers. Some nitrogen solutions contain ammonia dissolved in water; however, such solutions have a higher vapor pressure than UAN solutions and are more difficult to handle and store than UAN solutions.

Nitrogen solutions can be metered into irrigation water thereby providing nitrogen to growing crops. Transportation and storage are less costly than for ammonia, and the production of nitrogen solutions directly from reactor solutions from urea and ammonium nitrate plants eliminates the costs associated with prilling or granulating urea or ammonium nitrate. The principal disadvantage of UAN solutions is that their lower nitrogen content increases shipping costs per unit of nitrogen. Another disadvantage is that different equipment is required for application of nitrogen solutions than that used to apply dry fertilizers; however, such equipment usually does not require a large capital investment.

<u>Ammonium nitrate</u>

Ammonium nitrate, when pure, contains 35.0 percent nitrogen and is marketed as prills and granules that look very much like those of urea. Disadvantages of ammonium nitrate are that it is very hygroscopic and it can present fire or explosion hazards. In fact, much of the ammonium nitrate produced in the United States is used in explosives and blasting agents. The principal advantage of ammonium nitrate is that part of its nitrogen content is in the form of nitrate which can be immediately utilized by crops. Thus, faster crop response is observed in cool soils when nitrogen is applied as nitrate (NO_3^-) than when nitrogen is applied as ammonia (NH_3) or the ammonium ion (NH_4^+).

The use of direct application ammonium nitrate has declined in the United States from about 11 percent of total nitrogen fertilizer usage in crop-year 1975 to about 6 percent of total nitrogen usage in crop-year 1986.

<u>Other nitrogen fertilizers</u>

There are several other commercial nitrogen fertilizers that are used under certain conditions. The markets for these fertilizers are small compared with the total market for nitrogen fertilizers. Sodium nitrate, for example, is popular among tobacco farmers; ammonium sulfate is effective on alkaline or sulfur-deficient soils; and so forth. Collectively, these other nitrogen fertilizers accounted for about 3 percent of total direct-application nitrogen usage in crop-year 1986, compared with about 7 percent of total nitrogen usage in crop-year 1975.

Mixed-nutrient fertilizers (i.e., those that contain two or more of the primary plant nutrients, nitrogen, phosphorus, and potassium) accounted for about 21 percent of total nitrogen usage in crop-year 1986, compared with about 24 percent of total nitrogen usage in crop-year 1975. Single-nutrient fertilizers such as ammonia, urea, and ammonium nitrate are used to produce the multinutrient fertilizers. Data published by the National Fertilizer Development Center (NFDC) for total nitrogen usage include the sum of all the nitrogen contained in the single-nutrient direct-application nitrogen fertilizers and the average nitrogen content of mixed-nutrient fertilizers and, by this method, does not double-count the nitrogen.

Factors influencing choice of nitrogen fertilizers

A good discussion of this subject can be found in published works, 1/ and some points from the referenced publication are quoted here because of their relevance to the instant investigations.

> "The usual objective in choosing which nitrogen fertilizer or fertilizers to use is to obtain the greatest increase in crop value per dollar spent. Unfortunately, there is no simple path to this objective and it is seldom possible to demonstrate a clear-cut general superiority of one nitrogen fertilizer over another. Differences in crop response ratios are often not statistically significant; results are often variable from year to year, from one crop to another, and from one soil to another. In particular, relative efficiency is often influenced by method, timing, or placement, leading to the conclusion that superiority or inferiority of nitrogen fertilizers is seldom an intrinsic property of the material itself but more closely related to how it is used."

Thus, changes in farm conditions and programs may have demonstrable effects on total usage of nitrogen fertilizers, but the same general relationships may not apply to urea. For example, total nitrogen usage dropped in crop-year 1986 but urea usage increased in that crop-year (figure 3). 2/

Nature and Extent of Sales at LTFV

Effective May 26, 1987, Commerce determined that urea from East Germany, Romania, and the U.S.S.R. is being, or is likely to be sold in the United States at LTFV (52 F.R. 19549). The weighted-average dumping margins are as follows (in percent):

Country	LTFV margin
East Germany	44.80
Romania	90.71
U.S.S.R.:	
Sojuzpromexport	68.26
Philipp Brothers	53.23
All other	64.93

To determine whether sales in the United States of urea from East Germany were at LTFV, Commerce compared the U.S. price with the foreign market value for all sales of urea for the period January 1, 1986, through June 30, 1986. Chemie Export-Import (Chemie) accounted for all of the exports of urea from

1/ United Nations, "Development and Transfer of Technology Series No. 13," Fertilizer Manual, 1980, pp. 136-138.
2/ As shown in app. C., there is a correlation between acreage planted in 4 major crops and total nitrogen usage, but virtually no correlation with urea usage.

East Germany, and Commerce used the purchase price of urea to represent the U.S. price for the sales by Chemie because the urea was sold to unrelated purchasers prior to its importation into the United States.

Commerce concluded that East Germany is a state-controlled-economy country (SCEC) because the central Government of East Germany controls the prices and levels of production of the fertilizer industry and the internal pricing of the feedstocks used for production. Commerce is required to use prices or the constructed value of urea in a "non-state-controlled-economy" country (NSCEC) to determine LTFV margins for imports from a SCEC. Commerce regulations establish a preference for foreign market value based upon sales prices in a country at a similar stage of economic development compared with the country subject to the investigation.

Commerce selected West Germany as the most appropriate surrogate for East Germany. In addition, Commerce selected Belgium, the Netherlands, France, and Italy as alternate surrogates. However, Commerce was unable to obtain costs or prices from producers in any of the surrogate countries. Therefore, Commerce calculated constructed value on the basis of factors of production reported by Chemie or, where the response was not sufficient, or not adequately verified, Commerce used information provided by petitioner or otherwise available from public sources.

Similarly, Commerce limited its investigation of Romanian urea to that sold by I.C.E. Chimica (Chimica) because that state trading agency accounted for all exports of urea from Romania. Commerce investigated all sales of urea for the period July 1, 1985, through December 30, 1985, because there were no sales during the first half of 1986. Commerce used the purchase price of the urea to represent the U.S. price for sales by Chimica because the urea was sold to unrelated purchasers prior to its importation into the United States. Commerce calculated the purchase price based on the f.o.b. price to unrelated purchasers. Commerce made deductions for inland freight, port handling, and loading charges. The verified distance from the Romanian plants to the port of exportation was almost three times greater than that reported.

Commerce determined that Romania is a SCEC and selected the United Kingdom United Kingdom as a suitable NSCEC surrogate. Commerce sent a questionnaire to, and received an incomplete response from, a major producer of urea in the United Kingdom, Imperial Chemical Industries PLC (ICI). Commerce attempted to obtain additional information from ICI but was unsuccessful. Lacking this information, Commerce found it inappropriate to use ICI data in its determination. Therefore, Commerce calculated constructed value on the basis of natural gas and labor inputs reported by the Romanian producers which were verified, and Commerce used best available information from public sources and from the petition for other factors of production.

Commerce also determined that the U.S.S.R. is a SCEC. Commerce limited its investigation to the state-controlled agency Sojuzpromexport (SPE) and Philipp Brothers, Inc., and Philipp Brothers, Ltd. (Philbro), which together accounted for all exports of urea to the United States. Commerce investigated all sales of urea for the period January 1, 1986, through June 30, 1986. For sales to Philbro, Commerce used the exporter's sales price as the basis of United States price because SPE did not know the destination of the merchandise at the time of sale and Philbro resold the merchandise to unrelated U.S. purchasers after importation. Commerce selected the United Kingdom as a surrogate country but, as previously noted, was unable to obtain complete data from the large United Kingdom producer ICI. Therefore, Commerce calculated the constructed value based on the factors of production of the Soviet producers. At verification, certain factors could not be sufficiently quantified or valued. For these factors, Commerce used information provided by the petitioner or otherwise available to Commerce.

The U.S. Market

U.S. producers

On the basis of information supplied in response to the Commission's questionnaires and data published by the NFDC, it was determined that 24 firms produced urea in 35 U.S. plants in 1986 (table 2). Questionnaire responses were received from all these firms. In addition, * * * provided a partial response for its plant in * * *, which was closed in 1985. * * *. * * *.

The U.S. producers ranged from small chemical or fertilizer companies to large integrated multinational oil and chemical corporations, with some of the largest urea producers being farmers' cooperatives. The names and domestic production capacities and locations of the U.S. urea producers are presented in table 2, along with the firms' positions in these investigations. Appendix D contains a NFDC list of U.S. urea producers, locations, and plant capacities during 1984-86 and projections to 1989. Producers responding to the Commission's questionnaires reported urea capacity in 1986 that was 9.9 percent greater than that reported by the NFDC.

Restructuring in the urea industry that began in 1985 was continuing in 1987. * * * urea plant was closed in * * *, reportedly because imported urea was selling below * * * cost of production. * * *. * * *. * * * closed its urea plant in ***. According to a representative of that firm, prices of urea dropped below their costs of production and they were having to sell urea at a loss; therefore, the firm decided to quit the urea business. * * *. * * *. * * *.

In the Commission's questionnaire, producers were asked to indicate if they support the petition, oppose the petition, or do not wish to take a position in these investigations. Twenty firms, accounting for 72.2 percent of total U.S. urea capacity, indicated that they support the petition. The three other firms, accounting for 27.8 percent of total urea capacity, that responded to the questionnaires indicated that they do not wish to take a position in these investigations. No U.S. urea producer indicated opposition to the petition. The seven members of the Ad Hoc Committee of Domestic Nitrogen Producers accounted for 46.7 percent of total urea capacity in 1986.

Urea plants are located in close proximity to ammonia feedstock plants, and most ammonia plants are located in those States that have supplies of natural gas, which is used to make ammonia. In 1986, for example, 33.4 percent of the urea-production capacity was located in Louisiana, 12.8 percent in Oklahoma, and *** percent in Alaska. The five largest U.S. urea producers accounted for about 54 percent of U.S. productive capacity in 1986.

Table 2.--Urea: U.S. producers, locations of production facilities, positions in these investigations, and annual production capacities, 1986

Producer	Location	Position	Capacity Urea	Share
			Short tons 1,000	Percent
Agrico Chemical Co.......	Blytheville, AR	Supports	***	***
	Donaldsonville, LA		***	***
	Verdigris, OK		***	***
Air Products Corp.......	Pace Junction, FL	* * *	***	***
American Cyanamid.......	Fortier, LA	Supports	***	***
Arcadian Corp...........	Geismar, LA	* * *	***	***
	Bellevue, NE		***	***
Atlas Powder Co.........	Joplin, MO	* * *	***	***
Borden Chemical Co......	Geismar, LA	* * *	***	***
CF Industries, Inc......	Donaldsonville, LA	Supports	***	***
CPEX....................	Beatrice, NE	* * *	***	***
	Kennewick, WA		***	***
	St. Helens, OR		***	***
Columbia Nitrogen.......	Augusta, GA	* * *	***	***
Cominco American, Inc...	Borger, TX	* * *	***	***
Farmland Industries.....	Dodge City, KS	* * *	***	***
	Enid, OK		***	***
	Lawrence, KS		***	***
First Mississippi Corp..	Donaldsonville, LA	Supports	***	***
Goodpasture, Inc........	Dimmitt, TX	* * *	***	***
Hawkeye Chemical Co.....	Clinton, IA	* * *	***	***
J.R. Simplot............	Pocatello, ID	* * *	***	***
LaRoche Industries......	Cherokee, AL	* * *	***	***
Mississippi Chemical Corp.................	Yazoo City, MS	Supports	***	***
	Donaldsonville, LA		***	***
N-ReN Corp..............	East Dubuque, IL	* * *	***	***
	Pryor, OK		***	***
Olin Corp...............	Lake Charles, LA	* * *	***	***
Standard Oil Co.........	Lima, OH	* * *	***	***
Terra International, Inc..................	Port Neal, IA	Supports	***	***
	Woodward, OK		***	***
Unocal..................	Kenai, AK	* * *	***	***
	Brea, CA		***	***
W.R. Grace..............	Woodstock, TN	Supports	***	***
Wycon Chemical Co.......	Cheyenne, WY	* * *	***	***
Total...............			8,317	100.0

1/ * * *.
2/ Does not wish to take a position in these investigations.

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

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

The efficiency requirement that most urea plants operate continuously at near capacity must be balanced against the seasonal nature of the fertilizer market, which is the principal end-user market for urea. Testimony at the Commission's conference in the preliminary investigations indicated that producers have some flexibility to operate urea plants at less than full capacity. 1/ However, urea plants are designed specifically for the production of urea and cannot be used to produce any other chemicals, and once a urea plant is shut down, it is costly to maintain and to restart production.

U.S. importers

Questionnaires were sent to all firms that were alleged or believed to be importers of urea from East Germany, Romania, or the U.S.S.R. Sixteen firms responded that they imported urea from East Germany, Romania, or the U.S.S.R. during at least part of the period January 1984-December 1986. These firms are listed below:

Importer	Office location

* * * * * * *

These importers are, for the most part, international or multinational trading companies that deal in a wide range of products in addition to urea.

Channels of distribution

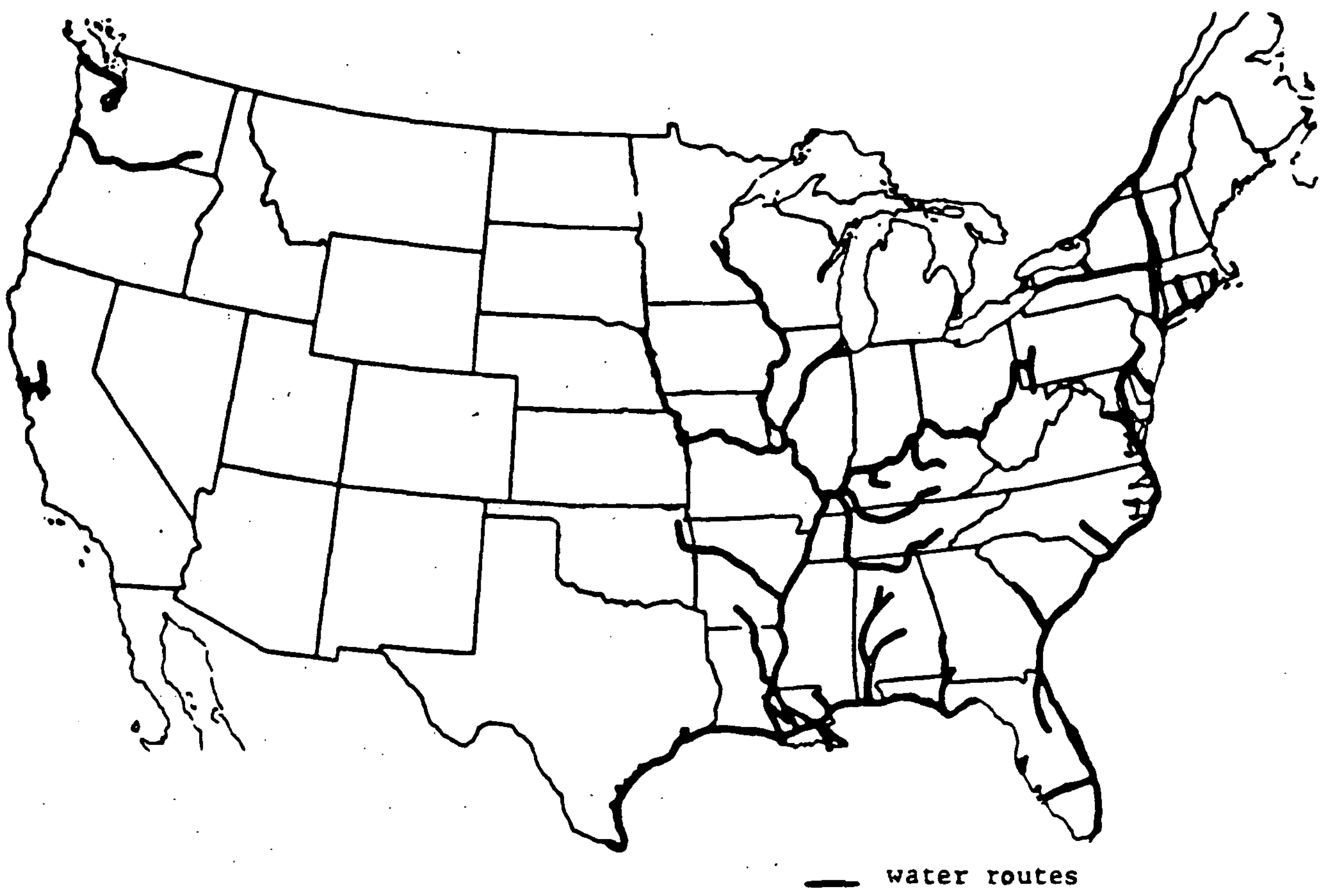
Virtually all forms of transportation that are used to move large quantities of product, except pipeline, are used to move urea to markets. Barge transportation is the lowest cost means of transportation for areas that have access to waterways, and large tonnages of urea move by barge up the Mississippi River and along other inland waterways (see fig. 4).

A standard barge can transport approximately 1,500 short tons of urea, and a standard railroad car is able to transport 95 to 99 tons of urea. Most highway transport trucks haul from 20 to 27 tons of urea per trip. Urea may move from the production facility to waterway-accessible storage depots and be sold by the producer from these depots. Movement from depot to dealer, co-op, retail outlet, distributor, or farm customers will proceed by truck or rail.

There are several levels of distribution from the urea plant or import vessel to the farm level, because most plants or points of importation are distant from the principal crop-producing areas. For example, there is a concentration of U.S. urea plants along the Mississippi river between New

1/ Transcript of conference at pp. 86 and 97.

Figure 4.-- Urea: U.S. water transportation routes



Source: The Tennessee Valley Authority.

Orleans and Baton Rouge, Louisiana. Storage buildings for solid urea are located at most plant sites, and docks and loading facilities are located on the river nearby. Urea from the plants' prilling towers or granulation plants can be directed by belt conveyors to warehouses or to barge- or ship-loading facilities on the river. Trucks and railcars can also be loaded at the plants for distribution of urea to local markets.

The Mississippi River, and its connecting waterways, is the principal distribution system in the United States for nitrogen fertilizers, including urea. Oceangoing vessels can travel about 50 miles up the Mississippi River beyond New Orleans, and as a result, the port of New Orleans is the principal port of entry for urea from East Germany, Romania, and the U.S.S.R. It is not uncommon to observe the unloading of imported urea from ships moored within a short distance of the loading docks of some domestic producers. Ships can unload urea directly into barges anchored alongside the ship or, alternatively, ships can unload at bulk-handling facilities along the river.

Some producers and a few importers have extensive distribution systems, and others sell urea to large wholesale fertilizer dealers. These large, wholesale dealers sell to smaller dealers who then sell at retail (i.e., the farm level). In general, importers mostly sell to large wholesale dealers and in some instances have sold urea to domestic producers.

The entrance into the urea market of large international trading companies is reportedly a recent occurrence, mostly in the last 3 years. Reportedly, some of these importers did not have experience marketing fertilizer and, consequently, established marketing agreements with independent agents or entrepreneurs who were knowledgeable about selling urea. These agents would sometimes market the urea, on a commission basis, for the importer of record. In other instances, independent dealers would purchase an entire shipload of urea for resale. Because of low barge rates in recent years, some dealers use barges as temporary storage (small floating warehouses) until they find a purchaser for the urea. Weekly trade publications provide marketing information to both buyers and sellers, and prices in the urea market can change quickly, based upon the supply and demand balance or a perception of that balance.

The peak demand for urea occurs during the spring planting season which, in the United States, is from February to May. There is a smaller fall preplant season from about August to October. Consequently, large tonnages of urea move through the distribution system in a short time. Furthermore, handling of the urea during distribution can affect the quality and condition of the product at the point of consumption. The world's best urea, domestic or foreign, can be ruined by careless storage and handling.

Apparent U.S. consumption

Table 3 shows the quantity, in thousands of short tons, of U.S. production, exports, imports, and apparent consumption of all forms of urea during 1984-86. As shown, U.S. apparent consumption of urea decreased 4.8 percent from 1984 to 1985 and increased 13.8 percent from 1985 to 1986.

Table 3.--Urea: U.S. production, exports, imports, and apparent consumption, 1984-86

Urea	1984	1985	1986
Production 1/...1,000 short tons 2/..	7,140	6,713	5,763
Exports.......................do....	1,270	1,154	491
Imports:			
East Germany................do....	69	59	210
Romania 1/..................do....	233	133	136
U.S.S.R.....................do....	418	455	843
Import subtotal...........do....	720	647	1,189
All other imports...........do....	1,320	1,321	2,103
Total imports.............do....	2,040	1,968	3,292
Apparent consumption 2/ 3/ 1,000 short tons..	7,910	7,527	8,564
Ratio of imports to apparent consumption:			
East Germany..............percent..	0.9	0.8	2.5
Romania.....................do....	2.9	1.8	1.6
U.S.S.R.....................do....	5.3	6.0	9.8
East Germany, Romania, and the U.S.S.R.........percent..	9.1	8.6	13.9
All imports.................do....	25.8	26.1	38.4

1/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.
2/ On a dry, 100-percent-urea basis.
3/ Calculated as production less exports plus imports.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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

Domestic production decreased from 1985 to 1986, as discussed in the following section, so the increase in apparent consumption was accounted for by increased imports. Apparent consumption reported in table 3 includes urea consumed captively by domestic producers in the production of UAN solutions, mixed chemical fertilizers, plastics, and adhesives. Apparent consumption of urea sold in the "merchant market" (sales to unrelated firms) as prills and granules (solid urea) is presented in a following section of this report dealing with market penetration by LTFV imports.

Ratios, as percentages, of imports to apparent consumption are also shown in table 3. Combined imports from East Germany, Romania, and the U.S.S.R. decreased, as a percentage of apparent consumption of all forms of urea, from 9.1 percent in 1984 to 8.6 percent in 1985 and then increased to 13.9 percent in 1986.

Consideration of Alleged Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

The Commission, in its producers' questionnaires, asked for capacity and production data for all forms of urea, for prilled urea, and for granulated urea. Questionnaire responses were received from the 24 producers that produced urea in 1986 and from one producer that produced urea in 1984 and 1985 but closed its plant in 1985.

Total U.S. urea production decreased 6.0 percent from 1984 to 1985 and dropped 14.2 percent from 1985 to 1986 (table 4). Production of solid (prilled or granulated) urea decreased 10.5 percent from 1984 to 1985 and then fell 14.0 percent from 1985 to 1986. Production of prilled urea decreased 11.9 percent from 1984 to 1985 and dropped 20.0 percent from 1985 to 1986. Fifteen firms reported production of prilled urea in 1984 and 1985, and 13 firms reported production of prilled urea in 1986. Production of granular urea fell 9.1 percent from 1984 to 1985 and fell 7.9 percent from 1984 to 1985. During 1984-86, seven firms reported production of granular urea. The two largest producers of granular urea in 1986 were * * * with *** percent of total granular production and * * * with *** percent. Some firms produce both prilled and granular urea.

Production of urea in solution for captive production of UAN solutions, other fertilizers, and plastics increased 4.9 percent from 1984 to 1985 and then decreased 14.4 percent from 1985 to 1986.

Total urea production reported in response to the Commission's questionnaires was compared with urea-production statistics compiled by the U.S. Department of Commerce. The ratios of the Commission's production data compared with Commerce's data were as follows: 96.1 percent for 1984, 100.5 percent for 1985, and 95.6 percent for 1986.

U.S. capacity-utilization rates to produce all forms of urea decreased from 85.6 percent in 1984 to 79.5 percent in 1985 and then dropped to 69.3 percent in 1986 (table 4). Prilling capacity-utilization rates dropped from 82.1 percent in 1984 to 72.3 percent in 1985 and fell further in 1986 to 60.5 percent. Granulation capacity-utilization rates fell from 79.6 percent in 1984 to 72.4 percent in 1985 and to 66.5 percent in 1986. Capacity-utilization rates for solid urea (prills and granules) fell from 80.9 percent in 1984 to 72.3 percent in 1985 and to 63.5 percent in 1986.

"Other capacity" is simply the difference between total capacity and the capacity to produce urea as prills and granules. In practice, prilling and granulation capacity could be left idle and all urea production consumed captively in the production of UAN solutions or other products and, in fact, some urea producers have done that. Further, a few urea producers do not have any prilling or granulation capacity and, for these producers, urea is only an intermediate for some other finished product.

Table 4.--Urea: U.S. production, capacity, and capacity utilization, by forms of finished product, 1984-86

Item	1984	1985	1986
Production: 1/			
As prills..........1,000 short tons..	2,588	2,279	1,823
As granules....................do....	2,437	2,216	2,042
Subtotal.......................do....	5,025	4,495	3,865
All other 2/...................do....	2,115	2,218	1,898
Total..........................do....	7,140	6,713	5,763
Capacity: 1/			
Prilling.......................do....	3,153	3,154	3,015
Granulation....................do....	3,061	3,061	3,069
Subtotal.......................do....	6,214	6,215	6,084
All other......................do....	2,130	2,224	2,233
Total..........................do....	8,344	8,439	8,317
Capacity utilization:			
Prilling.................percent..	82.1	72.3	60.5
Granulation....................do....	79.6	72.4	66.5
Prilling and granulation........do....	80.9	72.3	63.5
Average 3/.....................do....	85.6	79.5	69.3

1/ On a dry, 100-percent-urea basis.
2/ Reactor solution (70 to 87 percent urea in an aqueous solution) used captively in the production of UAN solutions, mixed chemical fertilizers, or plastics and reported on a dry, 100-percent-urea basis (i.e., the quantity of pure urea contained in the solution).
3/ All forms.

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

Modern urea plants are designed to operate at maximum efficiency when operating at, or near, maximum capacity. The thermodynamics of the production processes allow limited flexibility to operate much below full capacity. Therefore, rather than operate at significantly reduced rates, urea plants are closed. To shutdown a urea plant for an extended period is costly and producers will sometimes continue to operate in an oversupplied market if they expect conditions to improve. In addition, once a producer exits from a highly competitive market, such as the U.S. urea market, it is difficult to reenter that market.

U.S. producers' shipments

U.S. producers' domestic shipments of urea produced in their own establishments (i.e., excluding any purchased or imported urea) decreased, on the basis of quantity, 3.9 percent from 1984 to 1985 and increased 5.5 percent from 1985 to 1986 (table 5). Producers' domestic shipments (merchant market

Table 5.--Urea: U.S. producers' domestic shipments, intracompany shipments, and export shipments, 1984-86

Item	1984	1985	1986
	Quantity (1,000 short tons) 1/		
U.S. producers' domestic shipments:			
Prilled urea	1,546	1,429	1,399
Granular urea	1,700	1,690	1,893
Subtotal	3,246	3,119	3,292
Intracompany transfers 2/	***	***	***
Export shipments	***	***	***
Total shipments 2/	5,933	5,495	5,223
	Value (1,000 dollars) 3/		
U.S. producers' domestic shipments:			
Prilled urea	231,703	198,664	147,788
Granular urea	245,109	228,016	192,769
Subtotal	476,812	426,680	340,557
Intracompany transfers	***	***	***
Export shipments	***	***	***
Total shipments	818,106	709,451	528,616
	Unit value (per short ton)		
U.S. producers' domestic shipments:			
Prilled urea	$149.89	$139.02	$105.64
Granular urea	144.18	134.92	101.83
Average for domestic shipments	146.89	136.80	103.44
Intracompany transfers	***	***	***
Export shipments	***	***	***
Average for all shipments	137.89	129.11	101.21

1/ On a dry, 100-percent-urea basis.
2/ Includes only those intracompany shipments for which both quantity and value were reported; therefore, quantity is understated.
3/ Net value (i.e., gross value less all discounts, allowances, and the value of returned goods), f.o.b. producing establishment.

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

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

shipments) were virtually all solid urea (prills or granules), but included a small quantity (less than 1 percent) of pure urea in aqueous solution, which was sold for use in animal feed. Domestic shipments of prilled urea fell 7.6 percent from 1984 to 1985 and declined another 2.1 percent from 1985 to 1986. Domestic shipments of granular urea declined slightly (0.6 percent) from 1984 to 1985 and then increased 12.0 percent from 1985 to 1986.

Intracompany transfers of urea, principally for captive use in the production of UAN solutions, increased *** percent from 1984 to 1985 and then dropped *** percent from 1985 to 1986. Firms that use all of their urea captively generally do not assign a value to the urea but assign all costs to the finished products. Intracompany shipments reported in table 5 are understated on the basis of quantity because only transfers for which both quantity and value were reported are included.

Export shipments of urea fell *** percent from 1984 to 1985 before dropping *** percent from 1985 to 1986. Total urea shipments declined by 7.4 percent from 1984 to 1985 and by 5.0 percent from 1985 to 1986. * * *. * * *.

Average unit values of domestic shipments (i.e., shipments to distributors, brokers, retail outlets, and other "arm's-length-transactions") of prilled and granular urea decreased 7.3 percent from 1984 to 1985 and fell 24.4 percent from 1985 to 1986. The unit values of prilled and granular urea followed almost identical downward trends during 1984-86, but contrary to published price data, the f.o.b.-plant unit value of granular urea was consistently lower than the f.o.b.-plant unit value of prilled urea. Thus, U.S. producers did not benefit from any premium prices that purchasers may have paid for granular urea.

Unit values of domestic shipments of prilled urea dropped 6.7 percent from 1984 to 1985 and fell 24.0 percent from 1985 to 1986. Unit values of domestic shipments of granular urea dropped 6.4 percent from 1984 to 1985 and fell 24.5 percent from 1985 to 1986.

Unit values of intracompany shipments declined *** percent from 1984 to 1985 and dropped *** percent from 1985 to 1986. Unit values of export shipments fell *** percent from 1984 to 1985 and then dropped *** percent from 1985 to 1986. Despite drops in export values, the annual quantity exported dropped sharply during 1984-86. ***.

Export data as compiled by the U.S. Department of Commerce are shown, to the extent such data are available, in table 6. The Commerce data show the same general trends as those for data compiled from responses to the Commission's questionnaires.

U.S. producers' inventories

U.S. producers' inventories of urea, produced in their own plants, increased from 593,000 short tons as of December 31, 1984, to 760,000 short tons as of December 31, 1985, or by 28.2 percent, then decreased to 624,000 short tons as of December 31, 1986, or by 17.9 percent.

As a share of U.S. producers' total domestic production during the preceding year, inventories increased from 8.3 percent as of December 31, 1984, to 11.3 percent as of December 31, 1985, and then fell to 10.8 percent as of December 31, 1986. Data on U.S. producers' end-of-period inventories of urea are presented in the following tabulation:

Date	Inventories 1,000 short tons 1/	Share of production 2/ (Percent)
Dec. 31--		
1984....................	593	8.3
1985....................	760	11.3
1986....................	624	10.8

1/ On a dry, 100-percent-urea basis.
2/ As reported in response to the Commission's producers' questionnaires (table 4).

U.S. producers' purchases

In the Commission's producers' questionnaire, U.S. producers were requested to provide data on their direct imports (for which the firms were the importers of record); their purchases from other U.S. producers; their purchases from U.S. importers, distributors, and other U.S. sources; and their reasons for any such purchases. Results from responses to these questions are presented in table 7.

Imports of urea by U.S. producers decreased 11.4 percent (on the basis of quantity) from 1984 to 1985 and then jumped 70.4 percent from 1985 to 1986. Purchases from other U.S. producers dropped 29.5 percent from 1984 to 1985 and fell another 19.4 percent from 1985 to 1986. Purchases from U.S. importers, U.S. distributors, and other U.S. sources declined 6.3 percent from 1984 to 1985 and then decreased 33.3 percent from 1985 to 1986.

No U.S. producer reported any direct imports from East Germany, Romania, or the U.S.S.R. Four U.S. producers (* * *, * * *, * * *, and * * *) imported urea from other countries in 1984 and 1985 and five producers (the previous four plus * * *) did so in 1986. Imports by * * * and * * * were intracompany transfers between related firms. Producer imports are tabulated below (in percent by quantity):

Firm	1984	1985	1986
* * * 1/.........	***	***	***
* * * 2/.........	***	***	***
* * * 2/.........	***	***	***
* * * 2/.........	***	***	***
* * * 2/.........	***	***	***
	100.0	100.0	100.0

1/ * * *.
2/ Imported from Canada.

Sixteen firms in 1984 and 1986 and 14 firms in 1985 reported purchases from other U.S. producers. In general, such purchases were to provide a continuity of supply to customers when plants were shut down for maintenance or repairs. In addition, as is the case with many fungible commodities that have

Table 6.--Urea: U.S. exports, by markets, 1984-86

Market	1984	1985	1986
	Quantity (1,000 short tons) 1/		
India	207	2/	2/
Canada	133	2/	2/
China	288	2/	2/
Sudan	0	2/	2/
Chile	83	2/	2/
All other	559	2/	2/
Total	1,270	1,154	491
	Value (1,000 dollars)		
India	29,989	-	-
Canada	22,143	-	-
China	36,366	-	-
Sudan	-	-	-
Chile	12,374	-	-
All other	81,716	-	-
Total	182,588	2/	2/
	Unit value (per short ton)		
India	$144.95	-	-
Canada	166.34	-	-
China	126.30	-	-
Sudan	-	-	-
Chile	149.32	-	-
All other	146.26	-	-
Average	143.82	-	-

1/ On a dry, 100-percent-urea basis.
2/ Effective July 1985, the U.S. Department of Commerce discontinued publishing export statistics for urea. However, quantities of urea exports are published monthly in Commerce's Current Industrial Reports, M28B.

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

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

low unit values for large quantities, producers will purchase from other producers and then resell the product to save transportation costs.

Ten firms in 1984, 9 in 1985, and 11 in 1986 reported purchases from U.S. importers, U.S. distributors, or other U.S. sources. In general, the reason given for such purchases was that the urea was offered to the producers at very attractive prices, allegedly below U.S. producers' cost of production in many instances. Some of these producers purchased urea that they knew was imported from East Germany, Romania, or the U.S.S.R.

Table 7.--Urea: U.S. producers' purchases, 1984-86

Item	1984	1985	1986
	Quantity (1,000 short tons) 1/		
U.S. producers' imports	***	***	***
U.S. producers' purchases from other U.S. producers	***	***	***
U.S. producers' purchases from importers, distributors, and other U.S. sources	***	***	***
Total	1,044	892	1,305
	Value (1,000 dollars)		
U.S. producers' imports	***	***	***
U.S. producers' purchases from other U.S. producers	***	***	***
U.S. producers' purchases from importers, distributors, and other U.S. sources	***	***	***
Total	135,156	108,025	120,396
	Unit value (per short ton)		
U.S. producers' imports	$***	$***	$***
U.S. producers' purchases from other U.S. producers	***	***	***
U.S. producers' purchases from importers, distributors, and other U.S. sources	***	***	***
Average	129.46	121.10	92.26

1/ On a dry, 100-percent-urea basis.

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

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

U.S. producers' employment and wages

The average number of production and related workers producing nitrogenous fertilizers for the 24 producers that provided employment data increased slightly from 3,451 in 1984 to 3,462 in 1985 and decreased 4.1 percent from 1985 to 1986 (table 8).

The average number of production and related workers producing urea increased slightly (0.8 percent) from 1984 to 1985 and then decreased 8.2 percent from 1985 to 1986. The number of hours worked by production and

Table 8.--Average number of production and related workers employed in U.S. establishments in which urea is produced, hours worked, wages paid, hourly wages, urea production, and labor productivity, 1984-86

Item	1984	1985	1986
Production and related workers producing--			
All products	7,586	7,321	6,950
Nitrogenous fertilizers	3,451	3,462	3,317
Urea	924	931	855
Hours worked by production and related workers producing--			
Nitrogenous fertilizers..1,000 hours..	7,194	7,230	6,701
Urea....do....	1,747	1,711	1,550
Wages paid to production and related workers producing--			
Nitrogenous fertilizers 1,000 dollars..	101,936	108,058	99,089
Urea....do....	25,418	26,528	23,654
Hourly wages for production and related workers producing--			
Nitrogenous fertilizers	$14.17	$15.00	$14.79
Urea	$14.55	$15.50	$15.26
Urea production 1/....1,000 short tons..	6,396	5,993	5,263
Labor productivity: Urea short tons per hour..	3.7	3.5	3.4

1/ Urea production reported by producers that also reported hours worked producing urea.

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

related workers producing urea decreased 2.1 percent from 1984 to 1985 and then dropped 9.4 percent from 1985 to 1986.

Financial experience of U.S. producers

Fourteen U.S. producers accounting for 91 percent of total U.S. solid urea production in 1986 supplied usable income-and-loss data for both their nitrogenous fertilizer and urea operations. These data are discussed separately below.

Operations producing nitrogenous fertilizers.--Aggregate net sales decreased by 8.2 percent, from $1.92 billion in 1984 to $1.76 billion in 1985 (table 9). In 1986, sales were $1.25 billion, a decrease of 29.0 percent from

Table 9.--Income-and-loss experience of 14 U.S. producers on their overall nitrogenous fertilizer establishment operations (including urea), accounting years 1984-86, and interim periods ended Dec. 31, 1985, and Dec. 31, 1986

Item	1984	1985	1986	Interim period ended Dec. 31-- 1985	Interim period ended Dec. 31-- 1986
Net sales..1,000 dollars..	1,919,216	1,761,759	1,250,044	***	***
Cost of goods sold 1,000 dollars..	1,456,314	1,411,860	1,119,549	***	***
Gross profit (loss)...........do....	462,902	349,899	130,495	***	***
General, selling, and administrative expenses 1,000 dollars..	123,363	123,974	113,939	***	*** 1/
Operating income (loss)...........do....	339,539	225,925	16,556	***	***
Interest expense....do....	22,715	28,298	28,361	***	***
All other (expense), net....do....	(2,483)	(1,614)	*** 2/	***	***
Net income (loss) before income taxes............do....	314,341	196,013	***	***	***
Depreciation and amortization expense..........do....	97,624	96,647	99,790	***	***
Cash flow from operations.......do....	411,965	292,660	***	***	***
Ratio to net sales of:					
Cost of goods sold percent..	75.9	80.1	89.6	***	***
Gross profit (loss).........do....	24.1	19.9	10.4	***	***
General, selling, and administrative expenses.....percent..	6.4	7.0	9.1	*** 1/	*** 1/
Operating income (loss).........do....	17.7	12.8	1.3	***	***
Net income (loss) before income taxes..........do....	16.4	11.1	*** 2/	***	***
Number of firms reporting:					
Operating losses.........	1	4	7	1	2
Net losses.............	1	3	8	1	2
Data....................	14	14	14	3	3

1/ * * *. * * *.
2/ * * *.

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

1985 sales. Operating income was $339.5 million in 1984, $225.9 million in 1985, and $16.6 million in 1986. Operating income margins, as a percent of sales, were 17.7, 12.8, and 1.3 during 1984-86, respectively. One firm incurred an operating loss in 1984, four firms in 1985, and seven firms in 1986. For the interim period ended December 31, 1986, net sales were $*** million, a decrease of *** percent from $*** million in the corresponding period of 1985. Operating income was $*** million in interim 1985 and there was an operating loss of $*** million in interim 1986. The operating income (loss) margins for the interim periods were *** percent in 1985 and (***) percent in 1986. One firm reported operating losses in interim 1985 and two firms in interim 1986.

Operations producing urea.--Aggregate net sales decreased by 14.7 percent from $686.6 million in 1984 to $585.4 million in 1985 (table 10). In 1986, sales were $444.8 million, a decrease of 24.0 percent from 1985 sales. Operating income was $123.5 million in 1984, $68.1 million in 1985, and $6.3 million in 1986. Operating income margins, as a percent of sales, were 18.0, 11.6, and 1.4 during 1984-86, respectively. Four firms incurred operating losses in 1984, five firms in 1985, and eight firms in 1986. For the interim period ended December 31, 1986, net sales were $*** million, a decrease of *** percent from $*** million in the corresponding period of 1985. Operating income was $*** in interim 1985, but there was an operating loss of $*** million in the 1986 interim period. Operating income (loss) margins were *** and (***) in the 1985 and 1986 interim periods, respectively. One firm reported operating losses in both interim periods. Manufacturing costs are charged directly to urea. General, selling, and administrative expenses are allocated on the basis of sales or production.

Three of the 14 producers are cooperatives. Their sales accounted for *** percent of total U.S. producer sales of $444.8 million in 1986. Member sales declined from $*** million in 1984 to $*** million in 1986 and nonmember sales declined from $*** million in 1984 to $*** million in 1986. These financial data for cooperatives are shown in the following tabulation (in thousands of dollars):

	1984	1985	1986
Sales of urea:			
To members of cooperative...	***	***	***
To nonmembers...............	***	***	***
Total 1/..................	***	***	***
Patronage refunds to members......................	***	***	***
Other member benefits.........	***	***	***

1/ Average unit selling prices, in dollars per short ton, were $***, $***, and $*** in 1984, 1985, and 1986, respectively.

Table 10.--Income-and-loss experience of 14 U.S. producers on their operations producing urea, accounting years 1984-86, and interim periods ended Dec. 31, 1985, and Dec. 31, 1986

Item	1984	1985	1986	Interim period ended Dec. 31-- 1985	Interim period ended Dec. 31-- 1986
Net sales..1,000 dollars..	686,563	585,422	444,847	***	***
Cost of goods sold 1,000 dollars..	530,349	488,347	408,940	***	***
Gross profit........do....	156,214	97,075	35,907	***	***
General, selling, and administrative expenses 1,000 dollars..	32,696	28,992	29,560	*** 1/	*** 1/
Operating income (loss)............do....	123,518	68,083	6,347	***	***
Interest expense....do....	8,078	8,285	7,743	***	***
All other (expense), net....do....	(1,184)	(1,309)	(2,072)	***	***
Net income (loss) before income taxes.............do....	114,256	58,489	(3,468)	***	***
Depreciation and amortization expense...........do....	33,568	30,919	30,028	***	***
Cash flow from operations........do....	147,824	89,408	26,560	***	***
Ratio to net sales of:					
Cost of goods sold percent..	77.2	83.4	91.9	***	***
Gross profit......do....	22.8	16.6	8.1	***	***
General, selling, and administrative expenses.....percent..	4.8	5.0	6.6	*** 1/	*** 1/
Operating income (loss)..........do....	18.0	11.6	1.4	***	*** 1/
Net income (loss) before income taxes...........do....	16.6	10.0	(7.8)	***	***
Number of firms reporting:					
Operating losses........	4	5	8	1	1
Net losses.............	5	7	10	2	2
Data...................	14	14	14	3	3

1/ * * *. * * *.

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

Raw material costs are a significant factor in industry profitability. Natural gas (converted into ammonia) is the primary raw material utilized in the production of nitrogenous fertilizers. The companies purchase natural gas from various suppliers, such as utilities and pipeline companies. Purchase terms vary and range from spot purchases to contracts covering several years. Contract requirements usually require specific quantities and/or prices, with and without adjustments.

The costs (in 1,000 cubic feet) for natural gas, reported by 10 producers, were $2.53, $2.47, and $1.83 in 1984, 1985, and 1986, respectively. The average natural gas costs reported by domestic producers are consistent with natural gas costs published by the U.S. Department of Energy. 1/ The cost of natural gas is reflected in the cost of goods sold figures in table 9.

Anhydrous ammonia is the primary raw material used in urea production. This raw-material cost is reflected in the cost-of-goods-sold figures in table 10, and is discussed further in the following pages. About 38,000 cubic feet of natural gas are required to produce a ton of ammonia. 2/ About 22,000 cubic feet of natural gas are required to produce the ammonia required (0.59 ton) to make a ton of urea.

Income-and-loss data for urea operations on a dollars per-ton-sold basis are presented in table 11. Between 1984 and 1986, the unit values based on trade sales, for 11 producers, declined by 28.8 percent, from $144.55 (per short ton) to $102.97. Several producers transfer urea to other producing units within their plants. Such urea transfers amounted to 22.2 percent of total 1986 sales. Transfers of urea are generally made at the cost of production, although some companies transfer at market prices.

Intracompany transfer unit values of urea declined by 18.2 percent, from $114.30 in 1984 to $93.54 in 1986. The average reported costs for the anhydrous ammonia used in producing each ton of urea decreased by 19.9 percent from $60.30 in 1984 to $48.30 in 1986. The decline in costs was more than offset by the sharp drop in the unit selling values of urea, thus operating income declined sharply.

At the Commission's hearing and in their posthearing brief, petitioners maintained that production cost is the most appropriate raw-material value for ammonia used to produce urea. 3/ Respondents stated at the hearing and in their posthearing brief that ammomia cost should be charged at "market value." 4/

1/ According to U.S. Department of Energy Data, the average wellhead price (per 1,000 cubic feet) for natural gas was $2.66, $2.51, and $1.87 in 1984, 1985, and 1986, respectively.
2/ United Nations, "Development and Transfer of Technology Series No. 13," Fertilizer Manual, 1980, p. 54.
3/ Posthearing brief of petitioner at p. 2, attachment 1 at pp. 2-5, and Coopers & Lybrand letter dated June 3, 1987 (attachment 1).
4/ Posthearing brief of Steptoe & Johnson, counsel for certain respondents, at pp. 6-7.

Table 11.--Income-and-loss experience on a dollars-per-ton-sold basis of 11 U.S. producers on their operations producing urea, accounting years 1984-86, and interim periods ended Dec. 31, 1985, and Dec. 31, 1986

(Per short ton)

Item	1984	1985	1986	Interim period ended Dec.31-- 1985	Interim period ended Dec.31-- 1986 1/
Net sales:					
Trade	$144.55	$138.82	$102.97	$***	$***
Intracompany	114.29	108.43	93.54	***	***
Average net sales price	138.37	131.76	100.72	***	***
Cost of goods sold:					
Anhydrous ammonia	60.30	61.66	48.30	***	***
Other costs	43.20	46.02	42.76	***	***
Total cost of goods sold	103.50	107.68	91.06	***	***
Gross profit	34.87	24.08	9.66	***	***
General, selling, and administrative expenses	6.73	6.69	6.87	*** 2/	*** 2/
Operating income	28.14	17.39	2.79	***	***

1/ Only three companies reported interim-period data.
2/ * * *. * * *.

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

From data reported in the Commission's questionnaires, it is possible to calculate certain unit costs and compare calculated costs with those reported in table 11. Using the average natural gas costs reported by domestic producers, it is possible to calculate their approximate natural-gas costs to produce ammonia. When this is done, it shows that, for 10 U.S. urea producers, the average natural-gas cost to produce a ton of ammonia was $96.14 in 1984, $93.86 in 1985, and $69.54 in 1986. There are, of course, other costs associated with ammonia production in addition to natural gas costs and these costs are not included in the calculated cost.

Nevertheless, using the same U.S. producers' natural-gas costs it is possible to calculate the natural-gas costs associated with the production of ammonia used to make urea. When this is done, it shows that for 10 U.S. urea producers, the costs of natural gas in the ammonia used to make 1 ton of urea were $55.66 in 1984, $54.34 in 1985, and $40.26 in 1986. These calculated ammonia costs are understated because production costs, other than natural gas costs, are not included. Natural gas costs fell 27.7 percent from 1984 to 1986; however, the ammonia raw-material costs reported in table 11 fell by only 19.9 percent. This indicates that, when natural-gas prices declined, other costs accounted for a higher percentage of ammonia production costs.

<u>Investment in productive facilities</u>.--Thirteen firms supplied data concerning their investment in productive facilities employed in the production of nitrogenous fertilizer and urea. Three firms submitted interim period data. Reported investment in property, plant, and equipment is shown in table 12.

The aggregate investment in productive facilities for overall nitrogenous fertilizer operations, valued at cost, increased from $1.94 billion in 1984 to $2.03 billion in 1985. In 1986, the valuation declined to $1.79 billion, * * *. The book value at the end of 1986 was $654.7 million. Three companies reported interim period data. For the interim period ended December 31, 1986, the value was $*** million, compared with $*** million for December 31, 1985. The book value as of December 31, 1986, was $*** million, compared with $*** million as of December 31, 1985.

Total reported investment in productive facilities for urea, valued at cost, increased from $556.2 million in 1984 to $564.4 million in 1985. In 1986 the valuation declined to $538.7 million. The book value at the end of 1986 was $209.1 million. Three companies reported interim period data. For the interim-period ended December 31, 1986, the original cost of urea facilities was $*** million, compared with $*** million for December 31, 1985. The book value as of December 31, 1986, was $*** million, compared with $*** million as of December 31, 1985.

<u>Capital expenditures</u>.--Fourteen firms furnished data relative to their capital expenditures for land, buildings, machinery, and equipment used in the manufacture of nitrogenous fertilizers. Twelve firms supplied such data for urea operations. Three firms submitted interim-period data for nitrogenous fertilizers and two for urea. These data are presented in table 13.

Capital expenditures relating to nitrogenous fertilizer operations increased from $32.4 million in 1984 to $*** million in 1985, then declined to $40.6 million in 1986. Such expenditures increased to $*** million in interim 1986, compared with $*** million in interim 1985. Capital expenditures for urea increased from $7.5 million in 1984 to $14.0 million in 1986. Interim period capital expenditures for 1986 were $***, compared with the 1985 interim period amount of $***.

<u>Research and development expenses</u>.--Outlays for research and development are shown in the following tabulation (in dollars):

Accounting Period	Value 1/
1984	$***
1985	***
1986	***
Interim periods ended Dec. 31,--	
1985	***
1986	***

1/ Three companies reported data in 1984 and 1985 and two companies reported data in 1986 and both interim periods.

Table 12.--Urea: U.S. producers' end-of-period valuation of fixed assets, accounting years 1984-86, and interim periods ended Dec. 31, 1985, and Dec. 31, 1986

(In thousands of dollars)

Item	1984	1985	1986 1/	Interim period ended Dec. 31-- 1985	Interim period ended Dec. 31-- 1986
Nitrogenous fertilizer operations:					
Original cost.........	1,941,211	2,029,630	1,788,045	***	***
Book value............	812,317	801,482	654,679	***	***
Number of firms providing data......	13	13	13	3	3
Urea:					
Original cost.........	556,220	564,402	535,721	***	***
Book value............	275,831	249,216	209,073	***	***
Number of firms providing data......	13	13	13	3	3

1/ * * *. * * *.

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

Capital and investment.--The Commission asked U.S. producers to describe any actual or potential negative effects of imports of urea from East Germany, Romania, and the U.S.S.R. on their operations. Individual responses to these questions, by firm, are included in appendix E.

Consideration of Alleged Threat of Material Injury

Among the relevant economic factors that may contribute to the threat of material injury to the domestic industry are (1) any increase in production capacity or existing unused or under-utilized capacity in East Germany, Romania, or the U.S.S.R. that would be likely to result in a significant increase in exports of urea to the United States, (2) any substantial increase in inventories of urea imported from East Germany, Romania, and the U.S.S.R. in the United States, (3) any rapid increase in U.S. market penetration or the likelihood that penetration will increase to an injurious level, and (4) the probability that imports of urea will enter the United States at prices that will have a depressing or suppressing effect on U.S. prices of urea. The available information on foreign capacity, production, and exports of urea and U.S. importers' inventories of such merchandise is presented below. The issues of import penetration and price suppression/depression are discussed in subsequent sections.

Table 13.--U.S. producers' capital expenditures for facilities used in the production of nitrogenous fertilizers and urea, accounting years 1984-86 and interim periods ended Dec. 31, 1985, and Dec. 31, 1986

(In thousands of dollars)

Item	1984	1985	1986	Interim period ended Dec. 31-- 1985	Interim period ended Dec. 31-- 1986
Nitrogenous fertilizer operations:					
Land	110	113	59	***	***
Buildings	36	242	285	***	***
Machinery and equipment	32,219	*** 1/	40,265	***	***
Total	32,365	***	40,609	***	***
Number of firms providing data	14	14	14	3	3
Urea:					
Land	13	47	32	***	***
Buildings	28	81	244	***	***
Machinery and equipment	7,424	10,045	13,770	***	***
Total	7,465	10,173	14,046	***	***
Number of firms providing data	12	12	12	2	2

1/ * * *. * * *. ***.

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

U.S. importers' inventories

Some firms that imported urea from East Germany, Romania, or the U.S.S.R. commingled inventories from those countries and, in addition, commingled imports from other countries and U.S.-produced product. Therefore, those importers were unable to provide precise inventory data.

Combined data on U.S. importers' end-of-period inventories of urea imported from East Germany, Romania, and the U.S.S.R. are presented in the following tabulation:

Date	Inventories (1,000 short tons) 1/	Share of imports 2/ (Percent)
Dec. 31--		
1984	239	33.2
1985	119	18.4
1986	73	6.1

1/ On a dry, 100-percent-urea basis.
2/ As reported in response to the Commission's importers' questionnaires.

As a share of total imports from East Germany, Romania, and the U.S.S.R., importers' inventories decreased from 33.2 percent as of December 31, 1984, to 18.4 percent as of December 31, 1985, and then dropped to 6.1 percent as of December 31, 1986. Some of the importers that responded to the questionnaires do not maintain inventories but sell urea directly from the ship to customer barges that anchor alongside the ship for the transfer.

Ability of foreign producers to generate exports

Counsels for respondents were asked to provide information about the urea capacity, production, domestic consumption, exports to the United States, and exports to other countries during 1984-86 for East Germany, Romania, and the U.S.S.R. Similar requests have been made to the foreign governments through diplomatic channels. Respondents provided data for East Germany and Romania. Partial data from publications of Fertilizer Economic Studies Limited (Fertecon), London, England, were used for the U.S.S.R.

East Germany.--Based upon information provided by counsel to East German respondents, urea capacity and production in East Germany * * * during 1984-86 (table 14). * * *.

Table 14.--Urea: East German capacity, production, exports, and domestic consumption, 1984-86

East Germany	1984	1985	1986
Capacity...........1,000 short tons..	***	***	1/ ***
Production......................do....	***	***	***
Exports by destination:			
United States.................do....	***	***	***
* * *.........................do....	***	***	***
* * *.........................do....	***	***	***
* * *.........................do....	***	***	***
* * *.........................do....	***	***	***
* * *.........................do....	***	***	***
Other.........................do....	***	***	***
Total exports...............do....	***	***	***
Domestic consumption............do....	***	***	***
Ratio of exports to production:			
United States.............percent..	***	***	***
All other.....................do....	***	***	***
Total.......................do....	***	***	***
Ratio of production to capacity percent..	***	***	***

1/ * * *.

Source: Compiled from data provided by counsel to East German respondents.

Capacity utilization rates were * * * during 1984-86. * * *. Exports to the United States * * *. * * *.

Romania.--Based upon information provided by counsel to Romanian respondents, urea capacity in Romania was constant, and production was virtually constant during 1984-86 (table 15). Counsel stated that Romania has no plans to expand capacity.

Table 15.--Urea: Romanian capacity, production, exports, and domestic consumption, 1984-86

Romania	1984	1985	1986
Capacity............1,000 short tons..	3,427	3,427	3,427
Production.....................do....	3,170	3,151	3,179
Exports by destination:			
United States.................do....	289	215	61
India.........................do....	133	202	258
Peoples Republic of China.....do....	698	425	629
Other.........................do....	519	526	406
Total exports..............do....	1,639	1,368	1,354
Domestic consumption...........do....	1,530	1,783	1,825
Ratio of exports to production:			
United States.............percent..	9.1	6.8	1.9
All other....................do....	42.6	36.6	40.7
Total......................do....	51.7	43.4	42.6
Ratio of production to capacity percent..	92.5	91.9	92.8

Source: Prehearing brief of the Romanian respondents, attachment 1.

Capacity utilization rates were almost constant at 92 to 93 percent during 1984-86. Romania exported a high, but declining, percentage of its urea production, 51.7 percent in 1984, 43.4 percent in 1985, and 42.6 percent in 1986. Exports to the United States dropped from 289,000 short tons in 1984 to 215,000 tons in 1985, and 61,000 tons in 1986.

Table 15 shows some market shifts for Romanian exports of urea and the export markets for large quantities of urea were not identified. Consumption of urea in Romania increased 16.5 percent from 1984 to 1985 and 2.4 percent from 1985 to 1986.

U.S.S.R.-- Partially complete data for the U.S.S.R. have been compiled from Fertecon studies made available to the Commission by the petitioner through the courtesy of the copyright holder (table 16). The U.S.S.R. is the world's largest urea producer and exports a high percentage of its production, *** percent in 1984 and *** percent in 1985.

Exports of urea from the U.S.S.R. increased *** percent from 1984 to 1985 and dropped *** percent from 1985 to 1986. Urea capacity utilization in the U.S.S.R. was *** percent in 1984 and *** percent in 1985. Capacity to produce

Table 16.--Urea: U.S.S.R. capacity, production, exports, and domestic consumption, 1984-86

U.S.S.R.	1984	1985	1986
Capacity...........1,000 short tons..	***	***	***
Production......................do....	***	***	1/
Exports by destination:			
United States 2/.............do....	418	455	843
West Europe...................do....	1/	***	***
Other.........................do....	***	***	***
Total exports...............do....	***	***	***
Domestic consumption............do....	***	***	1/
Ratio of exports to production:			
United States.............percent..	***	***	1/
All other.....................do....	***	***	1/
Total.......................do....	***	***	1/
Ratio of production to capacity percent..	***	***	1/

1/ Not available.
2/ Compiled from official import statistics of the U.S. Department of Commerce.

Source: Compiled from Fertilizer Economic Studies Limited Quarterly Urea Reports, Issue No. 10, January 1987, and Issue No. 11, April 1987, except as noted.

urea in the U.S.S.R. increased *** percent from 1984 to 1985 and *** percent from 1985 to 1986. According to Fertecon data, urea capacity in the U.S.S.R. is projected to increase *** percent from 1986 to 1987 and *** percent from 1987 to 1988.

In the aggregate, capacity in East Germany, Romania, and the U.S.S.R. was *** times U.S. capacity in 1984, *** times U.S. capacity in 1985, and *** times U.S. capacity in 1986. Exports to the United States in 1986 amounted to *** percent of East Germany's capacity to produce urea, 1.8 percent of Romania's capacity, and *** percent of the U.S.S.R.'s capacity.

The United States and certain of the countries of the European Community (EC) are among the few significant world fertilizer markets that are not under direct government or centrally planned control and are, therefore, attractive export markets for other world producers.

On October 11, 1986, the Commission of the EC initiated antidumping proceedings concerning imports of urea originating in Czechoslovakia, East Germany, Kuwait, Libya, Saudi Arabia, the U.S.S.R., Trinidad and Tobago, and Yugoslavia. 1/ Effective February 4, 1987, the United Kingdom placed import

1/ Official Journal of the European Communities, No. C 254/3, Oct. 11, 1986.

restrictions on urea from East Germany and the U.S.S.R. that limit imports from East Germany to 25,000 metric tons and imports from the U.S.S.R. to 30,000 metric tons in 1987. 1/ On February 11, 1987, the EC placed all imported urea under "retrospective surveillance" in anticipation of possible increased imports because of urea offered for sale in the EC "at prices considerably lower than those charged on the Community market." 2/ On May 8, 1987, the EC imposed provisional antidumping duties on imports of urea originating in Czechoslovakia (40 percent), East Germany (59 percent), Kuwait (45 percent), Libya (69 percent), Saudi Arabia (61 percent), the U.S.S.R. (63 percent), Trinidad and Tobago (43 percent), and Yugoslavia (78 percent). 3/

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

U.S. imports

According to official statistics of the U.S. Department of Commerce and data submitted in response to the Commission's questionnaires, imports of urea decreased (in quantity) 3.5 percent from 1984 to 1985 and then increased sharply (67.3 percent) from 1985 to 1986 (table 17). Imports of urea from East Germany declined 14.5 percent from 1984 to 1985 and then jumped 255.9 percent from 1985 to 1986. Imports from Romania dropped 42.9 percent from 1984 to 1985 and increased slightly (2.2 percent) from 1985 to 1986. Imports from the U.S.S.R. increased 8.9 percent from 1984 to 1985 and 85.3 percent from 1985 to 1986.

In the aggregate, imports of urea from East Germany, Romania, and the U.S.S.R. accounted for 35.3 percent of the total quantity of urea imports in 1984, 32.9 percent in 1985, and 36.1 percent in 1986. Such imports fell by 10.1 percent from 720,000 short tons in 1984 to 647,000 short tons in 1985, and then increased by 83.8 percent to 1.2 million short tons in 1986.

An official of the Romanian export company, I.C.E. Chimica, appeared at the Commission's conference and, among other things, questioned the accuracy of official U.S. Department of Commerce import statistics for Romania. 4/ Subsequently, Commerce reviewed certain import documents and discovered that substantial quantities of UAN solutions had been misclassified as urea. Commerce provided corrections to import statistics for Romania for July 1985-December 1986, but was unable to provide corrections for January 1984-June 1985.

All known importers of urea from Romania responded to the Commission's questionnaires; therefore, questionnaire data are used in table 17 as the best available data for 1984-86. It is most practicable to compare Commission

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1/ Official Journal of the European Communities, No. C 29/3, Feb. 6, 1987.
2/ Ibid, No. L 42/25, Feb. 12, 1987.
3/ Ibid, No. L 121/11, May 9, 1987.
4/ Transcript of conference, pp. 153-163 and 173-175.

Table 17.--Urea: U.S. imports, by principal sources, 1984-86

Source	1984	1985	1986
	Quantity (1,000 short tons) 1/		
East Germany	69	59	210
Romania 2/	233	133	136
U.S.S.R.	418	455	843
Subtotal	720	647	1,189
Canada	880	771	1,189
Netherlands	127	192	168
Italy	41	45	145
Trinidad and Tobago	22	40	97
All other	250	273	504
Total	2,040	1,968	3,292
	Value (1,000 dollars) 3/		
East Germany	8,542	5,783	16,251
Romania 2/	32,946	13,852	11,140
U.S.S.R.	52,408	61,030	65,624
Subtotal	93,896	80,665	93,015
Canada	116,055	98,735	127,243
Netherlands	28,147	42,236	37,560
Italy	5,627	7,893	11,852
Trinidad and Tobago	2,687	5,805	8,529
All other	33,462	33,116	46,712
Total	279,874	268,450	324,911
	Unit value		
East Germany	$123.99	$ 98.64	$ 77.54
Romania 2/	141.40	104.15	81.91
U.S.S.R.	125.51	134.13	77.81
Average	130.41	124.68	78.23
Canada	131.84	128.05	107.00
Netherlands	221.22	219.41	222.94
Italy	138.91	175.21	81.78
Trinidad and Tobago	119.80	144.20	87.74
All other	133.85	121.30	92.68
Average	137.19	136.41	98.70

1/ On a dry, 100-percent-urea basis.
2/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.
3/ On a C.I.F. value basis.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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

import data for Romania with Commerce data for 1986. Data reported in response to the Commission's questionnaires show imports of urea from Romania in 1986 of 136,000 short tons, valued at $11.1 million, compared with Commerce's corrected data of 142,000 short tons with a C.I.F. value of $10.9 million. Counsel for Romanian respondents reported a total of 565,000 tons of urea exported to the United States during 1984-86 (table 15). Importers reported 502,000 short tons of Romanian urea imported into the United States during 1984-86 (table 17). There is an obvious lag between the time urea is exported from Romania and the time it enters the U.S. market. There were no imports of urea from East Germany or Romania during January-March 1987, and only 34,000 short tons of urea were imported from the U.S.S.R. during January-March 1987.

Most of the urea imported from East Germany, Romania, and the U.S.S.R. entered the United States through the New Orleans, LA, customs district. Imports of urea in 1986 from East Germany, Romania, the U.S.S.R., and the total for those three countries, compiled from official statistics of the U.S. Department of Commerce (corrected official 1986 Commerce statistics for Romania), are shown by customs districts in the following tabulation (in percent of quantity):

Customs district	East Germany	Romania	U.S.S.R.	Total
Baltimore, MD......	31.6	0.0	2.0	6.9
Chicago, IL........	7.6	.0	.0	1.3
Cleveland, OH......	.0	.0	1.5	1.1
New Orleans, LA....	56.8	89.3	85.9	81.3
Norfolk, VA........	.0	1.2	.0	.2
Philadelphia, PA...	.0	7.2	.0	.8
Portland, ME.......	.0	2.3	.4	.5
Savannah, GA.......	1.0	.0	2.0	1.6
Tampa, FL..........	.0	.0	1.3	.9
Wilmington, NC.....	2.9	.0	6.9	5.4
Total..........	100.0	100.0	100.0	100.0

As shown in table 17, Canada was the largest single supplier of urea to the United States during 1984-86, accounting for 36.1 percent of total imports of urea in 1986. Imports from Canada dropped 12.4 percent from 1984 to 1985 and then increased 54.2 percent from 1985 to 1986.

U.S. importers' shipments

All urea imports from East Germany, Romania, and the U.S.S.R. were of prilled urea and, consequently, shipment data for those countries was also of prilled urea. Table 18 includes shipment quantities, values, and unit values of urea imported from East Germany, Romania, and the U.S.S.R., as reported in responses to the Commission's importers' questionnaire.

The quantity of East German urea shipped during 1984-86 equaled 112.1 percent of the quantity imported (indicating domestic shipment of urea imported prior to 1984); the quantity of Romanian urea shipped during 1984-86 equaled 85.3 percent of the quantity imported; and the quantity of urea from the

U.S.S.R. shipped during 1984-86 equaled 75.9 percent of the quantity imported. Some importers commingled imports from the countries subject to these investigations, commingled imports from East Germany, Romania, or the U.S.S.R. with other imported urea and with domestic urea. Therefore, such importers were unable to provide complete shipment data for urea imported from the countries subject to these investigations.

As shown in table 18, shipments of urea imported from East Germany decreased 40.8 percent from 1984 to 1985 and then increased 143.2 percent from 1985 to 1986. Shipments of urea imported from Romania increased 11.0 percent from 1984 to 1985 and then dropped 24.2 percent from 1985 to 1986. Shipments of urea imported from the U.S.S.R. increased 53.3 percent from 1984 to 1985 and increased 16.2 percent from 1985 to 1986.

Average unit values of U.S. producers' domestic shipments of solid urea (prills and granules) from table 5 are compared in figure 5 with unit values of U.S. importers' domestic shipments of urea from East Germany, Romania, and the U.S.S.R., all of which was prilled urea (table 18).

Table 18.--Urea: U.S. importers' domestic shipments of urea imported from East Germany, Romania, and the U.S.S.R., 1984-86

Item	1984	1985	1986
	Quantity (1,000 short tons) 1/		
U.S. importers' domestic shipments:			
Urea from East Germany	125	74	180
Urea from Romania	145	161	122
Urea from the U.S.S.R	302	463	538
Total	572	698	840
	Value (1,000 dollars) 2/		
U.S. importers' domestic shipments:			
Urea from East Germany	16,721	8,280	14,592
Urea from Romania	21,541	15,396	12,021
Urea from the U.S.S.R	37,698	53,238	41,343
Total	75,960	76,914	67,956
	Unit value (per short ton)		
U.S. importers' domestic shipments:			
Urea from East Germany	$133.77	$111.89	$81.07
Urea from Romania	148.56	95.63	98.53
Urea from the U.S.S.R	124.83	114.98	76.85
Average	132.80	110.19	80.90

1/ On a dry, 100-percent-urea basis.
2/ Net values (i.e., gross value less all discounts, allowances, and the value of returned goods), f.o.b. establishment(s).

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

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

Figure 5 shows that the unit values of U.S. producers' domestic shipments of solid urea were significantly higher than U.S. importers' domestic shipments of solid urea imported from East Germany, Romania, and the U.S.S.R., with the exception of the unit value of shipments of Romanian urea in 1984.

Figure 6 compares the average unit values of U.S. producers' domestic shipments of solid urea (prills and granules), the unit values of U.S. producers' shipments of prilled urea, and the unit values of U.S. producers' domestic shipments of granular urea with the average unit values of U.S. importers' domestic shipments of prilled urea imported from East Germany, Romania, and the U.S.S.R.

The average unit f.o.b. values of shipments of urea imported from East Germany, Romania, and the U.S.S.R. were significantly and consistently lower than the unit f.o.b. values of U.S. producers' domestic shipments of solid urea in either the prilled or granular form. As previously noted in the discussion of the data in table 5, the unit values of U.S. producers' domestic shipments of granular urea were lower than the unit values of prilled urea. Both the shipment unit values of urea imported from East Germany, Romania, and the U.S.S.R. and the shipment unit values of domestically produced urea fell rapidly during 1984-86.

Market penetration by the alleged LTFV imports

All imports and exports of urea are believed to be in solid form. Table 19 shows the quantity, in thousands of short tons, of U.S. production, exports, imports, and apparent consumption of urea in solid form (prills or granules) during 1984-86. U.S. apparent consumption of solid urea decreased 8.4 percent from 1984 to 1985 and then increased 25.6 percent from 1985 to 1986.

Ratios as percentages of imports of solid urea to apparent consumption of solid urea are also shown in table 19. Combined imports from East Germany, Romania, and the U.S.S.R. decreased slightly, as a percentage of apparent consumption, from 12.4 percent in 1984 to 12.2 percent in 1985, and then increased to 17.8 percent in 1986. The ratio of total solid urea imports to apparent consumption of solid urea jumped to 49.4 percent in 1986 compared with 37.1 percent in 1985 and 35.2 percent in 1984.

U.S. production of solid urea dropped 23.1 percent during 1984-86; exports of solid urea fell 61.3 percent during 1984-86; imports of solid urea from East Germany, Romania, and the U.S.S.R. increased 65.1 percent during 1984-86; and imports of solid urea from all other countries increased 59.3 percent during 1984-86. Apparent consumption of solid urea by source of supply is illustrated in figure 7 for 1984-86, and in more detail for 1986 in figure 8.

Figure 5.--Urea Shipments, Unit Value

U.S. Producers' & Importers' shipments

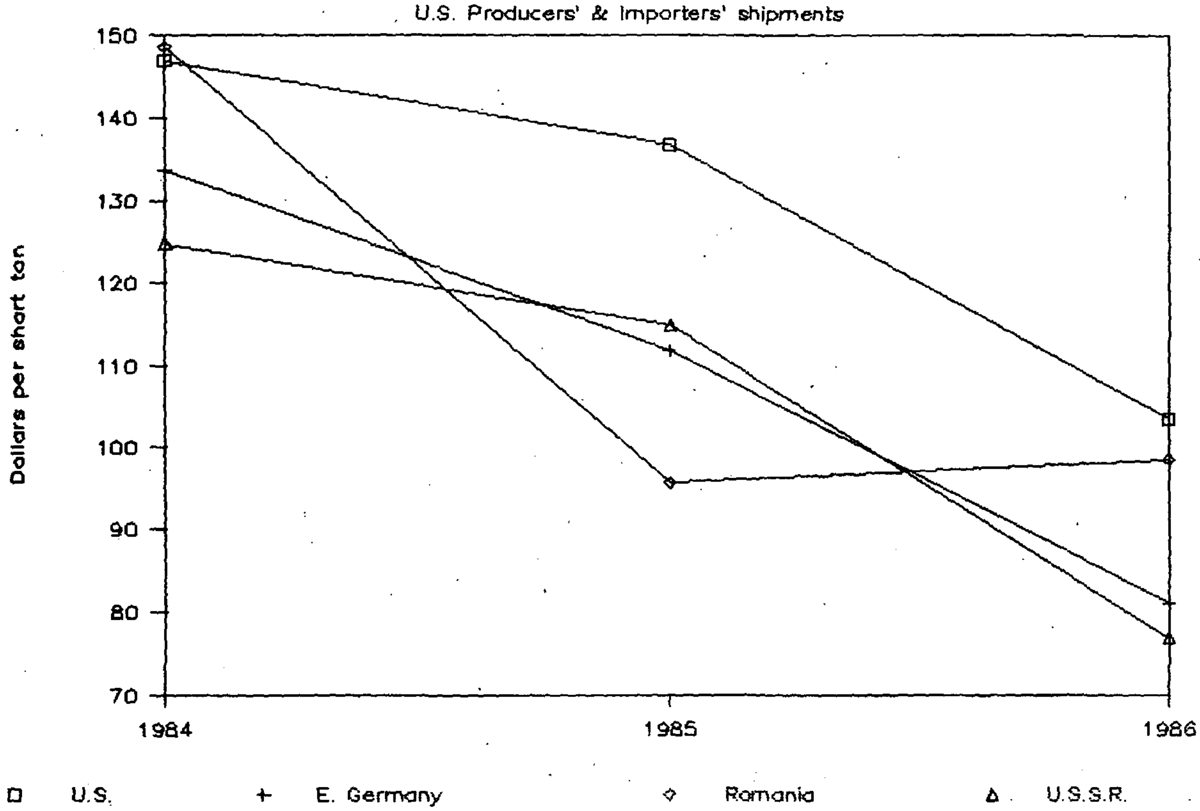


Figure 6.--Urea Unit Values

U.S. prill & gran. vs Ger,Rom,&U.S.S.R.

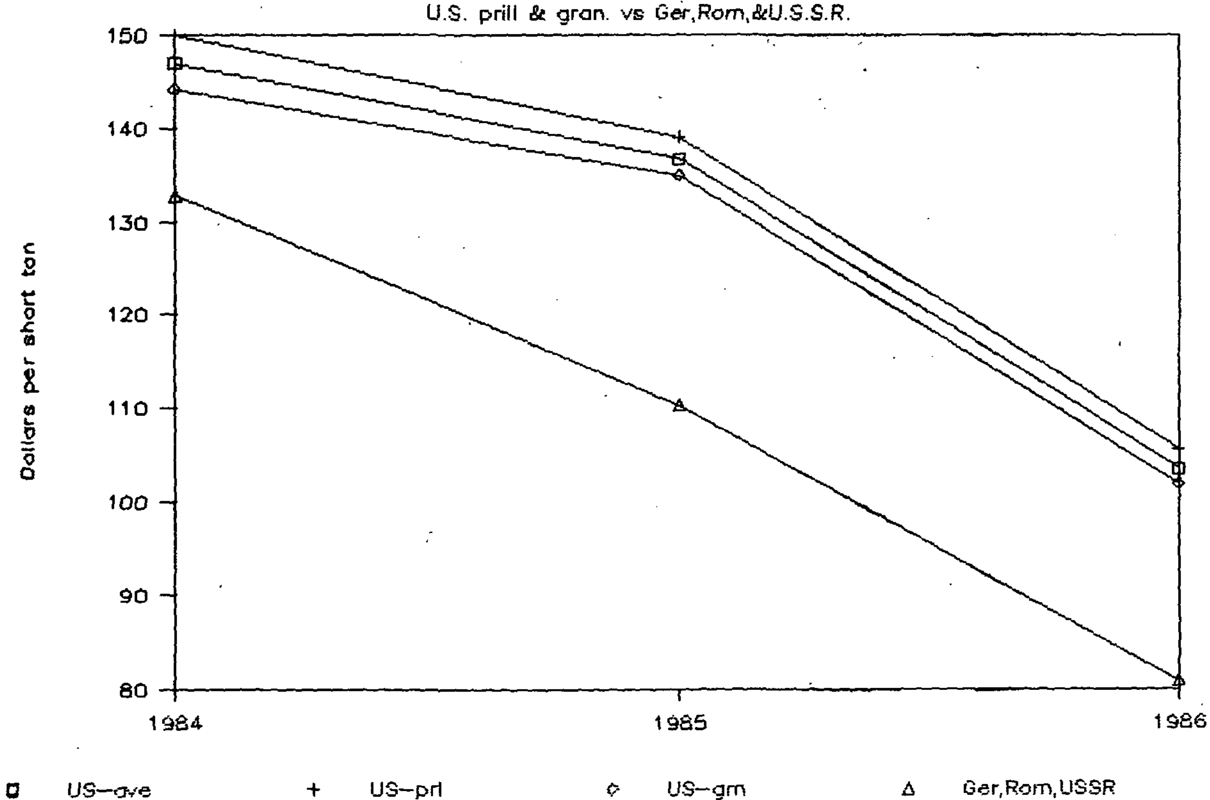


Table 19.--Solid urea: U.S. production, exports, imports, and apparent consumption, 1984-86

Solid urea	1984	1985	1986
U.S. production 1/			
1,000 short tons 2/..	5,025	4,495	3,865
U.S. exports....................do....	1,270	1,154	491
U.S. imports:			
East Germany..................do....	69	59	210
Romania 1/....................do....	233	133	136
U.S.S.R.......................do....	418	455	843
Import subtotal.............do....	720	647	1,189
All other imports............do....	1,320	1,321	2,103
Total imports..............do....	2,040	1,968	3,292
Apparent consumption 3/			
1,000 short tons 2/..	5,795	5,309	6,666
Ratio of imports to apparent consumption (quantity):			
East Germany...............percent..	1.2	1.1	3.2
Romania.......................do....	4.0	2.5	2.0
U.S.S.R.......................do....	7.2	8.6	12.6
East Germany, Romania, and the U.S.S.R.........percent..	12.4	12.2	17.8
All imports.................do....	35.2	37.1	49.4
Ratio of imports to apparent consumption (value): 4/			
East Germany...............percent..	1.0	0.8	2.4
Romania.......................do....	3.9	1.9	1.6
U.S.S.R.......................do....	6.2	8.1	9.6
East Germany, Romania, and the U.S.S.R.........percent..	11.2	10.8	13.6
All imports.................do....	33.4	36.0	47.4

1/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.
2/ On a dry, 100-percent-urea basis.
3/ Calculated as production less exports plus imports.
4/ Values of production for 1984-86 and exports for 1985 and 1986 estimated from unit values of shipments.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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

Figure 7.--U.S. Urea Consumption

Apparent Consumption by Source

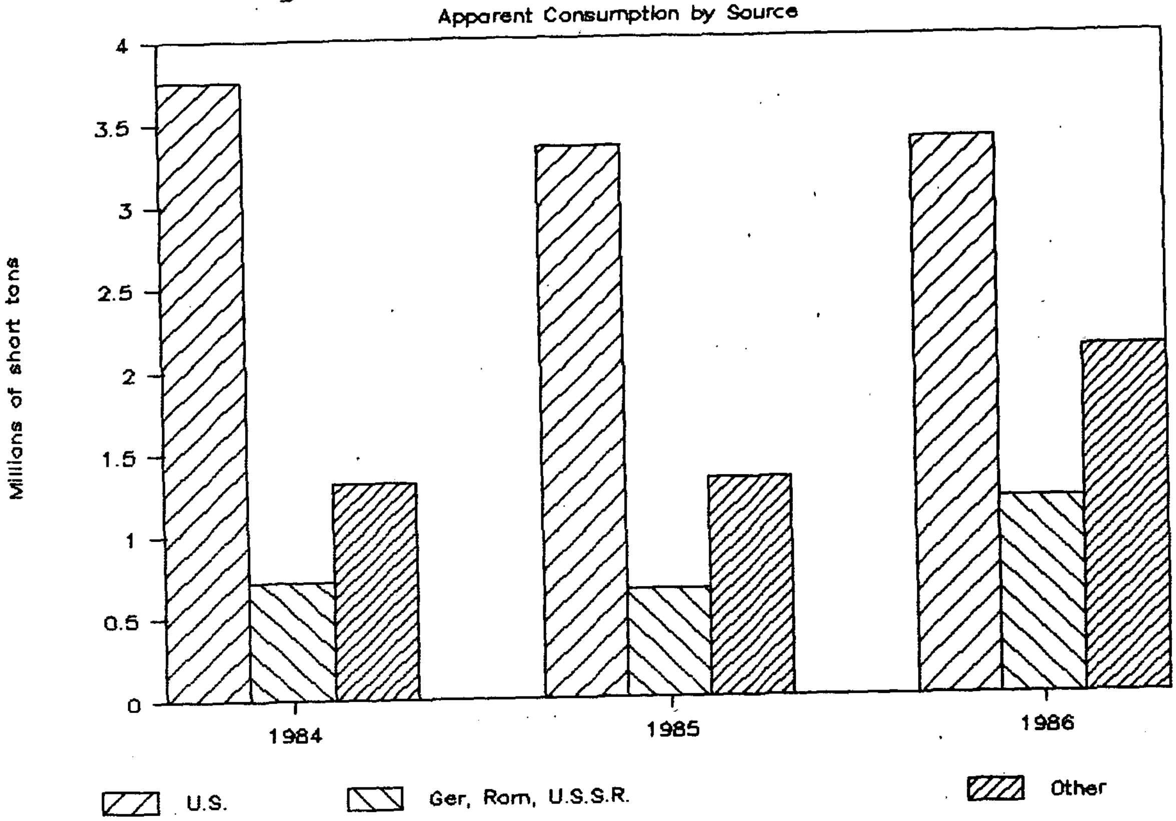
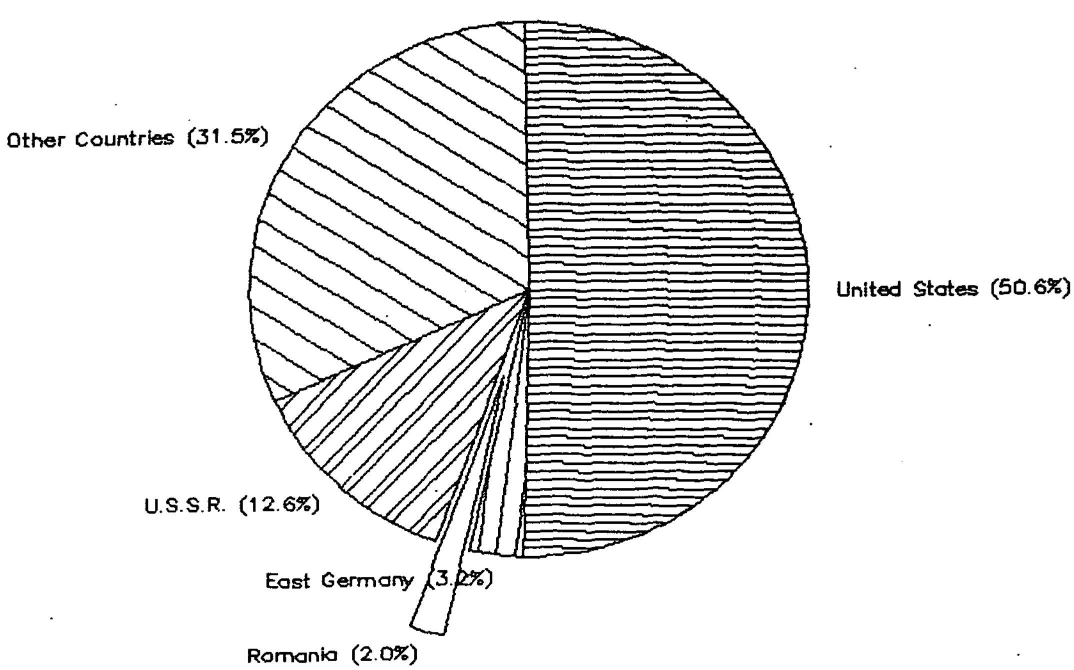


Figure 8.--Urea Consumption, 1986

Apparent Consumption by Source



Prices

In general, information on the urea market is readily available to buyers and sellers. Field representatives of U.S. producers and importers are regularly in contact with purchasers to inform them of the current price of urea. Many participants in the market subscribe to the "Green Markets" newsletter, which publishes weekly average prices and reports on production and import levels. In addition, some U.S. producers and importers also publish bimonthly price lists for dealers, brokers, and end users.

When distributors, cooperatives, or dealers--the major types of purchasers at the wholesale level--decide to buy urea, they shop for bids. They may obtain comparative pricing information in a variety of ways. A field representative may give a purchaser a price quote during a regular visit, or the purchaser may place calls to his regular suppliers to obtain bids over the telephone. Some purchasers may give high-bidding suppliers the opportunity to meet or beat the low bid they have received, especially if the high bidder is a preferred supplier.

Because urea is not a perishable item, it can be stored under appropriate conditions for several months. U.S.-produced and imported urea are highly similar products. 1/ Because of the generally homogeneous nature of urea, producers and importers tend to respond to market forces similarly, and if one supplier's prices rise, others' tend to also. A significant mitigating factor in the market is transportation costs. The location of the seller in relation to the buyer can markedly affect transportation costs, and thus can affect the delivered price of urea. 2/ Because of this, not all producers or importers are able to compete equally at all locations.

Although the urea market is driven primarily by price, quality can differ and have an effect on purchasing decisions. The quality of urea depends primarily on two factors: (1) the size and uniformity of the prills or granules and (2) resistance to caking. Purchasers of both domestic urea and urea from the subject countries have reported that the U.S. material is generally of a higher quality. It is preferred or required for certain applications, but the imported material, although generally of a lower quality, can be used for many of the same applications as domestic urea.

1/ In fact, imported and domestic urea are frequently commingled in wholesalers' warehouses and their customers commonly are not aware of the origin of the product.
2/ Purchasers indicated in their questionnaire responses that transportation costs in the U.S. market are a major factor in buying urea; typical transportation costs reportedly averaged approximately 8 percent of the delivered price of urea. For a more complete discussion see the section on transportation costs immediately following the price section.

The price of urea relative to prices of the three other major nitrogen fertilizers (anhydrous ammonia, nitrogen solutions, and ammonium nitrate) affects the demand for urea, within the physical limits of substitutability of the various types. 1/ Of the two solid nitrogen fertilizers, urea and ammonium nitrate, urea is usually the lowest cost per unit of nitrogen. 2/ Trends in farm-level prices of the principal nitrogen fertilizers are shown in figure 9, during crop years 1977-86. Although ammonium nitrate may be the closest substitute for solid urea, as previously discussed, it has some undesirable characteristics compared with urea. Both urea and ammonium nitrate are marketed as dry, granular or prilled solids that can be stored and blended easily. The technology for spreading these fertilizers is relatively simple. In comparison with anhydrous ammonia, urea is higher priced per unit of nitrogen. On a unit nitrogen basis, nitrogen solutions appear to be the most price competitive nitrogen fertilizer compared with urea in recent years. Nevertheless, urea may be substituted for other nitrogen fertilizers as the price difference narrows.

During 1982, the price of urea per unit of nitrogen increased less than prices of the other nitrogenous fertilizers, and in 1983 it fell more quickly than prices of the other fertilizers; during the latter period, urea prices fell by 9 percent compared with declines of 4 to 7 percent in prices of the other fertilizers.

Based on shipment data for urea reported in U.S. producer and importer questionnaire responses, an increase in urea supply in 1986 apparently resulted largely from increases in imports but also from an increase in domestic shipments. Although total consumption of nitrogenous fertilizers fell in 1986,

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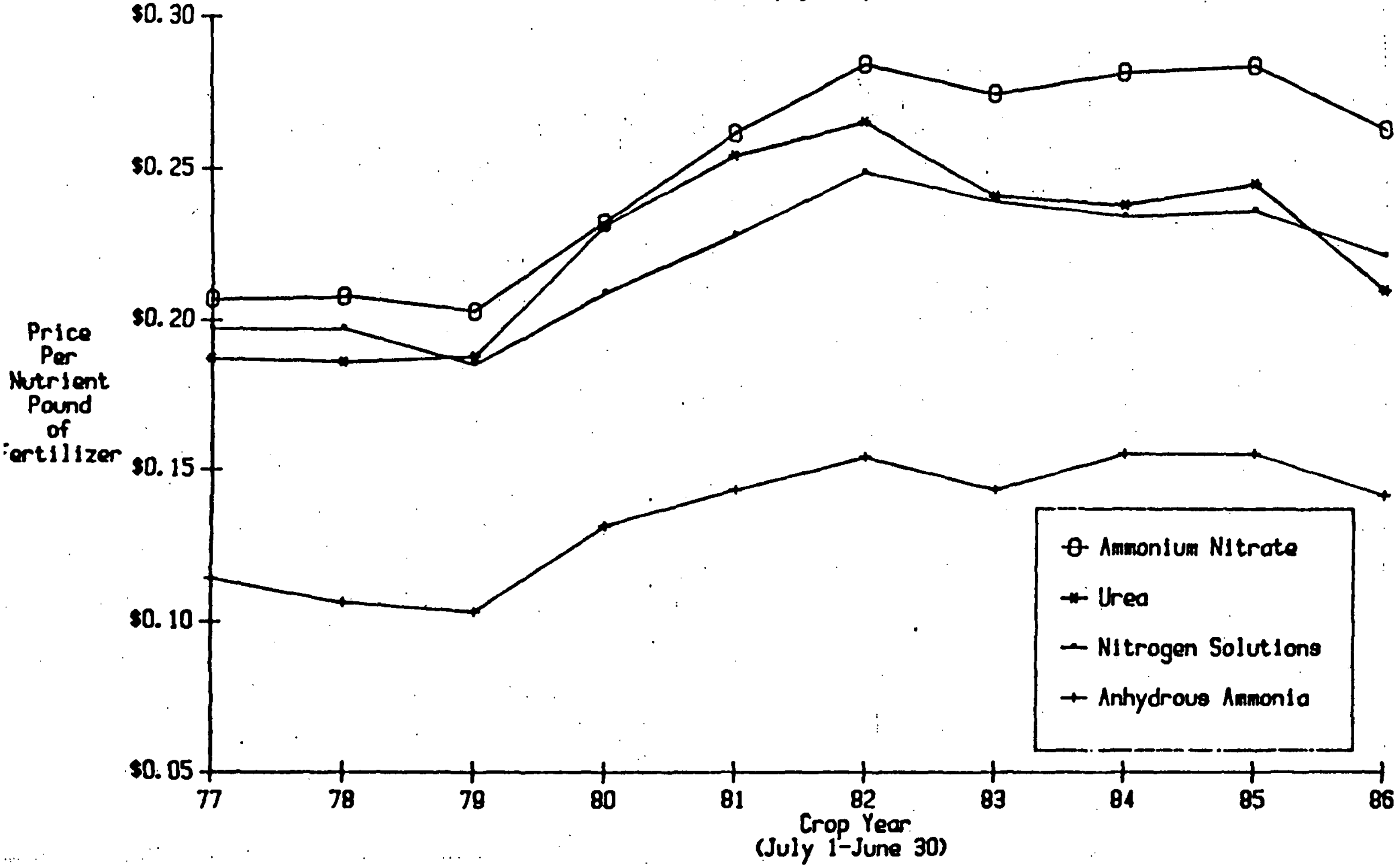
1/ The substitutability of urea for the other nitrogenous fertilizers has been suggested by several sources. In addition to hearing testimony of the petitioners, officials of the Tennessee Valley Authority and market analysts with Green Markets, Inc. noted that during 1986 urea was substituted for anhydrous ammonia and the nitrogen solutions. The analysts at Green Markets specifically cited the lower price of urea relative to prices of the other nitrogenous fertilizers as the reason for such substitution. Similar substitution in 1984 was also cited by analysts at Green Markets. Commercial Fertilizers, Tennessee Valley Authority, Economics and Marketing Staff--National Fertilizer Development Center, page 1, 1986. Green Markets--Fertilizer Market Intelligence Weekly, McGraw-Hill, Inc., page 2, May 11, 1987 and page 2, June 11, 1984.

2/ The four fertilizers have widely different nitrogen contents by weight; urea has a nitrogen content of about 46 percent compared with about 82 percent for anhydrous ammonia, 28 to 32 percent for nitrogen solutions, and 35 percent for ammonium nitrate. To compare prices, values of each must be converted to prices per pound of nitrogen. For example, if the price of urea per pound of nitrogen falls relative to the price of ammonium nitrate per pound of nitrogen, then urea has become a relatively less expensive source of nitrogen, and vice versa. When price comparisons between different nitrogenous fertilizers are cited in this report, the price per pound of nitrogen is used.

Figure 9.—Average U.S. farm-level prices per nutrient pound of ammonium nitrate, urea, nitrogen solutions, and anhydrous ammonia, by crop years, 1977-1986



Source: Compiled from data of the U.S. Department of Agriculture.

the increase in urea consumption may have resulted from substitution as prices of urea per unit of nitrogen declined more rapidly than prices of the other fertilizers. In 1986 urea prices fell by about 14 percent compared with price declines of 6 to 9 percent for the other nitrogenous fertilizers.

Price trends.--Trends in prices were based on published data sources, as well as on questionnaire data.

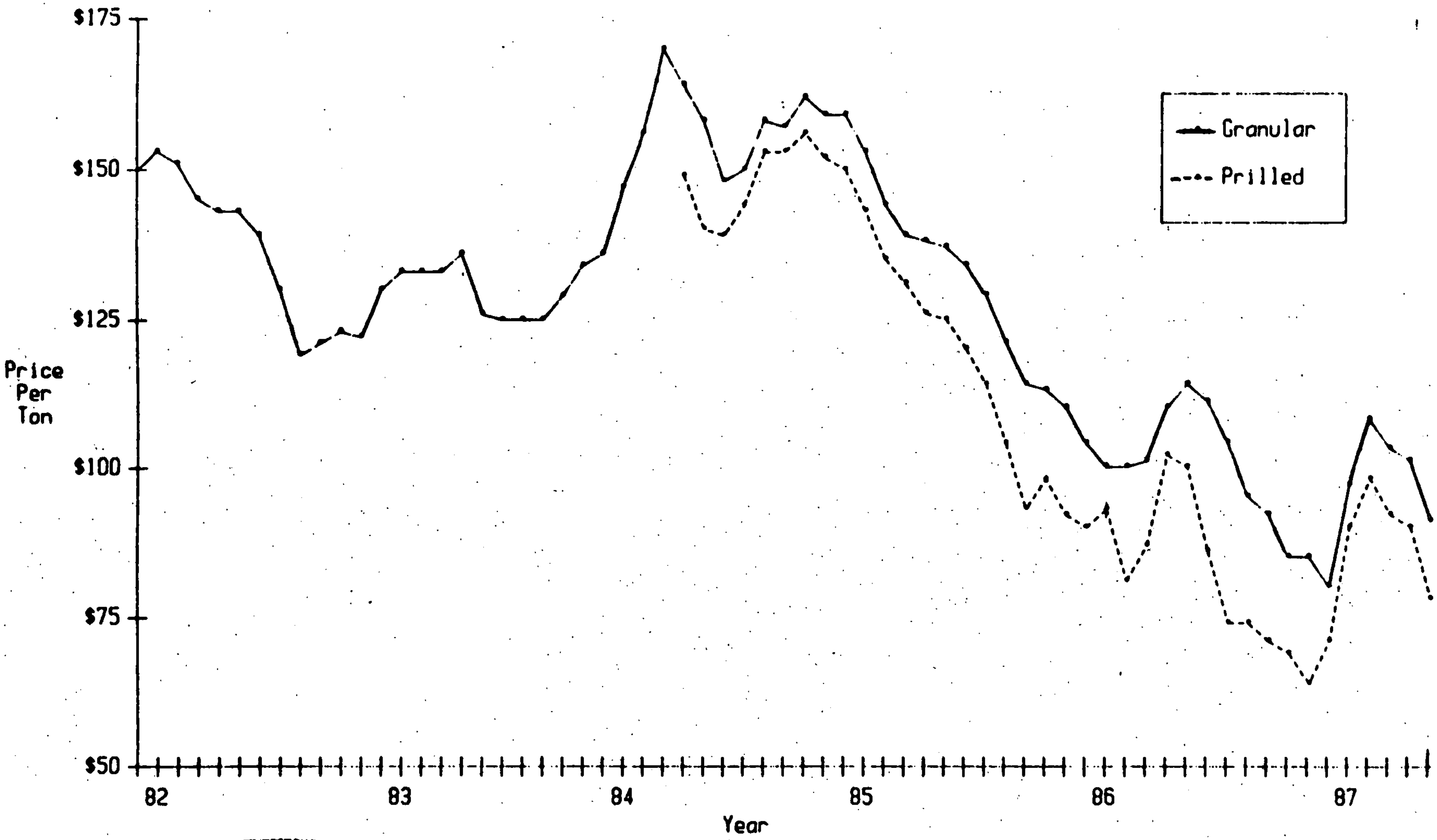
Published price data.--Figure 10 shows average monthly gulf coast prices of domestic and imported urea combined from January 1982 to May 1987, as reported in various Green Markets publications. 1/ The price of urea changes frequently and sharply. After reaching a high point in 1984, prices of granular urea fluctuated but generally declined through December 1986. In early 1986, prices temporarily recovered, but turned down again by April. After their low point in December 1986, prices rose for three months before falling again in March and continuing to fall through May. Prices of prilled urea, which are first shown for April 1984 (the earliest period available), followed similar trends.

At the Commission's hearing, petitioners asserted that urea prices have risen since December 1986 as a result of the Commerce Department's announcement during the early part of that month of its preliminary dumping findings. (Petitioners also noted at the hearing that subsequent to Commerce's finding, imports from the subject three countries have fallen significantly.) From December 1986 through February 1987 prices of prilled urea sold in the U.S. market rose by 53 percent, but they then fell by about 20 percent through the end of May 1987. 2/

1/ Green Markets' urea price data are based on market participants' perceptions of prices, not on actual sales transactions, and combine barge, rail, and truck volume sales of both domestically produced and imported urea. As a result, such price data are not appropriate for price comparisons, although they are useful as an indicator of price trends. Green Markets' reported prices for prilled urea are lower than the prices reported for granular urea. As previously noted, f.o.b. unit values for shipments of prilled urea reported in response to the Commission's questionnaires were higher than f.o.b. unit values for granular urea (table 5).

2/ In the Sept. 8, 1986, issue of Green Markets, industry observers suggest that any duties placed on urea imports from East Germany, Romania, and the U.S.S.R. may not result in significantly higher domestic prices, as low-priced urea from other countries will likely fill any shortfall in imports from these three countries. A spokesman for The Fertilizer Institute stated in the Apr. 15, 1987, issue of Chemical Week that the preliminary antidumping duties altered the suppliers of U.S. urea imports but not the volume.

Figure 10.---Urea: Average Gulf Coast f.o.b. prices by forms and by months, January 1982-May 1987



Source: Green Markets, McGraw-Hill Co.

Note: Price data for prilled urea was not available prior to 1985.

Questionnaire price data.--Net f.o.b. selling price data for prilled and granular urea were requested from U.S. producers and for prilled urea from U.S. importers of the East German, Romanian, and U.S.S.R. products on their largest sale during the first full week of each month during 1985-86. 1/ The price data were requested from U.S. producers on the basis of plant and warehouse sales and by mode of shipment to their customers: barge, rail, or truck. U.S. importers were requested to report their price data by sales from the port of entry and from their U.S. warehouses, and by mode of shipment. Although the majority of domestic and imported urea is reportedly sold in barge shipments on the gulf coast and along the Mississippi River system, a significant quantity is also sold by rail and truck. Because of the importance of transportation costs, the Commission also requested purchasers to report delivered-price data for the subject domestic and imported prilled urea.

Industry sources report that granular urea generally commands a higher price than prilled urea, because it is better suited for bulk blending and direct application. Purchasers responding to the Commission's questionnaires indicated that, on the basis of total supply of urea sold in the U.S. market, the delivered price of granular urea averaged about 7 percent higher than that of prilled urea during 1985-86. This was also apparent in Green Markets' data in figure 10. 2/ According to these purchasers, the large particle size of granular urea generally makes it more suitable than the small particle size of prilled urea for bulk blending of fertilizers and for storage. Some purchasers also commented that the more uniform size of the granular urea vis-a-vis the prilled urea allow the granular urea to spread more evenly in direct applications, resulting in higher crop yields.

Based on the reported f.o.b. price data, indexes of U.S. producers' selling prices of domestic prilled and granular urea are shown in table 20, and indexes of selling prices of the prilled urea imported from East Germany, Romania, and the U.S.S.R. are shown in tables 21-23. 3/ Fifteen U.S. producers and 13 importers reported f.o.b. selling price data, but not necessarily for all products, all transportation modes, or all periods requested. The responding U.S. producers accounted for about 97 percent of total domestic shipments of urea during 1986. During the same period, the responding importers accounted for about 68 percent of total U.S. imports of urea from East Germany, 47 percent from Romania, and 58 percent from the U.S.S.R.

1/ Requested transactions were limited to one week during each month because urea prices change frequently, and monthly or quarterly average prices might not capture price movements.
2/ The f.o.b. price data reported in Green Markets' publications and shown in figure 10 show consistently higher prices of granular urea compared with prilled urea. But these prices are based on the total supply of urea in the U.S. market and may not reflect relative prices of domestically produced granular and prilled urea received by U.S. producers at specific locations.
3/ The weighted-average selling prices of the domestic and imported urea that correspond with the indexes shown in tables 20-23 are shown in appendix F, tables F-1 through F-4. Indexes are used in the text to facilitate analysis of the changes in price over time.

Table 20.--Urea: Indexes of net f.o.b. selling prices of bulk shipments of U.S.-produced urea sold from U.S. plants, 1/ by types, by modes of shipment, and by months, January 1985-December 1986 2/

(January 1985=100)

Period	Prilled			Granular		
	Barge	Rail	Truck	Barge	Rail	Truck
1985:						
January.........	100	100	100	100	100	100
February........	96	100	96	106	99	99
March...........	91	96	85	103	91	97
April...........	85	93	87	102	98	102
May.............	75	92	78	64	93	100
June............	79	91	85	79	93	91
July............	73	84	82	88	88	93
August..........	67	87	85	82	88	90
September.......	70	82	86	85	80	85
October.........	64	81	85	84	67	80
November........	65	78	78	80	77	85
December........	63	79	70	68	76	75
1986:						
January.........	63	75	73	74	64	72
February........	63	68	62	89	63	66
March...........	57	65	58	73	67	64
April...........	66	69	67	76	72	71
May.............	76	71	68	84	67	77
June............	63	68	71	72	67	75
July............	-	59	65	-	62	62
August..........	47	61	64	61	58	68
September.......	47	54	51	63	53	62
October.........	49	59	60	59	53	63
November........	51	58	50	67	60	60
December........	44	59	56	57	47	58

1/ Price indexes of the domestic prilled and granular urea are shown only for sales from U.S. plants, as U.S. producers reported a greater number and volume of sales from their plants than from their warehouses. Movements in prices of the domestic urea sold from U.S. plants, however, are representative of domestic price trends for sales from both plants and warehouses.
2/ The monthly price indexes were developed from net f.o.b. selling prices of U.S. producers' largest sales during the first week of each month.

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

Note: January 1985=100.

Table 21.--Urea: Indexes of net f.o.b. (U.S. locations) selling prices of bulk shipments of the U.S. prilled urea sold from U.S. plants and East German prilled urea sold from the importers' ports of entry, 1/ by modes of shipment and by months, January 1985-December 1986 2/

Period	Barge U.S.	Barge E. Germany	Rail U.S.	Rail E. Germany	Truck U.S.	Truck E. Germany
1985:						
January	-	-	-	-	100	100
March	-	-	-	-	85	89
April	-	-	-	-	87	86
May	-	-	-	-	78	86
June	-	-	-	-	85	87
October	100	100	-	-	-	-
November	103	114	-	-	-	-
1986:						
February	100	84	-	-	-	-
March	90	90	-	-	-	-
April	103	105	-	-	67	44
May	-	-	100	100	68	61
June	-	-	96	99	71	57
July	-	82	83	89	65	56
August	74	80	86	82	64	62
September	75	81	76	86	-	-
October	77	78	84	76	-	-
November	80	89	82	74	-	-
December	69	74	-	-	-	-

1/ Most of the reported sales of the East German prilled urea were from the importers' ports of entry. Insufficient price data were reported to show price trends of the imported urea sold from U.S. warehouses.
2/ The monthly price indexes were developed from net f.o.b. selling prices of U.S. producers' and importers' largest sales during the first week of each month.

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

Note: Base periods for the price indexes shown above are as follows: By barge, October 1985=100; by rail, May 1986=100; and by truck, January 1985=100.

Table 22.--Urea: Indexes of net f.o.b. (U.S. locations) selling prices of bulk shipments of the U.S. prilled urea sold from U.S. plants and Romanian prilled urea sold from the importers' U.S. warehouses, 1/ by modes of shipment and by months, March 1985-December 1986 2/

Period	Barge		Truck	
	U.S.	Romania	U.S.	Romania
1985:				
March	-	-	100	100
April	100	100	102	92
May	87	96	92	92
June	92	93	100	90
July	86	83	97	85
August	-	-	101	85
September	-	-	102	84
October	-	-	100	80
November	-	-	92	80
December	74	67	-	-
1986:				
January	74	66	-	-
March	67	70	69	65
April	77	64	79	72
May	-	-	80	72
June	74	76	84	78
July	-	-	77	78
August	-	-	76	77
September	55	53	-	-

1/ Prices of the imported Romanian urea sold from U.S. warehouses are shown because they are more representative for trend purposes than sales from the U.S. ports of entry. Importers of the Romanian urea reported greater sales volume and number of sales from their U.S. warehouses than from the ports of entry.

2/ The monthly price indexes were developed from net f.o.b. selling prices of U.S. producers' and importers' largest sales during the first week of each month.

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

Note: Base periods for the price indexes shown above are as follows: By barge, April 1985=100; and by truck, March 1985=100.

Table 23.--Urea: Indexes of net f.o.b. (U.S. locations) selling prices of bulk shipments of the U.S. prilled urea sold from U.S. plants and the U.S.S.R. prilled urea sold from the importers' ports of entry or U.S. warehouses, 1/ by modes of shipment and by months, February 1985-December 1986 2/

	Barge		Barge		Truck	
Period	U.S.	U.S.S.R. 3/	U.S.	U.S.S.R. 4/	U.S.	U.S.S.R. 4/
1985:						
February	100	100	-	-	-	-
April	89	127	-	-	-	-
May	78	109	-	-	100	100
June	82	108	-	-	109	101
July	76	115	-	-	105	99
August	-	-	-	-	109	100
September	-	-	-	-	110	96
October	66	93	-	-	109	90
November	68	87	-	-	100	80
December	66	86	-	-	90	80
1986:						
January	66	102	100	100	93	80
February	66	93	-	-	80	78
March	60	88	91	99	74	73
April	68	82	104	123	86	71
May	-	-	-	-	86	72
June	-	-	-	-	91	72
July	-	74	-	-	84	69
August	49	76	-	-	82	72
September	49	74	75	86	66	69
October	-	-	-	-	77	71
November	-	-	81	76	-	-
December	46	89	70	79	-	-

1/ Importers of the U.S.S.R. prilled urea reported the greatest sales volume and number of sales on barge shipments from their ports of entry and their U.S. warehouses and on truck shipments from their U.S. warehouses. Indexes of these reported sales prices are shown here as representative of price movements of the imported U.S.S.R. urea sold in the United States.
2/ The monthly price indexes were developed from net f.o.b. selling prices of U.S. producers' and importers' largest sales during the first week of each month.
3/ Sold from U.S. ports of entry.
4/ Sold from U.S. warehouses.

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

Note: Base periods for the price indexes shown above are as follows: By barge, February 1985=100 where the foreign material was shipped from U.S. ports of entry, and January 1986=100 where the foreign material was shipped from U.S. warehouses; and by truck, May 1985=100.

Domestic prices.--Indexes of the weekly weighted-average net f.o.b. prices of the domestic prilled and granular urea sold from U.S. plants generally fell during January 1985-December 1986, with declines ranging from 41 to 56 percent depending on the mode of transportation (tables 20 and F-1). 1/ For barge shipments, U.S. producers' f.o.b. selling prices of the prilled urea fell from $*** per ton in January 1985 to $*** per ton in December 1986, or by approximately 56 percent. Selling prices of domestic prilled urea shipped by rail fell from $*** per ton in January 1985 to $*** per ton in December 1986, or by about 41 percent. And selling prices of the prilled urea shipped by truck fell from $*** per ton in January 1985 to $*** in December 1986, or by about 44 percent. Selling prices of domestic granular urea fell by 43 percent for barge shipments, by 53 percent for rail shipments, and by 42 percent for truck shipments.

East German prices.--Based on limited reported data, indexes of the weekly weighted-average net U.S. f.o.b. selling prices of East German prilled urea sold from the ports of entry generally fell during the partial periods reported (tables 21 and F-2). 2/ Importers' selling prices of the imported prilled urea sold by barge fell by about 26 percent during the period reported, from $*** per ton in October 1985 to $*** per ton in December 1986. In comparison, prices of domestic prilled urea sold from U.S. plants and shipped by barge during this period fell by approximately 31 percent. Prices of the imported urea sold by train fell by 26 percent, from $*** per ton in May 1986 to $*** per ton in November 1986, while prices of domestic prilled urea sold from U.S. plants and shipped by rail fell by 18 percent. Prices of the imported urea sold by truck fell by 38 percent, from $*** per ton in January 1985 to $*** per ton in August 1986, while prices of the domestic prilled urea sold from U.S. plants and shipped by truck fell similarly, by 36 percent.

Romanian prices.--Based on limited reported data, indexes of the weekly weighted-average net U.S. f.o.b. selling prices of Romanian prilled urea sold from U.S. warehouses generally fell during the partial periods reported (tables 22 and F-3). 3/ Importers' selling prices of the imported prilled urea sold by barge fell by 47 percent during the period reported, from $*** per ton in April 1985 to $*** per ton in September 1986. In comparison, prices of domestic prilled urea sold from U.S. plants and shipped by barge during this period fell similarly during this period, by 45 percent. Prices of the imported urea sold by truck fell by 23 percent, from $*** per ton in March 1985 to $*** per ton in August 1986, while prices of domestic prilled urea sold from U.S. plants and shipped by truck fell similarly, by 24 percent. Insufficient price data were reported by importers to show price trends of the Romanian urea shipped by rail.

1/ Although not shown, movements in U.S. producers' selling prices of the prilled and granular urea sold from their U.S. warehouses also declined during January 1985-December 1986. U.S. producers reported, however, selling the majority of the domestic urea from their plants.

2/ Insufficient price data were reported by importers to show price trends of the East German urea sold from U.S. warehouses.

3/ Insufficient price data were reported by importers to show price trends of the Romanian urea sold from U.S. ports of entry.

U.S.S.R. prices.--Based on limited reported data, indexes of the weekly weighted-average net U.S. f.o.b. selling prices of U.S.S.R. prilled urea sold from U.S. ports of entry and from U.S. warehouses generally fell during the partial periods reported (tables 23 and F-4). Importers' selling prices of the imported prilled urea sold from U.S. ports of entry and shipped by barge fell by 11 percent during the period reported, from $*** per ton in February 1985 to $*** per ton in December 1986. Importers' prices of barge shipments of the U.S.S.R. urea sold from U.S. warehouses fell by 21 percent during January-December 1986. In comparison, prices of domestic prilled urea sold from U.S. plants and shipped by barge fell 54 percent from February 1985 to December 1986, and by 30 percent from January 1986 to December 1986. Prices of the imported urea sold from U.S. warehouses and shipped by truck fell by 29 percent from $*** per ton in May 1985 to $*** per ton in October 1986, while prices of domestic prilled urea sold from U.S. plants and shipped by truck fell somewhat less during this period, by 23 percent. Insufficient price data were reported by importers to show price trends of the U.S.S.R. urea shipped by rail.

Price comparisons between the domestic and imported prilled urea.--The Commission also requested weekly net delivered-price data from large buyers of the domestic and subject imported prilled urea on their purchases during the first full week of each month during 1986. On the basis of the questionnaire data reported by purchasers, 1/ 59 price comparisons between the domestic and imported prilled urea were possible in five geographic market areas from January to December 1986 (tables 24-25). 2/ Forty of the fifty-nine price comparisons were based on deliveries made to the market area of Arkansas, Louisiana, Mississippi, and Tennessee. All the price comparisons were based on deliveries of the domestic urea from U.S. plants and deliveries of the imported urea from U.S. ports of entry. Sixteen weekly delivered-price comparisons were possible between the domestic and East German prilled urea, 11 with Romanian urea, and 32 with U.S.S.R. urea.

1/ The questionnaire price data were reported by 57 U.S. purchasers of the domestic and subject imported prilled urea. These purchasers accounted for about 37 percent of total domestic shipments of prilled urea in 1986. During the same periods these purchasers accounted for about 63 percent of total U.S. imports of prilled urea from East Germany, 61 percent from Romania, and 36 percent from the U.S.S.R. The coverage figures likely understate the extent the responding purchasers account for the subject urea, because many of the firms could not identify countries of origin of all of the urea they purchased.
2/ The reported net delivered purchase price data based on returns of purchaser questionnaires were aggregated into the following five U.S. market areas where similar conditions of competition and transportation exist: (1) Arkansas, Louisiana, Mississippi, and Tennessee; (2) Indiana, Kentucky, and Ohio; (3) Iowa, Illinois, Missouri, and Nebraska; (4) Oklahoma and Texas; and (5) North Carolina.

As shown in table 24, 11 of the 16 delivered-price comparisons involving the East German prilled urea show the foreign product to be priced less than domestic prilled urea, ranging from 3 to 30 percent below domestic prices. Also shown in table 24, 9 of the 11 delivered-price comparisons involving the Romanian prilled urea show the foreign product to be priced less than the domestic prilled urea, ranging from 4 to 30 percent below domestic prices. As seen in table 25, 26 of the 32 delivered-price comparisons involving the U.S.S.R. prilled urea show the foreign product was priced less than the domestic prilled urea, ranging from 2 to 33 percent below domestic prices.

Purchasers' questionnaire responses concerning competition between the domestic and imported urea.--Purchasers were also requested to report in their questionnaire responses any differences between the domestic and subject imported prilled urea, including differences in product characteristics, supply reliability, order lead times, and delivered prices. Twenty-two purchasers reported on the East German urea, with 12 indicating that overall, the foreign and domestic prilled urea were nearly identical and 10 stating that the East German urea was inferior to the domestic urea. Ten of the thirteen purchasers reporting on the Romanian urea and 17 of the 26 purchasers responding for the U.S.S.R. urea reported that, overall, the respective foreign urea was inferior to the domestic prilled urea. 1/ Regardless of how they rated the foreign versus domestic prilled urea, most of the responding purchasers reported that prices of the East German, Romanian, and U.S.S.R. urea were generally 1-20 percent below prices of domestic prilled urea.

Purchasers who reported that the foreign urea was inferior to the domestic urea indicated that the foreign products had a higher proportion of fines, and were softer, lumpier, and less uniform in particle size than the domestic prilled urea. Such undesirable characteristics of the imported urea reportedly resulted in particle segregation in bulk blends and uneven spreading in direct application. These latter purchasers also indicated that the supply of the foreign urea was less reliable and available than the domestic product and required longer order lead times. Reported lead times ranged from 2 weeks to 90 days for the foreign products compared with 5 to 10 days for the domestic urea. Citing all of these factors, especially poor product quality, these purchasers indicated that delivered prices of the foreign urea must be less than domestic producers' prices before they will purchase the imported products. Minimum price differences cited by the purchasers ranged up to 20 percent of the delivered domestic price.

1/ Two of the responding purchasers who dissolve prilled urea in water to make nitrogen solutions reported that the imported Romanian and U.S.S.R. urea was equally acceptable as the domestic urea for their purposes.

Table 24.--Urea: Net delivered purchase prices of U.S. prilled urea delivered from U.S. plants and imported urea from East Germany and Romania delivered from the U.S. ports of entry and margins of under/(over) selling, by market areas, by modes of transportation, and by months, January 1986-December 1986 1/

Market area, shipping mode, and period	U.S.	East Germany	Margins of under(over)/ selling 2/		Romania	Margins of under/(over) selling 2/	
	-----$/ton-----		$/ton	%	$/ton	$/ton	%
AR, LA, MS, TN							
Barge							
January....	$***	$***	$***	24	$***	$***	8
February...	***	***	***	27	***	***	19
March......	***	***	***	19	***	***	-
April......	***	***	***	(1)	***	***	14
June.......	***	***	***	-	***	***	26
July.......	***	***	***	-	***	***	30
October....	***	***	***	26	***	***	-
December...	***	***	***	(5)	***	***	-
Rail							
October....	***	***	***	13	***	***	-
November...	***	***	***	13	***	***	-
Truck							
April......	***	***	***	-	***	***	11
May........	***	***	***	-	***	***	4
October....	***	***	***	4	***	***	(27)
November...	***	***	***	3	***	***	-
IA, IL, MO, NE							
Barge							
April......	***	***	***	30	***	***	26
IN, KY, OH							
Barge							
January....	***	***	***	9	***	***	(19)
February...	***	***	***	-	***	***	15
OK, TX							
Barge							
June.......	***	***	***	(4)	***	***	-
Rail							
January....	***	***	***	13	***	***	-
April......	***	***	***	(17)	***	***	-
May........	***	***	***	(16)	***	***	-

1/ The net delivered prices were reported by purchasers at the wholesale level of the market for their purchases of the subject prilled urea during the first week of each month in 1986.
2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product.

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

Table 25.--Urea: Net delivered purchase prices of U.S. prilled urea delivered from U.S. plants and imported urea from the U.S.S.R. delivered from the U.S. ports of entry and margins of under/(over) selling, by market areas, by modes of transportation, and by months, January 1986-December 1986 1/

Market area, shipping mode, and period	United States	U.S.S.R.	Margins of under/(over) selling 2/	
	--------Dollars per ton--------		$/ton	%
AR, LA, MS, TN				
Barge				
January....	$***	$***	$***	33
February...	***	***	***	13
March......	***	***	***	18
April......	***	***	***	12
May........	***	***	***	26
June.......	***	***	***	20
July.......	***	***	***	32
August.....	***	***	***	(3)
October....	***	***	***	25
December...	***	***	***	3
Rail				
February...	***	***	***	18
May........	***	***	***	(14)
June.......	***	***	***	8
July.......	***	***	***	20
Truck				
January....	***	***	***	3
February...	***	***	***	5
March......	***	***	***	3/
April......	***	***	***	6
May........	***	***	***	12
June.......	***	***	***	11
August.....	***	***	***	12
September..	***	***	***	(7)
IA, IL, MO, NE				
Barge				
April......	***	***	***	22
May........	***	***	***	9
September..	***	***	***	5
Truck				
April......	***	***	***	(5)

See footnotes at the end of the table.

Table 25.--Urea: Net delivered purchase prices of U.S. prilled urea delivered from U.S. plants and imported urea from the U.S.S.R. delivered from the U.S. ports of entry and margins of under/(over) selling, by market areas, by modes of transportation, and by months, January 1986-December 1986 1/--Continued

Market area, shipping mode, and period	United States	U.S.S.R.	Margins of under/(over) selling 2/	
	--------Dollars per ton--------		$/ton	%
IN, KY, OH				
Barge				
March......	$***	$***	$***	10
Rail				
March......	***	***	***	25
April......	***	***	***	20
Truck				
March......	***	***	***	4
May........	***	***	***	(14)
NC				
Truck				
April......	***	***	***	2

1/ The net delivered prices were reported by purchasers at the wholesale level of the market for their purchases of the subject prilled urea during the first week of each month in 1986.
2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product.
3/ Less than 0.5 percent.

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

Lost sales

A number of specific lost-sales allegations involving urea from the subject countries from January 1984 to December 1986 were made by seven U.S. producers during the current investigations. 1/ The specific allegations totaled 134,262 tons of urea from the subject three countries. The Commission staff attempted to contact purchasers accounting for about 123,000 tons or 92 percent of the total tonnage alleged. In addition, some U.S. producers cited purchasers to whom they felt they may have lost sales but were unable to provide the specific information requested. The Commission staff also attempted to contact several of these latter purchasers. Conversations with

1/ * * *.

representatives of the firms contacted during the current investigation are discussed below. 1/

East Germany.--The Commission staff attempted to contact all purchasers cited in specific lost sales allegations involving imported urea from East Germany; these allegations totaled 18,000 tons of urea. The staff was able to contact three of the purchasers, accounting for 10,500 tons. The remaining purchasers were unavailable for comments. In addition, the staff contacted a purchaser cited in a less specific lost-sales allegation involving 16,500 tons of urea imported from either East Germany or Romania.

Purchaser 1.--* * * cited the * * *, a distributor in * * *, in two lost-sales allegations involving imported East German urea. The first allegation involved the distributor's alleged purchase of *** tons of imported East German urea in * * * for $*** per ton, or almost $*** per ton under * * * quoted price of $*** per ton. The second allegation involved * * * alleged purchase in * * * of *** tons of imported East German urea for $*** per ton, or almost $*** per ton less than * * * quoted price of $*** per ton.

A representative of * * * confirmed that it had purchased East German material instead of U.S.-produced material in * * * because it was lower priced. The representative could not confirm the price differences cited by * * *, but stated that there are days when imported material from East Germany has been lower priced than U.S.-produced material by as much as $*** per ton.

The purchaser corrected the * * * allegation, stating that he recalls purchasing *** tons of East German urea in * * * or substantially more than the *** tons cited by * * *. * * * generally purchases imported material in larger quantities than it purchases from U.S. producers. Typically, imported urea is purchased in quantities of *** to *** tons, and domestic urea is purchased in quantities of *** to *** tons. Price differences based on volume discounts generally exist between domestic and imported urea.

Asked about the quality of the imported East German urea purchased, * * * representative stated that it was in the general range of quality of urea produced in the United States. The East German material was reportedly equal to the quality of urea from * * * and better than that from * * *. The East German material was not as good as urea produced by * * * or by * * *, the U.S. producer making this allegation, however. The representative elaborated that the higher quality of urea produced by * * * (prilled) and that from * * * (granular) could justify a domestic price premium of approximately $*** to $*** per ton over the price of East German material.

1/ During the preliminary investigations, the Commission staff contacted 18 purchasers cited in lost-sales allegations. Five reported having purchased imported material from the subject countries because it was lower priced, although some reported that the quantities and/or values of the sales lost were overstated. The other 13 purchasers either denied the allegations or were unable to comment because they reportedly did not know the origin of the imports they purchased.

Purchaser 2.--* * * alleged that * * *, a distributor headquartered in * * * had purchased in * * * urea imported from East Germany or Romania. * * * allegedly rejected a domestic offer price of $*** per ton in favor of a price of $*** per ton for * * * of imported urea. * * * of * * *, responded to the ITC staff inquiry.

After checking * * * records, * * * acknowledged purchasing the imported urea. * * * noted that by * * * the urea prices in the U.S. market were moving up but the import price remained more attractive at $*** per ton. He added that the quality of the imported urea was quite comparable with that of the domestic product from * * *.

Purchaser 3.--* * *, a fertilizer distributor * * * in a lost-sales allegation involving urea from East Germany. * * * allegedly rejected a domestic offer in * * * at $*** per ton for *** tons in favor of the East German urea priced at $*** per ton. * * *, executive of * * *, could not recall the transaction cited above but provided information about his firm's sourcing pattern and its view of the urea market.

According to * * *, imported urea is cheaper "because of poorer quality." If the quality of domestic and imported urea is equal, then a purchaser buys at the same price. He adds that at times there is domestic distress product (quality related) offered at lower prices. * * * ranks several sources on quality as follows: * * * prilled urea is high quality (few fines and little if any caking, etc.), East German prilled is as good a quality as * * * product; Romanian prilled is "slightly lower in quality, but even Romanian prilled would be priced at a premium over prilled from * * *--a domestic producer. * * *, with plants in the United States and in * * *, would sell either product at the same price. Italian granular urea is always a premium product, said * * *.

Purchaser 4.--* * * cited * * * in five lost sales allegations during * * * and * * * involving urea imported from either East Germany or Romania. The lost sales allegations totalled *** tons of urea from these countries. * * * of the purchasing firm, responded to the ITC staff inquiry.

After checking the * * * records, * * * confirmed the data on the five alleged lost sales with minor changes in certain of the alleged import prices. In * * * his firm purchased * * * of imported prilled urea from East Germany or Romania. The domestic offer price was $*** per ton as alleged but the import price was $*** per ton rather than $*** per ton as alleged. * * * of either imported East German or Romanian urea (*** tons) were purchased in * * * at a price of $*** per ton compared with the domestic price of $*** per ton. In * * * of that year, * * * opted for * * * (*** tons) of imported urea from one of the cited countries at a price of $*** per ton rather than $*** per ton as alleged. The competing domestic price as alleged was $*** per ton. These prices, both domestic and import are f.o.b. port of destination. Unloading charges and U.S. inland transportation freight cost would amount to $5 to $8 per ton and would be the same for either domestic or imported urea (*** percent of the urea is shipped by truck from the river ports of destination).

In * * *, * * * bought * * * (*** tons) of imported urea that came from either East Germany or Romania. The imported urea was priced at $*** per ton rather than $*** as alleged. The domestic offer price was $*** per ton as alleged.

Romania.--The Commission staff attempted to contact purchasers cited in specific lost-sales allegations involving imported urea from Romania; the purchasers that the Commission staff attempted to contact accounted for 8,300 tons of the total 9,450 tons alleged. The staff was able to contact three purchasers, accounting for 6,300 tons. The remaining purchasers were unavailable for comment.

Purchaser 1.--* * * alleged a lost sale to * * *, a distributor in * * *, involving *** tons of imported Romanian urea allegedly purchased for $*** per ton in * * *. * * * price quote in this instance was $*** per ton. A spokesman for * * * stated that the distributor's major supplier of U.S.-produced urea is * * * and mentioned purchasing imported urea from * * * and * * *. The spokesman confirmed that * * * purchased *** tons of imported urea from * * * in * * * because it was lower priced than the domestic producer's urea. After checking his records, the spokesman stated that the price of the imported urea was actually $*** per ton, or approximately *** percent lower than the domestic price quote alleged by * * * (the purchasing agent could not recall the exact * * * price quote). The spokesman did not know the country-origin of the imported urea it purchased from * * *, but data available to the Commission indicate that * * * imports urea from several countries, including Romania and East Germany.

The distributor purchased the barge of imported urea, subject to inspection, and determined that "it was fine." Purchasing imported urea off a barge "subject to inspection" is not a usual procedure for this purchaser. The purchasing agent took this precaution, however, because he was told by various salesmen that several barges of urea had been sitting on the river for some time. He was worried that these barges might contain hard urea as a result of having absorbed moisture.

Purchaser 2.--* * * cited * * *, a distributor in * * * in a lost-sales allegation involving *** tons of imported Romanian prilled urea allegedly purchased for $*** per ton, or less than * * * price quote of $*** per ton. The distributor/purchaser would neither confirm nor deny this particular instance but stated that it has purchased imported Romanian urea from brokers.

Purchaser 3.--* * * named * * *, a retail firm in * * * in an alleged purchase of Romanian urea in * * *. * * * allegedly rejected a domestic bid of $*** per ton in favor of a price of $*** per ton for * * * of Romanian urea (*** tons). * * * of * * * denied the alleged purchase.

Commenting on the alleged lost sales, * * * stated that he hasn't bought even a single * * * of imported urea. On a trial-order basis, he ordered *** tons of imported urea (source unknown) at a price of about $*** to *** per ton.

from * * *, a broker in * * *. He initially took * * * of the ***-ton order in the spring of 1986, but he wasn't happy with it. "It contained a lot of dust and took 3 hours to unload." * * * cancelled the order of imported urea and replaced it with domestic urea from * * *.

U.S.S.R.--The Commission staff attempted to contact the purchasers cited in specific lost sales allegations totaling 87,112 tons of imported urea from the U.S.S.R. The staff was able to contact nine purchasers, accounting for 74,250 tons. The remaining purchasers that the Commission attempted to contact were unavailable for comment.

Purchaser 1.--* * * cited * * *, a distributor headquartered in * * *, in a lost sale allegation involving * * * (*** tons) of prilled urea in * * *. * * * was alleged to have rejected a domestic price of $*** per ton in favor of a competing price of $*** per ton for urea imported from the U.S.S.R. * * * of * * * responded to the ITC staff inquiry.

After checking * * * records, * * * confirmed the accuracy of the facts concerning the alleged lost sales. He noted that in * * * a slowdown in the market began. * * * refocused their business away from dealers to the "national accounts," cutting their price sharply to reduce inventory. Focusing on the national account means less chance of downstream market interference; the national account won't end-run the producer in his dealer market. For example, at this time * * * had a contract with * * * to supply urea for use in solution. This single purchase arrangement wouldn't disrupt the broad market, according to * * *. * * *, however, had an even "sharper pencil" than * * * so * * * brought * * * of urea imported from the U.S.S.R. at $*** per ton.

Purchaser 2.--* * * cited * * *, a blender in * * *, in an alleged lost sale of *** tons of prilled urea in * * *. * * * bid of $*** per ton was rejected allegedly in favor of imported urea from the U.S.S.R. offered at a lower but unknown price. * * * of this firm, responded to the ITC staff inquiry.

* * * checked his purchase records for the * * * time period and found that although * * * was shipping regularly to * * * during that * * * quarter, he had purchased *** tons of urea imported by * * * from the U.S.S.R. at $*** per ton f.o.b. * * * warehouse. In * * *, he bought an additional * * * (* * *) from * * * at that price. * * * also purchased * * * of East German prilled urea in * * * from * * *, a broker. The price was $*** per ton, f.o.b. * * *. In addition, * * * of U.S.-produced urea were purchased from * * * in * * * at $*** per ton, f.o.b. * * * plant, and * * * were purchased from * * * at $*** per ton, f.o.b. * * * plant. The purchases of imported urea were made because of lower price than domestic product. * * * stated that pellet size, proportion of fines, and moisture content were all acceptable.

Purchaser 3.--* * * named * * *, a retail firm in * * *, in an alleged purchase of U.S.S.R. urea in * * *. * * * allegedly rejected a domestic bid of $*** per ton in favor of a price of $*** per ton for * * * of U.S.S.R. urea (*** tons). * * * of * * *, denied the alleged purchases. As indicated previously, * * * has not bought even a * * * of imported urea, largely because of poor quality.

Purchaser 4.--* * * named * * *, a retailer in * * *, in three lost sales allegations in * * * totaling *** tons of prilled urea. * * *, purchaser for the firm responded to the ITC staff inquiry.

* * * confirmed the three purchases, * * * of U.S.S.R. urea from * * * (*** tons) at a price of $*** per ton and * * * shipments of *** tons each, * * * priced at $*** per ton and * * * at $*** per ton. As for quality, * * * "took the precautions of inspecting the product as it was being loaded on the * * *. Some * * * shipments were of poor quality, i.e. a lot of fines and some caking, but generally the quality was comparable with domestic product. * * * made the purchase as a defense against competing retailers who had turned to imported urea.

Purchaser 5.--* * * named * * *, a fertilizer distributor in * * *, in a lost sales allegation amounting to * * * tons of urea from the U.S.S.R. * * * allegedly rejected a domestic offer in * * * at $*** per ton for *** tons in favor of the U.S.S.R. urea priced at $*** per ton.

* * *, executive of * * *, could not recall the transaction cited above but provided information about his firm's sourcing pattern and their view of the urea market. This information was discussed earlier in the Lost Sales section of this report.

Purchaser 6.--* * * named * * *, a distributor in * * *, in a lost-sale allegation involving urea from the U.S.S.R. * * * allegedly rejected the domestic offer price of $*** (list) per ton for *** tons of prilled urea in * * * in favor of U.S.S.R. product offered at $*** per ton.

* * *, an executive of the firm's facility in * * *, said that the imported prilled urea at issue consisted of * * *, * * * unloaded in * * *, * * * of *** tons and * * * of *** tons. The alleged price of $*** per ton was "probably right," said * * *, and the urea was either U.S.S.R. or East German product. The reason for purchasing the imports was price.

Purchaser 7.--* * * cited * * *, a distributor in * * *, in a lost-sale allegation amounting to *** tons of prilled urea from the U.S.S.R. in * * *. * * * allegedly purchased the imported urea at a price of $*** per ton rather than the domestic product offered by * * * at $*** per ton.

* * *, manager of procurement for the firm, did not comment directly on the lost-sales allegations, but after checking * * * purchase orders issued in * * *, stated that his firm bought * * * of imported prilled urea. * * * were East German urea purchased from * * * at delivered prices of $*** to *** per ton. * * * from * * * came from the U.S.S.R. at a price of $*** per ton. * * * sold a barge of U.S.S.R. urea to * * * at $*** per ton and * * * sold them * * * of U.S.S.R. urea at $*** per ton. The imported urea was comparable in quality with the competing domestic product and was priced $*** to $*** per ton less, delivered.

Purchaser 8.--* * * identified * * *, * * *, in a lost sales allegation in * * * involving urea imported from the U.S.S.R. * * * allegedly rejected a domestic price of $*** per ton on or about * * * for a quantity of

*** tons and also an earlier domestic bid of $*** per ton on another order of *** tons on * * *. * * *, an executive of * * *, responded to the ITC staff inquiry.

* * * confirmed buying * * * of imported prilled urea in * * * for arrival in * * *. One * * * order went to * * * for urea imported from * * * at $*** per ton. Another barge order went to * * * for urea imported from the U.S.S.R. offered at a price of $*** per ton. During this period * * * was also receiving prilled urea shipments from * * *, trucked in from * * *, at a delivered price equivalent to imported urea sent by rail from * * *. * * * noted that one U.S. producer, * * *, had a practice of quoting f.o.b. Gulf rather than f.o.b. dockside * * *. This put * * * price of $*** at a $*** per ton disadvantage compared with the $*** price of * * * f.o.b. * * *. Price dictated * * * sourcing decision to buy the U.S.S.R. prilled urea.

Purchaser 9.--* * * cited * * * in five lost-sales allegations during * * * involving urea imported from the U.S.S.R. The lost-sales allegations totaled *** tons of urea. * * * of the purchasing firm, responded to the ITC staff inquiry.

After checking his firm's records, * * * noted that in * * *, * * * purchased * * * (*** tons) of imported U.S.S.R. urea at a price of $*** per ton, rather than domestic urea offered at $*** per ton. In * * * of that year, * * * bought * * * (*** tons) of urea imported from the U.S.S.R. * * * were priced at $*** per ton as alleged but * * * came in at $*** per ton. The competing domestic urea again was offered at $*** per ton as alleged. * * * stated that these purchases were all based on lower prices for the imported urea. The quality of the imported product was comparable with that of the competing domestic urea.

Nonspecific allegations.--The Commission staff contacted a purchaser that accounted for the single largest transaction in a group of general lost-sales allegations where the country of origin of the competing urea was unknown to alleging domestic producers. * * * alleged that it lost a sale to * * *, a distributor in * * *, in * * *, when * * * allegedly purchased *** tons of imported prilled urea, possibly from one of the three countries named in the instant investigations, for $*** per ton or nearly *** percent below * * *'s price quote of $*** per ton. A spokesman for this distributor/purchaser explained that in * * * was purchasing both U.S.-produced and imported material in the price range of $*** to $*** per ton. Imported material purchased by * * * in this period was from the subject Eastern block countries as well as from other sources. The low-priced U.S.-produced material purchased in this period was not sold by U.S. producers, some of which were quoting prices at $*** to $*** per ton, but rather by traders. Traders were offering U.S.-produced urea for prices in the range of $*** to $*** per ton. The purchaser suggested that traders were apparently able to sell the domestic material for lower prices than those offered by U.S. producers because they either contracted to buy it from U.S. producers in an earlier period (at a low price), or obtained it in exchange for another product. The purchaser speculated that the U.S. producers with prices over $*** in this period did not need to sell at lower prices because their inventory levels were low.

Lost revenues

A number of specific lost-revenue allegations involving urea from the U.S.S.R. and covering the period from January 1984 to December 1986 were made by four U.S. producers during the current investigations. 1/ The specific allegations involved 38,822 tons of urea from the U.S.S.R. The Commission staff attempted to contact purchasers covering about 29,936 tons, or 77 percent, of the tonnage alleged. No specific lost-revenue allegations were reported involving imports of urea from East Germany or Romania. Some U.S. producers also cited lost-revenue allegations where they could not identify the country of origin of the competing urea. The Commission staff also attempted to contact several of these latter purchasers. Conversations with representatives of the firms contacted during the current investigation are discussed below. 2/

U.S.S.R.--The staff was able to contact two purchasers, who accounted for *** tons. The remaining purchasers were not available for comments.

Purchaser 1.--* * * alleged that to avoid losing a * * * sale of *** tons it had to lower its price to * * * from $*** per ton to $*** per ton to match a price quote for imported Soviet prilled urea. The purchasing agent confirmed that * * * did reduce its price to * * * by approximately the amount alleged to compete with imported material in * * *, but denied that the imported material was from the U.S.S.R. * * *'s purchasing agent told * * * that he could buy imported material at a lower price but did not tell the producer the country-origin of the imported material. "Fresh" Soviet urea was reportedly not even available during that period, according to the purchaser. The purchaser could not recall the country-origin of the competing price quote but stated that it was likely imported urea from Italy, New Zealand, or Canada. The purchasing agent stated that on the basis of such factors as quality and availability he has purchased U.S.-produced material at higher prices than those offered for imported material. He also said that U.S. producers have lowered their prices to * * * to meet price competition from other suppliers of U.S.-produced material.

1/ The four reporting U.S. producers were * * *; * * *; * * *; and * * *.
2/ During the preliminary investigations, the Commission staff attempted to contact 11 purchasers to discuss lost-revenue allegations made by producers. A number of them could not be reached for comment. One purchaser reported that the U.S. producer had reduced his price to obtain the sale, but could not state that the import competition came from the countries under investigation. The remaining purchasers denied the allegations based on the fact that they do not purchase imported material, and stated that any revenues lost were lost because of competition from other U.S. producers.

Purchaser 2.--* * *, a regional cooperative located in * * *, was cited by * * * in the * * * allegations of lost revenues summarized below:

Alleged month...........	* * *	* * *	* * *
Alleged quantity (tons)..	***	***	***
Foreign quote...........	$*** per ton	$*** per ton	$*** per ton
U.S. rejected quote......	$*** per ton	$*** per ton	$*** per ton
U.S. accepted quote......	$*** per ton	$*** per ton	$*** per ton

The revenues were allegedly lost making price reductions to match prices of imported urea from the U.S.S.R.

The purchasing agent for * * * stated that its major supplier of urea is a domestic producer, * * *. The cooperative owns part of * * * and is guaranteed the option to purchase a certain quantity from the domestic urea producer. If * * * prices are not competitive, however, the cooperative is under no obligation to purchase from them. * * * other suppliers of U.S.-produced material include * * *, the producer that made this allegation, * * *, * * *, and * * *. * * * purchases imported urea from * * * and * * *. * * * has purchased imported material produced in the U.S.S.R. and in Romania.

While he could not confirm the exact allegations, the cooperative's representative stated that * * * purchased Soviet urea because it was lower priced than U.S.-produced urea, and likely received price reductions from * * * (not the producer making these particular allegations) in * * * based on the lower prices of imported Soviet urea. The purchasing agent did not recall, however, price reductions on any one transaction of the the magnitude alleged by * * *. In this purchasing agent's experience, a supplier's price reduction in connection with any one price negotiation would likely be closer to $*** to $*** per ton than $*** to *** per ton.

Asked about the relative quality of U.S.-produced and imported Soviet or Romanian urea, the spokesman stated that imported urea from these countries was always of lower quality than U.S.-produced material. The two major characteristics of the imported material that make it less desirable for * * * are irregular particle size and being "dusty." In addition, whereas U.S. producers will provide technical support or compensation for any quality problems that may occur, a broker of imported urea does not care if a customer has subsequent quality problems, according to the purchasing agent.

Nonspecific allegations.--The Commission staff was able to contact one of the purchasers cited in general lost-revenue allegations where the country of origin of the competing urea was unkown to alleging domestic producers.

* * *, an end user * * *, was named by * * * in three allegations of revenues lost in * * * and two allegations of revenues lost in * * *. * * * allegedly reduced its prices in these instances to keep from losing sales to lower priced competing urea, but could not identify the country-origin of the competing urea. These allegations are summarized below:

Lost-revenue allegations for * * *

Alleged month............	* * *	* * *	* * *
Alleged quantity (tons)..	***	***	***
Foreign quote............	$*** per ton	$*** per ton	$*** per ton
U.S. rejected quote......	$*** per ton	$*** per ton	$*** per ton
U.S. accepted quote......	$*** per ton	$*** per ton	$*** per ton

Lost-revenue allegations for * * *

Alleged month............	* * *	* * *
Alleged quantity (tons)..	***	***
Foreign quote............	$*** per ton	$*** per ton
U.S. rejected quote......	$*** per ton	$*** per ton
U.S. accepted quote......	$*** per ton	$*** per ton

The purchasing agent for * * *, an end user of urea * * *, stated that it purchases U.S.-produced urea from * * *, * * *, * * *, and * * *, and purchases imported urea from * * *, an importer of Romanian and East German urea, and * * *, an importer of Canadian urea. * * *'s purchasing agent reviewed its purchase records carefully for these various periods to see if these allegations were correct. He dismissed the alleged price reductions of $*** to $*** per ton alleged for * * *, * * *, and * * * as too large to be realistic. A supplier would not normally reduce its price quote to such an extent for one transaction. In addition, he could not find any transactions in his records that were similar to these allegations.

According to the spokesman, the price reductions of $*** to $*** per ton alleged for * * * and * * * were more realistic. Moreover, * * *'s cost sheets for * * * for a particular * * * location showed prices paid for U.S.-produced prilled urea that were similar to the "accepted" prices reported by * * *. 1/ * * * does not purchase imported urea for this * * * location, however. Thus, the spokesman stated that price reductions by a U.S. producer could represent competition among U.S. producers, a producers' arbitrary price change, or could have been made during price negotiations in response to the purchasing agent having mentioned the prices of imported urea as reported in Green Market. Apparently, it is very common for suppliers to call this purchaser to announce price changes. In * * *, * * * paid $*** per ton for urea from * * *, or slightly less than * * *'s reported "accepted" U.S. price, and $*** per ton for U.S.-produced urea from * * *. In * * *, * * * paid $*** for urea from * * *, or slightly more than the price reported by * * *, $*** per ton for U.S.-produced urea from * * *, $*** per ton for U.S.-produced urea from * * *, and $*** per ton for U.S.-produced urea from * * *. The cost sheets showed that * * * announced a price change in * * *.

1/ The cost sheets only show prices of urea actually purchased and do not generally indicate other price quotes received.

Transportation costs

U.S. producers and importers of urea were asked to provide information on the cost of transporting urea to their customers. Fifteen U.S. producers and 15 importers responded to this section of the questionnaire. Transportation costs reported by the responding firms typically ranged from 5 to 10 percent of the delivered price, but could be as much as 20 percent for some sales. The responding producers and importers reported that barge transportation is significantly lower priced than rail or truck transport. Based on shipping distances of approximately 50, 200, and 500 miles, the following tabulation shows the reported comparative transportation costs in dollars per ton of urea.

	Barge	Rail	Truck
50 miles.....	$2.13	$7.10	$7.88
200 miles....	3.09	15.61	18.86
500 miles....	4.68	26.60	38.13

As shown in the above tabulation, the average reported barge rate of $2.13 per ton for a shipping distance of 50 miles was less than one-third of the rail or truck rates of $7.10 and $7.88 per ton, respectively, for the same distance. Truck transport is the most expensive mode of delivery and becomes relatively more expensive at greater distances. One producer noted that some purchasers may be able to negotiate rail rates that are comparable with barge rates if they ship large enough quantities. The responding U.S. producers and importers reported that they typically absorb less than 10 percent of the costs of shipping urea to their customers.

Countertrade arrangements

* * * * * * *

Exchange rates

Because the values of the currencies of East Germany, Romania, and the U.S.S.R. are determined by their respective Governments, exchange rates are not presented here.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-338 Through 340 (Final)]

Urea From the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics

AGENCY: 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-338 through 340 (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 the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics of solid urea, provided for in item 480.30 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before March 9, 1987, and the Commission will make its final injury determinations by May 1, 1987, (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: January 2, 1987.

FOR FURTHER INFORMATION CONTACT: Tedford Briggs (202-523-4612), 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 imports of urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in a petition filed on July 16, 1986, by the Ad Hoc Committee of Domestic Nitrogen Producers, a coalition of major U.S. producers of urea and other nitrogen fertilizers. In response to that petition the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 32259, September 10, 1986).

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 Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) 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 March 13, 1987, 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 9:30 a.m. on March 26, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 12, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on March 19, 1987, in Room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is March 23, 1987.

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 § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on April 2, 1987. 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 April 2, 1987.

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: January 14, 1987.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-1532 Filed 1-22-87; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 731-TA-338 through 340 (Final)]

Urea From the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigations.

EFFECTIVE DATE: February 20, 1987.

FOR FURTHER INFORMATION CONTACT: Tedford C. Briggs (202-523-4612), 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 contracting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On January 2, 1987, the Commission instituted the subject investigations and established a schedule for their conduct (52 FR 2623, January 23, 1987). Subsequently, the Department of Commerce extended the date for its final determinations in the investigations from March 9, 1987, to May 18, 1987 (52 FR 5322, February 20, 1987). 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 May 13, 1987; the prehearing conference will be held at 9:30 a.m. in room 117 of the U.S. International Trade Commission Building on May 20, 1987; the public version of the prehearing staff report will be placed on the public record on May 12, 1987; the deadline for filing prehearing briefs is May 22, 1987; the hearing will be held, beginning at 9:30 a.m., in room 331 of the U.S. International Trade Commission Building on May 28, 1987; and the deadline for filing all other written submissions, including posthearing briefs, is June 4, 1987.

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 Part 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 207.20).

Issued: March 6, 1987.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 87-5191 Filed 3-10-87; 8:45 am]

BILLING CODE 7020-02-M

International Trade Administration

[A-429-601]

Urea from the German Democratic Republic; Preliminary Determination of Sales at Less Than Fair Value

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

ACTION: Notice.

SUMMARY: We have preliminarily determined that urea from the German Democratic Republic (GDR) is being, or 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, and we have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise 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 such 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 March 9, 1987.

EFFECTIVE DATE: January 2, 1987.

FOR FURTHER INFORMATION CONTACT: Frank Crowe, (202 377-4087) or Mary S. Clapp (202 377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that urea from the GDR is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 144.11 percent.

If this investigation proceeds normally, we will make a final determination by March 9, 1986.

Case History

On July 16, 1986, we received a petition in proper form filed by the Ad Hoc Committee of Domestic Nitrogen Producers, a coalition of major U.S. producers of urea and other nitrogen fertilizers. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the GDR are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated such an investigation on August 5, 1986, (51 FR 28854, August 12, 1986) and notified the ITC of our action.

On October 10, 1986, a questionnaire was presented to Chemie Export-Import (Chemie), the exporter of urea in the GDR. An extension of time in which to respond was granted and on December 2, 1986, we received a response from Chemie. As discussed under the "Foreign Market Value" section of this notice, we have preliminarily determined that the GDR is a state-controlled-economy country for the purpose of this investigation.

Scope of Investigation

The product covered by this investigation is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the *Tariff Schedules of the United States Annotated* (TSUSA) item 480.3000.

In our notice of initiation we included in the scope of the investigation nitrogen solutions currently classified under TSUSA items 480.3000 and 480.6550, as well as solid urea mixed with other fertilizers as currently classified under TSUSA item 480.8030.

However, the petitioner subsequently requested that the investigation be limited to solid urea. Therefore, we have limited the scope to solid urea.

Because Chemie accounted for all exports of this merchandise from the GDR, we limited our investigation to it.

Fair Value Comparisons

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value. We investigated all sales of urea for the period January 1, 1986 through June 30, 1986.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for the sales by Chemie because the merchandise was sold to unrelated purchasers prior to its importation into the United States.

We calculated the purchase price based on the f.o.b. price to unrelated purchasers. We made deductions for foreign inland freight, brokerage, and loading charges.

In accordance with the policy set forth in our final determination in the investigation of carbon steel wire rod from Poland (49 FR 29434, July 20, 1984) we based these deductions on charges in a non-state-controlled-economy country. The country we used in this investigation was the Federal Republic of Germany (FRG). We used costs in the FRG for the reasons stated below in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that the GDR is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a) of the Act. After an analysis of the GDR's economy, and consideration of the briefs submitted by the parties, we have preliminarily concluded that the GDR is a state-controlled-economy country for purposes of this investigation. Basic to our decision on this issue is the fact that the central government of the GDR controls the prices and levels of production of the fertilizer industry, as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use prices or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the country with the state-controlled-economy.

After an analysis of countries producing urea, we determined that the FRG would be the most appropriate surrogate. However, we were unable to obtain costs or prices from a producer in the FRG. Absent those data from the FRG or other suitable surrogate countries, as the best information otherwise available, we constructed a value for urea using the factors of production reported by Chemie. Where Chemie's response failed to provide such factor data, we used factor data contained in the petition. We determined costs of the factors in the FRG from public sources. Because of the unavailability of industry data in the FRG, we used the statutory minimum of 10 percent of manufacturing costs for general expenses and the statutory minimum of eight percent for profit.

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York.

Preliminary Negative Determination of Critical Circumstances

The petitioner alleges that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of urea from the GDR. In determining whether critical circumstances exist, we must examine whether:

(A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of investigation; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports have been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceding and following the filing of the petition, from April through October 1986. While there was an increase in imports over previous years during 1986, the average monthly imports in the period immediately following the filing of the petition were lower than those in the period immediately preceding the filing. Based on this analysis, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we preliminarily determine that critical circumstances do not exist with respect to imports of urea from the GDR.

Verification

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

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of urea from the GDR that 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 exceeded the United States price, which was 144.11 per cent of the ex-factory value. This suspension of liquidation will remain in effect until further notice.

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 nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without 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 determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 1:00 on February 5, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 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 10 days of this notice's publication. Requests should contain: (1) The parties name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by January 29, 1987. 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 30 days of publication of this notice, at the above address in at least 10 copies.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

December 23, 1986.

[FR Doc. 86-29468 Filed 12-31-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-485-601]

Urea From the Socialist Republic of Romania: Preliminary Determination of Sales at Less Than Fair Value

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

ACTION: Notice.

SUMMARY: We have peliminarily determined that urea from the Socialist Republic of Romania (Romania) is being, or 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, and we have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise 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 such 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 March 9, 1987.

EFFECTIVE DATE: January 2, 1987.

FOR FURTHER INFORMATION CONTACT: Frank Crowe, (202 377-4087) or Mary S. Clapp (202 377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that urea from Romania is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 53.71 percent.

If this investigation proceeds normally, we will make a final determination by March 9, 1986.

Case History

On July 16, 1986, we received a petition in proper form filed by the Ad Hoc Committee of Domestic Nitrogen Producers, a coalition of major U.S. producers of urea and other nitrogen fertilizers. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Romania are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated such an investigation on August 5, 1986, (51 FR 28857, August 12, 1986) and notified the ITC of our action.

On October 10, 1986, a questionnaire was pesented to I.C.E. Chimica (Chimica), a state trading agency. An extension of time in which to respond was granted and on December 1, 1986, we received a response. As discussed under the "Foreign Market Value" section of this notice, we have preliminarily determined that Romania is a state-controlled-economy country for the purpose of this investigation.

Scope of Investigation

The product covered by this investigation is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the *Tariff Schedules of the United States Annotated* (TSUSA) item 480.300.

In our notice of initiation we included in the scope of the investigation nitrogen solutions currently classified under TSUSA items 480.3000 and 480.6550, as well as solid urea mixed with other fertilizers as currently classified under TSUSA item 480.8030.

However, the petitioner subsequently requested that the investigation be limited to solid urea. Therefore, we have limited the scope to solid urea.

Because Chimica accounted for all exports of this merchandise from Romania, we limited our investigation to it.

Fair Value Comparisons

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value. We investigated all sales of urea for the period July 1, 1985 through December 30, 1985.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by Chimica because the merchandise was sold to unrelated purchasers prior to its importation into the United States.

We calculated the purchase price based on the f.o.b. price to unrelated purchasers. We made deductions for foreign inland freight, brokerage, and loading charges.

In accordance with the policy set forth in our final determination in the investigation of carbon steel wire rod from Poland (49 FR 29434, July 20, 1984) we based these deductions on charges in a non-state-controlled-economy country. The country we used in this investigation was the United Kingdom (UK). We used costs in the UK for the reasons stated below in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that Romania is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a) of the Act. After an analysis of Romania's economy, and consideration of the briefs submitted by the parties, we have preliminarily concluded that Romania is a state-controlled-economy country for purposes of this investigation. Basic to our decision on this issue is that fact that the central government of Romania controls the prices and levels of production of the fertilizer industry, as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use prices or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the country with the state-controlled-economy.

After an analysis of countries producing urea, we determined that the UK would be the most appropriate surrogate. We sent a questionnaire to, and received a response from, a major producer of urea in the UK, Imperial Chemical Industries PLC (ICI). We supplemented the information in this response while visiting ICI's facility in the UK. We are in the process of analyzing the information.

Our preliminary analysis indicates that additional information is needed from ICI. We will attempt to obtain this additional data and to verify all of ICI's information prior to the final determination. However, lacking this information at this time, we find it inappropriate to use the ICI data for this determination.

Therefore, as the best information otherwise available, we calculated constructed value based on the factors of production included in the petition because the Romanian response did not include Romanian factors of production. We valued gas, electricity, and labor in the UK from public sources because the ICI response did not provide this information. Where UK values were not available from public sources, we used cost data from the petition relative to the production in Romania. Because of the unavailability of industry data in the UK, we used the statutory minimum of 10 percent of the sum of material and production costs for general expenses and the statutory minimum of eight percent for profit.

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York.

Preliminary Negative Determination of Critical Circumstances

The petitioners allege that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of urea from Romania. In determining whether critical circumstances exist, we must examine whether:

(A) (i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of investigation; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports have been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceeding and following the filing of the petition, from April through October 1986. While there was an increase in imports over previous years during 1986, the average monthly imports in the period immediately following the filling of the petition were lower than those in the period immediately preceding the fillng. Based on this analysis, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we preliminarily determine that critical citcumstances do not exist with respect to imports of urea from Romania.

Verification

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

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of urea from Romania that 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 exceeded the United States price, which was 53.71 per cent of the ex-factory value. This suspension of liquidation will remain in effect until further notice.

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 nonproprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports 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 determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 1:00 on February 3, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 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 10 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 10 copies must be submitted to the Deputy Assistant Secretary by January 27, 1987. 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 30 days of publication of this notice, at the above address in at least 10 copies.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

December 23, 1986.

[FR Doc. 86-29489 Filed 12-31-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-461-601]

Urea From the Union of Soviet Socialist Republics; Preliminary Determination of Sales at Less Than Fair Value

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

ACTION: Notice.

SUMMARY: We have preliminarily determined that urea from the Union of Soviet Socialist Republics (USSR) is being, or 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, and we have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise 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 such 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 March 9, 1987.

EFFECTIVE DATE: January 2, 1987.

FOR FURTHER INFORMATION CONTACT: Frank Crowe, (202 377-4087) or Mary S. Clapp (202 377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that urea from the USSR is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 84.90 percent.

If this investigation proceeds normally, we will make a final determination by March 9, 1986.

Case History

On July 16, 1986, we received a petition in proper form filed by the Ad Hoc Committee of Domestic Nitrogen Producers, a coalition of major U.S. producers of urea and other nitrogen fertilizers. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the USSR are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated such an investigation on August 5, 1986, (51 FR 28857, August 12, 1986) and notified the ITC of our action.

On October 10, 1986, a questionnaire was presented to counsel for eight U.S. importers acting on behalf of the government of the USSR. An extension of time in which to respond was granted and on December 2, 1986, we received a response from Sojuzpromexport, the exporter or urea in the USSR. As discussed under the "Foreign Market Value" section of this notice, we have preliminarily determined that the USSR is a state-controlled-economy country for the purpose of this investigation.

Scope of Investigation

The product covered by this investigation is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the *Tariff Schedules of the United States Annotated* (TSUSA) item 480.3000.

In our notice of initiation we included in the scope of the investigation nitrogen solutions currently classified under TSUSA items 480.3000 and 480.6550, as well as solid urea mixed with other fertilizers as currently classified under TSUSA item 480.8030.

However, the petitioner subsequently requested that the investigation be limited to solid urea. Therefore, we have limited the scope to solid urea.

Because Sojuzpromexport accounted for all exports of this merchandise from the USSR, we limited our investigation to it.

Fair Value Comparisons

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value. We investigated all sales of urea for the period January 1, 1986 through June 30, 1986.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by Sojuzpromexport because the merchandise was sold to unrelated purchasers prior to its importation into the United States.

We calculated the purchase price based on the f.o.b. price to unrelated purchasers. We made deductions for foreign inland freight, brokerage, and loading charges.

In accordance with the policy set forth in our final determination in the investigation of carbon steel wire rod from Poland (49 FR 29434, July 20, 1984) we based these deductions on charges in a non-state-controlled-economy country. The country we used in this investigation was the United Kingdom (UK). We used costs in the UK for the reasons stated below in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that the USSR is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a) of the Act. After an analysis of the USSR's economy, and consideration of the briefs submitted by the parties, we have preliminarily concluded that the USSR is a state-controlled-economy country for purposes of this investigation. Basic to our decision on this issue is the fact that the central government of the USSR controls the prices and levels of production of the fertilizer industry, as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use prices or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the country with the state-controlled-economy.

After an analysis of countries producing urea, we determined that the UK would be the most appropriate surrogate. We sent a questionnaire to, and received a response from, a major producer of urea in the UK, Imperial Chemical Industries PLC (ICI). We supplemented the information in this response while visiting ICI's facility in the UK. We are in the process of analyzing the information.

Our preliminary analysis indicates that additional information is needed from ICI. We will attempt to obtain this additional data and to verify all of ICI's information prior to the final determination. However, lacking this information at this time, we find it inappropriate to use the ICI data for this determination.

Therefore, as the best information otherwise available, we calculated constructed value based on the factors of production reported by the Soviet producer or, where the Soviet response was not sufficient, those included in the petition. We valued gas, electricity, and labor in the UK from public sources because ICI response did not provide this information. Where either the response did not report factors, or where UK values were not available from public sources, we used factors and cost data from the petition relative to the production in the USSR. Because of the unavailability of industry data in the UK, we used the statutory minimum of 10 percent of the sum of material and production costs for general expenses and the statutory minimum of eight percent for profit.

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York.

Preliminary Negative Determination of Critical Circumstances

The petitioner alleges that "critical circumstances" exist within the meaning of section 733(e) of the Act, with respect to imports of urea from the USSR. In determining whether critical circumstances exist, we must examine whether:

(A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of investigation; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports heve been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceeding and following the filing of the petition, from April through October 1986. While there was an increase in imports over previous years during 1986, the average monthly imports in the period immediately following the filing of the petition were lower than those in the period immediately preceding the filing. Based on this analysis, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we preliminarily determine that critical circumstances do not exist with respect to imports of urea from the USSR.

Verification

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

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries or urea from the USSR that 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 exceeded the United States price, which was 84.90 percent of the ex-factory value. This suspension of liquidation will remain in effect until further notice.

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 nonproprietory information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports 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 determination.

Public Comment

In accordance with section 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 1:00 on February 4, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 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 10 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 10 copies must be submitted to the Deputy Assistant Secretary by January 28, 1987. 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 30 days of publication of this notice, at the above address in at least 10 copies.

December 23, 1986.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 86-29470 Filed 12-31-86; 8:45 am]

BILLING CODE 3510-DS-M

Notices

Federal Register
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Friday, February 20, 1987

[A-429-601]

Postponement of Final Antidumping Duty Determination; Urea From the German Democratic Republic

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On January 23, 1987, we received a request from the only respondent in the antidumping duty investigation of urea from the German Democratic Republic (GDR) that the final determination be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)). Pursuant to this request, we are postponing our final antidumping duty determination as to whether sales of urea from the GDR have been made at less than fair value until not later than May 18, 1987.

EFFECTIVE DATE: February 20, 1987.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, Internal Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4087.

SUPPLEMENTARY INFORMATION: On August 12, 1986, we published a notice in the Federal Register that we were initiating, under section 732(b) of the Act (19 U.S.C. 1673a(b)), an antidumping duty investigation to determine whether imports of urea from the GDR are being, or are likely to be sold at less than fair value (51 FR 28854). We issued our preliminary affirmative determination on December 23, 1986 (52 FR 121, January 2, 1987). This notice stated that we would issued a final determination on or before March 9, 1987. On January 23, 1987, the single respondent requested that we extend the period for the final determination until not later than the 135th day after the date of publication of our preliminary determination in accordance with section 735(a)(2)(A) of the Act. This respondent accounts for a significant proportion of exports of the subject merchandise to the United States, and thus is qualified to make this request. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, we grant the request and postpone our final determination until not later than May 18, 1987.

The public hearing is also being postponed until 1:00 p.m. on April 29, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Accordingly, prehearing briefs must be submitted in at least ten (10) copies to the Deputy Assistant Secretary by April 22, 1987.

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

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

February 12, 1987.

[FR Doc. 87-3623 Filed 2-19-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-485-601]

Postponement of Final Antidumping Duty Determination; Urea From the Socialist Republic of Romania

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On January 20, 1987, we received a request from the respondents in the antidumping duty investigation of urea from the Socialist Republic of Romania (Romania) that the final determination be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)). Pursuant to this request, we are postponing our final antidumping duty determination as to whether sales of urea from Romania have been made at less than fair value until not later than May 18, 1987.

EFFECTIVE DATE: February 20, 1987.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4087.

SUPPLEMENTARY INFORMATION: On August 12, 1986, we published a notice in the Federal Register that we were inititating, under section 732(b) of the Act (19 U.S.C. 1673a(b)), and antidumping duty investigation to determine whether imports of urea from Romania are being, or are likely to be sold at less than fair value (51 FR 28857). We issued our preliminary affirmative determination on December 23, 1986 (52 124, January 2, 1987). This notice stated that we would issue a final determination on or before March 9, 1987. On January 20, 1987, the respondents requested that we extend the period for the final determination until not later than the 135th day after the date of publication of our preliminary determination in accordance with section 735(a)(2)(A) of the Act. These respondents account for a significant proportion of exports of the subject merchandise to the United States, and thus are qualified to make this request. If qualified exporters properly request an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, we grant the request and postpone our final determination until not later than May 18, 1987.

The public hearing is also being postponed until 1:00 p.m. on April 30, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Accordingly, prehearing briefs must be submitted in at least ten (10) copies to the Deputy Assistant Secretary by April 23, 1987.

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

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

February 12, 1987.

[FR Doc. 87-3624 Filed 2-19-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-461-601]

Postponement of Final Antidumping Duty Determination; Urea From the Union of Soviet Socialist Republics

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On January 30, 1987, we received a request from a respondent in the antidumping duty investigation of urea from the Union of Soviet Socialist Republics (USSR) that the final determination be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)). Pursuant to this request, we are postponing our final antidumping duty determination as to whether sales of urea from the USSR have been made at less than fair value until not later than May 18, 1987.

EFFECTIVE DATE: February 20, 1987.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4087.

SUPPLEMENTARY INFORMATION: On August 12, 1986, we published a notice in the Federal Register that we were initiating, under section 732(b) of the Act (19 U.S.C. 1673a(b)), an antidumping duty investigation to determine whether imports of urea from the USSR are being or are likely to be sold at less than fair value (51 FR 28857). We issued our preliminary affirmative determination on December 23, 1986 (52 FR 124, January 2, 1987). This notice stated that we would issue a final determination on or before March 9, 1987. On January 30, 1987, a respondent requested that we extend the period for the final determination until not later than the 135th day after the date of publication of our preliminary determination in accordance with section 735(a)(2)(A) of the Act. This respondent accounts for a significant proportion of exports of the subject merchandise to the United States, and thus is qualified to make this request. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, we grant the request and postpone our final determination until not later than May 28, 1987.

The public hearing is also being postponed until 1:00 p.m. on April 28, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Accordingly, prehearing briefs must be submitted in at least ten (10) copies to the Deputy Assistant Secretary by April 21, 1987.

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

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

February 12, 1987.

[FR Doc. 87-3625 Filed 2-19-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-428-601]

Urea From the German Democratic Republic, Final Determination of Sales at Less Than Fair Value

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that urea from the German Democratic Republic (GDR) is being, or is likely to be, sold in the United States (U.S.) at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and we have directed the U.S. Customs Service to continue to suspend the liquidation of all entries of the subject merchandise as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: May 26, 1987.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; Telephone: (202) 377-1769.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that urea from the GDR is being sold in the U.S. at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The weighted-average margin of sales at less than fair value is 44.80 percent.

Case History

On December 23, 1986, we preliminarily determined that urea is being sold at less than fair value (52 FR 121, January 2, 1987). A case history is included in the notice of preliminary determination. On February 12, 1987, we postponed the final determination until not later than May 18, 1987, at the request of the respondent (52 FR 5322, February 20, 1987). On April 29, 1987, we held a hearing to address the issues arising in this investigation.

Scope of Investigation

The merchandise covered by this investigation is solid urea as currently provided for in item 480.30 of the *Tariff Schedules of the United States*.

Fair Value Comparisons

To determine whether sales in the U.S. of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value. Because Chemie accounted for all exports of this merchandise to the United States, we limited our investigation to that firm. We investigated all sales of urea for the period January 1, 1986, through June 30, 1986.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by Chemie because the merchandise was sold to unrelated purchasers prior to its importation into the U.S.

We calculated the purchase price based on the f.o.b. price to unrelated purchasers. We made deductions for inland freight, port handling and port loading charges.

In accordance with the policy set forth in our final determination in the investigation of *Carbon Steel Wire Rod from Poland* (49 FR 29434, July 20, 1984), we based the port handling deductions upon costs in a non-state-controlled-economy country, the Federal Republic of Germany (FRG), for the reasons stated in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that the GDR is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value (FMV) under section 773(a) of the Act. Our analysis of issues relating to the GDR's characterization as a state-controlled-economy country and our selection of a surrogate country are discussed in the notice of preliminary determination. As a result, we determined that section 773(c) of the Act applies to this investigation.

We sent questionnaires requesting assistance from producers in all chosen surrogates, the FRG, the most appropriate surrogate, and the Belgium, the Netherlands, France and Italy as alternate surrogates. However, we were unable to obtain costs or prices from producers in any of the surrogate countries.

Therefore, we calculated constructed value based on the factors of production reported by Chemie or, where the response was not sufficient, or not adequately verified, we used information provided by petitioner or otherwise available to the Department. We valued labor in the FRG from public sources. Where either the response did not report factors, or where FRG values were not available from public sources, we used factors and cost data from the petition relative to the production in the GDR.

Certain factors could not be quantified and other factors could not be appropriately valued with prices from the FRG. In these cases, the Department sought the most reliable objective information contained in the record of investigation. Therefore, for certain data the Department relied upon supplemental reports provided by the petitioner. This included the *Fertilizer Manual* which was published prior to the Department's investigation by the International Fertilizer Development Center of the United Nations' International Development Organization, *Energy Prices and Taxes*, Fourth Quarter 1985.

To value natural gas, we used a tariff set by Gasunie N.V., the Gas Board in the Netherlands. The catagory F of the tariff, the so-called "F" price, is an established gas price which is available to large industrial users in the European Communities (EC). All major fertilizer producers in the EC qualify for the F price because of their high gas usage. The F price is a maximum price established for each quarterly period. Since the F price declined during the period of investigation, we calculated the difference in F price in two succeeding quarters and allocated that difference over the intervening months in order to derive monthly gas prices which we then weight-averaged. We used this monthly weight average F price in order to most closely approximate the price actually paid for gas by market economy countries during the time period when production of the urea subject to our investigation would have occurred. Therefore, we believe that the F price represents the most accurate, verifiable gas price for the Fertilizer sector in the FRG.

The labor rates were obtained in the FRG from public sources. Although some individual items included as factory overhead were verified, others could not be sufficiently quantified or valued. Therefore, for factory overhead the Department developed a ratio of the factory overhead costs to the gas costs from the petition. The Department reviewed the petition, and determined that such costs were representative of average costs for developed countries. However, the individual components of the factory overhead costs were based on a utilization of plant capacity which was less than the utilization of capacity determined to exists in the GDR. Therefore, the Department made appropriate adjustments to account for the higher capacity utilization rate in the GDR.

Because of the unavailability of industry data in the FRG, we used the statutory minimum of 10 percent of the sum of material and production costs for general expenses and the statutory minimum of eight percent for profit.

We made currency conversions in accordance with 19 CFR 353.56(a)(1) using certified exchange rates as furnished by the Federal Reserve Bank of New York.

Negative Determination of Critical Circumstances

The petitioner alleges that "critical circumstances" exist within the meaning of section 735(a)(3) of the Act with respect to imports of urea from the GDR. In determining whether critical circumstances exists, we must examine whether:

(A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of investigation at less than fair value; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports have been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceding and following the filing of the petition, from March through December 1986. While there was an increase in imports over previous years during 1986, the average monthly imports in the period immediately following the filing of the petition were lower than those in the period immediately preceding the filing. Based on this analysis combined with a consideration of seasonal trends, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we determine that critical circumstances do not exist with respect to imports of urea from the GDR.

Verification

In accordance with section 776(a) of the Act, we verified the information submitted in the response by using standard verification procedures, including on-site examination of records and selection of original source documentation containing relevant information.

Comment Section

Petitioner's Comments

Comment #1: Petitioner argues that the Department has correctly chosen the FRG as a surrogate country and must proceed to use publicly available data from the FRG in determining foreign market value for purposes of this determination.

DOC response: We agree. To the extent possible, the Department used the most reliable and specific information for the FRG, the surrogate country selected, according to our methodology.

Comment #2: Petitioner argues that in the absence of verified data from a surrogate producer in a country at a comparable level of economic development, the Department must determine foreign market value by using factors of production valued in the FRG from reliable, publicly published data providing evidence of costs in the FRG rather than rely on average import prices as suggested by respondents. Petitioner contends that the volume of urea exported from the USSR, the GDR and Romania has depressed prices from all sources. Petitioner states that since urea is a fungible commodity, prices from all sources move together

DOC response: We agree that it would not be appropriate to base foreign market value on import prices. We reached this conclusion based on a variety of factors suggesting that the pricing of urea internationally was influenced by imports from the countries under investigation.

Urea is a fungible commodity traded throughout the world. As a result, the level of market share of a specific group of importers tends to affect sales elsewhere.

Non-market-economy producers, and in particular those subject to our investigations, have become major participants in world urea trade. There is evidence that these producers' ability to separate pricing/supply decisions from market demand conditions has significantly contributed to the distortion of urea prices worldwide. As a result, we concluded that determining foreign market value on the basis of prices in any market would be inappropriate.

Moreover, even if we had attempted to use U.S. import prices, we would have had difficulty isolating a sufficiently large basket of prices during the period of investigation to provide a reliable basis for comparison. Besides eliminating the three countries under investigation, we also would have had to disregard nearly all of the remaining foreign suppliers on the grounds of minimal exports, that they were subject to foreign antidumping investigations on urea, or that their governments were known to provide export subsidies. In addition, it would have been impossible to identify sales of solid urea within the basket of urea imports reported in the statistics in order to make the appropriate adjustments.

Comment #3: Petitioner argues that the Department should not assume that the 10 percent statutory minimum for the general selling and administrative (GS&A) expenses is appropriate, but should quantify each individual cost item and value each appropriately. For example, petitioner claims that rents, taxes and insurance, since they are incurred by non-state-controlled-economy companies, should be included and valued. Additionally, it contends that the costs of selling expenses incurred by the GDR trading company, such as selling salaries, brochures and catalogues, should be valued using FRG prices. Further, petitioner contends that interest expense should be calculated on the basis of interest rates in the FRG applied to the total value of the GDR facilities, which were allegedly supplied and financed by western companies through a mix of foreign debt and/or counter trade buy-back arrangements.

DOC response: We agree that no assumptions should be made with regard to the extent of GS&A involved in production and distribution of urea. Section 353.8(c) of our regulations directs us to add "an amount of general expenses and profit as required by section 773(e)(1)(B) of the Act" to the values obtained on the basis of the GDR factors of production and valued in an appropriate surrogate country. Section 773(e)(1)(B) of the Act in turn requires us to determine GS&A expenses in the amount "equal to that usually reflected in sales of merchandise . . . in the country of exportation" 19 U.S.C. S1677b(e)(1)(B). The country of exportation in this case is determined to be state-controlled to an extent that the normal costs, expenses, and profits (including GS&A expenses for purposes of constructed value calculations) cannot be determined in that country. At the same time, our regulations do not include GS&A expenses in the category of "sepcific objective components or factors" to be obtained from the state controlled-economy country under investigation and valued in a surrogate country. Therefore, we must determine the amount of GS&A expenses as they are reflected in sales of merchandise of the same class or kind in the surrogate country without reference to specific factors or components of the GS&A expenses in the GDR. The method of financing of the GDR facilities involved in production of the subject merchandise, therefore, cannot be relied upon for purposes of our calculations, and the amount of usual general expenses involved in production and distribution of urea must be determined on the basis of normal costs and expenses in the FRG. We do not have any indication that GS&A expenses involved in production and distribution of urea in the FRG are above the statutory minimum of 10 percent. Therefore, we applied this statutory minimum in our calculations according to section 773(e)(1)(B) of the Act.

Comment #4: Petitioner states that the Department should adjust its calculation of the cost of natural gas by using published data for the first two quarters of 1986 which represent the price to industrial users in the FRG during the period of investigation.

DOC response: For our determination of foreign market value, we used updated prices for gas. In fact, we used 1986 gas prices which included the third quarter of 1986 to allow for the production of urea sold during the period of investigation which was produced and exported through the third quarter.

Comment #5: Petitioner argues that water usage was not accounted for in the Department's preliminary determination calculation. Petitioner contends that water used free of charge in the GDR must be valued on the basis of utility rates in the FRG.

DOC response: Water was not valued in the preliminary determination because it was considered to be recycled. However, for the final determination water was included in factory overhead under the methodology as explained in the "Foreign Market Value" section.

Comment #6: Petitioner argues that chemicals, catalysts, steam indirect materials used in the production of urea must be valued in the FRG.

DOC response: Values for these items in the FRG were not readily available. These factors are individual costs included in factory overhead. Therefore, they were accounted for and valued as described in the "Foreign Market Value" section.

Comment #7: Petitioner contends that the cost of labor was significantly undervalued in our preliminary calculations because (1) only direct labor usage was considered and (2) the 1981 FRG labor cost obtained from publishing sources were not indexed to account for inflation.

DOC response: For labor costs, we used only direct labor hours. Costs per hour were obtained from the "Hourly Compensation Costs for Production Workers in U.S. Dollars" (U.S. Bureau of Labor Statistics, February, 1987). The data for West Germany is from 1986. The cost information is included in petitioner's pre-hearing brief. Only direct labor usage was considered as a labor cost, since other types of labor usage are considered indirect expenses and are included in other cost components of factory overhead. See the "Foreign Market Value" section.

Comment #8: Petitioner argues that the depreciation of GDR plant and equipment should be based on the costs of plant and equipment purchased from market economy companies or on the costs incurred by comparable facilities in other countries which were built at the same time as the GDR facility.

DOC response: The estimated costs presented by the petitioner could not be used for depreciation. Depreciation was considered to be part of factory overhead and included as described in the "Foreign Market Value" section.

Comment #9: Petitioner argues that depreciation should be included in factory costs rather than in general expenses.

DOC response: We agree. The Department relied on the petition for its preliminary determination. For the final determination it has reclassified this amount as factory overhead.

Comment #10: Petitioner contends that the credit for sales of carbon dioxide in the final determination should be based on GDR actual quantities which were sold to unrelated parties.

DOC response: We disagree. Transfers to other plants can be a reduction of cost of production, therefore a credit was allowed for carbon dioxide and other by-products transferred to other plants within the Piesteritz plant complex.

Comment #11: Petitioner argues that interest expenses incurred relative to Chemie's sales to the U.S should be deducted from United States price.

DOC response: We disagree. In this investigation the Department has valued factors of production in a comparable surrogate country using the best information available. The specificity of the data obtained for valuing the factors is not sufficient for us to identify the directly related selling expense adjustments which would have to be made to foreign market value for both U.S. price and constructed value. Absent specific information that the respondent incurs extraordinary directly related selling expenses for its U.S. sales, the Department assumed, as best information available, that ordinary and similar selling expenses occur in both markets and, as such, they offset one another.

Comment #12: Petitioner argues that the Department erred in finding that critical circumstances do not exist for purposes of the preliminary determination. Petitioner claims that the decision concerning massive imports did not include analysis of the seasonal nature of urea sales.

DOC Response: For a discussion of this subject, refer to the "Negative Determination of Critical Circumstances" section of this notice.

Comment #13: Petitioner argues that the deductions from United States price for inland freight, brokerage and loading charges should be based on the cost of comparable elements in the FRG.

DOC response: We have made such deductions as described in the "United States Price" section.

Respondent's Comments

Comment #1: Respondent claims that the Department erred in differentiating between the GDR and the other countries subject to investigation, the USSR and Romania, for purposes of selecting a surrogate. Respondent claims that the Department drew an artificial distinction between the captive gas supplies in the various countries. This claim is based on the fact that the GRD and USSR are participating in a joint venture which guarantees a gas supply for the GDR in exchange for labor, captial and equipment necessary to develop Russian gas fields and construct pipelines. Respondent argues that, based on natural gas supplies and income comparability, appropriate surrogates are Saudi Arabia, Qatar, Kuwait, Trinidad and Tobago, Venezuela, Mexico, Malaysia, Indonesia, the United Arab Emirates and Egypt. Respondent claims that the melding of raw material supplies and income comparability is especially proper in a situation such as this involving a capital intensive industry. Respondent also relies on the size of the agricultural sectors of these nations which create a home market demand for urea. Respondent states that, although there are more appropriate surrogates than the UK, given the surrogates chosen by the Department, the most appropriate of these is the UK.

DOC response: We disagree. No matter how certain the contractual terms may appear, we believe there remains a substantive distinction between a country which has a contractual arrangement to obtain gas and one which has its own captive gas supplies. Our selection of the FRG as a surrogate for the GDR was based on the close comparability of their economic and demographic statistics as well as on the fact that neither country is a major natural gas producer. Moreover, in light of the methodology we ulitimately deemed most appropriate to determine foreign market value, respondent's concerns should have been addressed. The method we selected for valuing natural gas applies equally to the UK and FRG contexts, whereas, those FRG values which were used in this case for other factors related more directly to the macroeconomic criteria we considered in selecting a surrogate.

Comment #2: Respondent argues that the Department has a strong preference for using prices rather than costs as the basis for determining foreign market value. Repondent argues that the average U.S. import price of urea from other sources is the appropriate basis for foreign market value. Respondent claims that this information is the most current verifiable data available and is supported by the preference for prices. If prices from all sources are not used, respondent states that import prices from the selected surrogates should be used.

DOC response: We disagree. Refer to our reponse to petitioner's comment #2.

Comment #3: Respondent contends that for purposes of the preliminary determination the Department understated United States price by deducting documentation and plant loading expenses which are improper and by overstating deductions for inland freight and handling expenses.

DOC response: Respondent's claim that a deduction for loading charges is improper is based on the fact that loading charges are included in the cost of producing urea, a fact that was discovered at verification. The Department would normally adjust the foreign market value by deducting the charges from the costs so that the foreign market value and the United States price would be at a comparable level. In this instance, we cannot separate loading costs from the other costs of manufacture. Therefore, we have left these costs in the foreign market value and have made no deduction from the U.S. price for plant loading charges so that they are still at the same level of comparison.

We have made no separate deduction for documentation charges since the port loading charges used for this determination include all documentation expenses. Concerning inland freight, we used an FRG rail tariff for the determination, rather than the United Kingdom tariff used in the preliminary determination.

Comment #4: Respondent claims that the Department overstated foreign market value in the preliminary determination due to the over valuation of the main component of urea, natural gas, as well as electricity and labor. In addition, respondent claims that the failure to give a credit for by-products resulted in a portion of the overstatement of foreign market value.

DOC response: For this determination we adjusted the methodology used in the preliminary with respect to these factors. For a discussion of gas costs, refer to the "Foreign Market Value" section. Concerning labor rates, refer to the "DOC Response" to petitioner's comment #7. Electricity was included in factory overhead, also discussed in the "Foreign Market Value" section.

Comment #5: Respondent argues that credit for the by-products of carbon dioxide, electricity, steam and condensate transferred to plants other than ammonia and urea should be allowed at their commercial value.

DOC response: We agree that a credit should be allowed for transfers of by-products to other plants. The transfer value to the other plants should be at cost. Therefore, for the final determination, we have used the commercial value less the eight percent statutory minimum for profit.

Comment #6: Respondent argues that the petitioner double counted fringe benefits by includng them in direct labor cost and overhead computed at 100 percent of direct labor cost. Respondent further states that the Department should reduce the final overhead accordingly.

DOC Response: The elements in the overhead and included in the petition and *The Fertilizer Manual* could not be fully ascertained. Therefore, the overhead category in question was included in the 10 percent for general expenses. See Foreign Market Value section.

Continuation of Suspension of Liquidation

We are directing the United States Customs Service to continue to suspend liquidation, in accordance with section 733(d) of the Act, of all entries of urea from the GDR that are entered or withdrawn from warehouse, for consumption, on or after January 2, 1987. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeded the United States price, which, on or after the date of publication of this notice in the Federal Register, was 44.80 percent. This suspension of liquidation will remain in effect until further notice.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. The ITC will determine whether these imports are causing material injury, or threaten material injury, to a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order, directing Customs Officers to assess an antidumping duty on urea from the GDR entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the U.S. price

This determination is being published pursuant to secton 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

May 18, 1987.

[FR Doc. 87-11905 Filed 5-22-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-485-061]

Urea From the Socialist Republic of Romania; Final Determination of Sales at Less Than Fair Value

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that urea from the Socialist Republic of Romania (Romania) is being, or 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 and have directed the U.S. Customs Service to continue to suspend the liquidation of all entries of the subject merchandise as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: May 26, 1987.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; Telephone (202) 377-1769.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that urea from Romania is being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The weighted-average margin of sales at less than fair value is 90.71 percent.

Case History

On December 23, 1986, we preliminarily determined that urea is being sold at less than fair value (52 FR 122, January 2, 1987). A case history is included in the notice of preliminary determination. On February 12, 1987, we postponed the final determination until not later than May 18, 1987, at the request of the respondent (52 FR 5323, February 20, 1987). On May 1, 1987, we held a hearing to address the issues arising in this investigation.

Scope of Investigation

The merchandise covered by this investigation is solid urea as currently provided for in item 480.30 of the *Tariff Schedules of the United States.*

Fair Value Comparisons

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

Because I.C.E. Chemica (Chimica) accounted for all exports of this merchandise to the United States, we limited our investigation to that firm. We investigated all sales of urea for the period July 1, 1985, through December 31, 1985, because there were no sales during the first half of 1986.

United States Price

As provided in section 772 of the Act, we used the purchase price to represent the United States price for sales by Chimica when the merchandise was sold to unrelated purchasers prior to its importation into the United States. We used the exporter's sales price (ESP) as the United States price for sales made after importation to an unrelated purchaser.

We calculated the purchase price based on the f.o.b. price to unrelated purchasers. We made deductions for inland freight, port handling, and loading charges. The verified distance from the plants to the port of exportation was almost three times greater than that reported. In calculating ESP, we made an additional deduction for the selling expenses incurred by the related U.S. importer. Because such expenses were not reported, we deducted a commission paid to the U.S. importer by Chimica as the best information otherwise available, as representing U.S. sales expenses.

In accordance with the policy set forth in our final determination in the investigation of *Carbon Steel Wire Rod from Poland* (49 FR 29434, July 20, 1984), we based the port deductions upon costs in a non-state-controlled economy country, the United Kingdom (UK), for the reasons stated in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that Romania is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a) of the Act. Our analysis of issues relating to our determination that Romania is a state-controlled-economy country and our selection of a surrogate country are discussed in the notice of preliminary determination.

As noted in the preliminary determination, we sent a questionnaire to, and received an incomplete response from, a major producer of urea in the UK, Imperial Chemical Industries PLC (ICI). We attempted to supplement the information in this response while visiting ICI's facility in the UK.

Our analysis indicated that additional information was needed from ICI. We attempted to obtain these additional data in order to verify all of ICI's necessary information prior to the final determination. However, we were unsuccessful in obtaining these data for the record in this investigation. Lacking this information at this time, we find it inappropriate to use the ICI data for this determination.

Therefore, we calculated constructed value based on natural gas and labor inputs reported by the Romanian producer which were verified, and we used best information available for factory overhead from the petition. The factors of production were based on the weighted average of the ammonia-urea plant complexes selected by the Department for its determination.

For factory overhead, the Department developed a ration based on factory overhead and gas prices from the petition, appropriately adjusted for Romanian gas prices.

To value natural gas, we used a tariff set by Gasunie N.V., the Dutch Gas Board in the Netherlands. The category "F" of the tariff, the so-called "F" price, established gas prices which are available to large industrial users throughout the European Communities (EC). All major fertilizer producers in the EC qualify for the F price because of their high gas usage. While the F price was established as the result of an EC complaint brought by German, French, and Belgian fertilizer producers in those countries, evidence in the record indicates that gas prices to large industrial users in the UK, such as ICI, reported to be the largest gas user in the UK, was linked to the F price during the period of investigation.

The F price is a maximum price established for each quarterly period. Since the F price declined during the preiod of investigation, we calculated the difference in F price in two succeeding quarters and allocated that difference over the intervening months in order to derive monthly gas prices which were then weight-averaged. We used this monthly weighted-average F price in order to most closely approximate the price actually paid for gas in market economy countries during the time period when production of the urea subject to our investigation would have occurred. Therefore, we believe that the F price represents the most accurate gas price for the fertilizer sector in the UK.

Labor rates were obtained in the UK from public sources. For factory overhead, certain factors could not be quantified or verified, and other factors could not be appropriately valued with prices from the United Kingdom. In these cases, the Department sought the most reliable objective information contained in the record of the investigation. Therfore, for certain data the Department relied upon supplemental reports provided by the petitioner. This included the *Fertilizer Manual* which was published prior to the Department's investigation by the International Fertilizer Development Center of the United Nations' International Development Organization; *Energy Prices and Taxes*, Fourth Quarter 1985.

Beceause of the unavailability of industry data in the UK, we used the statutory minimum of 10 percent of the sum of material and fabrication costs for general expenses and the statutory minimum of eight percent for profit.

For purchase price comparisons, we made currency conversions in accordance with 19 CFR 353.56(a)(1), using certified exchange rates as furnished by the Federal Reserve Bank of New York.

For ESP comparisons, we used the official exchange rate on the date of sale since the use of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the law supersedes that section of the regulations.

Negative Determination of Critical Circumstances

The petitioner alleges that "critical circumstances" exist within the meaning of section 735(a)(3) of the Act with respect to imports of urea from Romania. In determining whether critical circumstances exist, we must examine whether:

(A) (i) There is a history of dumping in the united States or elsewhere of the class or kind of merchandise which is the subject of investigation at less than fair value; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports have been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceding and following the filing of the petition, from March through December 1986. While there was an increase in imports over previous years during 1986, and the average monthly imports in the period immediately following the filing of the petition were higher than those in the period immediately preceding the filing, the post filing increase can be attributed to seasonal trends in imports of urea. Based on this analysis, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we determine that critical circumstances do not exist with respect to imports of urea from Romania.

Verification

In accordance with section 776(a) of the Act, we verified the information submitted in the response by using standard verification procedures, including on-site examination of records and selection of original source documentation containing relevant information.

Comments Section

Petitioner's Comments

Comment #1: Petitioner argues that the Department has correctly chosen the UK as a surrogate country and must proceed to use data from the UK in determining foreign market value for purposes of this determination.

DOC response: We agree. To the extent possible, the Department used the most reliable and specific information available for the UK, the surrogate country selected, according to our methodology. See our response to Respondent's Comment #1.

Comment #2: Petitioner argues that if the Department has verified information from the surrogate respondent, ICI, foreign market value should be based on that data. To the extent that ICI has allowed the Department to ascertain the reliability of the aggregate data furnished, petitioner further argues that we should consider the data without having supporting documents put on the record in the investigation. Finally, petitioner contends that, if the Department has reliable verified information on ICI's production costs, we must use that data as the basis of constructed value without resorting to the Romanian production factors.

DOC response: If the Department could have obtained complete and verifiable information from ICI, we would have based foreign market value on that data. In this case, however, we determined that we could not legitimately construct a foreign market value solely on the basis of the aggregate data furnished by ICI. As petitioner has pointed out, the cost of natural gas accounts for a significant portion of the total cost of producing urea. The Department was unable to obtain from ICI the price it pays for this critical input. This unknown value, together with the other specific information which either could not be verified or obtained from ICI, represents a substantial proportion of the constructed value and would have rendered that value unreliable and meaningless.

Since we concluded that foreign market value could not reasonably be constructed on the basis of ICI data, the Department resorted to the alternative method of constructed value calculation based on factors of production in the country of exportation as valued in the UK.

Comment #3: Petitioner argues that in the absence of verified data from a surrogate producer in a country at a comparable level of economic development, the Department must determine foreign market value using factors of production valued in the UK from reliable public data, rather than rely on average import prices. Petitioner contends that the volume of urea exported from the USSR, the GDR and Romania has depressed prices from all sources. Petitioner states that since urea is a fungible commodity, prices from all sources move together.

DOC response: We agree that it would not have been appropriate to base foreign market value on import prices. We reached this conclusion based on a variety of factors suggesting that the pricing of urea internationally was influenced by imports from the countries under investigation.

Urea is a fungible commodity traded throughout the world. As a result, the level of market share of a specific group of imports tends to affect sales elsewhere.

Nonmarket economy producers, and in particular those subject to our investigations, have become major participants in world urea trade. There is evidence that these producers' ability to separate pricing/supply decisions from market demand conditions has significantly contributed to the distoration of urea prices worldwide. As a result, we concluded that determining foreign market value on the basis of prices in any market would be inappropriate.

Moreover, even if we had attempted to use U.S. import prices, we would have had difficulty isolating a sufficiently large basket of prices during the period of investigation to provide a reliable basis for comparison. Besides eliminating the three countries under investigation, we also would have had to disregard nearly all of the remaining foreign suppliers on grounds of minimal exports, that they were subject to foreign antidumping investigations, or that their governments were known to provide export subsidies. In addition, it would have been impossible to identify sales of solid urea within the basket of urea imports reported in the statistics in order to make the appropriate adjustments.

Comment #4: Petitioner states that because the Department was unable to verify all of the factors of production information which was submitted by Chimica, and because Chimica failed to supply information with regard to some other factors, the Department is required to base the foreign market value calculation on the best information otherwise available. In addition, petitioner maintains that the Department must not use data obtained at verification to "fill in" gaps in Chimica's response, nor should the Department use verification as a means of correcting significant errors in data submitted by Chimica.

DOC response: We agree that the use of best information available is appropriate in this case. We believe, however, that the Department has broad discretion to determine the nature and extent of best information to be used. Various circumstances of each case may be considered by the Department including, but not limited to, the degree of good faith cooperation by the respondent, whether information missing renders the Department unable to analyze effectively the information submitted and verified, and the nature of inaccuracies discovered in the response during verification.

After careful consideration of the relevant facts in this case, we determined that the factors of production such as consumption of natural gas and labor were adequately verified and should be used for purposes of the foreign market value calculation. We used the best information otherwise available including that provided by petitioner for those factors which could not be quantified or appropriately valued.

Comment #5: Petitioner argues that the Department should not assume that the 10 percent statutory minimum for general, selling, and administrative (GS&A) expenses is appropriate but must measure each significant element of GS&A and individually value each GS&A element, such as interest expense, rents, taxes, insurance and selling expenses. Petitioner states that such expenses are incurred in all countries and, as such, are a normal cost to producers.

DOC response: We agree that no assumptions should be made with regard to the extent of GS&A involved in production and distribution of urea. Section 353.8(c) of our regulations [19 CFR 353.8(c)] directs us to add "an amount of general expenses and profit as required by section 773(e)(1)(B) of the Act" to the value obtained on the basis of the Romanian factors of production and valued in an appropriate surrogate country. Section 773(e)(1)(B) of the Act in turn requires us to determine GS&A expenses in the amount "equal to that usually reflected in sales of merchandise . . . in the country of exportation" 19 U.S.C. 1677b(e)(1)(B). The country of exportation in this case is determined to be state-controlled to an extent that the normal costs, expenses, and profits (including GS&A expenses for purposes of constructed value calculations) cannot be determined in that country. At the same time, our regulations do not include GS&A expenses in the category of "specific objective components or factors" to be obtained from the state-controlled-economy country under investigation and valued in a surrogate country.

Therefore, we must determine the amount of GS & A expenses as they are reflected in sales of merchandise of the same class or kind in the surrogate country without reference to specific factors or components of the GS&A expenses in Romania. The method of financing of the Romanian facilities involved in production of the subject merchandise, therefore, cannot be relied upon for purposes of our calculation, and the amount of usual GS&A expenses involved in production and distribution of urea must be determined on the basis of normal costs and expenses in the UK. We do not have any indication that general expenses involved in production and distribution of urea in the UK are above the statutory minimum of 10 percent. Therefore, we applied this statutory minimum in our calculations, according to section 773(e)(1)(B) of the Act.

Comment #6: Petitioner states that the Department should adjust its calculation of the cost of natural gas by using published data for the last two quarters of 1985 which represent the price to industrial users in the UK during the period of investigation.

DOC response: For our determination of foreign market value, we used updated gas prices. In fact, we used gas prices for the last two quarters of 1985 and the first quarter of 1986 to allow for the production of urea sold during the period of investigation which was produced and exported during those three quarters of 1985 and 1986. The use of the 1985 data on gas price resulted in a higher gas cost than that used in the preliminary determination, the latter being based on 1986 prices which were declining.

Comment #7: Petitioner argues that water usage was not accounted for in the Department's preliminary determination calculation. Petitioner contends that water used free of charge in Romania must be valued on the basis of utility rates in the UK.

DOC response: Water was not valued in the preliminary determination because it was considered to be recycled. However, for the final determination a water expense was included in factory overhead under the methodology explained in the "Foreign Market Value" section.

Comment #8: Petitioner argues that steam and indirect materials used in the production of urea must be included in the Department's calculation of urea production cost. It maintains that the Department omitted such items in its preliminary calculations.

DOC response: These factors are individual costs included in factory overhead. Therefore, they are accounted for and valued as described in "Foreign Market Value" section of this notice.

Comment #9: Petitioner contends that the cost of labor was significantly undervalued in our preliminary calculations because (1) only direct labor usage was considered and (2) the 1981 UK labor costs obtained from published sources were not indexed to account for inflation.

DOC response: For purposes of our final determination we used direct labor hours which were obtained at verification. Costs per hour were obtained from the "Hourly Compensation Costs for Production Workers in U.S. Dollars" (U.S. Bureau of Labor Statistics, February 1987) which reflects the data for the United Kingdom in 1986. The cost information is included in petitioner's pre-hearing brief. Direct labor usage was considered in the final determination because other indirect labor expenses are included in our calculation of the overall factory overhead based on the petitioner's excerpt from the *Fertilizer Manual.*

Comment #10: Petitioner argues that the depreciation of Romanian plants and equipment should be included within the factory overhead rather than general expenses and should be based on the costs of plants and equipment purchased from market economy countries or on the costs incurred by other countries for comparable facilities.

DOC response: Depreciation was considered to be a part of factory overhead and was included within the overall amount as described in the "Foreign Market Value" section.

Comment #11: Petitioner contends that the credit for sales of carbon dioxide in the preliminary calculations was improper since the Romanian producers do not sell carbon dioxide.

DOC response: We argee. During the verfication no information on the quarterly sales of carbon dioxide was presented. Therefore, no credit was allowed.

Comment #12: Petitioner contends that the U.S. price of the sales which involve countertrade transactions as reported by Chimica and verified by the Department should be used as best information otherwise available because the Department does not have adequate information to adjust the U.S. price for the effects of countertrade. As the same time, however, petitioner contends that certain adjustments for credit and guarantee expenses incurred by respondent with regard to the countertrade transactions should be made by the Department.

DOC response: It would be distortive and inappropriate to make some adjustments while disregarding other adjustments related to countertrade. We did not make any adjustments to the U.S. price to account for the effects of the countertrade method involved in the sale of urea to the United States, because we do not have adequate means to measure those effects. In addition, some adjustments advocated by petitioner do not appear appropriate because they do not seem to related directly to, or have an effect on, the sales of urea.

Comment #13: Petitioner argues that the Department must value its inland freight calculation to account for revised distances from plant to port as determined during verification.

DOC response: We made such deductions in accordance with the plant to port distances revised at verification.

Comment #14: Petitioner contends that all port, brokerage and loading charges should be valued in the UK, or based on U.S. producers' costs, and deducted from U.S. price.

DOC response: We valued such costs in the UK. Refer to the section on "United States Price."

Comment #15: Petitioner argues that U.S. sales through a party related to Chimica should properly be considered exporter's sales price sales, not purchase price transactions. Because Chimica has not reported U.S. selling expenses, the amounts reported in the petition may be used as the best information available and deducted from U.S. price.

DOC response: We agree. Refer to the "United States Price" section of this notice.

Respondent's Comments

Comment #1: Respondents claim that the choice of the UK as a surrogate for Romania is not supported by substantial evidence in the record. They state that by using the data cited by the Department with respect to macroeconomic criteria, Romania and the UK cannot be regarded as being at a comparable stage of economic development.

DOC response: We disagree. Our selection of the UK as a surrogate for Romania was based on the relative comparability of economic and demographic statistics, as well as on the fact that these two countries are major producers of natural gas. Based on the macroeconomic indicators we reviewed, we could find no meaningful disparities between the two countries relative to comparisons made with other major urea-producing nations.

Comment #2: Respondents argue th[at] there were no Romanian sales of urea [to] the U.S. during the Department's standard six-month period of investigation, and that the Romanian respondents have actually withdrawn from the market because of falling prices. Respondents therefore request explanation as to why the Department has proceeded with the investigation.

DOC response: The Department ma[y] alter the period of investigation in accordance with 19 CFR 353.38 and ha[s] done so in this investigation.

Comment #3: Respondents argue th[at] the values which the Department assigned to catalyst chemical inputs in its preliminary determination were overstated. They request that the Department adjust these values to reflect their verified rate of consumption.

DOC response: We have not valued such inputs individually for this determination but have included such materials in the factory overhead. Refe[r] to the "Foreign Market Value" section [of] this notice for a further discussion of factory overhead.

Comment #4: Respondents also argu[e] that the value assigned by the Department to formaldehyde anticaking agents in its preliminary determination was overstated. They note that these agents represent less than one percent by volume of the finished product but that the value assigned represented nearly two percent of the per ton purchase price. The claim that this ratio is too high and request that the value fo[r] these agents be adjusted downward.

DOC comment: We have also included this element in factory overhead. Refer to the "Foreign Market Value" section of this notice for a further discussion of factory overhead.

Comment #5: Respondents urge the Department to take account of variables affecting the "true cost" of inland rail freight, such as variable rates for distance travelled, in assigning values t[o] the transportation factor for purposes o[f] calculating U.S. price for the final determination.

DOC response: We have taken into account such variables. We used the ra[il] rate which reflected distances from the plants to the port in Romania.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of urea from Romania that are entered, or withdrawn from warehouse, for consumption, on or after January 2, 1987. The Customs Service shall continue to require a cash deposit or the posting of a bond for all entries or withdrawals from warehouse on or after the date of publication of this notice in the Federal Register, equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeded the United States price, which was 90.71 percent. This suspension of liquidation will remain in effect until further notice.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. The ITC will determine whether these imports are causing material injury, or threaten material injury, to a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will isue an antidumping duty order, directing Customs Officers to assess an antidumping duty or urea from Romania entered, or withdrawn, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the U.S. price.

The determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

May 18, 1987.

[FR Doc. 87-11906 Filed 5-22-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-461-601]

Urea From the Union of Soviet Socialist Republics; Final Determination of Sales at Less Than Fair Value

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that urea from the Union of Soviet Socialist Republics (USSR) is being, or 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 and have directed the U.S. Customs Service to continue to suspend the liquidation of all entries of the subject merchandise as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: May 26, 1987.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, (202) 377-1769, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that urea from the USSR is being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The weighted-average margins of sales at less than fair value are summarized in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On December 23, 1986, we preliminarily determined that urea is being sold at less than fair value (52 FR 124, January 2, 1987). A case history is included in the notice of preliminary determination. On February 12, 1987, we postponed the final determination until not later than May 18, 1987, at the request of the respondent (52 FR 5323, February 20, 1987). On April 28, 1987, we held a hearing to address the issues arising in this investigation.

Scope of Investigation

The merchandise covered by this investigation is solid urea as currently provided for in item 480.30 of the *Tariff Schedules of the United States.*

Fair Value Comparisons

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value. We limited our investigation to Sojuzpromexport (SPE) and Philipp Brothers, Inc. and Philipp Brothers, Ltd. (Phibro), which together accounted for all exports of this merchandise to the United States. We investigated all sales of urea for the period January 1, 1986, through June 30, 1986.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by SPE to U.S. importers other than Phibro, because the merchandise was sold to unrelated purchasers prior to its importation into the United States. For sales to Phibro, we used exporter's sales price (ESP) as the basis of United States price because SPE did not know the destination of the merchandise at the time of sale and Phibro resold the merchandise to unrelated U.S. purchasers after importation.

We calculated the purchase price and ESP based on the f.o.b. price to unrelated purchasers. We made deductions for port handling and loading charges. For ESP sales we deducted credit and other expenses incurred in selling the merchandise in the U.S.

In accordance with the policy set forth in our final determination in the investigation of *Carbon Steel Wire Rod from Poland* (49 FR 29434, July 20, 1984), we based the port handling deductions upon costs in a non-state-controlled-economy country, the United Kingdom (UK), for the reasons stated in the "Foreign Market Value" section.

Foreign Market Value

Petitioner alleged that the USSR is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value (FMV) under section 773(a) of the Act. Our analysis of issues relating to the USSR's characterization as a state-controlled-economy country and our selection of a surrogate country are discussed in the notice of preliminary determination. As a result, we determined that section 773(c) of the Act applies to this investigation.

As noted in the preliminary determinaton, we sent a questionnaire to, and received a response from, a major producer of urea in the UK, Imperial Chemical Industries PLC (ICI). We attempted to supplement the information in this response while visiting ICI's facility in the UK. Our analysis indicated that additional information was needed from ICI. We attempted to obtain the additional data in order to verify all of ICI's necessary information prior to the final determination. However, we were unsuccessful in obtaining these data for the record in this investigation. Lacking this information at this time, we find it inappropriate to use the ICI data for this determination.

Therefore, we calculated the constructed value based on the factors of production of the Soviet producers. At verification, certain factors could not be sufficiently quantified or valued. For these factors, we used information provided by petitioner or otherwise available to the Department.

Urea is produced in thirty-six plant complexes throughout the Soviet Union as reported by the Tennessee Valley

Authority's *World Fertilizer Capacity* report. The Department selected six locations as its sample base for its determination. Two of the six plant complexes were chosen by the Department for verification. During the verification it became apparent that the information for all six plant complexes in the questionnaire response were budgeted factors. Since these budgeted factors could be higher or lower than the actual factors, the Department is using the weighted-average actual factors of the two plants which were verified for the purpose of this final determination. Certain factors could not be quantified and other factors could not be appropriately valued from the United Kingdom. In these cases, the Department used the most reliable objective information contained in the record of the investigation. For certain data the Department relied upon supplemental reports provided by the petitioner. These included the *Fertilizer Manual*, which was published prior to the Department's investigation by the International Fertilizer Development Center of the United Nations' International Development Organization, *Energy Prices and Taxes* (Fourth Quarter 1985, International Energy Agency, for West Germany) and the *Hourly Compensation Costs for Production Workers in Chemicals and Allied Products Manufacturing* (U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, August 1985).

To value natural gas, we used a tariff set by Gasunie N.V., the Gas Board in the Netherlands. The category F of the tariff, the so-called "F" price, is established for large industrial users applicable throughout the European Communities (EC). All major fertilizer producers in the EC, qualify for the F price because of their high gas usage. While the F price was established as the result of an EC complaint brought by German, French, and Belgian fertilizer producers, and directly links prices available to fertilizer producers in those countries to the Dutch tariff, evidence in the record indicates that gas prices to large industrial users in the UK, such as ICI, reported to be the largest gas user in the UK, was linked to the F price during the perod of investigation.

The F price is a maximum price established for each quarterly period. Since the F price declined during the period of investigation, we calculated the difference in F price in two succeeding quarters and allocated that difference over the intervening months, in order to derive monthly gas prices which we then weight averaged. We used this monthly weighted-average F price in order to most closely approximate the price actually paid for gas in market economy countries during the time period when production of the urea subject to our investigation would have occurred. Therefore, we believe that the F price represents the most accurate, verifiable gas price for the fertilizer sector in the UK.

The UK labor rates were obtained from public sources. Although some of the individual items included as factory overhead were verified, others could not be sufficiently quantified or valued. Therefore, for factory overhead the Department developed a ratio of the factory overhead costs to the gas costs as provided in the petition. The individual components of the factory overhead costs were based on a utilization of plant capacity which was less than the utilization of capacity determined to exist in the USSR. The Department thus made appropriate adjustments to account for the higher capacity utilization rate in the USSR.

Because of the unavailability of industry data in the UK, we used the statutory minimum of 10 percent of the sum of material and production cost for general expenses and the statutory minimum of eight percent for profit.

We made currency conversions in accordance with 19 CFR 353.56(a)(1) using certified exchange rates as furnished by the Federal Reserve Bank of New York. For ESP comparisons, we used the official exchange rate on the date of sale since the use of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the law supersedes that section of the regulations.

Negative Determination of Critical Circumstances

The petitioner alleges that "critical circumstances" exist within the meaning of section 735(a)(3) of the Act with respect to imports of urea from the USSR. In determining whether critical circumstances exist, we must examine whether:

(A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of investigation at less than fair value; or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the merchandise which is the subject of the investigation over a relatively short period.

To determine whether imports have been massive over a relatively short period, we analyzed recent Department of Commerce IM 146 trade statistics on imports of this merchandise for equal periods immediately preceding and following the filing of the petition, from March through December 1986. While there was an increase in imports over previous years during 1986, and the average monthly imports in the period immediately following the filing of the petition were higher than those in the period immediately proceeding the filing, the post filing increase can be attributed to seasonal trends in imports of urea. Based on this analysis, we find that imports of the subject merchandise have not been massive over a short period.

Since we do not find that there have been massive imports, we do not need to consider whether there is a history of dumping or whether importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we determine that critical circumstances do not exist with respect to imports of urea from the USSR.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making this determination by using standard verification procedures, including on-site examination of records and selection of original source documentaton containing relevant information.

Comments Section

Petitioner's Comments

Comment #1: Petitioner argues that the Department has correctly chosen the UK as a surrogate country and must proceed to use data from the UK in determining foreign market value for purposes of this determination.

DOC response: We agree. To the extent possible, the Department used the most reliable and specific information available for the UK, the surrogate country selected, according to our methodology.

Comment #2: Petitioner argues that if the Department has verified information from the surrogate respondent, ICI, foreign market value should be based on that data. To the extent that ICI has allowed the Department to ascertain the reliability of the aggregate data furnished, petitioner further argues that we should consider the data without having supporting documents put on the record in the investigation. Finally, petitioner contends that, if the Department has reliable verified information on ICI's production costs, we must use that data as the basis of constructed value without resorting to the Soviet production factors.

DOC response: If the Department could have obtained complete and verifiable information from ICI, we would have based foreign market value on that data. In this case, however, we determined that we could not construct a foreign market value solely on the basis of the aggregate data furnished by ICI. As petitioner has pointed out, the cost of natural gas accounts for a significant porton of the total cost of producing urea. The Department was unable to abtain from ICI the price it pays for this critical input. This unknown value, together with the other specific information which either could not be satisfactorily verified or obtained from ICI, represents a substantial proportion of the constructed value and would have rendered that value unreliable and meaningless.

Since we concluded that foreign market value could not reasonably be constructed based solely on ICI data, the Department resorted to the alternative method of constructed value calculation based on factors of production in the country of exportation as valued in the UK.

Comment #3: Petitioner argues that in the absence of verified data from a surrogate producer in a country at a comparable level of economic development, the Department must determine foreign market value by using factors of production valued in the UK from reliable public data rather than rely on an average import price as suggested by respondents. Petitioner contends that the volume of urea exported from the USSR, the German Democratic Republic (GDR) and Romania has depressed prices from all sources. Petitioner states that since urea is a fungible commodity, prices from all sources move together.

DOC response: We agree that it would not be appropriate to base foreign market value on import prices. We reached this conclusion based on a variety of factors suggesting that the pricing of urea internationally was influenced by imports from the countries under investigation.

Urea is a fungible commodity traded throughout the world. As a result, the level of market share of a specific group of importers tends to affect sales elsewhere.

Non-market-economy producers, and in particular those subject to our investigations, have become major participants in world urea trade. There is evidence that these producers' ability to separate pricing/supply decisions from market demand conditions has significantly contributed to the distortion of urea prices worldwide. As a result, we concluded that determining foreign market value on the basis of prices in any market would be inappropriate.

Moreover, even if we had attempted to use U.S. import prices, we would have had difficulty isolating a sufficiently large basket of prices during the period of investigation to provide a reliable basis for comparison. Besides eliminating the three countries under investigation, we also would have had to disregard nearly all of the remaining foreign suppliers on the grounds of minimal imports, that they were subject to foreign antidumping investigations, or that their governments were known to provide export subsidies. In addition, it would have been impossible to identify sales of solid urea within the basket of urea imports reported in the statistics in order to make the appropriate adjustments.

Comment #4: Petitioner argues that the Department should not assume that the 10 percent statutory minimum for general, selling and administrative (GS&A) expenses is appropriate, but should quantify each individual cost item and value each appropriately. For example, petitioner claims that rents, taxes and insurance, since they are incurred by companies in non-state-controlled economy countries, should be included and valued. Additionally, it contends that the costs of selling expenses incurred by the Soviet trading company, such as selling salaries, brochures and catalogues, should be valued at UK prices. Further, petitioner contends that interest expense should be calculated on the basis of interest rates in the UK applied to the total value of the Soviet facilities which were allegedly supplied and financed by western companies through a mix of foreign debt and/or counter-trade buy-back arrangements.

DOC response: We agree that no assumptions should be made with regard to the extent of GS&A involved in the production and distribution of urea. Section 353.8(c) of our regulations [19 CFR 353.8(c)] directs us to add "an amount of general expenses and profit as required by section 773(e)(1)(B) of the Act" to the values obtained on the basis of the Soviet factors of production and valued in an appropriate surrogate country. Section 773(e)(1)(B) in turn requires us to determine GS&A expenses in the amount "equal to that usually reflected in sales of merchandise . . . in the country of exportation" 19 U.S.C. 1677b(e)(1)(B). The country of exportation in this case is determined to the state-controlled to an extent that the normal costs, expenses, and profits (including GS&A expenses for purposes of constructed value calculations) cannot be determined in that country. At the same time, our regualtions do not include GS&A expenses in the category of "specific objective components or factors" to be obtained from the state-controlled economy country under investigation and valued in a surrogate country. Therefore, we must determine the amount of GS&A expenses as they are reflected in sales of merchandise of the same class or kind in the surrogate country without reference to specific factors or components of the GS&A expenses in the Soviet Union. The method of financing of the Soviet facilities involved in production of the subject merchandise, therefore, cannot be relied upon for purpose of our calculations, and the amount of usual GS&A expenses involved in production and distribution of urea must be determined on the basis of normal costs and expenses in the UK. We do not have any indication that general expenses involved in production and distribution of urea in the UK are above the statutory minimum of 10 percent. Therefore, we applied this statutory minimum in our calculations according to section 773(e)(1)(B) of the Act.

Comment #5: Petitioner states that the Department should adjust its calculation of the cost of natural gas by using published data for the first two quarters of 1986 which represent the price to industrial users in the UK during the period of investigation.

DOC response: For our determination of foreign market value, we used updated gas prices. In fact, we used gas prices for the first three quarters of 1986 to allows for the production of urea sold during the period of investigation which was produced and exported during these three quarters.

Comment #6: Petitioner argues that water usage was not accounted for in the Department's preliminary determination calculation. Petitioner contends that water used free of charge in the USSR must be valued on the basis of utility rates in the UK.

DOC response: Water was not valued in the preliminary determination because it was considered to be recycled. However, for the final determination water was included in factory overhead under the methodology explained in "Foreign Market Value".

Comment #7: Petitioner argues that chemicals, catalysts, steam and indirect materials used in the production of urea must be valued in the UK.

DOC response: We included these factors as part of the overall factory overhead as described in the "Foreign Market Value" section of this notice.

Comment #8: Petitioner contends that the cost of labor was significantly undervalued in our preliminary calculations because (1) only direct labor usage was considered and (2) the 1981 UK labor costs obtained from published sources were not indexed to account for inflation.

DOC response: For purposes of our final determination, we used direct labor hours which were obtained at verification. Valuation costs per hour were obtained from the "Hourly Compensation Costs for Production Workers in U.S. Dollars," (U.S. Bureau of Labor Statistics, February, 1987), which reflect the data for the United Kingdom in 1986. The cost information is included in petitioner's per-hearing brief. Only direct labor usage was considered to be labor factor, since indirect labor, e.g. engineer's labor, is included in other cost components of factory overhead. See the "Foreign Market Value" section of this notice.

Comment #9: Petitioner argues that the depreciation of Soviet plants and equipment should be included in factory overhead rather than general expenses and should be based on the costs of plants and equipment purchased from market-economy countries or on the costs incurred by other countries to acquire comparable facilities.

DOC response: Depreciation has been considered to be part of factory overhead and is included in this overall amount as described in the "Foreign Market Value."

Comment #10: Petitioner contends that the credit for sales of carbon dioxide in the preliminary calculations was improper since the Soviet producers do not sell carbon dioxide but release it into the atmosphere.

DOC response: We agree. During the verification no information on sales of carbon dioxide was presented. Therefore, we did not offset costs with credit for such sales.

Comment #11: Petitioner contends that Phibro's sales of Soviet urea in the United States were made at less than Phibro's costs of acquisition, transportation and marketing. Petitioner argues, therefore, that the Department should apply its middleman dumping methodology and base the U.S. price on sales from Phibro to the first unrelated U.S. customers, regardless of whether the Soviet producer knew that its sales to Phibro were destined for the United States. Petitioner also argues that Phibro's allegation that its sales of Soviet urea to third countries should be used for purposes of FMV calculations is contrary to section 773(c) of the Act (19 U.S.C. 1677b(c)), which requires the FMV of the merchandise from a state-controlled-economy to be ascertained by reference to an appropriate surrogate country methodology.

DOC response: We determine that the Soviet producers do not know at the time of sale to Phibro that the urea will be destined for the U.S. market. We reach this conclusion on the following bases: (1) The contract between the Soviet producers and Phibro indicates several possible destinations of the merchandise, only one of which is the United States; (2) Phibro does in fact sell urea to locations other than the United States. Therefore, we determine that the appropriate U.S. sale price is the price from Phibro to the United States, not the price at which the Soviets sell the merchandise to Phibro. Because we determine that the appropriate U.S. sale is the sale by Phibro to unrelated purchases, it is unnecessary to address petitioner's allegation that Phibro is selling urea below its cost of acquisition.

We agree that section 773(c) requires that the FMV of merchandise from a state-controlled economy country should be ascertained by reference to an appropriate surrogate country methodology. Therefore, since urea sold by Phibro was exported directly from the Soviet Union, we determine that Phibro's foreign market value is the foreign market value determined by reference to our factors methodology, as described above. We also note that it would be inappropriate to use Phibro's third-country sales or its acquisition costs to determine foreign market value in this case given our determination that world-market prices of urea are depressed.

Comment #12: Petitioner argues that interest expenses for the period between SPE's payment to the suppliers and payment by the U.S. purchaser must be calculated on the basis of interest rates in the UK and that such interest expenses must be accounted for in our calculation of margins for the final determination.

DOC response: We disagree. In this investigation the Department has valued factors of production in a comparable surrogate country using the best information available. The specificity of the data obtained for valuing the factors is not sufficient for us to identify the directly related selling expense adjustments which would have to be made to foreign market value for both U.S. price and constructed value. Absent specific information that the respondent incurs extraordinary directly related selling expenses for its U.S. sales, the Department assumed, as best information available, that ordinary and similar selling expenses occur in both markets and, as such, they offset one another.

Comment #13: Petitioner argues that the Department erred in finding that critical circumstances do not exist for purposes of the preliminary determination. Petitioner claims that the decision concerning massive imports was based on an analysis of value instead of volume of imports. Petitioner also contends that our analysis should have included October imports to reflect the lag time in reporting imports. Petitioner also claims that there is a history of dumping of urea from the USSR.

DOC response: For this determination we analyzed the volume of imports. For a further discussion of critical circumstances, refer to the "Negative Determination of Critical Circumstances" section of this notice.

Respondents' Comments

Comment #1: Respondents claim that, in choosing the appropriate surrogate country, the Department should be cautious in applying numerical criteria such as GNP without considering its acceptability in comparison to other factors. For instance, respondents state that while the USSR has a relatively high GNP, other characteristics make the USSR more similar to lesser developed countries. Respondents state that macroeconomic considerations such as self-sufficiency of natural gas needs should be given primary consideration. Respondents argue that, based on natural gas supplies and income comparability, appropriate surrogates are Saudi Arabia, Qatar, Kuwait, Trinidad and Tobago, Venezuela, Mexico, Malaysia, Indonesia, the United Arab Emirates and Egypt. Respondents claim that the melding of raw material supplies and income comparability is especially proper in a situation such as this involving a capital intensive industry. Respondents also rely on the size of the agricultural sectors of these nations which create a home market demand for urea.

DOC response: Our selection of the UK as a surrogate for the USSR was based on economic and demographic statistics as well as the fact that both of these countries are major producers of natural gas. We believe that our dismissal of macroeconomic comparability criteria would have conflicted with our regulatory guidelines and resulted in an inappropriate selection.

Comment #2: Respondents argue that the Department has a strong preference for using prices rather than costs as the basis for determining foreign market value. Since the prices of ICI, the sole urea producer in the UK, are significantly distorted by a number of factors, respondents argue that the average U.S. import price of urea from other surrogate countries is the appropriate basis for foreign market value. Respondents claim that U.S. import prices are the most current verifiable data available and their use is supported by the preference for prices.

DOC response: We disagree. See our response to petitioner's comment #3.

Comment #3: Respondent Phibro argues that as an independent exporter of Soviet urea it should have a separate antidumping margin calculated on the basis of its sales in the United States and third countries. In particular, Phibro contends that its sales of Soviet urea to third countries should be used for purposes of foreign market value calculations because Phibro is a market-oriented entity not subject to Soviet state controls. Furthermore, Phibro claims that the U.S. price should be based on its sales to first unrelated purchasers in the United States, instead of the sales by the Soviet agencies to Phibro, because the Soviet suppliers had no knowledge at the time of sale whether urea was destined for the United States.

DOC response: We agree that Phibro should have a separate antidumping margin calculated on the basis of its sales in the U.S. and the appropriate foreign market value. However, we disagree that Phibro's sales to third countries should be used for purposes of foreign market value calculations. See our response to Petitioner's comment #11.

Comment #4: Phibro argues that the publicly available data used by the Department in its preliminary determination to value gas, labor and electricity factors were overstated. Phibro claims that ICI, as the largest natural gas purchaser in the UK, pays a substantially lower price than the price to industrial users which formed the basis for valuing gas in the preliminary determination calculations. Phibro claims the labor rate used in our calculations for the preliminary determination includes training, clothing, insurance, social welfare costs and other items which are part of general expenses. Phibro claims that the electricity rate used is not applicable to chemical producers. It argues that, if the Department bases foreign market value for the final detemination upon factors of production, the cost used should be actual costs, in the UK, not broadly based, unreliable statistics.

DOC response: For this determination we adjusted the methodology used in the preliminary determination with respect to the valuation of these factors. For a discussion of the gas costs, refer to the "Foreign Market Value" section. Concerning labor rates, refer to the "DOC Response" to petitioner's comment #10. The value of electricity was included in factory overhead, as discussed in the "Foreign Market Value" section of this notice.

Comment #5: Phibro argues that, when calculating financing costs for urea plants in the USSR, the Department should take into account time for construction of the plants and should assume that variable rate financing would have been used for such projects.

DOC response: The Department included the financing costs in the 10 percent statutory minimum for general expenses. See our response to petitioner's Comment #6.

Comment #6: Phibro argues that an inland freight component for shipment to the port in the USSR should not be deducted from the United States price since all the urea which was exported to the United States was produced in the urea plant located at the port.

DOC response: As we have determined that the U.S shipments were produced at the port plant, we have not deducted any charges for inland freight or loading to rail cars from the U.S. price.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, in accordance with section 733(d) of the Act, of all entries of urea from the USSR that are entered, or withdrawn from warehouse, for consumption, on or after January 2, 1987. The Customs Service shall continue to require a cash deposit or the posting of a bond for entries for consumption made on or after the date of publication of this notice in the Federal Register 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. This suspension of liquidation will remain in effect until further notice. The weighted average margin is shown below.

Manufacturer/Producer Exporter	Weighted-average margin (percent)
Soguzpromexport (SPE)	[illegible].28
Philipp Brothers, Ltd., and Philipp Brothers, Inc. (Phibro)	53.23
All other	64.93

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. The ITC will determine whether these imports are causing material injury, or threaten material injury, to a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order, directing Customs Officers to assess an antidumping duty on urea from the USSR entered, or withdrawn from warehouse, for consumption, after the suspension of liquidation equal to the amount by which the foreign market value of the merchandise exceeds the U.S. price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

May 18, 1987.

[FR Doc. 87-11907 Filed 5-22-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST 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 : Urea from The German Democratic Republic, Romania, and The Union of Soviet Socialist Republics

Inv. Nos. : 731-TA-338 through 340 (Final)

Date and time: May 28, 1987 - 9:30 a.m.

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

<u>In support of the imposition of antidumping duties</u>:

Akin, Gump, Strauss, Hauer & Feld--Counsel
Washington, D.C.
Philip H. Potter--Counsel
Washington, D.C.
<u>on behalf of</u>

The Ad Hoc Committee of Domestic Nitrogen Producers

Robert C. Liuzzi, President and Chief Executive Officer, CF Industries, Inc.

Charles R. Gibson, Vice President, First Mississippi Corporation

Economic Consultants--Coopers & Lybrand

Charles L. Anderson, Manager, Strategic Management Services

Dr. Lucinda Lewis, Economist

John Nightingale, Economist

Thomas L. Rogers, Economist--Akin, Gump, Strauss, Hauer & Feld

Akin, Gump, Strauss, Hauer & Feld

Richard R. Rivers }
Valerie A. Slater }--OF COUNSEL

Of Counsel:
Philip H. Potter

- more -

<u>In opposition to the imposition of antidumping duties</u>:

O'Connor & Hannan--Counsel
Washington, D.C.
<u>on behalf of</u>

I.C.E. Chimica and Amrochem, Inc., Romanian exporter

Andrew Jaxa-Debicki--OF COUNSEL

Steptoe & Johnson--Counsel
Washington, D.C.
<u>on behalf of</u>

Ameropa A.G., Cargill, Incorporated, Chemie Export-Import, Conagra Fertilizer Company, ContiChem, Inc., Helm Fertilizer Corporation, Kaichem International Corporation, Mitsui & Co., Inc., and Occidental Chemical Agricultural Products, Inc.

William O'Neill, Vice President, ContiChem, Inc.

Bruce Malashevich, Vice President and Economist

Richard O. Cunningham)
Susan G. Esserman)--OF COUNSEL

APPENDIX C

COMPARISON OF NITROGEN USAGE, UREA USAGE, AND ACREAGE PLANTED IN CORN, WHEAT, COTTON, AND RICE

Comparison of U.S. Nitrogen Usage, Urea Usage, and Acreage Planted in Corn, Wheat, Cotton, and Rice

As shown in the figure on the following page, there has been a relatively high correlation (r = 0.90) between total U.S. nitrogen fertilizer usage and the U.S. acreage planted in four crops with high nitrogen requirements (corn, wheat, cotton, and rice) 1/ during the last 10 years. However, the correlation during this period between urea usage and acreage planted in these crops has been poor (r = -0.20) and, likewise, the correlation between urea usage and total nitrogen usage is also poor (r = 0.11). 2/

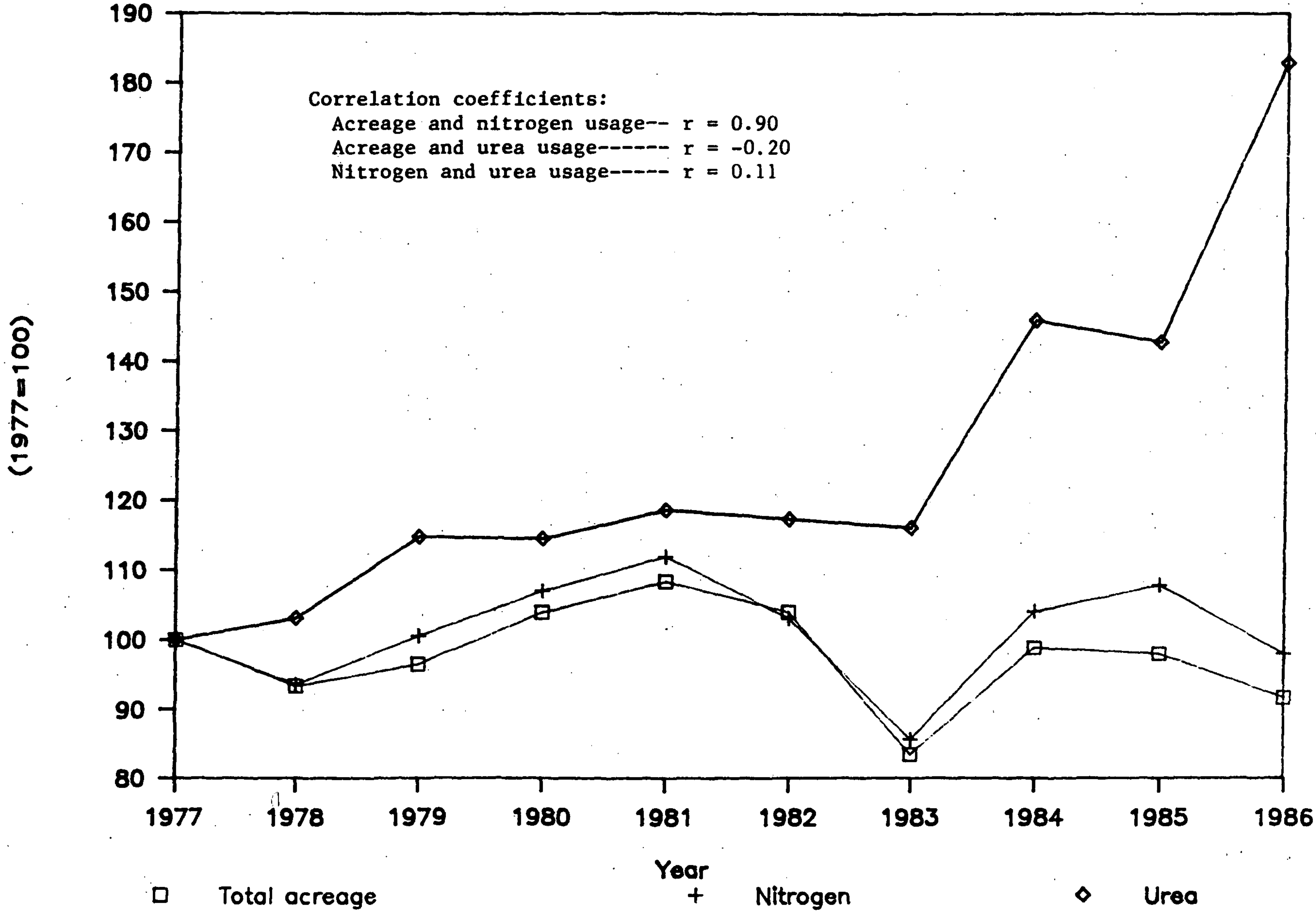
During 1984-86, 3/ U.S. acreage planted in the four crops declined steadily, by a total of 7 percent. The Department of Agriculture analyst estimates that the planted acreage will decline again in 1987, by about 10 percent.

1/ According to Paul Andrilenas of the U.S. Department of Agriculture, nitrogenous fertilizers used on these four crops account for 75 to 80 percent of all such fertilizers consumed (conversation with Commission staff on Apr. 22, 1987).

2/ A number of factors can influence the selection of a specific nitrogenous fertilizer, such as relative prices and the availabilility of equipment required for application. For example, acreage planted fell by 23 percent from 1981 to 1983 (reportedly due in part to the Government's Payment-In-Kind (PIK) program) and total nitrogen usage fell by that same amount. Urea usage, however, fell by only 2 percent. The price of urea (on a nutrient basis) increased less than did prices of other nitrogenous fertilizers in 1982 and in 1983, the price of urea fell somewhat more than did prices of other nitrogenous fertilizers (9 percent versus 4 to 7 percent). A similar situation occurred in 1986, when acreage planted fell by 6 percent, total nitrogen usage fell by 9 percent, and urea usage rose by 28 percent. Urea prices fell by about 14 percent in 1986, while prices for other nitrogenous fertilizers fell by 6 to 9 percent.

3/ Acreage data are on a crop-year basis, running from July through June.

Comparison of nitrogen usage, urea usage, and acreage planted in corn, wheat, cotton, and rice, 1977-86



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

APPENDIX D

UREA CAPACITY IN THE UNITED STATES

NFDC

TVA/OACD-86/12
Bulletin Y-195
October 1986

ATIONAL FERTILIZER
DEVELOPMENT CENTER
Tennessee Valley Authority
Muscle Shoals, Alabama 35660

Nitrogen Solutions

Company	Location	Plant Status	1984	1985	1986	1987	1988	1989	IDF
			(thousand short tons material)						
		United States							
Cominco	Beatrice, NE	OPR	-	510	510	510	510	510	510
CPEX, Inc.	St. Helens, OR	OPR	-	-	60	60	60	60	60
	Beatrice, NE	OPR	-	-	165	165	165	165	165
	Kennewick, WA	OPR	-	-	160	160	160	160	160
Farmland Industries	Dodge City, KS	OPR	210	210	210	210	210	210	210
	Lawrence, KS	OPR	170	170	170	170	170	170	170
Goodpasture, Inc.	Dimmitt, TX	OPR	90	90	90	90	90	90	90
W. R. Grace & Co.	Wilmington, NC	OPR	230	230	230	230	230	230	230
Hawkeye Chemical Co.	Clinton, IA	OPR	175	175	175	175	175	175	175
Kaichem International	Bainbridge, GA	OPR	-	35	35	35	35	35	35
	Savannah, GA	OPR	-	330	330	330	330	330	330
	Marseilles, IL	OPR	-	380	380	380	380	380	380
	North Bend, OH	OPR	-	240	240	240	240	240	240
Kaiser Ag Chemicals	Savannah, GA	SLD	330	-	-	-	-	-	-
	North Bend, OH	SLD	240	-	-	-	-	-	-
	Bainbridge, GA	SLD	155	-	-	-	-	-	-
	Marseilles, IL	SLD	380	-	-	-	-	-	-
LaRoche Industries	Cherokee, AL	OPR	-	-	-	65	65	65	65
	Crystal City, MO	OPR	-	-	-	65	65	65	65
Mississippi Chemical Corp.	Yazoo City, MS	EXP	450	450	450	450	450	450	450
N-Ren Corp.	East Dubuque, IL	OPR	230	230	230	230	230	230	230
	Pine Bend, MN	EXP	80	80	80	80	80	80	80
	Pryor, OK	OPR	51	51	51	51	51	51	51
Phillips Pacific Chemical	Kennewick, WA	SLD	160	160	-	-	-	-	-
Phillips Petroleum	Beatrice, NE	SLD	165	165	-	-	-	-	-
Reichhold Chemicals	St. Helens, OR	SLD	60	60	-	-	-	-	-
Sabar Chemical Corp.	Gibbstown, NJ	UCT	-	-	250	250	250	250	250
J. R. Simplot	Pocatello, ID	OPR	230	230	230	230	230	230	230
	Helm, CA	OPR	129	129	129	129	129	129	129
Standard Oil Co.	Lima, OH	OPR	140	140	140	140	140	140	140
Tennessee Valley Authority	Muscle Shoals, AL	OPR	100	100	100	100	100	100	100
Terra Chemicals	Port Neal, IA	EXP	238	238	238	238	238	238	238
	Woodward, OK	OPR	270	270	270	270	270	270	270
Trademark Fertilizers	Tampa, FL	OPR	85	85	85	85	85	85	85
Unocal	Brea, CA	OPR	100	100	100	100	100	100	100
	West Sacramento, CA	OPR	200	200	200	200	200	200	200
USX Corp.	Crystal City, MO	SLD	65	65	65	-	-	-	-
	Cherokee, AL	SLD	65	65	65	-	-	-	-
Wycon Chemical Co.	Cheyenne, WY	OPR	55	55	55	55	55	55	55
Total United States			9,524	9,914	10,164	9,964	9,964	9,964	9,964
		Canada							
CIL, Inc.	Courtright, ON	OPR	175	175	175	175	175	175	175
	Beloeil, PQ	OPR	50	50	50	50	50	50	50
Cyanamid of Canada	Welland, ON	OPR	120	120	120	120	120	120	120
Nitrochem	Maitland, ON	OPR	50	50	50	50	50	50	50
J. R. Simplot	Brandon, MB	OPR	130	130	130	130	130	130	130
Total Canada			525	525	525	525	525	525	525
Total North America			10,049	10,439	10,689	10,489	10,489	10,489	10,489

Urea

Company	Location	Plant Status	1984	1985	1986	1987	1988	1989	IDF
		United States							
Agrico Chemical Co.	Blytheville, AR	IDL	350	350	-	-	-	-	-
	Donaldsonville, LA	EXP	270	270	270	270	270	270	270
	Verdigris, OK	OPR	500	500	500	500	500	500	500
Air Products & Chemical	Pace Junction, FL	OPR	23	23	23	23	23	23	23
Allied Corp.	Laplatte, NE	SLD	132	-	-	-	-	-	-
	Geismar, LA	SLD	306	-	-	-	-	-	-
American Cyanamid	Fortier, LA	OPR	145	145	145	145	145	145	145
Arcadian Corp.	Geismar, LA	OPR	-	306	306	306	306	306	306
	Laplatte, NE	OPR	-	132	132	132	132	132	132
Atlas Chemical Co.	Joplin, MO	CLS	70	70	-	-	-	-	-
Borden Chemical Co.	Geismar, LA	OPR	215	215	215	215	215	215	215
CF Industries, Inc.	Donaldsonville, LA	OPR	885	885	885	885	885	885	885

Urea

Company	Location	Plant Status	1984	1985	1986	1987	1988	1989	IDF
			(thousand short tons material)						
		United States							
Chevron Chemical Co.	Kennewick, WA	OPR	70	70	70	70	70	70	70
Columbia Nitrogen	Augusta, GA	OPR	410	410	410	410	410	410	410
Cominco	Borger, TX	OPR	85	85	85	85	85	85	85
CPEX, Inc.	St. Helens, OR	OPR	-	-	110	110	110	110	110
	Beatrice, NE	OPR	-	-	58	58	58	58	58
	Kennewick, WA	OPR	-	-	43	43	43	43	43
Farmland Industries	Fort Dodge, IA	OPR	-	70	70	70	70	70	70
	Enid, OK	OPR	340	340	340	340	340	340	340
	Lawrence, KS	OPR	240	240	240	240	240	240	240
Goodpasture, Inc.	Dimmitt, TX	OPR	24	24	24	24	24	24	24
W. R. Grace & Co.	Woodstock, TN	EXP	385	385	385	385	385	385	385
Hawkeye Chemical Co.	Clinton, IA	EXP	61	61	61	61	61	61	61
Kaichem International	North Bend, OH	OPR	-	80	80	80	80	80	80
Kaiser Ag Chemicals	Pryor, OK	CLS	180	180	-	-	-	-	-
LaRoche Industries	Cherokee, AL	OPR	-	-	-	96	96	96	96
Mississippi Chemical Corp.	Yazoo City, MS	EXP	153	153	153	153	153	153	153
N-Ren Corp.	East Dubuque, IL	EXP	125	125	125	125	125	125	125
	Pryor, OK	OPR	27	27	27	27	27	27	27
Olin Corp.	Lake Charles, LA	OPR	170	170	170	170	170	170	170
Phillips Pacific Chemical	Kennewick, WA	SLD	43	43	-	-	-	-	-
Phillips Petroleum	Beatrice, NE	SLD	58	58	-	-	-	-	-
Reichhold Chemicals	St. Helens, OR	SLD	110	110	-	-	-	-	-
J. R. Simplot	Pocatello, ID	OPR	50	50	50	50	50	50	50
Standard Oil Co.	Lima, OH	EXP	390	390	390	390	390	390	390
Tennessee Valley Authority	Muscle Shoals, AL	EXP	102	102	102	102	102	102	102
Terra Chemicals	Port Neal, IA	EXP	255	255	255	255	255	255	255
	Woodward, OK	OPR	83	83	83	83	83	83	83
Triad Chemical	Donaldsonville, LA	OPR	420	420	420	420	420	420	420
Unocal	Kenai, AK	OPR	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Brea, CA	EXP	120	120	120	120	120	120	120
USX Corp.	Cherokee, AL	SLD	96	96	96	-	-	-	-
Wycon Chemical Co.	Cheyenne, WY	OPR	50	50	50	50	50	50	50
Total United States			7,943	8,093	7,493	7,493	7,493	7,493	7,493
		Canada							
Anic Agricoltura (ENI)	Becancour, PQ	IDF	-	-	-	-	-	-	580
Canadian Fertilizers, Ltd.	Medicine Hat, AB	OPR	480	480	480	480	480	480	480
CIL, Inc.	Courtright, ON	EXP	176	176	176	176	176	176	176
Cominco	Calgary, AB	OPR	77	77	77	77	77	77	77
	Carseland, AB	EXP	480	480	480	480	590	590	590
Cyanamid of Canada	Welland, ON	OPR	99	99	99	99	99	99	99
Esso Chemicals	Redwater, AB	OPR	542	542	542	542	542	542	542
Sherritt-Gordon Mines	Ft.Saskatchewan, AB	OPR	428	428	428	428	428	428	428
J. R. Simplot	Brandon, MB	EXP	170	170	170	170	170	170	170
Total Canada			2,452	2,452	2,452	2,452	2,562	2,562	3,142
Total North America			10,395	10,545	9,945	9,945	10,055	10,055	10,635

Phosphate Rock

Company	Location	Plant Status	1984	1985	1986	1987	1988	1989	IDF
		United States							
Agrico Chemical Co.	Fort Green, FL	OPR	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Payne Creek, FL	OPR	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	Saddle Creek, FL	CLS	1,500	1,500	-	-	-	-	-
Amax Corp.	Big Four, FL	CLS	2,500	2,500	-	-	-	-	-
Beker Industries	Dry Valley, ID	EXP	1,500	1,500	1,500	1,500	1,500	1,500	1,500
	Wingate Creek, FL	OPR	1,500	1,500	1,500	1,500	1,500	1,500	1,500
		IDF	-	-	-	-	-	-	500
Brewster Phosphates	Brewster, FL	SLD	6,300	6,300	-	-	-	-	-
CF Industries, Inc.	Hardee County, FL	OPR	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Chevron Chemical Co.	Vernal, UT	OPR	750	750	750	750	750	750	750
		PLN	-	-	-	1,250	1,250	1,250	1,250
Cominco	Garrison, MT	OPR	275	275	275	275	275	275	275
Estech, Inc.	Watson Mine, FL	OPR	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Farmland Industries	Hickory Creek, FL	IDF	-	-	-	-	-	-	2,000
Florida Phosphate Corp.	Lakeland, FL	OPR	120	120	120	120	120	120	120

APPENDIX E

U.S. UREA PRODUCERS' DESCRIPTIONS OF THE ACTUAL AND POTENTIAL NEGATIVE EFFECTS OF IMPORTS FROM THE COUNTRIES SUBJECT TO THESE INVESTIGATIONS ON FIRMS' GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL.

Capital and Investment.--The Commission asked U.S. producers to describe any actual or potential negative effects of imports of Urea from East Germany, Romania, and the U.S.S.R. on their operations. The responses of those producers whose data were included in the financial section are shown below:

*   *   *   *   *   *   *

APPENDIX F

WEIGHTED-AVERAGE NET U.S. F.O.B. SELLING PRICES OF THE SUBJECT DOMESTIC AND IMPORTED UREA FROM EAST GERMANY, ROMANIA, AND THE U.S.S.R. REPORTED BY U.S. PRODUCERS AND IMPORTERS

Table F-1.--U.S.-produced urea: Net f.o.b. selling prices of bulk shipments of domestic urea sold from U.S. plants, by types, by modes of shipment and by months, January 1985 to December 1986

* * * * * * *

Table F-2.--Urea: Net f.o.b. (U.S. locations) selling prices of bulk shipments of the U.S. prilled urea sold from U.S. plants and East German prilled urea sold from the importers' ports of entry, by modes of shipment and by months, January 1985 to December 1986

* * * * * * *

Table F-3.--Urea: Net f.o.b. (U.S. locations) selling prices of bulk shipments of the U.S. prilled urea sold from U.S. plants and Romanian prilled urea sold from the importers' U.S. warehouses, by modes of shipment and by months, March 1985 to December 1986

* * * * * * *

Table F-4.--Urea: Net f.o.b. (U.S. locations) selling prices of bulk shipments of t U.S. prilled urea sold from U.S. plants and the U.S.S.R. prilled urea sold from th importers' ports of entry or U.S. warehouses, by modes of shipment and by months, February 1985 to December 1986

* * * * * * *