

UNITED STATES TARIFF COMMISSION

CADMIUM FROM JAPAN

Determination of Injury in
Investigation No. AA1921-93
Under the Antidumping Act, 1921, as Amended



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UNITED STATES TARIFF COMMISSION

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[AA1921-93]

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On March 23, 1972, the Tariff Commission received advice from the Treasury Department that cadmium from Japan is being, or is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. ^{1/} In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-93 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held on May 16, 1972. Notice of the investigation and hearing was published in the Federal Register of March 31, 1972 (37 F.R. 6607).

In arriving at a determination in this case, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

^{1/} Notice of the Treasury Department's determination of sales at less than fair value and the reasons therefor were published in the Federal Register of Mar. 24, 1972 (37 F.R. 6121).

On the basis of the investigation, the Commission 1/ has unanimously determined that an industry in the United States is being injured by reason of the importation of cadmium from Japan sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons

In this investigation, the Commission has made an affirmative determination because sales of Japanese cadmium at less than fair value (LTFV) have sharply penetrated the U.S. market and contributed to a severe depression of domestic prices, thereby causing injury to an industry in the United States. In making its determination, the Commission has considered the domestic industry to consist of the facilities of the domestic producers devoted to the production of cadmium. In recent years, cadmium has been produced in the United States by several producers of primary slab zinc as a by-product of their zinc operations. Cadmium, a scarce silver-white metal that is used chiefly in electroplating metal articles, is present in minute quantities in most zinc ores. Cadmium-bearing materials are extracted as impurities during the smelting and refining of such ores; these cadmium-bearing materials can then be further refined to yield cadmium metal.

1/ Commissioner Young did not participate in the determination.

Sales at less than fair value

The Treasury Department investigated sales of cadmium from Japan to the United States during the period September 1970 through February 1971. The Treasury's investigation disclosed that a large part of U.S. imports of cadmium from Japan were sold at less than fair value. The margin by which the LTFV cadmium was sold below fair value varied widely, but was substantial for most of the LTFV sales.

Market penetration

The United States has imported cadmium from Japan for some years. The volume of the annual imports has fluctuated, but Japan has not generally supplied a large share of the U.S. supply (shipments by domestic producers plus imports). In the late 1960's, for example, the share of annual U.S. supply accounted for by Japanese cadmium ranged from 1 percent in 1969 to 5 percent in 1968. In the last half of 1970, however, Japan's penetration of the U.S. cadmium market increased suddenly. While Japanese cadmium accounted for 2 to 3 percent of U.S. supply in each of the first two quarters of the year, it represented 12 percent in the third quarter and 26 percent in the fourth quarter. Imports from Japan amounted to 565,000 pounds in the fourth quarter of 1970, an amount that exceeded by far imports from that country in all of 1969. The heavy imports of cadmium from Japan continued into the first quarter of 1971, when they amounted to 532,000 pounds and represented 19 percent of U.S. supply. Conversely, domestic producers saw their market share diminish to about 50 percent during the

fourth quarter of 1970 and 65 percent during the first quarter of 1971, compared with 92 percent in 1969. After the first quarter of 1971, the imports from Japan decreased steadily during the remainder of the year, subsequent to filing of the dumping complaint with Treasury. Thus, Japanese cadmium producers achieved a sudden marked penetration into the U.S. market during the period when Treasury found sales at less than fair value, but then sharply reduced sales to the United States when a dumping complaint was filed.

Price depression and market disruption

The sudden foray of Japanese cadmium into the U.S. market beginning in the last half of 1970 was achieved by dint of severe price discounting and underselling in the U.S. market. In the first half of 1970, Japanese cadmium was being sold in the United States at historically high prices (in the neighborhood of \$4.00 per pound) which were generally equivalent to or higher than the prices at which domestic cadmium and cadmium from other foreign sources were being sold. In the last half of 1970, prices of Japanese cadmium in the United States dropped precipitously, dipping below \$2.00 per pound on some sales by the end of the year. Japanese cadmium, moreover, generally undersold the domestic product in the late months of 1970, sometimes by as much as 23 percent of the price for domestic cadmium. These pricing circumstances generally prevailed during the early part of 1971; Japanese cadmium was priced at or below \$2.00 per pound, and generally undersold domestic cadmium. In substantial measure, the low Japanese prices were

made possible by the LTFV margin that existed for sales of Japanese cadmium to the United States in the last part of 1970 and early part of 1971. Although the price of Japanese cadmium has remained at a low level during the latter part of 1971 and early 1972, sales to the United States, likely as a result of the antidumping investigation, have been greatly curtailed.

The decline in the price of Japanese cadmium and the underselling of domestic cadmium in the U.S. market coincided with a sharp reduction in demand for cadmium. The inevitable effect on the market prices of U.S. cadmium was a significant erosion of the prices of domestic cadmium which began in August 1970, when U.S. purchasers first reported buying Japanese cadmium at lower prices than were being paid for the domestic product. In that month, the domestic producers reduced their posted price of \$4.00 per pound (which had prevailed since late in 1969) to \$3.25 per pound. By the end of 1970, the posted price of domestic producers was down to \$2.25 per pound, a bit over half what it had been 5 months earlier. In early 1971 prices stabilized, but remained at a low level. After easing further in mid-year, prices rose late in 1971 and early 1972 beginning at about the time that appraisement of entries of Japanese cadmium was withheld. The price erosion in the domestic price structure for cadmium in 1970 and 1971 undoubtedly reflected in considerable measure the soft market of those years; U.S. consumption of cadmium in both years was only two-thirds of 1969. Nevertheless, the aggressive pricing of LTFV Japanese cadmium in the U.S. market in substantial measure contributed to the disastrous price reductions that occurred.

As a result of the severe price declines and sharply reduced sales of cadmium, the domestic producers have experienced increasing inventories and deteriorating profits. While producers' stocks of cadmium had been less than one million pounds at the close of 1968 and 1969, they increased to 3.3 million pounds at the close of 1970 and 4.2 million pounds in mid-1971. Although the producers curtailed operations during those years, the lack of sales forced the inventory accumulation. The producers' financial experience on their cadmium operations also eroded in 1970 and 1971. Where returns on their cadmium-producing operations had been improving during the years immediately preceding 1970, a significant downturn occurred in profit ratios in that year, and a further drastic drop occurred during 1971.

Conclusion

The sales of LTFV cadmium from Japan have been important factors contributing to price depression and market instability in the United States, with the associated adverse effects on the operations of the domestic industry. Accordingly, we determine that, within the meaning of the Antidumping Act, 1921, an industry in the United States is being injured by reason of the importation of cadmium from Japan sold at less than fair value.