UNITED STATES TARIFF COMMISSION

IRON AND SPONGE IRON POWDERS (EXCLUDING ALLOY POWDERS) FROM CANADA

Determination of No Injury or Likelihood Thereof in
Investigation No. AA1921-136
Under the Antidumping Act, 1921,
as Amended

TC Publication 642
Washington, D.C.
January 1974

UNITED STATES TARIFF COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
J. Banks Young
Italo H. Ablondi

Kenneth R. Mason, Secretary to the Commission

Address all communications to

United States Tariff Commission

Washington, D.C. 20436

UNITED STATES TARIFF COMMISSION
Washington, D.C.

January 18, 1974

AA1921-136

IRON AND SPONGE IRON POWDERS (EXCLUDING ALLOY POWDERS) FROM CANADA

Determination of No Injury

The Treasury Department advised the Tariff Commission on October 18, 1973, that iron and sponge iron powders (excluding alloy powders) from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 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. AA1921-136 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.

Notice of the institution of the investigation was published in the Federal Register of November 2, 1973 (38 F.R. 30307). With its announcement of the investigation, the Tariff Commission scheduled public hearings in connection therewith to begin December 11, 1973.

In arriving at its determination, 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.

On the basis of its investigation, the Commission 1/ has determined, by a vote of 3 to 2, 2/ that an industry in the United States is not being and is not likely to be injured, and is not prevented from being established, by reason of the importation of iron and sponge iron powders (excluding alloy powders) from Canada that are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act of 1921, as amended.

1/ Commissioner Young did not participate in the decision.
2/ Chairman Bedell, Vice Chairman Parker, and Commissioner Moore determined in the negative. Commissioners Leonard and Ablondi determined in the affirmative.

Statement of Reasons for Negative Determination of Chairman Bedell, Vice Chairman Parker and Commissioner Moore

In our opinion, an industry in the United States is not being or is not likely to be injured 1/ by reason of the importation of iron and sponge iron powders (excluding alloy powders) from Canada that is being, or is likely to be sold at less than fair value (LTFV) within the meaning of the Antidumping Act of 1921, as amended. In making such determination, we have considered the U.S. industry to consist of those facilities in the United States engaged in the production of iron and sponge iron powders (excluding alloy powders).

Three types of iron and sponge iron powders are produced domestically: molding powder, welding powder, and powder for specialty applications. The U.S. industry consists of five firms, which currently manufacture only one or two of these types. One domestic producer, for example, provides only molding powder; while two others supply only specialty powders.

In the period covered by the Treasury investigation, there were two Canadian suppliers of iron and sponge iron powders to the United States, Quebec Metal Powders (July 1972 through January 1973) and Domtar, Ltd. (July 1972 through December 1972). Although the iron and sponge iron powders imported from Canada found to have been sold, or likely to be sold, at LTFV are comparable to the powders produced and sold by U.S. manufacturers, powders for the

---

1/ Prevention of the establishment of an industry is not an issue in the instant case.

same use when produced by different manufacturers are made by different processes and are not exactly alike. Almost two-thirds of the quantity of powders consumed in the United States are used in the production of parts for machines and other equipment. These parts are generally designed to use a powder from a particular source and cannot be made from another powder without expensive retooling. Based on the evidence developed by the Commission, it is clear that the bulk of Canadian LTFV imports were sold in low compressibility grades not directly competitive with the bulk of domestically produced iron and sponge iron powders.

Shipments of domestically manufactured iron and sponge iron powders have followed the same trend as apparent consumption in recent years. Consumption of such powders declined 13 percent during 1970-1971. From the late 1960's through this period domestic producers suffered from an overcapacity resulting from their having increased capacity to supply anticipated market growth which did not materialize. This condition would have existed even without Canadian imports entering the U.S. market.

In 1970 the serious oversupply in the U.S. market was aggravated by a cut-back of nearly 20 percent in automotive sales and labor disputes in the automotive industry, a major user of iron and sponge iron powders, as well as the general economic recession of 1970-71, resulting in decreased demand for iron and sponge iron powders.

Between 1970 and early 1972 three domestic producers terminated production of iron and sponge iron powders, two of them as a result of plant disasters and a third as a result of unprofitable operations.

During this same period, when some Canadian imports sold at prices below those of the U.S. producers, there is no persuasive evidence indicating either the existence of LTFV sales or an injury to the U.S. industry by reason of such sales in view of the falling demand resulting from the producers' overcapacity, a market oversupply, and a general economic recession.

During 1972-73, however, the anticipated growth in the iron and sponge iron powders market materialized as record automobile production led to major increases in iron and sponge iron powder usage. In 1972, the year in which the Treasury Department found imports sold at LTFV, consumption increased 15 percent over 1971 as domestic shipments increased by 12,000 tons over 1971. Domestic producers' 1972 inventories, which had been built up from earlier years, were reduced to the lowest level since 1967 and the profit and loss experience of the industry had substantially improved over earlier years. By December of 1972 there were indications that supplies of iron and sponge iron powders were becoming in short supply and a price recovery had been established.

In 1973 consumption outran supplies, prices advanced sharply and users were placed on allocation. During both 1972 and 1973 there is little evidence of price suppression and lost sales, if any, suffered by the U.S. industry to LTFV Canadian imports were both scattered and influenced by the commercial grade of the powder offered by the dominant Canadian producer.

Considering all of the evidence developed during this investigation, any injury suffered by reason of the imports of iron and sponge iron powders sold at LTFV is minimal. With regard to the likelihood of future injury, existing market conditions, including capacity operations by U.S. producers with high prices assured, remove any foreseeable threat of such injury. Moreover, the dominant Canadian exporter of iron and sponge iron powders to the United States has offered assurances to the Treasury Department that LTFV sales will not reoccur. In fact, in March of 1973, this supplier discontinued its quantity discount price sheet for large customers which had resulted in the Treasury Department's LTFV finding. Following the removal of these quantity discounts and up to the present time sales of the Canadian imports were at full price and, in January 1974, this price was increased by 20 percent.

On the basis of the foregoing, we have determined that an industry in the United States is not being or is not likely to be injured by reason of the importation of iron and sponge iron powders from Canada at less than fair value.

Statement of Reasons for Affirmative Determination
by Commissioners Leonard and Ablondi

The Antidumping Act, 1921, as amended, requires that the Tariff Commission find two conditions satisfied before an affirmative determination can be made.

First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established. 1/ Second, such injury, or likelihood of injury, must be by "reason of" the importation into the United States of the class or kind of foreign merchandise the Secretary of the Treasury determined is being, or is likely to be, sold at less than fair value (LTFV).

In our judgment, both of the aforementioned conditions are satisfied in the instant case. Accordingly, for the reasons set forth below, we have determined that an industry in the United States is being, or is likely to be, injured by reason of imports of Canadian iron and sponge iron powders sold at LTFV.

Treasury's determination

The Treasury Department's investigation covered imports entered by two Canadian firms over a period of from July 1972 through December 1972 and July 1972 through January 1973. The investigation showed that both firms investigated, Quebec Metal Powders, Ltd. (QMP) and Domtar, Ltd. (Domtar), made sales at LTFV; imports entered by these firms accounted

---

1/ Prevention of establishment of an industry is not an issue in this investigation and will not be treated with further.

for 100 percent of Canadian exports to the United States and 95 percent of those imports examined by Treasury were found to have been sold at LTFV. The less-than-fair-value margins on such imports were found to be as high as 68 percent and amounted to a very substantial 23 percent on a weighted average basis as calculated by the Tariff Commission.

The domestic industry

For the purposes of this investigation, the most relevant industry is considered to be the facilities in the United States used for the production of iron and sponge iron powders. While particular production processes differ greatly from producer to producer, the end product appears to be comparable and interchangeable to such a degree that the Canadian product, when sold at LTFV, affected the price and sales of all of the domestic iron and sponge iron powder.

Market penetration of the Canadian imports of iron and sponge iron powder

In 1968, QMP announced its intention to enter the U.S. market with a capacity of 70,000 tons commencing in 1969 and began soliciting orders at prices below those prevailing in the market. Iron and sponge iron powder imports for consumption from Domtar 1/ and QMP increased annually from 4.6 percent in 1969, the year QMP entered the market, to over 25 percent in 1972, and, by September 1973, these imports had increased to an historic high of over 33 percent.

1/ Domtar had been an earlier exporter of iron powders to the United States, however, at quantity levels considerably below those of QMP.

Specifically, LTFV imports during the period of the Treasury's investigation more than doubled over those in the same period of the preceding year, and penetration of the market by the Canadian imports increased by nearly 5 percent in that 6-month period. 1/ It was the LTFV nature of the sales which enabled the two Canadian producers to increase their share by 60 percent of a growing market because confidential pricing information obtained by the Commission showed that, had iron powders from QMP and Domtar been priced at fair value without the benefit of the LTFV margin, such powders would have been priced considerably above the powder of U.S. producers and thus would not have had an important competitive advantage. No doubt, the large increase in penetration of the U.S. market in a short period of time took potential sales from U.S. producers, especially since there were few imports from other countries and such other imports were mostly for special applications.

Prices and profits

Iron and sponge iron powder prices were significantly depressed in 1970 and by mid-1973 had not recovered to the levels that existed before 1970. A major increase in Canadian imports accompanied declining prices in 1970, and imports continued to increase during the 1970-73 period of depressed prices.

1/ It is the opinion of Commissioner Leonard that, while any injury to a U.S. industry that occurred outside of the period of Treasury's investigation cannot definitely be said to result from the LTFV imports, if such injury continues into the period of Treasury's investigation, that is sufficient for an affirmative determination under the Antidumping Act, providing the requisite causation is established. In other words, the injury does not have to begin during the LTFV period.

During the period January 1971 to March 1973, the dominant Canadian supplier offered a quantity price discount which resulted in Treasury's LTFV finding as home market customers did not buy sufficient quantities to qualify for the discount. Such LTFV sales in a period of economic recession and overcapacity within the industry kept the domestic producers' prices down below levels which had remained stable and profitable from 1963-68. In middle and late 1972, prices on imported iron and sponge iron powders from Canada continued to drop, and the result was a further depression of producers' price levels.

LTFV imports were found by Treasury during a portion of the period of depressed prices and were a cause of such depressed prices for at least the length of time during which such LTFV imports occurred.

U.S. producers of iron and sponge iron powders operated at a loss as a result of the depressed prices during the 1970-73 period. As has been shown, the depressed prices occurred at least in part as a result of the LTFV imports. Thus, so did the domestic producers' losses.

Conclusion

In summary, the competitive edge gained by the iron and sponge iron powders from Canada being sold and offered for sale at LTFV enabled such imports to make sizable inroads into the U.S. market at the expense of the U.S. producers through reduced prices, lost sales, and thus operating losses. The U.S. iron and sponge iron powder industry is injured and an identifiable cause of that injury is iron and sponge iron powder from Canada sold at LTFV.